BUS-123 Spring 2014 | Common Stock Valuation | Name: ________________
Instr: F. Paiano | Worksheet 2 | Chap 6 Handout

1) The price of The Walt Disney Company (DIS) is currently around $80 per share. Their earnings per share (EPS) is $3.64. Their 5-year average P/E is 18. If Disney's earnings per share are expected to grow at 12% next year, what would you expect their price to be next year?

2) Disney's cash flow per share (CFPS) is currently $5.35 per share. Their 5-year average Price-to-Cash Flow per Share ratio is 13. If we expect their cash flow per share to grow by 10% next year, what would you expect their price to be next year?

3) Finally, Disney's sales per share (SPS) is currently $22.32 per share. Their 5-year average Price-to-Sales per Share ratio is 3.1. If we expect their sales per share to grow by 8% next year, what would you expect their price to be next year?

4) Centerpoint Energy (CNP) is currently selling for around $24.50 per share. It is has been consistently paying $0.95 in dividends. If our expected rate of return is 5%, how much would we be willing to pay for the stock? Would we consider the stock a good investment at $24.50 per share?

5) Waste Management, Inc. (WM) is currently selling for around \$41 per share and paying \$1.46 per year in dividends. The company has been growing the dividend at a constant rate at 6%. Our expected rate of return is 10%. At what price would we consider Waste Management, Inc. to be a good investment?

6) Yum! Brands (YUM – they own KFC, Taco Bell, & Pizza Hut) is currently selling for around \$73 per share. The dividends for the next three years are expected to be \$1.48 for 2014, \$1.58 for 2015, and \$1.70 for 2016. We forecast the price per share to be approximately \$96 at the end of 2016. If we desire a rate of return of 11%, using the Discounted Cash Flow Model, would we consider this a good investment?

7) The price of Biolase Technology (BIOL) is currently around \$3 per share. The company is currently losing money and pays no dividends. But it has patents on teeth cleaning and whitening technologies that should be very popular and profitable in the future. The average of the analysts's estimates for the stock price next year is \$4. We estimate that the price will be approximately \$6 per share in five years. If our desired rate of return is 14%, would this be a good buy?