



# Value Line®

## PRODUCT GUIDE

Low	24.7	38.0	49.5	65.9	84.6	106.2	29.0	54.1	96.0	66.8	72.7	116.3
High	180	145	100	60	30	15	10	5	2	1	0.5	0.2

Year	2011	2012	2013	2014	2015
Price	59.87	66.80	61.36	72.94	67.61
Gain	2.92	4.22	4.77	5.10	4.72
Return	1.15	2.19	2.84	2.79	2.82
Dividend Yield	.58	.56	.59	.68	.68
Yield	1.89	1.42	1.11	1.34	1.25
Dividend Payout	13.13	13.16	13.18	13.57	9.62
Dividend Growth	937.86	870.82	836.33	797.89	799.66
Dividend Yield	37.8	18.8	17.1	18.6	14.1
Dividend Payout	1.96	1.08	1.11	.95	.77
Dividend Yield	1.3%	1.4%	1.2%	1.3%	1.7%

Year	2011	2012	2013	2014	2015
Revenue	1245.0	1355.8	1521.0	1654.0	1821.0
Net Income	180.0	200.0	220.0	240.0	260.0
EPS	1.50	1.65	1.80	1.95	2.10
Dividend	0.58	0.56	0.59	0.68	0.68
Dividend Yield	3.8%	3.3%	3.2%	3.5%	3.2%

**BUSINESS:** The Boeing Company is a leading manufacturer of commercial aircraft. Manufactures the 737, 747, 767, 777, and 787. Also produces business jets, fighters (F-15, F/A-18), helicopters (CH-47, AH-64), guided weapons (Harpoon, Joint Direct Attack Munition), satellites, space launch systems, and manages the International Space Station. In 2013, foreign sales accounted for 57% of total R&D: 3.6%. Has 108,400 employees. CF control about 0.6% of stock; State Street Bank Evercore Trust, 6.9%; Capital World Investors, 9. Chairman and CEO: W. James McNamara, Jr. Inc. ware. Address: 100 North Riverside, Chicago, Ill. Telephone: 312-544-2000. Internet: www.boeing.com

**Boeing should soon close out a solid year. If our fourth-quarter bottom-line estimate of \$1.82 a share is on the mark, the aerospace/defense behemoth will see its earnings gain of more than 10% in 2015. Boeing's prospects for 2015 beyond appear rosy. As men backlog is huge, which should spur production for many years. In addition, think that more orders are on the way. Passenger air travel ought to continue to rise and, with many airlines cutting costs, the industry's operating margins should improve.**

## The Value Line 600

ISSUE 2  
Pages 600-798

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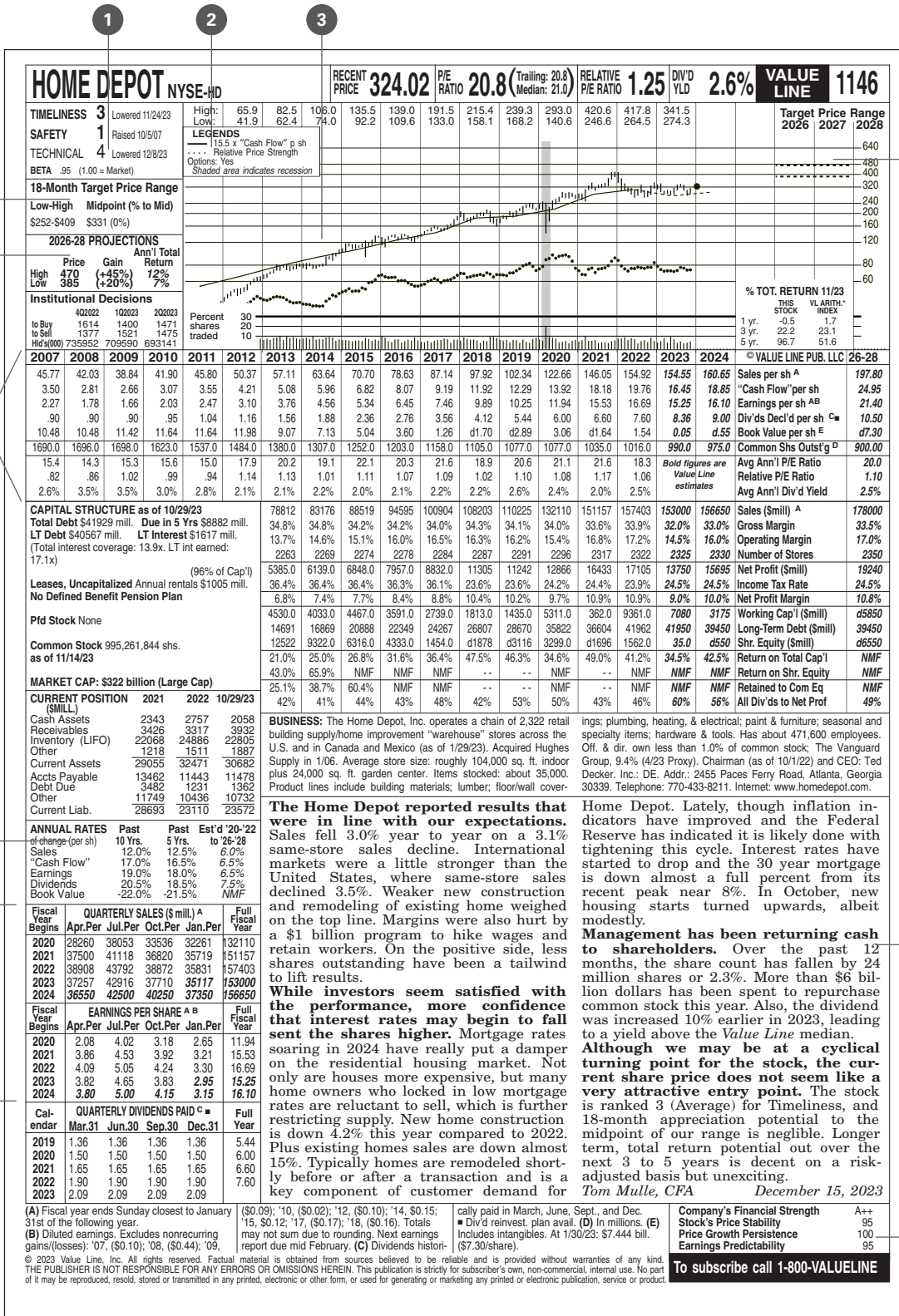
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in Alphabetical Order with Rank\*

# The Value Line 600

# SAMPLE RESEARCH REPORT



Figures in bold italics are analyst estimates

(A) Fiscal year ends Sunday closest to January 31st of the following year.  
 (B) Diluted earnings. Excludes nonrecurring gains/losses; '07, (\$0.10); '08, (\$0.44); '09, (\$0.09); '10, (\$0.02); '12, (\$0.10); '14, (\$0.15); '15, \$0.12; '17, (\$0.17); '18, (\$0.16). Totals may not sum due to rounding. Next earnings report due mid February. (C) Dividends historically paid in March, June, Sept., and Dec. Dividends reinvest. plan avail. (D) In millions. (E) Includes intangibles. At 1/30/23: \$7.444 bill. (\$7.30/share).

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# 1

## The Value Line 600

### ITS PURPOSE

*The Value Line 600* offers complete coverage of approximately 600 of the largest market capitalization companies we follow. We created *The Value Line 600* to serve the needs of customers who prefer in-depth, independent research on larger and more prominent investment names. For two decades this monthly publication has focused on a select group of about 600 stocks drawn from those that comprise our renowned research service, *The Value Line Investment Survey*®.

The 600 company reports included in this service are the same full-page reports that are published in *The Value Line Investment Survey*. Our principal goal is to provide our subscribers with a full spectrum of stable companies, while scaling back the total number to a more manageable level. We highlight all industries with at least two of the most significant names in each group, helping investors concentrate on those companies that tend to drive their respective sectors. About 80% of these companies pay dividends. In addition to the most distinguished U.S. companies, including all 30 members of the Dow Jones Industrial Average, 75–100 international entities are tracked in *The Value Line 600*. A *Summary & Index* section is included with each issue, containing updated company statistics, screens, and Supplementary Reports.

### ITS MANY UNIQUE FEATURES

*The Value Line 600* has a number of unique features that distinguish it from other investment services. These features are provided to make it easier for you to access pertinent, timely information and to keep you up to date on developments affecting your investments.

Specifically, we point to the following features:

**Our Unique, Easy-to-Use Format**—All the information you need to make investment decisions or to compare companies is contained on a single page. Value Line's easy filing system enables you to keep current information at your fingertips.

**Broad Coverage** — Reports are available on approximately 600 stocks, including most of the largest and most actively traded in the United States.

**Timeliness™ and Safety™ Ranks** — Value Line's time-tested Timeliness and Safety ranks compare the stocks relative to each other looking forward to the next six to 12 months.

The Value Line Timeliness Rank measures probable price performance during the next six to 12 months, relative to other stocks in the Value Line universe.

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The Value Line Safety Rank measures the total risk of a stock. This rank is derived from a stock's Price Stability Index and the company's Financial Strength rating.

The two ranks guide the investor through the universe of stocks to those that are most apt to be top performers over the next six to 12 months relative to the remaining equities, and to those that conform to the individual's risk tolerance. Stock ranks are updated in the monthly *Summary & Index*.

**Projected Appreciation** — Our unique, analyst-driven price estimates three to five years out guide you to the issues that can outperform the market.

**Quarterly Earnings Estimates** — Value Line's estimates of earnings for the current year and the following 12-month period for each of the approximately 600 companies are continually monitored, quarter by quarter, in *Ratings & Reports*. Furthermore, they are presented in a format that makes it easy to make comparisons with preceding years' records (*item 8 on the sample page*).

**Dividend Estimates** — Since the dividend income you may receive from a company can change, Value Line gives a projection of the dividends it expects the company will declare over the coming 3 to 5 years (*item 5 on the sample page*).

**Analyst Commentary** — An analysis of how each company's business is progressing, and its future outlook, as well as how the stock compares to others, is provided for every stock in *Ratings & Reports* once each quarter. Supplementary Reports also are provided as needed at the back of each month's issue to reflect interim developments (*item 6 on the sample page*).

**Email Newsletter** — Each week, *Value Line 600* subscribers receive an email newsletter that includes economic and stock market commentary, as well as an actively managed, 20-stock model portfolio. This portfolio is updated by a senior Value Line analyst and focuses on large-cap conservative stocks.

## THE VALUE LINE RANKING SYSTEM

*The Value Line 600* features our proven Ranking System, which ranks stocks relative to each other for price performance during the next six to 12 months, as well as for overall risk. Stocks are ranked from 1 to 5, with 1 and 2 being the top ranks.

**Note:** *Any individual Value Line stock Rank is always relative to the Ranks of all other stocks in the The Value Line Investment Survey.*

### Timeliness

The Value Line Timeliness Rank measures predicted relative price performance during the next six to 12 months on an easy-to-understand scale from 1 (Highest) to 5 (Lowest). Components of the Timeliness Rank include historical stock-price performance, financial results, and earnings surprises. Our proprietary algorithm combines these elements into a forecast of the price change of each stock, relative to all other stocks in the Value Line universe, for the next six to 12 months. The Value Line universe accounts for approximately 90% of the market capitalization of all stocks traded on the U.S. exchanges.

**Rank 1 (Highest)/Rank 2 (Above Average):** These stocks, as a group, are expected to outperform the Value Line universe during the next six to 12 months.

Since many stocks "stop in" at Rank 2 before moving up to 1, many investors' strategy is to select equities from among Rank 2 and Rank 1, or even the lower ranks, depending on their preference for yield, Safety, etc.

**Rank 3 (Average):** These stocks, as a group, are expected to have relative price performance in line with the Value Line universe in the next six to 12 months. They — and even stocks ranked lower — may be considered if purchased for long-term appreciation potential and/or income.

**Rank 4 (Below Average)/ Rank 5 (Lowest):** Rank 4 stocks, as a group, are expected to have below-average relative price performance in the next six to 12 months. Rank 5 stocks, as a group, are out of favor in regard to the Timeliness System and may entail a high degree of risk.

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Changes in the Timeliness ranks can be caused by:

1. New earnings reports or company announcements
2. Changes in the price movement of one stock relative to others
3. Shifts in the relative positions of other stocks due to earnings or other factors

## Safety

A second and crucial investment criterion is the Safety rank assigned by Value Line to each stock. The Value Line Safety Rank measures the total risk of a stock. It takes into account a stock's Price Stability rank and the Financial Strength rating of a company. Safety ranks are also given on a scale from 1 (Least Risky) to 5 (Riskiest) as follows:

**Rank 1 (Highest):** These stocks, as a group, are the most stable, and least risky investments relative to the Value Line universe.

**Rank 2 (Above Average):** These stocks, as a group, are less risky than most.

**Rank 3 (Average):** These stocks, as a group, are of average risk.

**Rank 4 (Below Average):** These stocks, as a group, are riskier than most.

**Rank 5 (Lowest):** These stocks, as a group, are the riskiest of those we follow.

Stocks with high Safety ranks are often associated with large, financially sound companies, many of which regularly pay cash dividends; these same companies also often have somewhat more moderate growth prospects because their primary markets tend to be mature. Stocks with low Safety ranks are often associated with companies that are smaller and/or have weaker-than-average finances; on the other hand, these smaller companies sometimes have above-average growth prospects because they start with a lower revenue and earnings base.

Safety becomes particularly important in periods of stock market downswings, when many investors want to try to limit their losses. When you study the history, you will find that stocks with high Safety ranks generally fall less than the market as a whole when stock prices drop. This has held true in almost all major market declines between 1972 and the present.

The lesson is clear. If you think the market may be headed lower, but prefer to maintain a significant position in stocks, concentrate on stocks ranked 1 or 2 for Safety. At the same time, be mindful of projected 18-month and 3- to 5-year appreciation.

## The Penalty and Reward of Risk

A risky stock is one which has a low Price Stability score and whose price fluctuates widely around its own long-term trend. It may also be a stock of a company with a low Financial Strength rating. One may reasonably assume that the price of a risky stock will go up more than that of a safe stock in a generally strong market. Yet, if in the interim it went down more sharply and you had to sell at an inopportune time, you could suffer a heavier penalty for having bought the high-risk stock instead of the safer issue.

## Technical

The Value Line Technical rank uses a proprietary formula to predict short-term (three to six month) future price returns relative to the Value Line universe. It is the result of an analysis that relates price trends of different durations for a stock during the past year to the relative price changes of the same stock over the succeeding three to six months. As with the other ranks, the Technical rank goes from 1 (Highest) to 5 (Lowest).

## Industry

Value Line also publishes Industry Ranks, based on the Timeliness Ranking System. The updated ranks are published on the front cover of the *Summary & Index*.

# 2

## Understanding the Value Line Page

To begin studying a stock, we suggest that you concentrate on six features found on every *Ratings & Reports* page. To start off, we recommend that you look at the Timeliness and Safety ranks (*see item 1 of the sample page*) shown in the upper left corner of each page. Then you should read the Analyst's Commentary (*item 6*) in the bottom half of each report. Lastly, we suggest you look at our forecasts for various financial data as well as our unique 18-month and 3- to 5-year stock price projection (*items 3, 4, 5, 8, 9, 11 and 12*). These forecasts are explained in more detail later in this chapter. Many successful investors find that these six items are generally all they need to adequately evaluate a stock. Others like to study the historical financial data appearing in the Statistical Array in the center of the report (*item 10*). Illustrations and more detail follow. There is also a lot of other useful information on each page, but the features mentioned above provide the best place to begin.

### ANALYST'S COMMENTARY

*(Item 6 on the sample page)*

Many readers think the analyst's written commentary, in the lower half of the page, is the most important section of the report. In the commentary, the analyst discusses his/her expectations for the future. There are times when the raw numbers don't tell the full story. The analyst uses the commentary to explain why the forecast is what it

**The Home Depot reported results that were in line with our expectations.** Sales fell 3.0% year to year on a 3.1% same-store sales decline. International markets were a little stronger than the United States, where same-store sales declined 3.5%. Weaker new construction and remodeling of existing home weighed on the top line. Margins were also hurt by a \$1 billion program to hike wages and retain workers. On the positive side, less shares outstanding have been a tailwind to lift results.

**While investors seem satisfied with the performance, more confidence that interest rates may begin to fall sent the shares higher.** Mortgage rates soaring in 2024 have really put a damper on the residential housing market. Not only are houses more expensive, but many home owners who locked in low mortgage rates are reluctant to sell, which is further restricting supply. New home construction is down 4.2% this year compared to 2022. Plus existing homes sales are down almost 15%. Typically homes are remodeled shortly before or after a transaction and is a key component of customer demand for

Home Depot. Lately, though inflation indicators have improved and the Federal Reserve has indicated it is likely done with tightening this cycle. Interest rates have started to drop and the 30 year mortgage is down almost a full percent from its recent peak near 8%. In October, new housing starts turned upwards, albeit modestly.

**Management has been returning cash to shareholders.** Over the past 12 months, the share count has fallen by 24 million shares or 2.3%. More than \$6 billion dollars has been spent to repurchase common stock this year. Also, the dividend was increased 10% earlier in 2023, leading to a yield above the *Value Line* median.

**Although we may be at a cyclical turning point for the stock, the current share price does not seem like a very attractive entry point.** The stock is ranked 3 (Average) for Timeliness, and 18-month appreciation potential to the midpoint of our range is negligible. Longer term, total return potential out over the next 3 to 5 years is decent on a risk-adjusted basis but unexciting.

*Tom Mullen, CFA*      *December 15, 2023*

*Sample Analyst's Commentary  
(Also see item 6 on the sample page)*

is. The commentary is also particularly useful when a change in trend is occurring or about to occur. As an example, a stock may have a low (i.e., 4 or 5) Timeliness rank but the analyst thinks earnings and, hopefully the stock, could turn around in the future. In this case, the analyst may use the commentary to explain why he/she thinks conditions are likely to get better, thus giving the subscriber insight into what is happening, what the analyst thinks will happen and why.

### VALUE LINE RANKS

*(Item 1 on the sample page)*

A synopsis of the Value Line Ranking System is provided here. For a more detailed description, please refer to *The Value Line Ranking System* subscriber guide.

## Timeliness

The Timeliness rank is Value Line's measure of the expected price performance of a stock for the coming six to 12 months relative to our stock universe. Stocks ranked 1 (Highest) and 2 (Above Average) are likely to perform best relative to the others in the next six to 12 months. Stocks ranked 3 are likely to be average performers relative to the Value Line universe. Stocks ranked 4 (Below Average) and 5 (Lowest) are generally predicted to underperform stocks ranked 1 through 3 in Value Line's stock universe.

Of course, a single metric can't indicate the right direction for you. Other variables such as your preference for income or growth, risk profile, time horizon, etc. should be considered as well. Stocks ranked 1 are often volatile. Most investors will want to blend them with Rank 2 stocks; conservative investors will want to select stocks that also have high Safety ranks because they are usually more stable issues.

## Safety

The Safety rank is a measure of the total risk of a stock compared to others in our stock universe. As with Timeliness, Value Line ranks stocks from 1 (Highest) to 5 (Lowest). However, unlike Timeliness, the number of stocks in each category from 1 to 5 is not fixed. The Safety rank is derived from two measurements found in the lower right hand corner of each page: a company's Financial Strength and a stock's Price Stability. Financial Strength is a measure of the company's financial condition, and is reported on a scale of A++ (Highest) to C (Lowest) in nine increments. Larger companies with strong balance sheets get the higher scores. A stock's Price Stability score is based on a ranking of the standard deviation (a measure of volatility) of weekly percent changes in the price of a stock, and is reported on a scale of 100 (Highest) to 5 (Lowest) in increments of 5.

<b>TIMELINESS</b>	<b>3</b>	Lowered 11/24/23
<b>SAFETY</b>	<b>1</b>	Raised 10/5/07
<b>TECHNICAL</b>	<b>4</b>	Lowered 12/8/23
<b>BETA</b>	.95	(1.00 = Market)

*Sample Ranks Box  
(Also see item 1,  
on the sample page)*

## Technical

The Technical rank is primarily a predictor of short-term (three to six months) relative price change.

## 18-MONTH TARGET PRICE RANGE

Value Line's 18-Month Target Price Range (item 11 on the sample page) was developed by our Quantitative Research team and is a unique, proprietary estimate that is only available to our subscribers. It seeks to predict a stock's price over an 18-month horizon (from the present) in terms of a range. In addition to the high and low values of the range, the percentage difference between the recent stock price and the midpoint of the range is provided. The percentage may be thought of as the most likely potential profit. The larger the percentage, the greater the possible price appreciation. The quantitative formula behind the 18-month range includes a number of variables, such as our analyst estimates and historical figures. Importantly, please note that the 18-Month Target Price Range differs from Value Line's traditional Target Price Range, which is our projection for a stock's price out three to five years.

## Beta

A relative measure of the historical sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index as a whole.

## FINANCIAL AND STOCK PRICE PROJECTIONS

Value Line's securities analysts make a variety of financial and stock price projections in most reports we publish. They make **Estimates** for 23 different numbers and ratios going out 3 to 5 years into the future in the Statistical Array (*item 5 on the sample page*). They also forecast **Target Price Range** (*item 4*) for each stock, going out 3 to 5 years. And finally they show the **3-to 5-year Projections** (*item 12*) for the price of the stock, along with the expected percentage appreciation (or depreciation) and the expected annual total return (including dividends). These projections are discussed below.



## Financial Estimates

(Item 5 on the sample page)

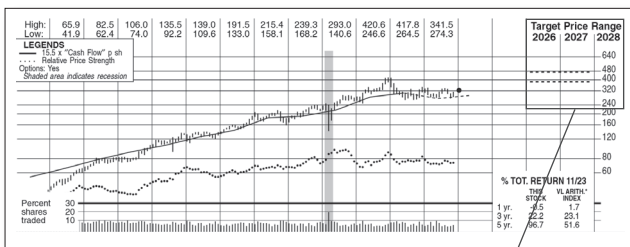
In the Statistical Array in the center of the report (where most of the numbers are), Value Line provides both historical data and financial projections. **All projections are printed in bold italics.**

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUBL. LLC 26-28	
45.77	42.09	30.94	41.89	45.83	57.11	65.94	70.76	78.83	87.14	97.82	102.26	122.85	146.55	154.82	164.58	169.55	169.55	Sales per sh. <sup>1</sup>	197.80
3.50	2.81	2.06	3.07	3.55	4.21	5.08	5.96	6.62	8.07	9.19	11.92	12.29	13.92	18.18	19.76	16.48	18.65	Cash Flow per sh.	24.85
2.27	1.78	1.06	2.03	2.47	3.10	3.76	4.56	5.34	6.45	7.48	9.89	10.25	11.94	15.53	16.60	15.25	16.10	Earnings per sh. <sup>2</sup>	21.40
30	30	30	35	1.94	1.96	1.56	1.89	2.26	2.76	3.50	4.32	5.44	6.60	6.60	7.60	8.36	9.00	Div. on Div. of par. sh.	12.50
10.48	11.42	11.64	11.64	11.98	9.07	7.13	5.04	3.60	1.25	0.170	0.230	3.05	0.164	1.54	0.05	4.55	4.55	Book Value per sh. <sup>3</sup>	47.30
1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	1880.0	Common Sh. Outst. <sup>4</sup>	800.00
16.1	14.3	15.1	15.1	15.0	17.9	20.2	16.1	20.1	20.3	21.8	18.9	20.4	21.4	18.3	18.3	18.3	18.3	Avg. Ann. Div. Yield	2.0
82	86	102	90	94	1.14	1.13	1.01	1.11	1.07	1.09	1.02	1.10	1.08	1.17	1.06	1.06	1.06	Relative P/E Ratio	1.10
2.6%	3.5%	3.5%	3.0%	2.8%	2.1%	2.1%	2.2%	2.0%	2.1%	2.2%	2.2%	2.8%	2.4%	2.0%	2.5%	2.5%	2.5%	Avg. Ann. Div. Yield	2.5%
<b>CAPITAL STRUCTURE as of 12/31/23</b>																			
Total Debt (\$100 mil.)	34.0%	34.6%	34.2%	34.2%	34.0%	34.3%	34.1%	34.0%	34.3%	34.1%	34.0%	33.6%	33.9%	32.0%	33.0%	33.0%	33.0%	Gross Margin	33.5%
LT Debt (\$100 mil.)	13.7%	14.6%	15.1%	16.0%	16.5%	16.5%	16.2%	15.4%	16.8%	17.2%	17.4%	16.0%	16.8%	17.2%	17.4%	16.0%	16.0%	Operating Margin	17.8%
Total Interest Coverage, 12 Mo. LT Int. Interest	2.65	2.69	2.74	2.79	2.84	2.87	2.91	2.95	2.97	2.99	2.99	2.99	2.99	2.99	2.99	2.99	2.99	Number of Shares	2350
<b>(95% of Cap)</b>																			
Leases, Unamortized Annual rentals \$'000 cap)	5885.0	6190.0	6845.0	7567.0	8632.0	11395.0	11242.0	12865.0	16433.0	17105.0	17550.0	15695.0	15695.0	15695.0	15695.0	15695.0	15695.0	Net Profit Margin	19.0%
Losses, Unamortized Annual rentals \$'000 cap)	36.4%	36.4%	36.4%	36.3%	36.1%	33.8%	33.8%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	Income Tax Rate	24.5%
No Defined Benefit Pension Plan	6.5%	7.4%	7.7%	8.4%	8.3%	10.4%	13.2%	9.7%	10.3%	10.9%	9.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	Net Profit Margin	16.8%
Mid Stock Note	4530.0	4033.0	4467.0	5391.0	2759.0	1813.0	1435.0	531.0	362.0	696.0	7000	3175	3061.0	7000	3175	3061.0	7000	Working Cap. (\$ mil.)	45650
Common Stock 95.261, 344 sh. as of 11/14/23	14691	15869	20988	22340	24267	26967	28870	30820	32624	41960	41960	41960	41960	41960	41960	41960	41960	Long-Term Debt (\$ mil.)	39450
MARKET CAP: \$322 Billion (Large Cap)	12532	10222.0	10915.0	14350.0	14543.0	17578.0	19216.0	20202.0	21652.0	35510	35510	35510	35510	35510	35510	35510	35510	Share Equity (\$ mil.)	45550
	21.0%	25.0%	25.8%	31.6%	36.4%	47.5%	46.9%	54.6%	49.0%	41.2%	34.8%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	Return on Total Cap.	NMF
	43.0%	65.9%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	Return on Sh. Equity	NMF
	42%	41%	44%	43%	48%	42%	53%	50%	43%	46%	48%	48%	48%	48%	48%	48%	48%	Return on Com. Eq.	NMF
																		All Div. ds to Net Prod.	49%

### Sample Statistical Array

(Also see items 5 and 10 on the sample page)

The estimates of sales, earnings, net profit margins, income tax rates, and so forth are all derived from spreadsheets maintained on every company. After studying, the analysts make whatever adjustments they believe are warranted by unusual developments that may not be revealed in the numbers, e.g., the outcome of pending lawsuits affecting the company's finances, the success of new products, etc.



Sample Target Price Range (3 to 5 years)  
(Also see item 4 on the sample page)

## 3- to 5-Year Target Price Range

In the upper right-hand section, incorporated into the unique Value Line Chart, is the Target Price Range. The Target Price Range represents the band in which the expected average price of the stock is likely to fall. This is the projected annual stock price range for the period out 3 to 5 years. The prices are based on the analyst's expectations for the coming 3 to 5 years for earnings multiplied by the average annual price/earnings ratio in the Statistical Array for the same period. The width of the high-low range depends on the stock's Safety rank. (A stock with a high Safety rank has a narrower range, one with a low rank, a wider band.)

## 3- to 5-Year Projections

(Item 12 on the sample page)

In the left hand column of each report, there is also a box which contains Value Line's high and low stock price projections for the next 3 to 5 years. There you can see the potential average high and low prices we forecast, the percentage price changes we project, and the expected compound annual total returns (price appreciation plus dividend income). To make these calculations, analysts compare the expected prices out 3 to 5 years into the future (as shown in the Target Price Range and Projections box) with the recent price (shown on the top of the report).

Investors whose primary goal is long-term price appreciation should study the 3- to 5- year Projections carefully and choose stocks with above-average price appreciation potential. For comparative purposes, you can find the weekly Estimated Median Price Appreciation Potential for all stocks on the back page of the *Summary & Index*.

## ANNUAL RATES OF CHANGE

(Item 9 on the sample page)

At this point, it may be helpful to look at the Annual Rates box in the left-hand column. This box shows the compound annual per share growth percentages for sales, "cash flow," earnings, dividends and book value for the past five and 10 years, and also Value Line's projections of growth for each item for the coming 3 to 5 years.

Trends are important here. Check whether growth has been increasing or slowing and see if Value Line’s analyst thinks it will pick up or fall off in the future. Specific estimates for various data items for 3 to 5 years out can be found in ***bold italics*** print in the far right hand column of the Statistical Array (*item 5 on the sample page*).

### CALCULATING ANNUAL RATES OF CHANGE (GROWTH RATES)

In an attempt to eliminate short-term fluctuations that may distort results, Value Line analysts use a **three-year** base period and a **three-year** ending period when calculating growth rates.

<b>ANNUAL RATES</b> of change (per sh)	<b>Past</b> <b>10 Yrs.</b>	<b>Past</b> <b>5 Yrs.</b>	<b>Est'd '20-'22</b> <b>to '26-'28</b>
Sales	12.0%	12.5%	<b><i>6.0%</i></b>
“Cash Flow”	17.0%	16.5%	<b><i>6.5%</i></b>
Earnings	19.0%	18.0%	<b><i>6.5%</i></b>
Dividends	20.5%	18.5%	<b><i>7.5%</i></b>
Book Value	-22.0%	-21.5%	<b><i>NMF</i></b>

*Sample Annual Rates Box  
(Also see item 9 on the sample page)*

### HISTORICAL FINANCIAL DATA

*(Item 10 on the sample page)*

Many investors like to use the Statistical Array to do their own analysis. They, in particular, use the historical data in the center of each report to see how a company has been doing over a long time frame. It is worth pointing out that while all of the data are important, different readers find different data items to be most useful.

The numbers are probably most helpful in identifying trends. For example, look at sales per share to see if they have been rising for an extended period of time. Look at operating margins and net profit margins to see if they have been expanding, narrowing or staying flat. And examine some of the percentages near the bottom, such as the Return on Shareholders’ Equity, to see if they have been rising, falling, or remaining about the same.

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# 3

## Frequently Asked Questions

*Whether you are a new reader or a long-term subscriber, you may have questions about material in The Value Line 600. Below are answers to those questions we receive most frequently.*

### RANKS

**How do you determine the Timeliness rank, and what makes it change?**

TIMELINESS	3	Lowered 11/24/23
SAFETY	1	Raised 10/5/07
TECHNICAL	4	Lowered 12/8/23
BETA	.95	(1.00 = Market)

*Sample Ranks Box  
(Also see item 1,  
on the sample page)*

The Value Line Ranking System for Timeliness ranks the stocks in our universe from 1 (Highest) to 5 (Lowest) for relative price performance in the coming six to 12 months. The rank

is the result of several unique computations developed by Value Line. A company that reports earnings that are good relative to those of other companies and good relative to the numbers we had expected may have its stock move up in rank, while a company reporting poor earnings could see its stock's rank drop.

A change in the price of a stock can also cause a stock's rank to change. So can our calculation of the price momentum of the stock, and the investor sentiment behind it. And finally, there is the "Dynamism of the Ranking System." This phrase means that a stock's rank can change even if a company's earnings and stock price remain stable. That's because a fixed number of stocks are ranked 1, 2,

etc. Every time one stock's Timeliness rank moves up or down, another's must also change. As an example, let's suppose one company reports unusually good earnings, causing its stock's Timeliness rank to rise from 2 to 1. Since there can be only 100 stocks ranked 1, some other stock must fall to a rank of 2, even though there may have been no change in its earnings or price.

**Why do stocks with Timeliness ranks of 1 or 2 sometimes have below-average long-term appreciation potential, and vice versa?**

Probably the most important thing for all readers to know is that **the time horizons for Timeliness ranks and for 3- to 5-year Projections are very different.** Our Timeliness ranks are for the relative performance of stocks over the coming six to 12 months. Our forecast for long-term price potential is for three to five years. Because of the very different time periods, our forecasts for the two periods can be quite different.

To provide a more specific answer, stocks ranked 1 or 2 for Timeliness often have been moving higher and often sell at high price/earnings ratios. While we think these stocks will continue to outperform other stocks in the Value Line universe during the next six to 12 months, it is unrealistic to think a stock's price will keep moving up forever. At some point, earnings growth is likely to slow, at least somewhat, and our analysts do their best to be as realistic as possible in calculating the 3- to 5-year projections. If earnings growth slows in the future,

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a stock's price/earnings ratio is likely to decline, limiting the appreciation in the stock's price. Long-term studies confirm that our 3- to 5-year projection for a stock — when compared with our other stock projections in effect at that time — hold water.

### **Why do some stocks not have a Timeliness rank?**

Our computer-generated Timeliness ranks require at least two years of income statements and stock price history. If a stock has been trading for less than two years, such as a relatively new company, or has been reconfigured as a result of a spinoff or an acquisition, we are unable to assign a Timeliness rank to it. We also suspend Timeliness ranks for unusual developments, such as a merger offer or a bankruptcy filing.

## **EARNINGS**

### **Why does Value Line sometimes show different share earnings than those in a company's annual report, or in *The Wall Street Journal*, or in a brokerage house report?**

We each calculate earnings differently. In particular, Value Line often excludes what we consider to be unusual or one-time gains or charges in order to show what we consider to be “normal” earnings.

Company earnings often contain one-time nonrecurring or unusual items, such as expenses related to the early retirement of debt, a change in accounting principles, applicable tax laws, restructuring charges, or a gain or loss on the sale of assets. In order to make a reasonable comparison of core operating results from one year to the next — or from one company to another — it is often necessary to exclude these items from reported earnings. Some items are relatively easy to exclude because they are explicitly shown in the company's income statement and footnotes. Others, however, must be estimated by our analysts. Any unusual adjustments to reported earnings will be disclosed in the footnotes of each Value Line report.

## **OPERATING MARGIN**

### **What is the operating margin?**

The operating margin shows operating income (earnings before the deduction of depreciation, amortization, interest, and income taxes) as a percentage of sales or revenues. Operating income is sometimes referred to as EBITDA — Earnings Before Income Tax, Depreciation and Amortization.

## **PRICE/EARNINGS RATIO**

### **Why does the Value Line price/earnings ratio often differ from that in *Barron's* or brokerage reports?**

All price/earnings ratios are calculated by dividing the recent stock price by 12 months of earnings. The different ratios occur because we each use different 12-months earnings figures. Newspapers and magazines generally use 12-months trailing (i.e., reported) earnings. Value Line uses a total of the past six months of trailing earnings and the next six months of estimated earnings. (In our view, this is the best method since it incorporates both recent history and a near-term forecast.) Your broker is likely to use a calendar year's earnings. While we think our method is best, none is wrong. Just be sure that when you are comparing two companies' P/E ratios, you are using the same methods.

## **ABBREVIATIONS**

### **I have trouble understanding some of your abbreviations. Can you help me?**

Yes. Most of the frequently used abbreviations are included in the online Glossary that is available at [www.valueline.com](http://www.valueline.com). The Glossary will also help you understand many words used in the technology sectors.

## **A STOCK'S 3- TO 5- YEAR PRICE PROJECTIONS**

### **How are a stock's 3- to 5- year share-price projections derived?**

Our analysts have developed comprehensive models that take into account the current economic climate and a

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company's operating fundamentals, including recent management initiatives, the actions of the competition, and many other relevant factors for each company. These models are used to develop our earnings and other financial projections for the coming 3 to 5 years.

The Target Price Range is calculated by multiplying a company's estimated earnings per share for the period out 3 to 5 years (in the far right-hand column of the statistical array) by the stock's projected average annual price/earnings ratio for the same period, and then developing a range showing the likely high and low price. The width of the band of the share-price projections varies, depending on the Safety rank of the company. Riskier stocks have a wider band, safer stocks a narrower band.

## STOCK DECLINES

### **I bought a stock based on your advice, but it went down. What happened?**

As you undoubtedly know, our Ranking System for Timeliness has worked extremely well over time. Not all stocks do as we forecast, though, and we have never suggested that they will. What we have strongly recommended is that you diversify your portfolio by purchasing at least 10 to 20 stocks in at least 10 industries. That way, you will protect yourself from unexpected changes in the price of any one stock or any one industry.

## SPEAKING TO ANALYSTS

### **I would like to speak to the Analyst who wrote a report.**

Unfortunately, this isn't practical. Our staff of analysts is dedicated to analyzing stocks and writing commentaries, industry analyses, and up-to-the-minute Supplemental Reports for *The Value Line Investment Survey* stocks covered in *The Value Line 600*. They do not have time to speak with individual investors. However, senior analysts within the Research Department do host free monthly webinars. At these events, the analysts do take questions from attendees. To receive invitations for future webinars, please make sure you are on our mailing list. If you aren't, please email [webinars@valueline.com](mailto:webinars@valueline.com).

## PRETAX INCOME

### **Where can I find pretax income on a Value Line page?**

This figure is not displayed on our reports. We do, however, show net profit after taxes (usually line 14 in the Statistical Array) and the effective tax rate (usually line 15). You can calculate pretax income by dividing net profit by: 1 minus the tax rate. Example: If net profit was \$100 million and the tax rate was 21%, pretax profit would be \$126.58 million.

$$\frac{\$100,000,000}{1.00 - .21} = \$126,582,279$$

## ERRORS IN REPORTS

### **What should I do if I find an error in a report?**

If you think you have found an error in any of our publications, we would very much like to hear from you so that we can correct the mistake. Please write or call us. If you call, let the representative know that you want to report an apparent error, and he/she will connect you with an administrative assistant in the Research Department. Please address your written comments to the office of the Research Director, or e-mail us at [VLIS@valueline.com](mailto:VLIS@valueline.com).

## INTERNET (WEB) SITE

### **What is available on the Value Line web site?**

Our address is [www.valueline.com](http://www.valueline.com). The Web site includes useful features for today's informed investor. Newer investors will find a host of useful information in the Investment Education section of the site.

The Web site is designed to help keep you informed about the stock market and economic trends. There is a section where you can get recent stock prices on companies, and another where you can set up your own watchlists if you subscribe to our digital service. Every day we provide written commentary from our economics department and senior analysts.

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## COMPANY COVERAGE

### **Does a company pay to be included in *The Value Line 600*?**

No. Value Line is not compensated by the companies under our review. This allows us to be totally objective when we analyze companies.

### **Does the roster of stocks covered by Value Line change?**

Yes. Vacancies periodically occur within our approximately 600-stock universe. Frequently, companies leave our universe when they are acquired by or merged with another firm. Acquired or merged companies will be replaced by others. In choosing replacements, we try to select actively traded stocks with broad investor interest. Rarely, a company's earnings or finances will deteriorate to such a degree that we believe investors have lost interest. If that happens, we will discontinue coverage.

### **Why isn't ABC, Inc., a large well-known company, included?**

The focus of *The Value Line 600* is on the leading firms in each industry. In certain industries, for example, Semiconductors or Banks, there are several significant participants, and so not all will be included in *The Value Line 600*.

## GLOSSARY OF POPULAR TERMS

### **Price Growth Persistence**

A measurement of the historic tendency of a stock to show persistent price growth compared to the average stock in the Value Line universe. The Value Line Price Growth Persistence ratings range from 100 (Highest) to 5 (Lowest).

### **Earnings Predictability**

A measure of the reliability of earnings forecasts. Predictability is based upon the stability of year-to-year comparisons, with recent years being weighted more heavily than earlier ones. The most reliable forecasts tend to be those with the Highest rating (100); the least reliable, the Lowest (5). The earnings stability is derived

from the standard deviation of percentage changes in quarterly earnings over an historical period. Special adjustments are made for comparisons around zero and from plus to minus.

### **Nonrecurring Items**

Various unusual gains or losses are excluded from reported earnings by Value Line analysts in order to reflect income from ongoing operations. Nonrecurring items are footnoted by year on the Value Line page.

### **Market Capitalization**

The market value of all common shares outstanding for a company, calculated by multiplying the recent price of a stock by the number of common shares outstanding. Definitions vary. Value Line uses the following: Large-cap stocks have market values of more than \$10 billion. Mid-cap stocks have market values from \$2 billion to \$10 billion. Small-cap stocks have market values of less than \$2 billion.

### **American Depository Receipts (ADRs)**

Since most other nations do not allow stock certificates to leave the country, a foreign company will arrange for a trustee (typically a large bank) to issue ADRs (sometimes called American Depository Shares, or ADSs) representing the actual, or underlying, shares. Each ADR is equivalent to a specified number of shares (the ratio is shown in a footnote on the Value Line page). *The Value Line 600* includes coverage on dozens of ADRs, permitting readers to invest in economies in many parts of the world, if they wish.

### **EBITDA**

A popular indicator of a company's financial performance. It is calculated by adding net income, taxes paid, interest on long-term debt, and depreciation and amortization. It is useful when comparing companies and industries since it removes the effects of accounting decisions and financing actions.

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# Also available from Value Line

## **FOR CONSERVATIVE INVESTORS, VALUE LINE OFFERS:**

### **The Value Line Investment Survey**

Puts our proprietary Ranking System, along with analyst commentary and three-to-five year stock price projections, at your fingertips for stocks in nearly 100 industries.

### **Value Line Select: Dividend Income & Growth**

A monthly, in-depth report recommending well-established, dividend-paying stocks for the prudent investor.

## **FOR AGGRESSIVE INVESTORS, VALUE LINE OFFERS:**

### **The Value Line Investment Survey<sup>®</sup> — Small & Mid-Cap**

This service uses our Proprietary Ranking System to cover small and mid-cap stocks that have the potential for significant growth.

### **Value Line Special Situations Service**

We identify rarely-publicized stocks poised for high growth.

### **The Value Line M&A Service**

Designed for investors who are interested in participating in the potential that mergers and acquisitions candidates provide.

## **FOR BALANCED INVESTORS, VALUE LINE OFFERS:**

### **Value Line Select<sup>®</sup>**

Subscribers receive a detailed, monthly report by Value Line senior analysts, recommending one stock that has the best upside and risk/reward ratio.

### **Value Line Select ETFs**

Once a month, subscribers receive a thorough report by Value Line senior analysts, recommending one ETF that is expected to outperform the broader market.

### **The New Value Line ETFs Service**

This service helps investors build and manage a diversified portfolio of funds. At the core of the offering is a robust screener that enables users to enter customized search criteria in order to find only those ETFs that meet the specified conditions.

### **The Value Line Fund Advisor Plus**

Offers data on more than 20,000 mutual funds, as well as powerful fund screening tools.

### **The Value Line Options Survey**

Provides information and ranks on all regularly listed options – more than 600,000 options on 2,000 plus stocks.

### **The Value Line Climate Change Investing Service**

Designed for the climate conscious, profit-oriented investor.

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