**STOCK VALUATION CONCEPTS**

Predicting stock at $70 is a year

Dividend = $10 per share

Return Expectation = 25%

PV=?

PV = ($10 + 70 ) / 1.25 = $64

**INTRINSIC VALUE**

Beta concept – CAPM to determine the expected return – Intrinsic Value Method

**DIVIDEND GROWTH MODEL**

P = D x (1+g) / (R - g) id one year from now

D= $2.30

R = 13.%

g = 5 %

2.30 x (1.05) / (.13 - .05) = 2.415 / ,08 = $30.19

For 5 years out

2.30 x (1.05)^5 = 2.935

2.935 x 1.05) / (.13 - .05) = 3.0822 / .08 = $38.53

**DCF:**

P = D1/(1+ R)^1 + (D2/(1+R)^2 + (D3/(1+R)^3……..

1 /1.10 + 2/1.10^2 + 2.5/1.10^3 + 52.50/1.10^3

= $43.88

R = Dividend Yield = Capital Gain Yield

R D1/P + g

R = 1/20 + 10% = 5% + 10% = 15% - stock expected return of 15%

P = D1 x (1+g) / (R – g ) = 1 x 1.10 / (.15 - .10 ) = $22 or $20 x 1.1

**USING MULTIPLES**

Price at Time t = P = Benchmark PE Ratio x EPS