

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

If this is your 'problem'

this may be the s

- 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 ($< 40\%$)
If using fundame
 - the beta in the stable period is too high for a stable firm
If entering direct
 - the use of the two-stage model when the three-stage model is more appropriate
Use a beta close
- If you get an extremely high value,
 - the growth rate in the stable growth period is too high for stable firm
Use a three-stage
 - the growth rate in the stable growth period is too high for stable firm
Use a growth rat