Dividend discount model (DDM):

In this method we want to value the price of the stock by adding up all the payments the stock will make us in the futur. We are adding up the Net Present Value of each future dividend payment expected in order to calculate the stock's present value.

Current Dividend **Next Dividend**

$$P_0 = \frac{D_0(1+g)}{r-g} = \frac{D_1}{r-g}$$

Discount Rate   **Growth Rate**