

business people

Continued from previous page.

Thomas Dulin has been named assistant program director for WFLY Radio in Southfield.

Prince E. Hilliard of West Bloomfield has been promoted to director, Civic Affairs in Blue Cross and Blue Shield of Michigan.

Ben E. Gruber has been named director of marketing for Providence Hospital, Southfield.

Three north suburban residents have been elected general partners of the Hill Real Estate Group. They are Gerald Maske, Bloomfield Hills, Mark Wiedelmas, West Bloomfield, and Jerry Johnston, Farmington Hills.

John E. Krassmann has been elected a vice president at D'Arcy-MacManus & Masius/Bloomfield Hills.

Gerald J. Larso, of Southfield has been appointed general auditor of Chrysler Corp.

Joseph G. Albano of Troy has been appointed Director of Human Resources with Parker Surface Treatment Products.

Thomas W. Carson has been appointed sales representative for Michigan Paper Co. of Troy.

The National Bank of Detroit has appointed Mary E. Kinsley of Birmingham to assistant personnel officer in

the Personnel Division. Joan C. Gilbert of Troy to marketing officer in its Marketing Services Division; and Patrick J. Ousemeyer of Birmingham to assistant vice president in its National Banking Division.

Patricia Ray Zywicki of Birmingham has moved back to Michigan and is again associated with Stanchard, Douglas.

Michael Seari has been named vice president and director of creative services at the Bertline Group Inc. of Birmingham.

Michael I. Littlejohns of Troy has been appointed vice president/general manager of Lucas Service Inc. of Troy.

James T. Riley of Birmingham has been appointed a member of the Governor's Executive Corps.

Creative Universal of Southfield has appointed Barbara Bolek project supervisor - creative departments. Robert B. Drake has been appointed account supervisor.

See Litwin of West Bloomfield has joined Jack McCarthy Enterprises Inc. of Birmingham as a public relations associate.

Three area residents have been appointed to new positions at Comerica Bank-Detroit. Anthony J. Magdowski of Bloomfield Hills, is vice president, funds management; David R. Pfeiffer



Carr



Lohr

of Birmingham, is vice president, metropolitan corporate banking, and J. Patrick Godfrey of Troy, is assistant vice president, Comerica Financial Services Corp.

Richard R. Lohr of Birmingham has been appointed controller of Southwest Detroit Hospital.

Rob Carr of Farmington Hills has been elected a vice president at D'Arcy-MacManus & Masius/Bloomfield Hills.

Bob Hynes of Birmingham has become WDIV-TV's newest weatherman handling weekend and noon weather.

Karen Neuman of Birmingham has been promoted to Director of Social Work of Southfield Rehabilitation Center.

Helga Nisonger has been named sales manager-vice president for Kingsway Associates Inc. of Birmingham.

Submit information on new employees, promotions and retirements to Business Editor, Observer & Eccentric, Newspapers, 3021 Schoolcraft, Livonia 48150. Please include city of residence.

PE indicates stock's worth

When I read your column, and that of many other financial writers, I find that you always harp on price earnings ratios. You are always telling people that they paid too high a price earnings ratio for a stock.

I don't know what that means, and I wish you would explain it a bit.

The price earnings ratio sounds so complicated, but it really is a simple thing. It is just the figure you get when you divide the price of a stock by the latest full year's earnings per share.

For instance, when I look in the paper I see Westinghouse Electric is selling at \$43 1/2 and it earned \$4.66 a share in the past 12 months. This means that its price earnings ratio or PE is \$43 1/2 divided by \$4.66 or roughly 10.

The right PE to pay for a stock depends on a number of things. Over a long business cycle, the average PE that the stocks in the Dow Jones Industrials sell at will range from about 8 to 21.

WITH THE FIGURE at about 11, it would appear we are at the low end of the business cycle.

Different types of companies tend to have different price earnings ratios. A company that is growing at a rapid rate tends to have a higher PE than a slower growing one.

A very cyclical company whose earnings move up and down a lot tends to sell at a low PE when earnings are high and at a high PE when business is bad and earnings fall faster than the stock price.

As an investor can use the PE as a guide as to whether the price of the

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today's investor

Thomas E. O'Hara

of the National Association of Investment Clubs

stock is reasonable. The major references that are available to you as an investor such as Standard and Poor's and the Value Line Survey give you the PE that a particular stock has sold at in recent years.

IF THE STOCK is selling above the average PE of recent years, that should cause you to do some checking to see if the stock is overpriced. If it is selling below, it may be a bargain, but you need to do some additional checking to understand why its PE is low.

I have two letters on hand that indicate how an investor could have saved himself from a mistake by paying attention to the stock's price earnings ratio. One reader says, "I bought Walt Disney several years ago at \$125. The company seems to do well, but the price has never come close to what I paid for it. What is wrong?"

The answer is that the reader bought Disney when his PE was 74. That was a ridiculous price to pay when the stocks in the Dow averages were selling at 11.

ANOTHER READER says, "I bought Vecco Instruments several years ago at \$21 1/2. The company's earnings have been up every year since I bought it, but the price hasn't done a

thing."

What the reader should recognize is that he paid 19 1/2 times earnings when the stock was temporarily enjoying a burst of popularity. Prior to that time, it has never sold at more than 14 times earnings.

While earnings have continued to grow, most investors have been unwilling to pay more than the PE the company has traditionally sold at.

Thomas E. O'Hara of Bloomfield Hills is chairman of the board of trustees of the National Association of Investment Clubs and editor of Better Investing magazine. O'Hara welcomes questions and comments but will answer them only through this column. Readers who send in questions on a general investment subject or on a corporation with broad investor interest and whose questions are used will receive a free one-year subscription to the investment magazine Better Investing.

O'Hara will send a free copy of Better Investing magazine or information about investment clubs to any reader requesting it. Send 50 cents for postage and write Today's Investor, P.O. Box 220, Royal Oak 48068.

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