#11, #14~#15, #17, #19, #22, #25, #30~#31, and #36

11. Stock Valuation Universal Laser, Inc., just paid a dividend of $3.10 on its stock. The growth rate in dividends is expected to be a constant 6 percent per year, indefinitely. Investors require a 15 percent return on the stock for the first three years, a 13 percent return for the next three years, and then an 11 percent return thereafter. What is the current share price for the stock?

14. Nonconstant Dividends Lohn Corporation is expected to pay the following dividends over the next four years: $10, $7, $6, and $2.75. Afterwards, the company pledges to maintain a constant 5 percent growth rate in dividends forever. If the required return on the stock is 13 percent, what is the current share price?

15. Differential Growth Hughes Co. is growing quickly. Dividends are expected to grow at a rate of 20 percent for the next three years, with the growth rate falling off to a constant 5 percent thereafter. If the required return is 12 percent and the company just paid a $2.80 dividend, what is the current share price?

17. Negative Growth Antiques R Us is a mature manufacturing firm. The company just paid a dividend of $9, but management expects to reduce the payout by 4 percent per year, indefinitely. If you require an 11 percent return on this stock, what will you pay for a share today?

19. Valuing Preferred Stock Fifth National Bank just issued some new preferred stock. The issue will pay an annual dividend of $8 in perpetuity, beginning five years from now. If the market requires a return of 5.6 percent on this investment, how much does a share of preferred stock cost today?

22. Nonconstant Growth and Quarterly Dividends Pasqually Mineral Water, Inc., will pay a quarterly dividend per share of $.80 at the end of each of the next 12 quarters. Thereafter, the dividend will grow at a quarterly rate of 1 percent, forever. The appropriate rate of return on the stock is 10 percent, compounded quarterly. What is the current stock price?

25. Dividend Growth Four years ago, Bling Diamond, Inc., paid a dividend of $1.35 per share. Bling paid a dividend of $1.77 per share yesterday. Dividends will grow over the next five years at the same rate they grew over the last four years. Thereafter, dividends will grow at 5 percent per year. What will Bling Diamond's cash dividend be in seven years?

30. Stock Valuation and PE Ramsay Corp. currently has an EPS of $2.35, and the benchmark PE for the company is 21. Earnings are expected to grow at 7 percent per year.

a. What is your estimate of the current stock price?
b. What is the target stock price in one year?
c. Assuming the company pays no dividends, what is the implied return on the company's stock over the next year? What does this tell you about the implicit stock return using PE valuation?

31. Stock Valuation and EV FFDP Corp. has yearly sales of $28 million and costs of $12 million. The company's balance sheet shows debt of $54 million and cash of $18 million. There are 950,000 shares outstanding and the industry EV/EBITDA multiple is 7.5. What is the company's enterprise value? What is the stock price per share?

36. **Nonconstant Growth** Storico Co. just paid a dividend of $3.85 per share. The company will increase its dividend by 20 percent next year and will then reduce its dividend growth rate by 5 percentage points per year until it reaches the industry average of 5 percent dividend growth, after which the company will keep a constant growth rate forever. If the required return on Storico stock is 13 percent, what will a share of stock sell for today?