

## Using the G-Model to Calculate the Market-Implied Growth Rate of a Company



### ABOUT STOCKVAL

Since 1985, StockVal has offered comprehensive equity analysis and portfolio management tools to the investment management community through distinctive software and database products.

One of the many new enhancements clients can look forward to in our 11.5 release is the ability to quickly and easily view the Market-Implied Growth Rate of various companies. This can be done either graphically while using the G-Model or in a tabular format in StockSelect.

Users have always had the ability to graphically manipulate the assumed long-term growth rate until the current appreciation potential equals zero, but now it is even easier with the addition of the MIG Button found in the Net-Line Tool Box. Users can also find the MIG button in the Net Line Operations Menu listed under the G-Model.

In the example below, we can see that the market is pricing Harley-Davidson as an 8% grower. We can also check that Growth Rate against the Revenue Growth Rate found in the Prospective Growth and Margin Check page.



USING THE G-MODEL TO CALCULATE THE MARKET-IMPLIED GROWTH RATE OF A COMPANY

Prospective Growth & Margin Check												StockVal®	
HARLEY-DAVIDSON INCORPORATED (HDI)												Earnings Adjustments	
Price 58.850 11/12/04													
Quarter	Revenue	Percent Change				Actual EPS	Year Ago	Profit Margin %	SF	Momentum %			
		REV	RPS	EARN	EPS					REV	EPS	EPS	
Dec 02	1,026.5	13	13	25	26	0.49	0.39	14.6	+1	+12	+22		
Mar 03	1,113.7	20	20	56	56	0.61	0.39	16.7	+2	+18	+47		
Jun 03	1,218.9	22	22	40	40	0.66	0.47	16.5	+1	+20	+36		
Sep 03	1,133.6	0	0	15	15	0.62	0.54	16.7	+1	0	+14		
Dec 03	1,158.1	13	13	22	22	0.60	0.49	15.8	0	+12	+18		
Mar 04	1,165.7	5	6	10	11	0.68	0.61	17.5	+1	+4	+11		
Jun 04	1,327.8	9	12	22	26	0.83	0.66	18.5	+1	+9	+27		
Sep 04	1,300.7	15	18	21	24	0.77	0.62	17.5	0	+14	+22		
T4Q	4,952.3	10	12	19	21	2.88		17.4					
Dec 04 E	1,313.6	13	17	12	15	0.69	0.60	15.5		+13	+12		
Mar 05 E	1,252.7	7	9	12	13	0.77	0.68	18.2		+7	+12		
Jun 05 E	1,420.0	7	7	11	11	0.92	0.83	19.2		+7	+12		
Sep 05 E	1,287.6	-1	-1	13	13	0.87	0.77	20.0		-1	+13		
F4Q E	5,274.0	6	8	12	13	3.25		18.2					
Point-to-Point Growth Rates (%)												Long-Term Growth Rate Estimates (%)	
Years	REV	RPS	EARN	EPS	Median Estimate		15.0%						
1	10	12	19	21	Number of Estimates		14						
3	15	16	28	29	Standard Deviation		3						
5	16	17	28	29	Default GRE Estimate		13.0%						
10	16	16	25	25	Analyst GRE Estimate		8.0%						
15	13	13	23	23									
20	15	10	31	25									
Expected Report Date													

The Market-Implied Growth Rate of 8% for Harley-Davidson closely resembles the Forecast Revenue Growth of 6% over the next four quarters as opposed to the double digit Consensus Growth Estimate of 15%.

Users also have the capability to screen on the Market-Implied Growth Rate using StockSelect, our screening and report writing tool. The Market-Implied Growth Rate Data Item can be found in the Miscellaneous Category. Below you can see a report of S&P 500 companies sorted by GICS Economic Sector which includes both the Consensus Long Term Growth and the Current Market-Implied Growth Rate.

Large discrepancies between a Market-Implied Growth Rate and a Consensus Growth Rate Estimate should throw up a flag that indicates the company may require further analysis.

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StockVal

Stock Name	Symbol	GICS Economic Sector	Mkt Impl Growth Rate	Growth Rate Est Median
OFFICEMAX INCORPORATED	OMX	ConsDisc	10.0	8.5
CARNIVAL CORPORATION CL A	CCL	ConsDisc	9.9	15.0
OMNICOM GROUP INCORPORATED	OMC	ConsDisc	9.8	12.0
NIKE INCORPORATED	NIKE	ConsDisc	9.4	13.4
PENNEY J C INCORPORATED	JCP	ConsDisc	9.3	10.0
FAMILY DOLLAR STORES INCORPORATED	FDO	ConsDisc	9.2	15.0
NORDSTROM INCORPORATED	JWN	ConsDisc	9.0	11.5
TIFFANY & COMPANY	TIF	ConsDisc	8.8	17.0
MEREDITH CORPORATION	MDP	ConsDisc	8.7	12.0
TRIBUNE COMPANY	TRB	ConsDisc	8.7	11.6
LOWES COMPANIES INCORPORATED	LOW	ConsDisc	8.6	18.0
HASBRO INCORPORATED	HAS	ConsDisc	8.5	10.0
DOLLAR GENERAL CORPORATION	DG	ConsDisc	8.4	15.0
SNAP-ON INCORPORATED	SNA	ConsDisc	8.4	10.5
GENUINE PARTS COMPANY	GPC	ConsDisc	8.2	7.0
BEST BUY COMPANY INCORPORATED	BBY	ConsDisc	8.1	15.0
DELPHI CORPORATION	DPH	ConsDisc	8.0	7.0
HARLEY-DAVIDSON INCORPORATED	HDI	ConsDisc	8.0	15.0
HARRAHS ENTERTAINMENT INC	HET	ConsDisc	7.9	15.0
LEGGETT & PLATT INCORPORATED	LEG	ConsDisc	7.6	15.0
YUM BRANDS INCORPORATED	YUM	ConsDisc	7.6	11.5
HOME DEPOT INCORPORATED	HD	ConsDisc	7.4	13.5
KNIGHT-RIDDER INCORPORATED	KRI	ConsDisc	7.4	8.0
LIMITED BRANDS INCORPORATED	LTD	ConsDisc	6.9	13.0
OFFICE DEPOT INCORPORATED	ODP	ConsDisc	6.6	10.0
BRUNSWICK CORPORATION	BC	ConsDisc	6.3	14.0
AUTONATION INCORPORATED	AN	ConsDisc	5.9	11.0
GANNETT COMPANY INCORPORATED	GCI	ConsDisc	5.9	9.8
TJX COMPANIES INCORPORATED	TJX	ConsDisc	5.8	14.5
MATTEL INCORPORATED	MAT	ConsDisc	5.6	12.0
GAP INCORPORATED	GPS	ConsDisc	5.3	12.0
MCDONALDS CORPORATION	MCD	ConsDisc	5.2	8.0
DARDEN RESTAURANTS INCORPORATED	DRI	ConsDisc	5.0	12.0
FORTUNE BRANDS INCORPORATED	FO	ConsDisc	5.0	12.0
NEWELL RUBBERMAID COMPANY	NWL	ConsDisc	5.0	10.0

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