

# The Past

- History of Profits?                      The Balance Sheet has the Answer
  
- Peak Ratio Defined:                      
$$\frac{\text{Shareholder Earnings}}{\text{Net Invested Capital}} = \frac{\text{R/E} + \text{Dividends}}{\text{Equity} - (\text{R/E} + \text{Dividends})}$$
  
- Contango's Peak Ratio  
     Calculated as at 12/31/10:              
$$\frac{\text{R/E} + \text{Dividends}}{\text{Equity} - (\text{R/E} + \text{Dividends})} = \frac{\$363.4 + 5.4}{\$382 - (\$363.4 + 5.4)} = \frac{\$368.8}{\$13.2} = 27.93X$$
  
- Peak Market Cap Ratio:                      
$$\frac{\text{Market Cap}}{\text{Net Invested Capital}} = \frac{\text{Shares O/S} \times \text{Price}}{\text{Net Invested Capital}} = \frac{\$870}{\$13.2} = 66X$$
  
- Growth in Book Value/Share (\$/Share)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Book Value/Share</b>	\$4.19	\$4.00	\$12.15	\$21.13	\$23.71

*“Past performance is no guarantee of future results – but it is the way to bet”  
- Kenneth R. Peak*