

share valuation

User manual



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1. Introduction

EPS Share Value Forecaster gives immediate insight to the share valuation of a given company. Earnings per share forecasts can be used to determine the current share value based on given expected return rates. Share value graphs corresponding to earnings exceeding or falling behind the expected value are also automatically calculated. The additional graphs enable the user to quickly determine a share value range based on how reliable the earnings forecasts are perceived.

2. Quick guide

2.1 Making the first share valuation

Share valuation requires:

- A minimum of one earnings per share (EPS) forecast
- Estimated organic growth

The default organic growth rate is two percent annually. If the organic growth percent is not given, zero percent growth is assumed.

Click 'Calculate' to generate share value graphs and calculate share values corresponding to expected return rates.

If EPS forecasts or organic growth percent are modified, calculation results are cleared and a new calculation must be performed based on the updated parameters.

2.2 EPS forecasts and organic growth validation

The following rules apply to EPS forecasts:

- The first EPS forecast must always be given
- Further EPS forecasts are optional
- If more than one EPS forecast is given, they must be given consecutively
- EPS forecasts must be numeric and positive
- The maximum EPS value is 999 999

The following rules apply to organic growth:

- Default organic growth is 2%
- If organic growth is not given, 0% is assumed
- Maximum positive value for organic growth is fifteen percent
- Maximum negative value for organic growth is ten percent

Note:

Numeric values are handled according to the following rules:

- Both comma and period within input values are interpreted as decimal separator
- Spaces within input values can be used as thousand separators
- Results are displayed using comma or period based on regional settings of the operating system
- Dates are displayed based on regional settings of the operating system

2.3 EPS forecasts included in the share valuation

Up to five EPS forecasts can be given where the first forecast is always related to the current year. Publicly available EPS forecasts from analyst companies often cover the current year and two next years.

The following example shows a share valuation done in 2020 based on three EPS forecasts.

	2020	2021	2022	2023	2024
EPS forecast:	0,45	0,51	0,54		

Figure 1: Share valuation based on three EPS forecasts

2.4 Outdated EPS forecasts

EPS forecasts generally have a fairly short lifetime. Interim reports and major events related to the company or the industry trigger a need for re-evaluating EPS forecasts. Share valuations should always be based on the latest available EPS forecasts, regardless of whether they are fetched online or self-calculated.

EPS forecasts related to past years are automatically cleared from the database. Considering the EPS forecasts used in the previous example, the 2020 EPS forecast will not be relevant anymore in 2021. Assuming that the EPS forecasts are not modified, the following example shows how the EPS forecast section will look in 2021.

	2021	2022	2023	2024	2025
EPS forecast:	0,51	0,54			

Figure 2: EPS forecasts still relevant in 2021

If a company saved in the database has only one EPS forecast, no relevant EPS forecasts remain when the year turns. The following examples show a situation where an EPS forecast exists only for the current year in 2020. In 2021, there will be no relevant EPS forecasts left. The latest EPS forecast is displayed on the 'Latest EPS forecast' line.

	2020	2021	2022	2023	2024
EPS forecast:	2,62				

Figure 3: EPS forecast for current year only in 2020

Latest EPS forecast:	2,62 (2020)										
EPS forecast:	<table border="1"> <thead> <tr> <th>2021</th> <th>2022</th> <th>2023</th> <th>2024</th> <th>2025</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	2021	2022	2023	2024	2025					
2021	2022	2023	2024	2025							

Figure 4: No relevant EPS forecasts in 2021, latest forecast displayed separately

2.5 Share valuation results

Share values corresponding to the expected return percentages defined for stable and risk companies are shown in the 'Share value' section.

The chart displays a total of eighty different share valuations spanning the following parameter variations:

- Expected return percentages from 5 percent to 20 percent
- Share values corresponding to the given EPS and growth estimates
- Share values exceeding the estimated values by 50 percent
- Share values exceeding the estimated values by 25 percent
- Share values falling below the estimated values by 25 percent
- Share values falling below the estimated values by 50 percent

The detailed values for all valuation points are displayed as tooltip labels when hovering over the valuation point with the mouse cursor.

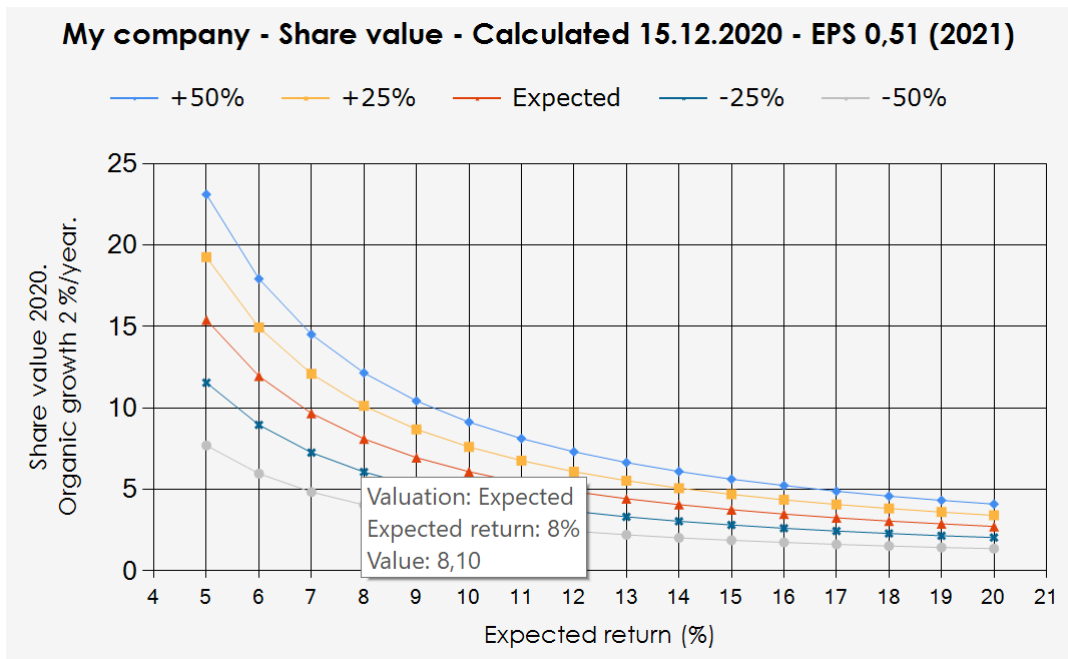


Figure 5: Detailed values as tooltips

3. User interface

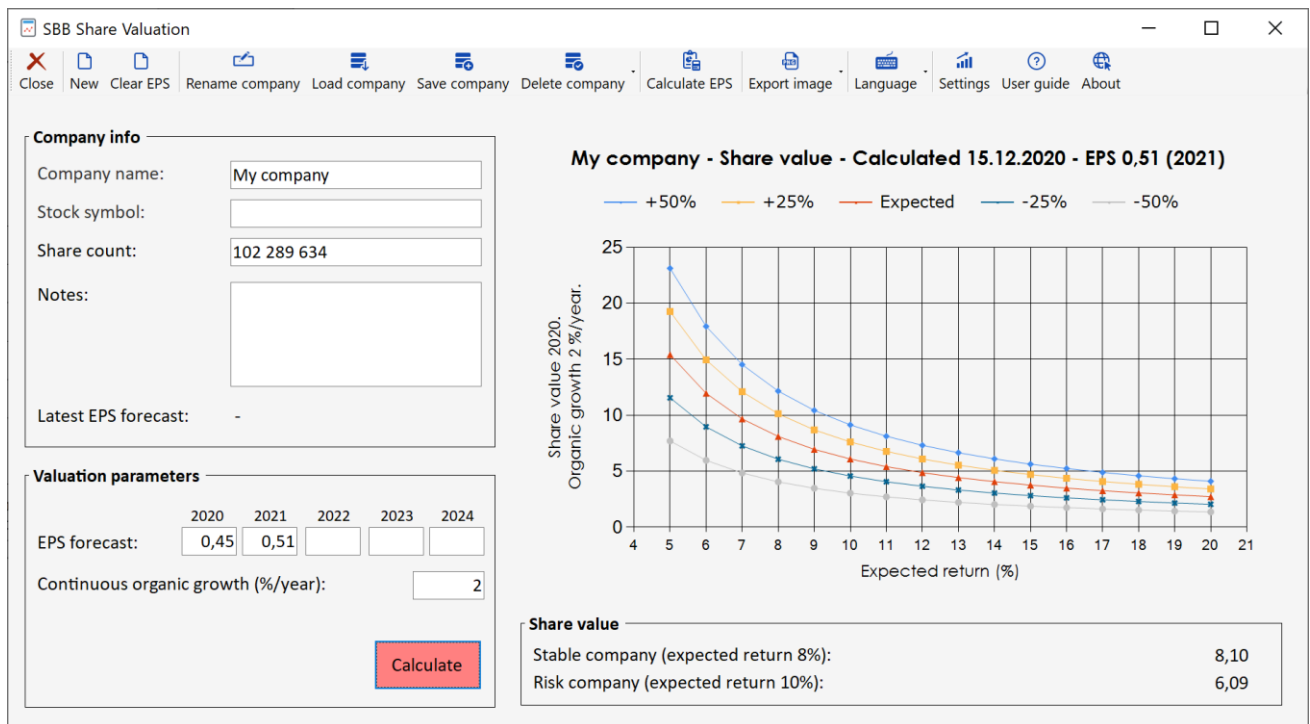


Figure 6: EPS Share Value Forecaster main screen

3.1 Company info

The 'Company info' section contains the following information:

Company name

- Required information if company information is saved to database
- Displayed in the share value chart title and image exports
- Used as the unique identifier for the company when saving to database

Stock symbol

- Optional information

Share count

- Optional information for share value calculation
- Share count is required for manual calculation of EPS based on net profit

Notes

- Optional information
- EPS forecast source and date are recommended to be saved as notes

Latest EPS forecast

- Information about the latest EPS forecast value and year

3.2 Valuation parameters

The 'Valuation parameters' section contains the EPS forecast values and the continuous organic growth assumption. The requirements related to these parameters were outlined in the 'EPS forecast and organic growth validation' chapter.

3.3 Share value

The 'Share value' section contains the following information:

Stable company share value

- Share value corresponding to the expected return of invested money in case the shares are perceived as low-risk investments

Risk company share value

- Share value corresponding to the expected return of invested money in case the shares are perceived as high-risk investments

3.4 Command ribbon

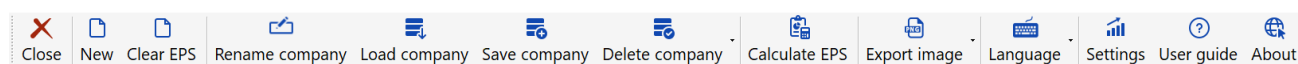


Figure 7: EPS Share Value Forecaster command ribbon

The command ribbon includes the following commands:

Close

- Closes the application
- User settings are saved automatically

New

- Create a new company
- See the 'Managing company information' chapter for further details

Clear EPS

- Clear EPS forecasts
- If calculation results exist, they are also cleared

Rename company

- Rename a company that has already been saved to the database
- See the 'Managing company information' chapter for further details

Load company

- Load company information from the database
- See the 'Managing company information' chapter for further details

Save company

- Save current company information to the database
- See the 'Managing company information' chapter for further details

Delete company

- Delete one or more companies from the database
- Cannot be used when editing a new company which isn't saved to the database yet
- See the 'Managing company information' chapter for further details

Manual EPS

- Manual EPS calculation based on annual statements or interim reports
- See the 'Manual earnings per share calculation' chapter for further details

Export image

- Export a specific area of the main screen as a PNG image or copy it to the clipboard
- See chapter 'Export image' for further information

Settings

- Enables the assignment of default organic growth percentage and expected return percentages
- See the 'Settings' chapter for further details

Language

- Enables the user to select any of the supported application languages

User guide

- Displays the EPS Share Value Forecaster User Guide using the system default PDF viewer.

About

- Displays application version and licensing information

4. Managing company information

Information for companies that are being followed as potential investment opportunities can be saved to the database.

4.1 New company

A new company can be created using the 'New' command. The company name can be edited directly as long as the company information has not yet been saved to the database. After the company information has been saved to the database, the company name becomes read-only and can only be changed using the 'Rename company' command. This prevents any ambiguity about whether new information is being added or existing information is being modified.

4.2 Save company

The current company information can be saved to the database using the 'Save company' company. Given information must pass validation before it can be saved to the database, i.e. the company name must be given and it must be possible to perform a valuation based on the valuation parameters.

4.3 Load company

The 'Load company' and 'Delete multiple companies' commands display a company selector dialog.

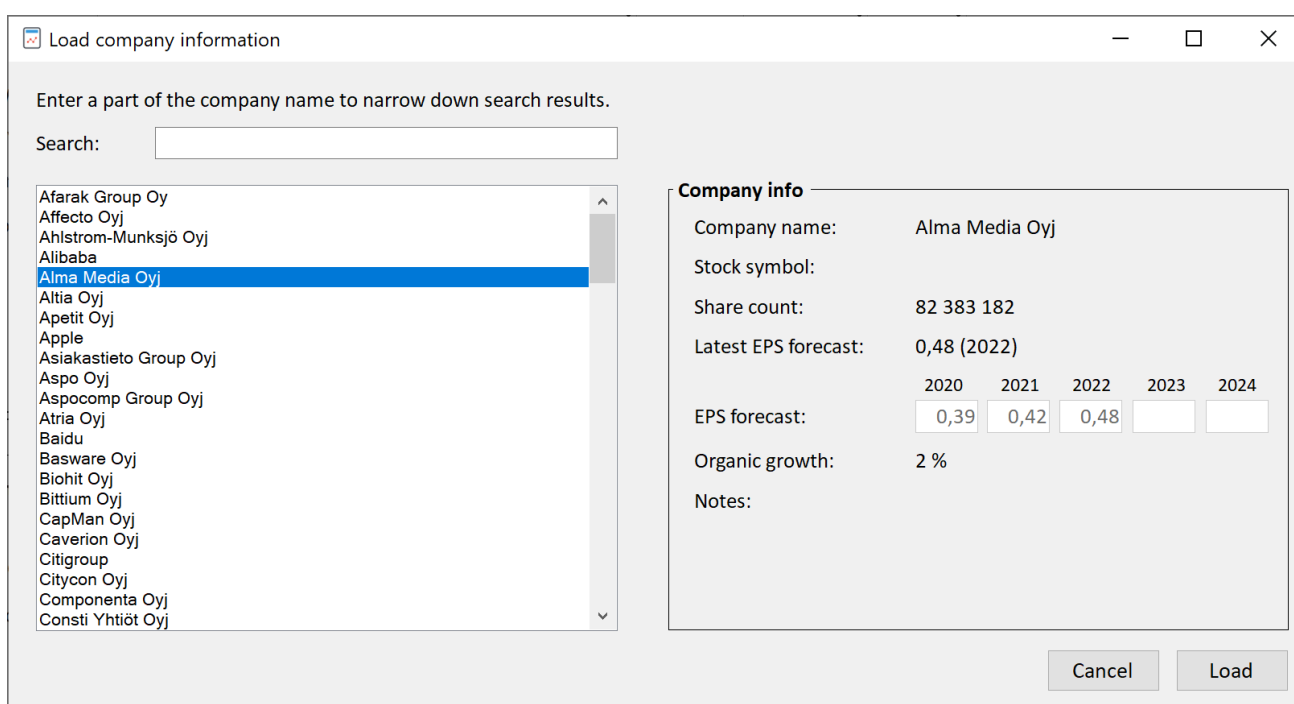


Figure 8: Selecting company information to load from database

The list of companies saved in the database can be narrowed down using a search string. Search results are automatically updated based on given search string. Companies whose name start with the given search string are listed before companies containing the search string at some other location.

The following example displays search results for the search string 'al'. Three companies starting with 'al' are listed before further 12 companies containing the search string somewhere else within the company name.

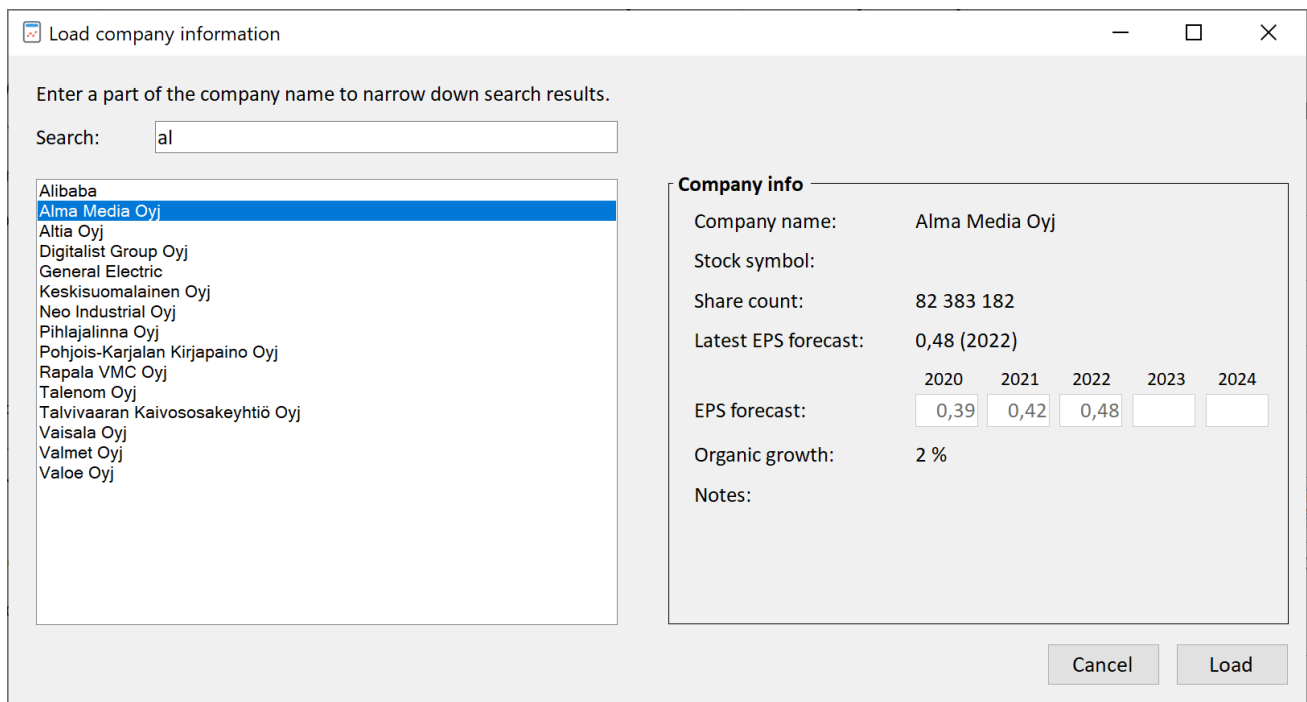


Figure 9: Displaying companies matching the given search string

Full details of the selected company are shown in the 'Company info' section.

The information can be loaded by double-clicking the company name or by clicking the 'Load' command button.

4.4 Delete current company

The current company information can be deleted from the database using the 'Delete current company' command. The information will also be cleared from the user interface.

4.5 Delete multiple companies

The 'Delete multiple companies' command displays a similar company selector dialog as the 'Load company' command.

A single company can be deleted by double-clicking the company name or by selecting the company name and clicking the 'Delete' command button.

It is also possible to select multiple companies in any of the following ways:

- Press CTRL and select individual companies using the mouse
- Select a range using the Shift and arrow keys
- Select a range by pressing the Shift key while selecting last company in range
- Select a range by moving over the range with the mouse button pressed

The following example displays a situation where five companies have been selected to be deleted.

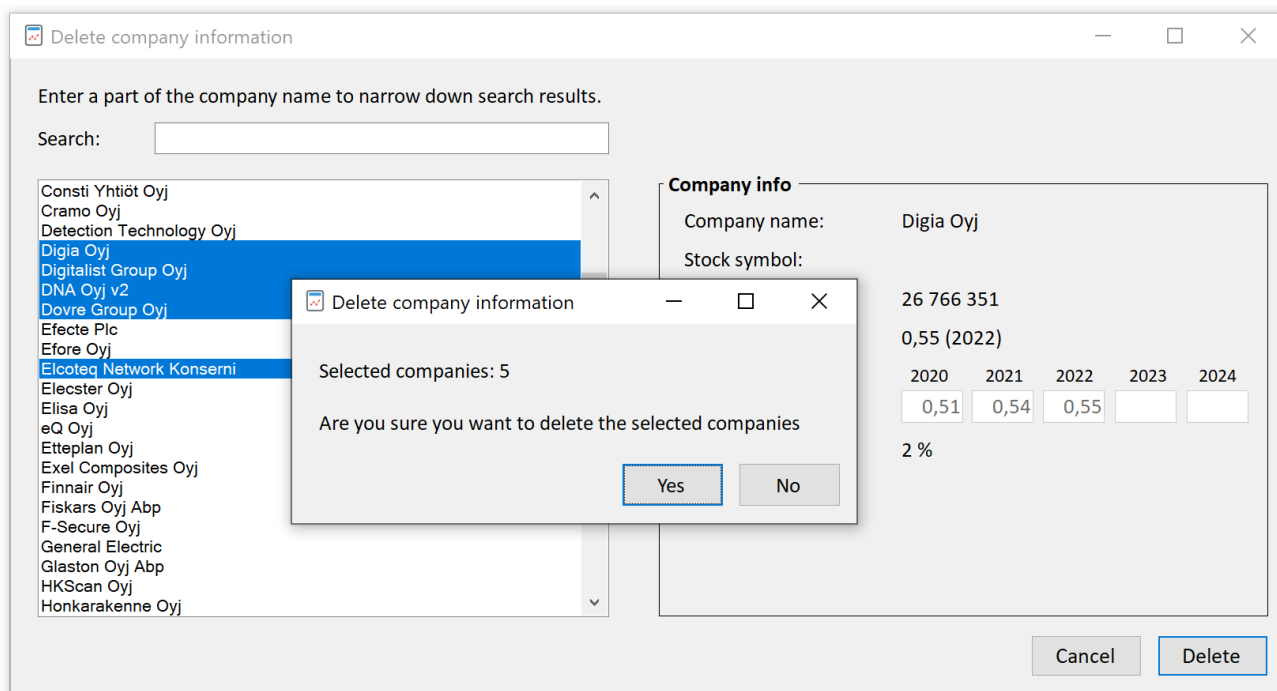


Figure 10: Deleting multiple companies from database

Full details of the topmost selected company are shown in the 'Company info' section.

The selected companies can be deleted by clicking the 'Delete' command button and confirming the deletion.

5. Manual earnings per share calculation

If forecasted earnings per share values are not available, the earnings per share can be manually calculated based on information available from published financial reports. Two different methods are supported depending on what background information is available.

Calculate EPS

Select calculation mode based on available information:

Net result and share count **EPS from interim report**

Display accuracy: Thousands

Operating profit:	17 465
Net interests:	1 454
Taxes:	4 068
Net result:	11 943

Share count: 24 924 768

Earnings per share (EPS): 0,48

The calculated value will replace current EPS forecasts.

Cancel OK

Figure 11: Manual EPS calculation based on net result and share count

Calculate EPS

Select calculation mode based on available information:

Net result and share count **EPS from interim report**

EPS from latest interim report:	0,55
EPS from comparison interim report:	0,47
Change percentage:	17,0%
Previous full year EPS:	0,49
Earnings per share (EPS):	0,57

The calculated value will replace current EPS forecasts.

Cancel OK

Figure 12: Manual EPS calculation based on EPS values from interim reports

5.1 Manual EPS calculation based on net result and share count

Earnings per share can be calculated simply by dividing net result by the share count. Net result is automatically calculated based on operating profit, net interests and taxes. The display accuracy of the input values can be selected to match the display accuracy used in the source material.

Earnings per share for public companies can always be calculated using this method as companies must publish share count, operating profit, net interests and taxes. Note that the result is not an EPS forecast but an exact EPS based on historical data. Even in the best-case scenario the result represents a situation several months ago. Nevertheless, the realized EPS is useful as a basis for EPS forecasts or for validating how well forecasts correspond with recent actual performance.

5.2 Manual EPS calculation based on EPS values from interim reports

Interim reports contain more recent EPS information than full year reports that are inherently related to past years. Interim reports also include values for the previous corresponding period for comparison.

In general, values related to 'year so far' are preferable over single quarter values as they are less affected by single large bookings. If the performance has been permanently altered due to for example reorganization, it is better to focus on the latest quarter.

A full year EPS forecast is calculated based on the previous annual report EPS and the realized change between the latest interim report EPS and the corresponding comparison value.

6. Image export

The 'Export image' menu enables specific sections of the user interface to be exported as PNG image files or copied to the clipboard. Copying to clipboard allows the results to be conveniently included in documents or emails. The content can be selected from the following three options:

- Whole display area (excluding top menu)
- Chart and share values
- Chart only

6.1 Default export settings

Exported images are saved using the 'Save as' dialog of the operating system. The 'Export settings' command can be used to define initial values for the target directory and file name for a more convenient workflow.

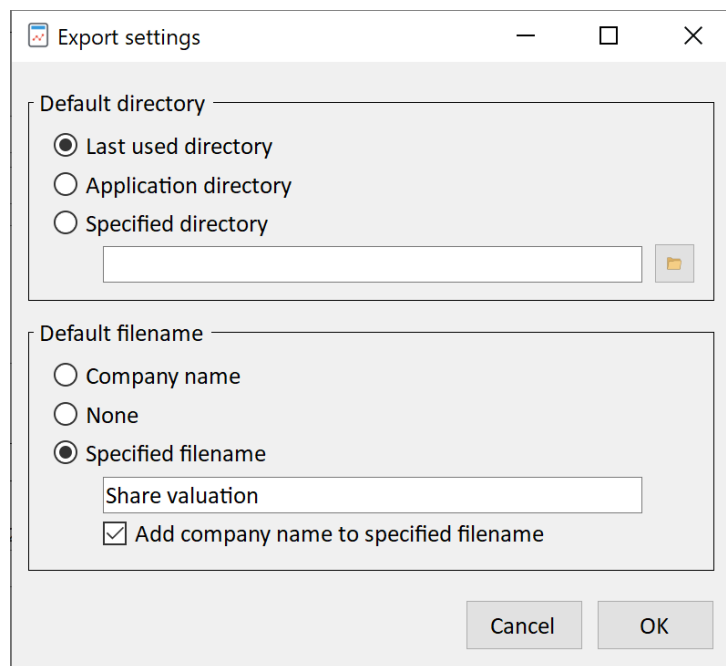


Figure 13: Determining the default directory and filename for exported images

The default directory can be set as the last used directory, the application directory or a manually specified directory. The manually specified directory can be typed in directly or it can be selected by browsing for a directory.

The default filename can be set according to the company name, left blank or specified manually. Company name can be configured to be automatically added to the manually specified filename.

7. Settings

The 'Settings' dialog enables the configuration of expected return percentages and default organic growth.

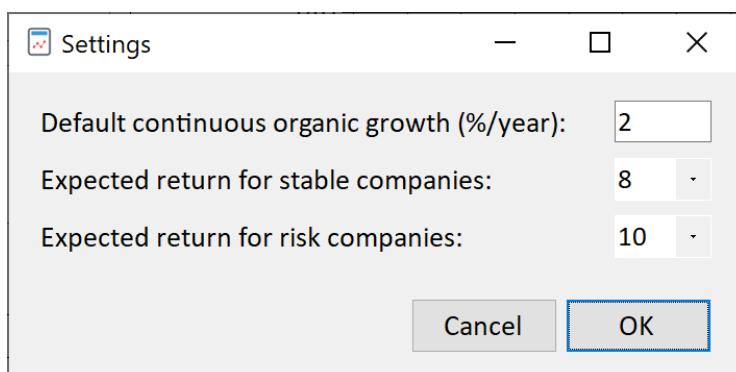


Figure 14: Settings dialog

Expected return percentages determine which specific valuations are displayed in the 'Share value' section. Similar to the x-axis values of the valuation chart, the allowed range for expected return percentages is 5% - 20%.

The default continuous organic growth percent is used when a new company is being configured using the 'New' command. The allowed range for organic growth is -10% - 15%.