A Trouble Shooting Guide: What is wrong with this valuation? DDM 2 St:

If this is your ‘problem’ this may be the solution

- If you get a extremely low value from the 2-stage DDM, the likely culprits are
  - the stable period payout ratio is too low for a stable firm (< 40%)
  - the beta in the stable period is too high for a stable firm
  - the use of the two-stage model when the three-stage model is more appropriate
- If you get an extremely high value,
  - the growth rate in the stable growth period is too high for stable firm