

How Your Company's Performance Is Judged

Page 1 of the *Camera & Drone Journal*

GLO-BUS tracks each company's performance annually on 5 performance targets which the Board of Directors has set for the company's new management team. These 5 performance targets are as follows:

- **Grow earnings per share** from \$0.75 at the end of Year 5 to \$1.25 in Year 6, \$2.00 in Year 7, \$3.00 in Year 8, \$4.25 in Year 9, \$5.50 in Year 10, \$7.00 in Year 11, \$8.50 in Year 12, \$10.50 in Year 13, \$12.50 in Year 14, and \$14.50 in Year 15.
- **Grow average return on equity investment (ROE)** from 14.5% at the end of Year 5 to 17.5% in Year 6, 20% in Year 7, 25% in Year 8, 30% in Year 9, 35% in Year 10, 40% in Year 11, and by an additional 2.5% annually in Years 12 through 15 (thus reaching 50% in Year 15). Average ROE is defined as net income divided by the average of total shareholder equity balance at the beginning of the year and the end of the year. Average ROE for each company is reported on page 2 of the *Camera & Drone Journal*. Data for calculating your company's average ROE appears on page 4 of the Company Operating Reports in the notes to the company's Balance Sheet.
- **Achieve stock price gains** from \$12 at the end of Year 5 to \$20 in Year 6, \$35 in Year 7, \$60 in Year 8, \$100 in Year 9, \$150 in Year 10, \$200 in Year 11, \$250 in Year 12, \$300 in Year 13, \$330 in Year 14, and \$350 in Year 15. Board members believe these stock price gains are within reach if the company meets or beats the annual EPS targets, achieves the targeted rates of return on shareholders' equity (ROE), rewards shareholders with growing dividends, and from time to time prudently uses its financial capabilities to repurchase shares of stock. The company's stock price was \$12 per share at the end of Year 5.
 - **Note:** *Stock price is a function of revenue growth, earnings per share growth, average ROE, credit rating, the rate of growth in the annual dividend paid to shareholders, and management's ability to consistently deliver good results (as measured by the percentage of each year's 5 performance targets that your company achieves).*
- **Maintain a healthy credit rating**, defined as B+ or higher in Years 6 and 7, at least A- in Year 8 through Year 10, and at least A in Year 11 through Year 15. The company's credit rating was B at the end of Year 5.
- **Achieve an image rating (brand reputation)** of 70 or higher in Year 6, 72 in Years 7-8, 75 in Years 9-10, 77 in Years 11-12, and 80 in Years 13-15. The image rating is a function of (1) your company's P/Q ratings for action cameras and UAV drones, (2) your company's global market shares for both action cameras and UAV drones (as determined by your market shares in the four geographic regions), and (3) your company's actions to display corporate citizenship and conduct operations in a socially responsible manner over the past 4-5 years. Your company had an image rating of 70 at the end of Year 5.

Board members believe all of the performance targets for Years 6-15 are reasonable and achievable by company managers, given the strong growth and profit opportunities that exist in the global market for action cameras and UAV drones during the Year 6 to Year 15 period.

Your instructor has placed weights on the relative importance of these five performance targets that translate into some number of points out of 100 for each of the 5 performance measures, with the sum of the points adding to 100.

The points assigned to each target by your instructor are shown in the gray-shaded narratives on pages 2 and 3 of the Camera & Drone Journal.

Company Performance Scores Are Based on Two Standards

Using the assigned scoring weights (or number of corresponding points out of 100), your company's performance on the 5 performance measures is tracked annually and company performance scores are calculated based on two standards:

1. **The Investor Expectations Standard.** The degree to which a company meets or beats the 5 annual performance targets drives investor confidence in management's ability to deliver good results. Meeting or beating expectations of investors on each of the five performance measures inspires investor confidence, while failure to meet investor expectations weakens investor confidence in the company's management team. The investor expectations standard involves calculating an *annual* "Investor Expectation Score" based on your company's success in meeting or beating the five *expected* performance targets each year. There is also a Game-to-Date or "all-years" Investor Expectation Score that reflects your company's success in achieving or exceeding the five expected performance targets over *all years* of the exercise completed so far.

Meeting each expected performance target is worth some number of points based on the scoring weight your instructor selected. For example, if the scoring weight for EPS is 20%, meeting the EPS target earns a score of 20 on the EPS performance measure.

Beating a target results in a bonus award of 0.5% for each 1% the annual target is exceeded (up to a maximum bonus of 20%). Thus, if achieving the EPS target is worth 20 points, a company can earn a score of 24 points by beating the annual EPS target by 40% or more. Failure to achieve a target results in a score equal to a percentage of that target's point total (based on its weight out of 100 points). For instance, if your company earns \$3.00 per share of common stock at a time when the EPS target is \$4.00 and achieving the \$4.00 EPS target is worth 20 points, then your company's score on the EPS target would be 15 points ($\$3.00$ divided by $\$4.00 = 0.75$, which times 100 equates to 75%, and 75% of 20 points = 15 points). Exactly meeting each of the 5 performance targets results in an Investor Expectation Score of 100.

With 5 targets whose combined points add up to 100 and potential point bonuses of up to 20% for exceeding the targeted performance levels, it is possible to earn an Investor Expectation Score of 120.

2. **The Best-in-Industry Standard.** This standard concerns how well each company performs relative to the "best-in-industry" performer on 4 measures (EPS, ROE, image rating, and stock price) and how close each company comes to the ultimate credit rating of A+. Again, the performance scores are based on the weights/points that your instructor assigned to each of the 5 performance measures, with the sum of the points on the 5 measures adding to 100.

The *best-in-industry standard* entails assigning the best-performing company a perfect score (the full number of points for that measure) and then assigning each remaining company a lesser number of points according to what percentage of the industry-leading performance they were able to achieve. For instance, if ROE is given a weight of 20 points, an industry-leading ROE performance of 25% gets a score of 20 points and a company with an ROE of 20% (which is 80% as good as the leader's 25%) gets a score of 16 points (80% of 20 points). The procedure is slightly different for the credit rating measure—each credit rating grade is tied to the number of points your instructor assigns to the credit rating (an A+ rating always gets a best-in-industry score equal to the instructor's maximum, with the grades for other credit ratings scaled down all the way to 0 for a C– rating).

Each company's Best-in-Industry Score is equal to its combined point total on the five performance measures. In order to receive a score of 100, a company must (1) be the best-in-industry performer on EPS, ROE, stock price, and image rating, (2) achieve the investor-expected targets for EPS, ROE, stock price and image rating set by the company's Board of Directors, and (3) have an A+ credit rating.

The Performance Scoreboards on Page 1 of the CDJ

On page 1 of each issue of the Camera & Drone Journal, there are two industry-wide scoreboards for company performance—one showing each company's Investor Expectation (I.E.) Score and the Best-in-Industry (B-I-I) Score *for the most recent year* and one showing each company's Investor Expectation (I.E.) Score and the Best-in-Industry (B-I-I) Score *for all years completed so far*—the Game-to-Date Scoreboard.

The “Weighted Average Score” Appearing on the Two Scoreboards. Each company's Weighted Average Score is determined by combining the Investor Expectation Score and the Best-in-Industry Score into a single score using whatever weighting of the two scoring approaches your instructor has chosen, often 50-50. *The instructor-chosen weights used to calculate the Weighted Average Scores for your industry are reported in the Weighted Average Score narrative at the bottom of this page.*

Things to Know About the Investor Expectation Scores

Some important aspects of how the Investor Expectation Score is calculated are summarized below:

- Meeting each performance target is worth some number of points corresponding to the scoring weights your instructor has placed on each performance measure (see the narrative at the bottom of page 1 of the *Camera & Drone Journal*).
- **All scores are rounded to the nearest whole number.**
- Exactly meeting each of the 5 performance targets results in an Investor Expectation Score of 100.
- Beating the EPS, ROE, stock price, and/or image rating targets are worth point bonuses of 0.5% for each 1.0% that your company's actual performance exceeds the expected performance for EPS, ROE, stock price, and image rating, up to a maximum 20% bonus for each measure. Bonus points are also awarded for credit ratings above B+, with a full 20% bonus being given for an A+ rating.
- Beating the EPS, ROE, stock price, and image rating targets by 20% or more and earning an A+ credit rating results in an Investor Expectation Score of 120. A score of 120 is the maximum that any company can receive.
- Failure to achieve the investor-expected target for EPS or ROE or stock price or image rating results in a score for that performance measure between 0 and the point maximum for that measure, with the score depending on the percentage of the target achieved. For instance, if your company achieves a stock price of \$20 at a time when the stock price target is \$50, then your company's score on the stock price target (assuming a 20% weight and thus 20 possible points) would be 8 points (40% of the 20 points awarded for meeting the stock price target).
- **If your company's EPS is negative, no points are awarded toward meeting investor expectations for EPS.**
- Likewise, **if in a given year your company loses money and has a negative ROE, no points are awarded on the ROE measure.**
- If your company achieves the investor-expected target in a given year, your company gets the point maximum out of 100 points that corresponds to the instructor-assigned weight for the credit rating. If, for example, the credit rating has a weight of .20 or 20 points, then a company with a B+ credit rating in Years 6-7 or an A- credit rating in Years 8-10 receives 20 points for meeting investor expectations—an A+ credit rating always gets a 20% or 4-point bonus and a score of 24. If the point weighting for credit rating is 20 (which equates to a maximum of 24 points including the bonus), then the various possible credit rating scores are as follows:

Credit Rating	Year 6 – Year 7	Year 8 – Year 10	Year 11 – Year 15
A+	24 points	24 points	24 points
A	23 points	22 points	20 points
A–	22 points	20 points	18 points
B+	20 points	18 points	16 points
B	16 points	15 points	14 points
B–	12 points	12 points	11 points
C+	8 points	8 points	8 points
C	4 points	4 points	4 points
C–	0 points	0 points	0 points

- The sum of your company's scores (including bonus points) on each of the 5 investor-expected targets equals your company's annual Investor Expectation Score.

What Is a Good Investor Expectation Score for a Given Year? A company that achieves an annual Investor Expectation Score of 100 or more is clearly demonstrating excellent or superior performance in meeting and beating the 5 targets established by your company's Board of Directors and the performance levels expected by investors. An Investor Expectation Score in the 90 to 100 range is definitely very good (and certainly is not a cause for concern, despite there being room for improvement). Scores of 80-89 are good, and scores of 70-79 are fair; yet, there is plainly ample reason for company managers to take actions to improve company performance. An Investor Expectation Score below 70 is clearly sub-par, calling for prompt, decisive action to boost company performance and move closer to achieving the five annual performance targets expected by investors and your company's Board of Directors.

The Game-to-Date Investor Expectation Score. A company's Investor Expectation Score for all years completed so far is based on (1) its average EPS versus the average of the EPS targets for each year completed, (2) its average ROE for all years completed versus the average of the annual investor-expected ROE targets, (3) an average of its image rating for the 3 most recent years as compared to an image-rating target of 70, (4) its **most recent year's** stock price versus the **most recent year's stock price target**, and (5) its **most recent year's** credit rating versus the ongoing credit rating target of B+, as summarized below:

- Game-to-Date I.E. Scoring for EPS** is based on how each company's weighted-average EPS for all years completed stacks up against the average of the EPS targets for all years completed. Companies that meet the all-year weighted-average EPS target receive a score equal to the EPS point weighting; companies that beat the weighted-average EPS target receive bonus points of up to 20%, and companies that fall short of the weighted-average EPS target receive scores equal to the fraction of the EPS target that was achieved. More details are provided in the Help section for p. 2 of the *Camera & Drone Journal* where game-to-date EPS scores are reported.
- Game-to-Date I.E. Scoring for ROE** is linked to how each company's weighted-average ROE for all years completed stacks up against the average of the annual investor-expected ROE targets. Companies that meet the average investor-expected ROE target receive a score equal to the ROE point weighting; companies that beat the average investor-expected ROE target receive bonus points of up to 20%, and companies that fall short of the average investor-expected ROE target receive scores equal to the fraction of the average investor-expected ROE target that was achieved. More details are provided in the Help section for p. 2 of the *Camera & Drone Journal* where game-to-date ROE scores are reported.
- Game-to-Date I.E. Scoring for Stock Price** hinges *only* on each company's most recent year's stock price, not some all-year average. The latest stock prices of companies in the industry are used to measure the game-to-date I.E. score for stock price because a company's latest stock price is a function of EPS growth, ROE, credit rating, dividend per share growth, and management's ability to consistently deliver good results (as measured by the percentage of the 5 investor-expected performance targets that each company achieves over all completed decision rounds) and thus includes a heavy long-term element. Companies that meet the most recent year's stock price target receive a score equal to the stock price

point weighting; companies that beat the most recent year's stock price target receive bonus points of up to 20%, and companies that fall short of the most recent year's stock price target receive scores based on the fraction of the stock price target that was achieved. More details are provided on the Help section for p. 2 of the *Camera & Drone Journal* where game-to-date I.E. scores for stock price are reported.

- **Game-to-Date I.E. Scoring for Credit Rating** is keyed to how each company's latest credit rating compares against the rating of B+. The **latest year's credit rating is used to measure the game-to-date credit rating score**, as opposed to an all-year average credit rating, *because a company's latest credit rating is largely reflective of its long-term financial condition and the overall balance sheet strength that management has engineered to date*. The game-to-date I.E. scores for credit rating are always the same as for the current-year scores because both are based on the most recent year's credit rating. More details about the credit rating scoring are provided in the Help section for p. 3 of the *Camera & Drone Journal*.
- **Game-to-Date I.E. Scoring for Image Rating** is based on how the company's average image rating for the most recent three years compares to the average target image rating for the most recent 3 years. A 3-year average image rating is used to measure game-to-date performance, as opposed to an all-year average, so as not to burden a company's performance by image ratings that may no longer be representative of the image and reputation it has recently achieved with its strategy. A company whose average image rating for the most recent 3 years equals the average of the image rating targets receives a game-to-date I.E. score equal to the image rating point weighting; a company having a 3-year average image ratings above the 3-year average target receives a score up to 20% greater than the point weight, and a company having 3-year average image ratings below the 3-year average target receives a score equal to the fraction of the image rating target that was achieved. More details are provided in the Help document associated with page 3 of the *Camera and Drone Journal*.
- **Special Note:** *The Game-to-Date I.E. score is definitely **NOT** the average of the annual I.E. scores. Rather, it is the sum of a company's Game-to-Date scores on each of the five scoring.*

Just as with the annual I.E. scores, Game-to-Date I.E. Scores of 100 to 120 are quite excellent, scores of 90-99 are very good, scores of 80-89 are good, scores of 70-79 are fair, and scores below 70 reflect consistently "sub-par" results in meeting the targets that investors expect and that your company's Board of Directors set for you to achieve.

Things to Know About Your Company's Best-in-Industry Scores

Some important aspects of how the Best-in-Industry Scores for a given year are calculated are summarized below:

- *The best-in-industry scoring standard* is based on a maximum score of 100 points. Your instructor assigns some number of points out of 100 to each of the 5 performance measures, with the sum of the points adding to 100. A maximum score of 20 points for EPS thus implies a weighting of 0.20 or 20% for EPS performance; a maximum score of 15 points for image rating equates to a weight of 0.15 or 15%; and so on. **To get a score of 100, your company has to be the highest performing company—termed the best-in-industry performer—on all five performance measures** during the year, meet or beat the EPS, ROE, stock price, and image rating targets, and have an A+ credit rating.
- **All scores are rounded to the nearest whole number.**
- After each decision round, **GLO-BUS** ranks each company's performance on each of the five performance measures—EPS, ROE, stock price, credit rating and image rating. The best-in-industry performer on each measure earns a perfect score (the full number of points for that measure as determined by your instructor, *provided the industry leader's performance on that measure equals or exceeds the investor-expected performance target established by company Boards of Directors*). Each remaining company earns a fraction of the points earned by the best-in-industry performer that is equal to its performance (on EPS, ROE, stock price, and image rating) divided by the performance of the industry-leading company (on EPS, ROE, stock price, and image rating). For instance, if ROE is given a weight of 20 points, an industry-

leading ROE performance of 25% gets a score of 20 points and a company with an ROE of 20% (which is 80% as good as the leader's 25%) gets a score of 16 points (80% of 20 points). Likewise, if EPS is given a weight of 20 points, an industry-leading EPS performance of \$5.00 gets a score of 20 points and a company with an EPS of \$2.00 (which is 40% as good as the leader's \$5.00) gets a score of 8 points (40% of 20 points).

Special Note: *Whenever the best-in-industry performer's EPS, ROE, stock price, or image rating is below the corresponding investor-expected target for the year, the industry-leading company is not awarded a perfect score (the maximum number of points) but rather a percentage of the maximum score that equals the leader's EPS, ROE, stock price, or image rating as a % of the corresponding target for the year. This is done to prevent a company with the highest average EPS, ROE, stock price, or image rating from being awarded the equivalent of an A+ Best-in-Industry Score when its performance on EPS, ROE, stock price or image rating actually falls short of the level established by company Boards of Directors. In all such instances, each remaining company will earn a fraction of the points earned by the best-in-industry performer, with that fraction being equal to its performance (on EPS, ROE, stock price, and image rating) divided by the performance of the industry-leading company (on EPS, ROE, stock price, and image rating).*

- The procedure for assigning best-in-industry scores is a bit different for the credit rating measure. Each credit rating grade from A+ to C– carries a certain number of points that scales down from the maximum number of points for an A+ credit rating to 1 point for a C– rating. If the credit rating weight is 20 points out of 100, the B-I-I point awards are as follows:

A+	20 points (or 100% of the point weighting)
A	19 points (or 95% of the point weighting)
A–	18 points (or 90% of the point weighting)
B+	16 points (or 80% of the point weighting)
B	14 points (or 70% of the point weighting)
B–	11 points (or 55% of the point weighting)
C+	8 points (or 40% of the point weighting)
C	5 points (or 25% of the point weighting)
C–	1 point (or 5% of the point weighting)

- All companies who lose money in any given year and end up with a negative EPS are automatically awarded 0 points for their best-in-industry EPS score.**
- Similarly, a negative ROE results in a best-in-industry score of 0 for ROE.**

Each company's combined point total on the five performance measures is its score on the best-in-industry performance rankings for a given year.

The highest possible Best-in-Industry (B-I-I) Score is 100, earned only if a company is the best-in-industry performer on EPS (with an EPS equal to or above the target), the best-in-industry performer on ROE (with an ROE of at least 15%), the best-in-industry performer on stock price (with a stock price equal to or above the yearly target), and the best-in-industry performer on image rating (with an image rating of at least 70) and also has an A+ credit rating.

What Is a Good Best-in-Industry Score for a Single Year? Annual Best-in-Industry performance scores of 90-99 are excellent, scores of 80-89 are good to very good, scores of 70-79 are fair to good, scores of 60-69 are weak to fair, and scores below 60 reflect a performance roughly 40% or more below that of the industry leaders with scores in the 90s—which says that such companies were outperformed by other companies in the industry by a significant margin. Companies with annual scores below 60 should consider revising their strategies and decision entries to bolster their competitiveness and performance versus rival companies.

The Game-to-Date Best-in-Industry (B-I-I) Score. The Game-to-Date Best-in-Industry scores are based on all-year measures for EPS and ROE, on a last-three-years average for image rating, and on most-recent-year measures for stock price and credit rating, as explained below:

- **Game-to-Date Scoring for EPS** is based on how each company's average EPS for all years completed stacks up against the company with the average EPS for all years completed (provided the leader has an average EPS above the investor-expected average EPS). The company with the highest all-year EPS average is designated as the best-in-industry performer on EPS and receives the maximum score on this measure (unless the leader's all-year EPS average is below the all-year average of the investor-expected EPS targets, in which case the leader's score is some lesser number based on its average EPS as a % of the all-year average of the EPS targets established by company Boards of Directors). The scores of all other companies are a fraction of the points earned by the best-in-industry performer, with each company's fraction being equal to its average EPS values as a percentage of the industry leader's EPS average. More details are provided on the Help section for p. 2 of the *Camera & Drone Journal*.
- **Game-to-Date Scoring for ROE** is linked to how each company's average ROE for all years to date stacks up against the company having the highest average ROE for all years completed (provided the leaders' average ROE is 15% or higher). The company with the highest ROE average is designated as the best-in-industry performer on ROE thus far and receives the maximum score on this measure (unless the leader's average ROE is below 15%, in which case the leader's score is based on its average ROE as a percentage of the annual 15% target). The scores of all other companies are a fraction of the points earned by the best-in-industry performer, with each company's point fraction corresponding to its average ROE divided by the industry leader's average ROE. More details are provided on the Help section for p. 2 of the *Camera & Drone Journal*.
- **Game-to-Date Scoring for Stock Price** hinges *only* on each company's most recent year's stock price, not some all-year average. The latest stock prices of companies in the industry are used to measure the game-to-date best-in-industry score for stock price because a company's latest stock price is, to some important degree, a function of past-year earnings, ROE, credit rating, and dividend payments and thus includes a long-term element. The company with the highest stock price for the latest decision round is designated as the best-in-industry performer on stock price and receives the maximum score on this measure (unless the leader's stock price is below the investor-expected stock price target for the most recent **GLO-BUS** year, in which case the leader's score is based on its stock price as a percentage of the investor-expected stock price). The scores of all other companies are a fraction of the points earned by the best-in-industry performer, where each company's fraction equals its latest stock price divided by the industry leader's latest stock price. More details are provided on the Help section for p. 2 of the *Camera & Drone Journal*.
- **Game-to-Date Scoring for Credit Rating** is keyed to how each company's *latest* credit rating compares against the best rating of A+. The **latest year's credit rating is used to measure the game-to-date credit rating score**, as opposed to an all-year average credit rating, because a company's latest credit rating is largely reflective of its long-term financial condition and the overall balance sheet strength that management has engineered to date via its handling of the company's financial affairs over all years completed. Each credit rating grade from A+ to C– carries a certain number of points. If the credit rating weight is 20 points out of 100, the number of points awarded for Game-to-Date B-I-I credit rating scores is as follows:

A+	20 points
A	19 points
A–	18 points
B+	16 points
B	14 points
B–	11 points
C+	8 points
C	5 points
C–	1 point

More details about the credit rating scoring are provided on the Help section for p. 3 of the *Camera & Drone Journal*.

- **Game-to-Date Scoring for Image Rating** is based on how each company's average image rating **for the most recent three years** stacks up against the company with the highest average image rating **over the most recent three years (provided the leader has a 3-year average above 70, which is the investor-expected image rating target for each and every year of the GLO-BUS exercise)**. **A 3-year average image rating is used to measure game-to-date performance, as opposed to an all-year average, so as not to burden a company's performance by image ratings that are not representative of the image and reputation it has recently achieved with its strategy.** The company with the highest 3-year average image rating is designated as the best-in-industry performer on image rating and receives the maximum score on this measure (unless the leader's 3-year average image rating is below 70, in which case the leader's score is based on its average image rating as a percentage of the average 70-point image rating target). The scores of all other companies are a fraction of the points earned by the best-in-industry performer, where the fraction equals a company's 3-year average image rating divided by the industry leader's 3-year average image rating. More details are provided on the Help section for p. 3 of the *Camera & Drone Journal*.

The highest possible Game-to-Date Best-in-Industry Score is 100, earned only if a company is the industry leader on average EPS, average ROE, most recent year's stock price, and average image rating for the 3 most recent years, and also has an A+ credit rating.

Game-to-Date Best-in-Industry scores of 90-99 are excellent, scores of 80-89 are good to very good, scores of 70-79 are fair to good, scores of 60-69 are weak to fair, and scores below 60 reflect a performance roughly 40% or more below that of the industry leaders. Companies with scores in the 0 to 50 range are being outperformed by other companies in the industry by a 2 to 1 margin or more; such companies need to move without delay to implement a turnaround strategy and boost their annual performance on all 5 measures—EPS, ROE, stock price, credit rating, and image rating.

Concluding Comment on the Scores Your Company Earns

Bear in mind that it is the size of your Overall Score (the combined I.E. and B-I-I score) that matters, not where your company ranks first or third or fifth or tenth in the industry. **Some company must necessarily be in last place, but what is truly telling is whether it is in last place with a score of 85 (which clearly signals a strong performance and a potentially good grade) or in last place with a score of 17 (which clearly signals an abysmal performance and possibly a very disappointing grade).**

The array of information provided on the full 3-page company scoreboard in the *Camera & Drone Journal* (pages 1, 2, and 3) makes it easy for you to track the performance of your company and all other companies over time. You always have all the information you need to determine exactly how well your company is performing. You know whether your company is in the ranks of the industry leaders or whether the scores indicate your company is being outcompeted and outperformed.