

## Notes to 1980 Value Line

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1. I noticed that in 1973 and 1974 a lot of companies were typically selling for prices less than tangible book value. I think in the those times, and I could be wrong, that R&D costs were capitalized and not immediately expensed. I need to look at some 10ks from that period, and see if that is correct, and if it was categorized as tangible or intangible.

Some real quick observations:

A. Looking at utilities (one of the first groups listed), high dividend yields (12ish %) and low p/e ratios (5 and under). This also went for the other companies, as I found out later.

B. I think but have to verify that shares outstanding appeared to be universally shrinking and not diluting.

C. Almost everything did crappy. Looked like the most of conservative companies lost over 50% off of their highs.

D. I need to review interest rates during the period. I can see where the earnings yield of companies could have a direct correlation with interest rates. Im assuming and have not verified (yet) that interest rates were in the low double digits then.

E. Quick recap... stocks i think hit highs in 1966, recovered in 1972, then in 1973, slowly lost about 35% of their value, then in 1974, looks like they quickly lost another 50% off of their starting 1973 value. scary.

F. companies looked like they were still making money during this period. Book Values seemed to increase, and earnings did not appear to have terrible if any contractions.

### 2. Ute observations from 1st quarter 1980 value line.

#### Public service (PEG)

Average P/E ratio from 1964 - 1973 was b/w 10 - 18.

Average P/E ratio from 1974 - 1980 was b/w 6.4 - 7.0.

Average Div Yield from 1964 - 1973 was b/w 3.5 - 7.8%.

Average Div Yield from 1974 - 1980 was b/w 11.4 - 9.2%.

Long Term Debt ratio in entire period was around 51% (+/- 5%)

div payout ratio was 70% (+/- 10%)

Prior to 1974 sold for about 1.25X tangible book. From 1974 - 1979 it sold as low as 50% of TBV.

Company Financial Strength A+

Current yield 12.1%

High Price was in 1965 43.6

Low Price was in 1974 10.5

### **So Carolina E&G**

Average P/E ratio from 1964 - 1973 was b/w 22.8 - 11.5.

Average P/E ratio from 1974 - 1980 was b/w 7.2 - 8.9.

Average Div Yield from 1964 - 1973 was b/w 2.9 - 7.1%.

Average Div Yield from 1974 - 1980 was b/w 8.2 - 11.3%.

Long Term Debt ratio in entire period was around 51% (+/- 5%)

div payout ratio was 85% (+/- 10%)

Prior to 1974 sold for about 2.5X tangible book. From 1974 - 1979 it sold as low as 50% of TBV.

Company Financial Strength A+

Current yield 11.6%

High Price was in 1965 36.1

Low Price was in 1974 8.6

### **Southern Co.**

Average P/E ratio from 1964 - 1973 was b/w 24 - 11.0.

Average P/E ratio from 1974 - 1980 was b/w 5.4- 10.9.

Average Div Yield from 1964 - 1973 was b/w 2.9 - 7.51%.

Average Div Yield from 1974 - 1980 was b/w 8.7 - 11.63%.

Long Term Debt ratio in entire period was around 51% (+/- 5%)

div payout ratio was 90% (+/- 210%)

Prior to 1974 sold for about 2.0X tangible book. From 1974 - 1979 it sold as low as 50% of TBV.

Company Financial Strength B++

Current yield 12.9%

High Price was in 1965 36.1

Low Price was in 1974 8.6

### **VA elec and power**

Average P/E ratio from 1964 - 1973 was b/w 24 - 9.0.

Average P/E ratio from 1974 - 1980 was b/w 6.7- 7.9.

Average Div Yield from 1964 - 1973 was b/w 2.6 - 6.3%.

Average Div Yield from 1974 - 1980 was b/w 8.7 - 11.%.

Long Term Debt ratio in entire period was around 51% (+/- 5%)

div payout ratio was 75% (+/- 10%)

Prior to 1974 sold for about 2.0X tangible book. From 1974 - 1979 it sold as low as 50% of TBV.

Company Financial Strength A

Current yield 12.9%

High Price was in 1965 UNK

Low Price was in 1974 8.9

### **Eastern UTEs assoc**

Average P/E ratio from 1964 - 1973 was b/w 16 - 19.0.

Average P/E ratio from 1974 - 1980 was b/w 6.9- 11.7.

Average Div Yield from 1964 - 1973 was b/w 4.5 - 7.51%.

Average Div Yield from 1974 - 1980 was b/w 9.1 - 13.1%.

Long Term Debt ratio in entire period was around 51% (+/- 5%)

div payout ratio was 90% (+/- 20%)

Prior to 1974 sold for about 2.0X tangible book. From 1974 - 1979 it sold as low as 50% of TBV.

Company Financial Strength B+

Current yield 13.3%

High Price was in 1965 27.7

Low Price was in 1974 8.0