

Two-Stage Dividend Discount Model

Output from the program

Cost of Equity =	12.23%
Net Income =	\$2,025
Earnings per Share =	\$3.51
Growth rate in EPS =	17.31%
Payout Ratio for high growth phase=	42.31%

The dividends for the high growth phase are shown below (upto 10 years)

	1	2	3	4	5
Expected Growth Rate	17.31%	17.31%	17.31%	17.31%	17.31%
Earnings per share	\$4.12	\$4.83	\$5.67	\$6.65	\$7.80
Payout ratio	42.31%	42.31%	42.31%	42.31%	42.31%
Dividends per share	\$1.74	\$2.04	\$2.40	\$2.81	\$3.30
Cost of Equity	12.23%	12.23%	12.23%	12.23%	12.23%
Cumulative Cost of Ec	112.23%	125.94%	141.34%	158.62%	178.01%
Present Value	\$1.55	\$1.62	\$1.70	\$1.77	\$1.85

Growth Rate in Stable Phase =	6.00%
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Payout Ratio in Stable Phase =	80.00%
Cost of Equity in Stable Phase =	11.40%
Price at the end of growth phase =	\$201.53

Present Value of dividends in high growth phase =	\$22.72
Present Value of Terminal Price =	\$65.02
Value of the stock =	\$87.74

Estimating the value of growth

Value of assets in place =	\$9.65
Value of stable growth =	\$11.94
Value of extraordinary growth =	\$66.14
Value of the stock =	\$87.74

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6	7	8	9	10		
15.05%	12.78%	10.52%	8.26%	6.00%		
\$8.97	\$10.12	\$11.18	\$12.11	\$12.83		
49.85%	57.38%	64.92%	72.46%	80.00%		
\$4.47	\$5.81	\$7.26	\$8.77	\$10.27		
12.06%	11.90%	11.73%	11.57%	11.40%		
199.48%	223.21%	249.39%	278.23%	309.95%		
\$2.24	\$2.60	\$2.91	\$3.15	\$3.31		

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