

Demo Number 3 – Forecasting Calculators

Transcription for video located at:

<https://www.youtube.com/watch?v=IIIk66T6ljs>

Forecasting Calculators

Although investors can learn a great deal from the past, only the future can be invested in. Therefore, F.A.S.T. Graphs™ provides subscribers five separate and distinct forecasting calculators.

Estimates Calculator

The first forecasting calculator titled “Estimates” (dark brown graph) will be the default calculator that will automatically show each time a graph is initially produced. This is presented as the default calculator on the basis that near-term analyst estimates are more likely to be more accurate than farther out estimates.

The F.A.S.T. Graphs™ forecasting calculators are presented in fiscal year format only.

This Forecasting calculator and the next will show 2-3 years of forward analyst earnings estimates depending on two primary factors. First of all, each company’s fiscal year-end will determine whether 2 or 3 forward years of analyst earnings estimates are included. Second, F.A.S.T. Graphs™ will only include estimates when a credible number of analysts (2 or more) are reporting.

Note: When there are no estimates available for a company, subscribers will be alerted and directed to utilize either the “Historical CAGR” (compound annual growth rate) or the “Custom” forecast calculator options where they are free to input their own data.

Normal PE Calculator

The second forecasting calculator option titled “Normal PE” (dark blue graph) which will produce the same consensus estimates as the “Estimates graph.” However, the primary valuation reference line will be based on the company’s calculated historical normal P/E ratios. This calculator option provides a drop-down window where the subscriber can choose the appropriate normal P/E ratio that was manifest over different historical timeframes. As you pick and choose Normal P/E ratios, the graph will automatically adjust.

Therefore, subscribers can utilize the historical normal P/E ratio of their choice, or choose one that they are most comfortable with.

Note: These historical normal P/E ratios will differ slightly from what is seen when the historical earnings and price correlated graph is drawn because these do not include estimate data in the calculations. However, the differences will, for the most part, be minor and/or immaterial.

3-5Y TL Growth Calculator

The third forecasting calculator option is titled “3-5Y TL Growth” (light brown graph) which provides a simple trend-line (TL) estimate of earnings growth based on consensus 3-5 year long-term growth rate estimates of analysts reporting to S&P Capital IQ. It’s important to note that this is a separate and distinct set of earnings forecasts than you saw on the first two calculators.

Consequently, this graph is most useful when evaluating earnings estimates based on a long-term growth rate trend. Therefore, the focus should be primarily on the last couple of years of estimates on the graph, as the near-term estimates will differ from the specific near-term estimates provided on the “Estimates” and/or “Normal P/E” earnings calculator options. In other words, this calculator option is offered as a long-term earnings growth perspective for those subscribers interested in a longer-term view.

Historical CAGR Calculator

The fourth forecasting calculator option is titled “Historical CAGR” (green graph) and generates earnings forecasts based on a company’s historical, compound annual earnings growth rate (CAGR) achievements.

Utilizing a company’s historical growth rate as a forecasting option is favored by many analysts and investors. This forecasting calculator also includes a drop-down window that allows subscribers to select from a series of historical pre-calculated growth rates over various timeframes that the subscriber feels is the most appropriate growth rate or forecast.

Note: These historical growth rate achievements will differ slightly from what is seen when the historical earnings and price correlated graph is drawn because they do not include estimate data in the calculations. However, the differences will, for the most part be minor and/or immaterial.

Custom Calculator

The fifth and final calculator option is titled “Custom” (red graph) that allows the subscriber the ability to create their own forecast calculations. There are multiple customization options available with the custom graph. Subscribers can input and utilize any P/E ratio of their choice to create the primary valuation reference line.

Additionally, subscribers can input their own earnings and/or dividend expectations for each specific future year, and provide any growth rate that they consider appropriate.

Note: In order to initially draw a complete graph this graph defaults to the same estimates presented in the “3-5Y TL” graph. However, subscribers can simply click the “Estimates” box and the custom calculator will automatically add the near-term estimates found in either the “Estimates” and/or the “Normal PE” ratio calculators and then follow these near-term estimates with the trend line growth rate calculation thereafter. Additionally, subscribers are free to customize virtually every forecast data point to include P/E ratios, growth rates, for each specific year’s earnings and dividends on the graph according to their own calculations or views.

Dynamic Rate of Return Calculations and Functionality Are Included In all Five of the Forecasting Calculators

Important and powerful features of all five forecast calculators are dynamic automatic calculations of future potential rates of return in both gross percentages and annualized rates. When the subscriber points to any of the dots or triangles on the calculator, a pop-up with calculations and data points will appear. If the subscriber double clicks any of the dots or triangles, a dotted line from Point A to Point B will appear

and remain until it is clicked off. Additionally, color-coded arrows will appear indicating a green circle with white arrow for a gain or a red circle with a white arrow for a loss.

In addition to providing important return calculations and other metrics to include the date, price and the representative P/E ratio, these pop-ups will remain on the graph allowing the subscriber to toggle between any of the five calculators to the next without the pop-up closing. This empowers the subscriber with more efficient thinking processes as they evaluate estimate calculation options on the various graphs.

To remove the pop-ups, simply click the selected dot or triangle. Also, if the dots or triangles are not double clicked, they will automatically disappear as you move your cursor from one point to the next.

Analyst Scorecard

The analyst scorecard is another valuable feature that helps with analyzing forecast earnings growth rate estimates.

The analyst scorecard relates to the first two calculator options, the “Estimates” calculator and the “Normal P/E ratio” calculator. To access the analyst scorecard simply click on any of the words or icons in the FAST FACTS box to the right of the forecasting calculator. You can also open or close the calculator by clicking any of these boxes. You can also access the analyst scorecard by clicking the words “Analyst Scorecard” in the blue bar here.

Since the estimates on these first two calculators are based on specific one-year forward and two-year forward consensus analyst estimates, the analyst scorecard provides subscribers a perspective on how accurate the analysts have been with those specific estimates in the past. The scorecard is intended to give subscribers a perspective on how reliable analyst forecasts previously made have been for any given company based on the analysts’ past records. In other words, it provides another thinking point on the F.A.S.T. Graphs as a powerful “tool to think with.”

There are three options that the subscriber can review and choose by clicking on the tabs at the top of the analyst scorecard. The “1Y” (one year forward) scorecard calculates previous analyst accuracy within a reasonable 10% margin of error.

The 2Y (two year forward) scorecard calculates previous analyst accuracy within a 20% margin of error. The scores are presented in both tabular and graphic form.

Note: The Analyst Scorecard is also built with dynamic features that allow subscribers to remove items from the graphic for simplicity and convenience. If you click on any of the words in the legend at the bottom (Actual, Estimate, Analysts) the lines and/or shadings on the graph will be removed. To bring them back, simply click on the words in the legend again.

The “Summary” option provides a simple graphical expression of analyst accuracy for both the one-year (1Y) and two-year (2Y) previous forecasts. And finally, there is a tab titled “? How This Works” that provides a brief explanation of the scorecard and scores.

(End of Demo 3)