

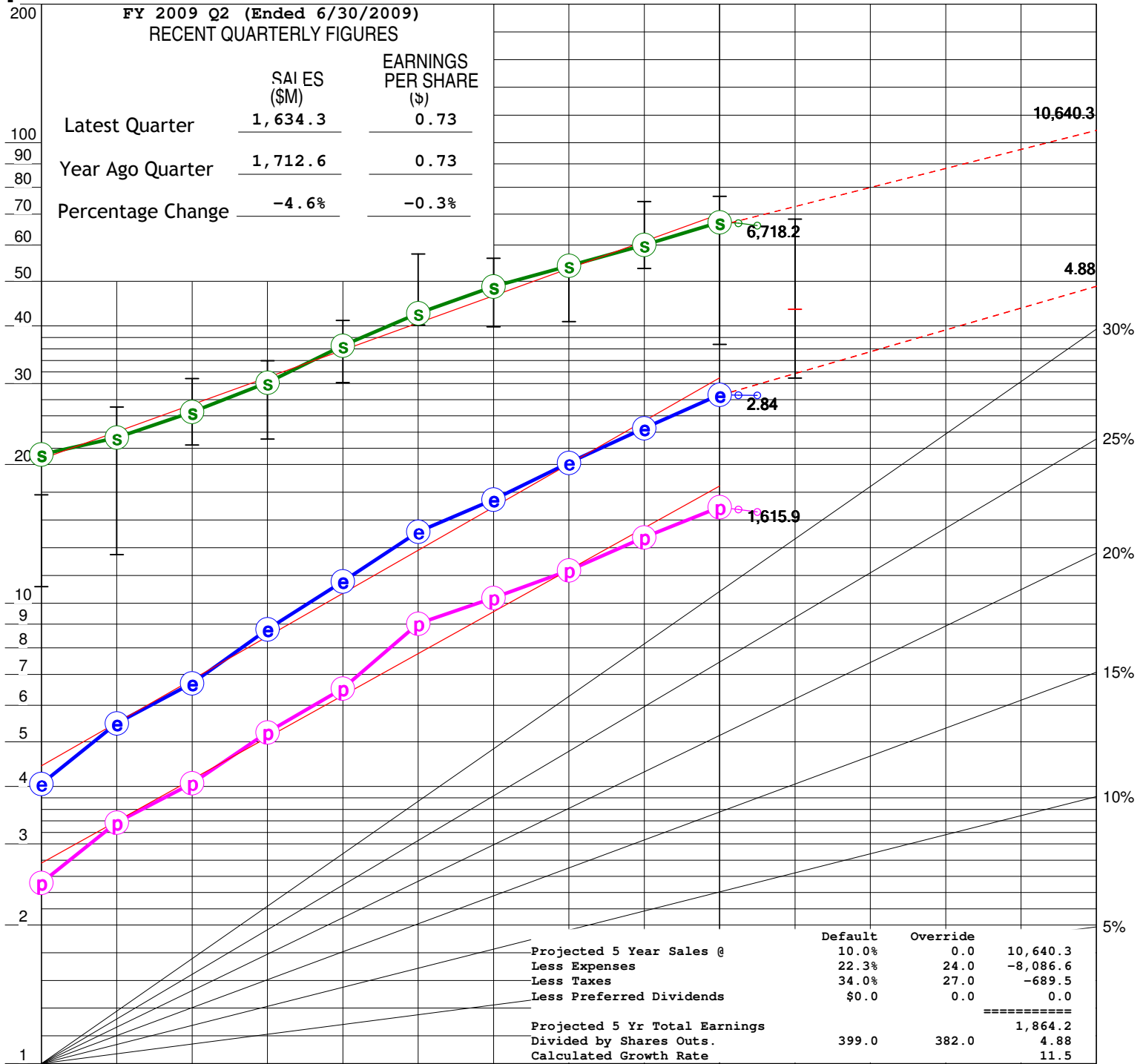


Stock Study

Company	STRYKER CORP	Price Date	09/04/09
Study by	jah	Data Date	08/21/09
Sector	Healthcare	Data Source	StkCntr1
Industry	Medical Instruments & Su	Reference	
Preferred(\$M)	0.0		
Common(M Shares)	399.0	% Insiders	5.6
Debt(\$M)	19.4	% Institutions	62.1
% to Tot.Cap.	0.4	Quality	3.2 (Take Stock)

1 Growth Analysis

NYSE: SYK



- | | | | | |
|-----------------------------------|--------|--|--------|---------------|
| (1) Historical Sales Growth | 14.6 % | (3) Historical Earnings Per Share Growth | 24.0 % | www.iclub.com |
| (2) Estimated Future Sales Growth | 10.0 % | (4) Estimated Future Earnings Per Share Growth | 11.5 % | |
| (5) Sales Growth R^2 | 0.99 | (6) Earnings Per Share Growth R^2 | 0.99 | |

2 QUALITY ANALYSIS

Company **STRYKER CORP (SYK)**

09/04/09

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	11.7	14.6	15.6	17.4	18.0	21.2	21.1	21.8	23.2	24.1	22.3	UP
B % ROE (Beginning Yr)	NMF	31.7	30.7	32.7	29.5	26.5	24.5	25.1	23.4	21.7	24.2	DOWN
C % Debt to Equity	171.9	100.0	66.3	31.9	0.9	0.0	5.6	0.0	0.0	0.0	1.1	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 43.470 52-WEEK HIGH 68.220 52-WEEK LOW 30.820

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2004	57.3	40.2	1.43	40.1	28.1	0.070	4.9	0.2
2 2005	56.1	39.8	1.68	33.4	23.7	0.090	5.4	0.2
3 2006	53.9	40.9	2.02	26.7	20.3	0.110	5.5	0.3
4 2007	74.5	53.3	2.40	31.1	22.2	0.220	9.2	0.4
5 2008	76.5	36.5	2.84	27.0	12.9	0.330	11.6	0.9
6 AVERAGE		42.1		31.7	21.4		7.3	
AVERAGE P/E RATIO		26.6	PROJECTED P/E RATIO		13.8	TTM EPS		2.83
CURRENT P/E RATIO		15.4	PEG RATIO		1.2	FTM EPS		3.16
RELATIVE VALUE		57.9%	PROJ. RELATIVE VALUE		51.8%			

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~31.7~~ 28.0 X Estimated High Earnings/Share 4.88 = Forecast High Price \$ 136.6

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Avg. Low P/E ~~21.4~~ 12.0 X Estimated Low Earnings/Share 2.83 = \$ 34.0

(b) Average 5-Year Low Price = 42.1

(c) Recent Severe Low Price = 30.8

(d) Price Dividend Will Support = Present Divd. + High Yield = 0.400 + 0.009 = 44.2

Selected Estimated Low Price = \$ 42.2

C PRICE RANGES

Forecast High Price 136.6 - Estimated Low Price 42.2 = Range 94.4 25% of Range = 23.6

BUY (Lower 25% of Range) = 42.2 to 65.8

MAYBE (Middle 50% of Range) = 65.8 to 113.0

SELL (Upper 25% of Range) = 113.0 to 136.6

Current Price 43.470 is in the Buy Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 136.6 - Current Price 43.470) + (Current Price 43.470 - Estimated Low Price 42.2) = 73.3 To 1

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend \$ 0.400 ÷ Current Price of Stock \$ 43.470 = 0.9 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 3.92 X Avg. % Payout 7.3) ÷ Current Price \$ 43.470 = 0.7 %

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.3 % + Annual Appreciation 25.7 % = Compound Annual Total Return 26.0 %

D % PROJECTED AVERAGE RETURN

Average Yield 0.4 % + Annual Appreciation 17.6 % = Projected Average Total Return 17.9 %



Quarterly Trend Analysis

Company STRYKER CORP

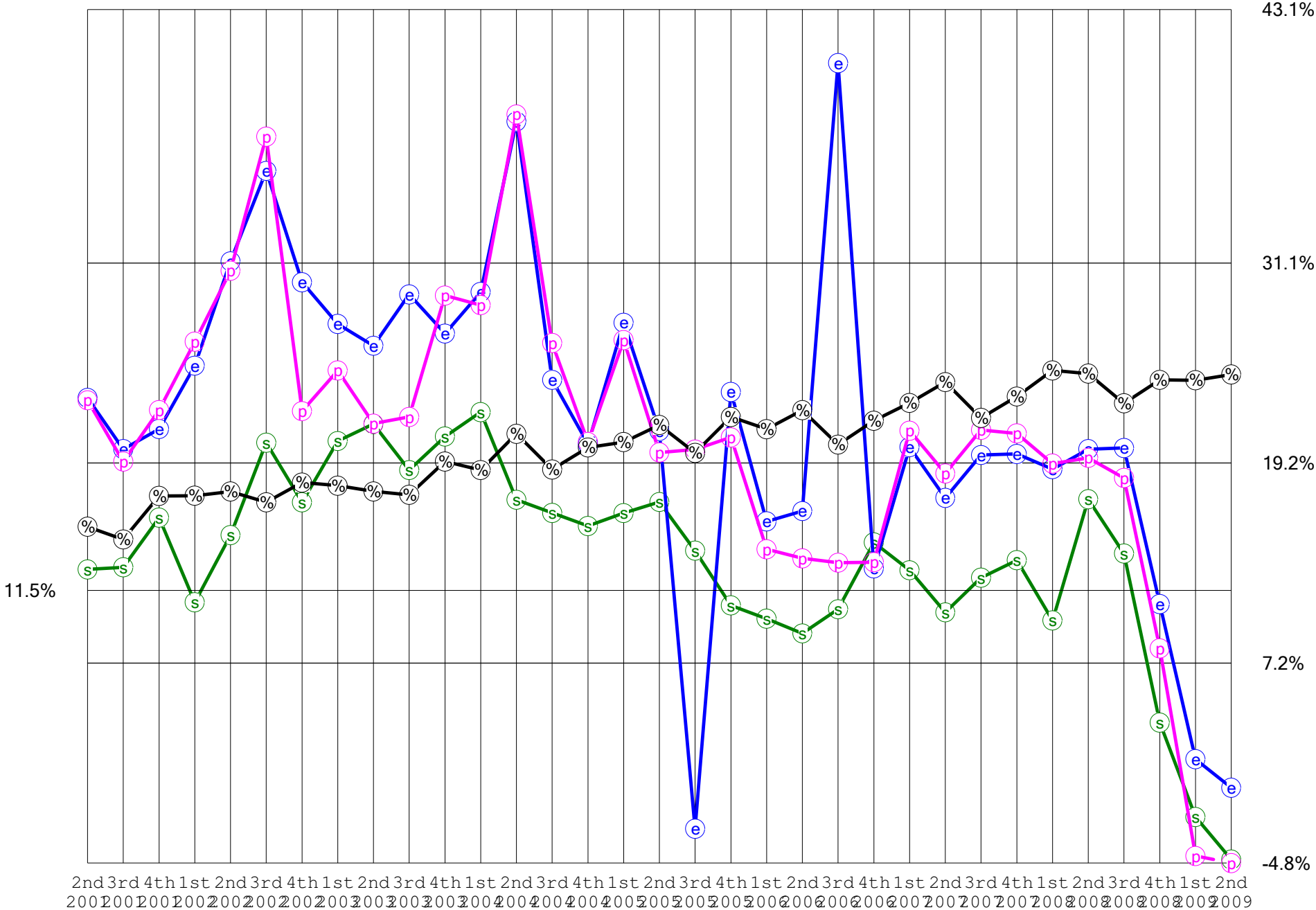
(SYK)

QUARTERLY DATA									LAST 12 MONTHS DATA								
PERIOD	EPS		PRE-TAX PROFIT			SALES		INCOME TAX RATE	EPS \$	PRE-TAX PROFIT		SALES MIL	INCOME TAX		% CHANGE		
	\$	% CHANGE	\$ MIL	% SALES	% CHANGE	\$ MIL	% CHANGE			\$ MIL	% SALES		\$ MIL	% RATE	EPS	PRE-TAX PROFIT	SALES
03/01	0.16	23.1	95.70	15.1	21.9	634.20	12.8	32.3	0.58	351.10	14.9	2,361.5	117.1	33.4			
06/01	0.16	23.1	98.10	15.4	22.9	639.00	12.8	33.7	0.61	369.40	15.2	2,434.0	122.4	33.1			
09/01	0.15	20.0	90.40	14.6	19.3	619.30	12.9	32.6	0.64	384.00	15.3	2,504.9	126.4	32.9			
12/01	0.20	21.2	122.10	17.2	22.3	709.80	15.9	33.4	0.67	406.30	15.6	2,602.3	134.1	33.0	21.8	21.7	13.7
03/02	0.20	25.0	121.00	17.2	26.4	702.90	10.8	32.6	0.71	431.60	16.2	2,671.0	142.8	33.1	22.4	22.9	13.1
06/02	0.21	31.3	128.20	17.5	30.7	733.90	14.9	33.3	0.76	461.70	16.7	2,765.9	152.3	33.0	24.6	25.0	13.6
09/02	0.21	36.7	125.40	16.8	38.7	745.60	20.4	33.5	0.82	496.70	17.2	2,892.2	164.9	33.2	28.3	29.3	15.5
12/02	0.26	30.0	149.30	18.0	22.3	829.20	16.8	28.7	0.88	523.90	17.4	3,011.6	167.9	32.0	30.6	28.9	15.7
03/03	0.26	27.5	150.90	17.8	24.7	846.90	20.5	31.5	0.93	553.80	17.5	3,155.6	175.8	31.7	31.0	28.3	18.1
06/03	0.27	26.2	155.80	17.5	21.5	891.70	21.5	30.8	0.99	581.40	17.5	3,313.4	181.0	31.1	29.6	25.9	19.8
09/03	0.27	29.3	152.90	17.3	21.9	885.40	18.8	29.4	1.05	608.90	17.6	3,453.2	183.3	30.1	28.2	22.6	19.4
12/03	0.33	26.9	192.90	19.3	29.2	1,001.30	20.8	30.5	1.12	652.50	18.0	3,625.3	199.3	30.5	27.4	24.5	20.4
03/04	0.33	29.4	194.10	18.8	28.6	1,035.10	22.2	30.4	1.19	695.70	18.2	3,813.5	210.8	30.3	28.0	25.6	20.8
06/04	0.37	39.6	218.20	20.9	40.1	1,043.00	17.0	30.3	1.30	758.10	19.1	3,964.8	228.8	30.2	31.5	30.4	19.7
09/04	0.33	24.2	193.20	18.8	26.4	1,028.70	16.2	35.5	1.36	798.40	19.4	4,108.1	253.1	31.7	30.0	31.1	19.0
12/04	0.40	20.3	232.30	20.1	20.4	1,155.50	15.4	35.0	1.43	837.80	19.7	4,262.3	275.0	32.8	27.9	28.4	17.6
03/05	0.42	27.6	245.60	20.4	26.5	1,202.50	16.2	34.6	1.52	889.30	20.1	4,429.7	301.1	33.9	27.5	27.8	16.2
06/05	0.45	21.1	261.40	21.5	19.8	1,218.60	16.8	34.2	1.60	932.50	20.2	4,605.3	324.7	34.8	23.2	23.0	16.2
09/05	0.32	-2.7	231.80	19.8	20.0	1,171.90	13.9	32.8	1.59	971.10	20.5	4,748.5	331.6	34.2	16.7	21.6	15.6
12/05	0.49	23.4	280.40	21.9	20.7	1,278.50	10.6	32.7	1.68	1,019.20	20.9	4,871.5	342.2	33.6	17.7	21.7	14.3
03/06	0.49	15.7	280.00	21.2	14.0	1,320.90	9.8	34.1	1.75	1,053.60	21.1	4,989.9	352.4	33.5	15.0	18.5	12.6
06/06	0.52	16.3	296.60	22.3	13.5	1,327.90	9.0	33.4	1.82	1,088.80	21.4	5,099.2	362.0	33.3	14.0	16.8	10.7
09/06	0.46	43.1	262.40	20.3	13.2	1,294.00	10.4	30.0	1.96	1,119.40	21.4	5,221.3	364.4	32.6	23.3	15.3	10.0
12/06	0.55	12.9	317.50	21.7	13.2	1,462.80	14.4	29.5	2.02	1,156.50	21.4	5,405.6	367.2	31.8	20.3	13.5	11.0
03/07	0.59	20.1	339.10	22.8	21.1	1,489.30	12.7	28.1	2.12	1,215.60	21.8	5,574.0	367.7	30.3	21.3	15.4	11.7
06/07	0.61	17.1	351.60	24.0	18.5	1,463.70	10.2	28.1	2.21	1,270.60	22.3	5,709.8	367.5	28.9	21.3	16.7	12.0
09/07	0.55	19.7	317.90	21.9	21.2	1,453.20	12.3	28.0	2.30	1,326.10	22.6	5,869.0	376.9	28.4	17.4	18.5	12.4
12/07	0.66	19.7	384.00	23.2	20.9	1,658.10	13.4	28.0	2.41	1,392.60	23.0	6,064.3	390.6	28.1	19.1	20.4	12.2
03/08	0.70	18.8	404.00	24.7	19.1	1,634.40	9.7	28.0	2.52	1,457.50	23.5	6,209.4	408.5	28.0	18.8	19.9	11.4
06/08	0.73	20.0	420.10	24.5	19.5	1,712.60	17.0	27.8	2.64	1,526.00	23.6	6,458.3	426.5	28.0	19.5	20.1	13.1
09/08	0.66	20.1	376.00	22.7	18.3	1,653.00	13.7	27.6	2.75	1,584.10	23.8	6,658.1	441.2	27.8	19.6	19.5	13.4
12/08	0.73	10.7	415.00	24.2	8.1	1,718.20	3.6	27.4	2.82	1,615.10	24.0	6,718.2	447.4	27.7	17.2	16.0	10.8
03/09	0.71	1.4	386.40	24.1	-4.4	1,601.30	-2.0	27.1	2.83	1,597.50	23.9	6,685.1	438.9	27.5	12.4	9.6	7.7
06/09	0.73	-0.3	400.00	24.5	-4.8	1,634.30	-4.6	27.1	2.83	1,577.40	23.9	6,606.8	430.6	27.3	7.2	3.4	2.3
09/09								34.0						28.9			
12/09								34.0						30.6			

A B C D E F G H I J K L M N O P Q R S T

Quarterly Trend Graph

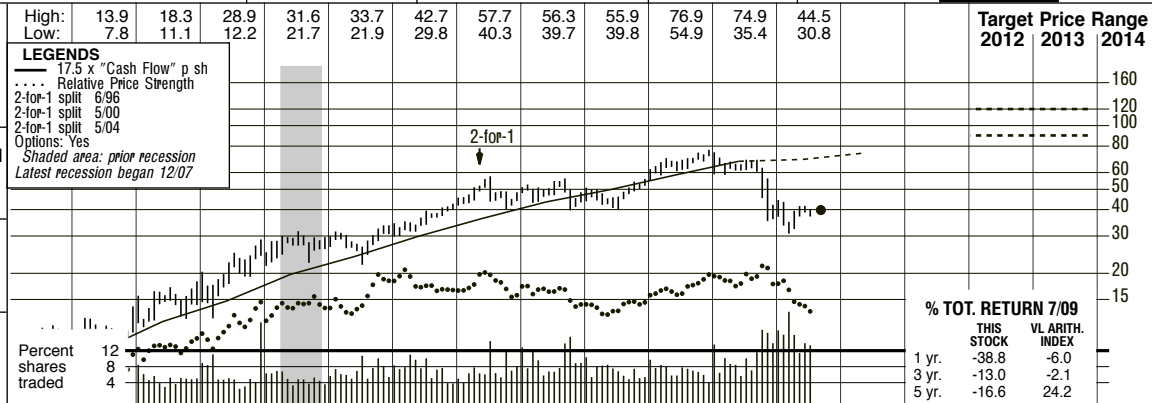
Company STRYKER CORP (SYK)



STRYKER CORP. NYSE-SYK

RECENT PRICE **39.77** P/E RATIO **12.9** (Trailing: 14.3; Median: 32.0) RELATIVE P/E RATIO **0.81** DIV'D YLD **1.1%** VALUE LINE

TIMELINESS 3 Lowered 5/15/09
SAFETY 1 Raised 8/28/09
TECHNICAL 4 Lowered 8/21/09
BETA .80 (1.00 = Market)



2012-14 PROJECTIONS
 Price: High 120, Low 90
 Gain: +200%, +125%
 Ann'l Total Return: 32%, 23%

Insider Decisions
 O N D J F M A M J
 to Buy: 0 0 0 0 0 0 0 0 0 0
 Options to Buy: 2 1 0 0 2 1 0 0 0
 to Sell: 0 0 0 0 0 0 0 0 0

Institutional Decisions
 3Q2008 4Q2008 1Q2009
 to Buy: 309 311 335
 to Sell: 360 437 370
 Hlds(000): 213447 251483 242577

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
Sales per sh	1.44	1.76	2.24	2.35	2.55	2.86	5.41	5.84	6.61	7.60	9.08	10.59	12.02	13.25	14.60	16.95	16.70	18.20	Sales per sh	24.10
"Cash Flow" per sh	.20	.24	.30	.33	.41	.49	.67	.84	1.13	1.37	1.71	2.08	2.49	2.85	3.33	3.87	3.95	4.25	"Cash Flow" per sh	5.90
Earnings per sh ^A	.16	.19	.23	.26	.32	.38	.41	.55	.67	.88	1.12	1.43	1.75	2.02	2.40	2.78	3.00	3.25	Earnings per sh ^A	4.75
Div'ds Decl'd per sh ^B	.01	.01	.01	.03	.03	.03	.03	.04	.04	.05	.06	.07	.09	.11	.22	.33	.40	.44	Div'ds Decl'd per sh ^B	.70
Cap'l Spending per sh	.05	.08	.09	.07	.09	.13	.20	.21	.41	.35	.36	.47	.67	.53	.46	.39	.30	.40	Cap'l Spending per sh	.40
Book Value per sh ^C	.75	.93	1.17	1.37	1.59	1.69	1.73	2.18	2.68	3.78	5.40	6.84	8.03	10.27	13.09	13.64	16.00	17.95	Book Value per sh ^C	27.90
Common Shs Outst'g ^D	387.16	386.95	388.43	387.15	384.24	386.16	388.80	391.80	393.40	396.20	399.40	402.50	405.20	407.90	411.00	396.40	395.00	385.00	Common Shs Outst'g ^D	382.00
Avg Ann'l P/E Ratio	22.0	21.2	24.6	25.0	27.5	26.7	35.5	37.1	40.3	33.0	32.4	33.0	27.7	23.6	27.9	21.8	Avg Ann'l P/E Ratio	22.0		
Relative P/E Ratio	1.30	1.39	1.65	1.57	1.59	1.39	2.02	2.41	2.07	1.80	1.85	1.74	1.47	1.27	1.48	1.31	Relative P/E Ratio	1.45		
Avg Ann'l Div'd Yield	.3%	.3%	.2%	.4%	.3%	.3%	.2%	.2%	.1%	.2%	.2%	.1%	.2%	.2%	.3%	.5%	Avg Ann'l Div'd Yield	.7%		

CAPITAL STRUCTURE as of 6/30/09
 Total Debt \$19.4 mill. Due in 5 Yrs \$19.4 mill.
 LT Debt None LT Interest Nil

Leases, Uncapitalized Annual rentals \$37.7 mill.

Pension Assets-12/08 \$150.5 mill. **Oblig.** \$252.1 mill.
Pfd Stock None

Common Stock 397,547,322 shares as of 7/31/09

MARKET CAP: \$15.8 billion (Large Cap)

Year	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
Sales (\$mill)	2103.7	2289.4	2602.3	3011.6	6600	7000
Operating Margin	22.2%	23.7%	24.7%	24.9%	30.5%	30.0%
Depreciation (\$mill)	101.7	109.4	172.0	186.1	370	380
Net Profit (\$mill)	160.4	221.0	271.8	357.1	1195	1260
Income Tax Rate	35.0%	34.0%	33.0%	31.8%	27.0%	27.4%
Net Profit Margin	7.6%	9.7%	10.4%	11.9%	18.1%	18.0%
Working Cap'l (\$mill)	440.8	379.6	459.7	443.8	4685	5530
Long-Term Debt (\$mill)	1181.1	876.5	720.9	491.0	Nil	Nil
Shr. Equity (\$mill)	671.5	854.9	1056.2	2154.8	6320	6910
Return on Total Cap'l	11.8%	15.2%	17.0%	19.0%	19.0%	18.5%
Return on Shr. Equity	23.9%	25.9%	25.7%	23.8%	19.0%	18.5%
Retained to Com Eq	22.2%	24.4%	24.2%	22.5%	16.5%	16.0%
All Div'ds to Net Prof	7%	6%	6%	6%	13%	13%

Item	2007	2008	6/30/09
Cash Assets	2410.8	2195.6	2427.9
Receivables	1030.7	1129.5	1097.3
Inventory (LIFO)	796.2	952.7	991.7
Other	667.2	701.5	723.4
Current Assets	4904.9	4979.3	5240.3
Accts Payable	265.5	274.3	211.7
Debt Due	16.8	20.5	19.4
Other	1050.7	1167.3	844.0
Current Liab.	1333.0	1462.1	1075.1

BUSINESS: Stryker Corp. develops, mfrs., & markets Orthopaedic Implants (59% of '08 sales), and MedSurg Equipment (41%). Orthopaedic products include hip, knee, trauma, spinal, and craniomaxillofacial implants. MedSurg includes powered instruments, endoscopic systems, other operating room devices, specialty stretchers, and maternity beds. Physical Therapy Services business sold '07. About 36% of '08 sales were foreign. Acq. Howmedica 12/98. R&D: 5.5% of sales. '08 depr. rate: 20.7%. Has 17,594 employees. Off. and dir. (incl. Stryker family trust) own 28.3% of stock (3/09 proxy). Chairman: John Brown. Pres. & CEO: Stephen MacMillan, Inc.: MI. Addr.: P.O.Box 4085, Kalamazoo, MI 49003. Tel.: 616-385-2600. Internet: www.strykercorp.com.

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '06-'08 to '12-'14
of change (per sh)	10 Yrs	5 Yrs	to '12-'14
Sales	19.0%	14.0%	8.5%
"Cash Flow"	23.5%	19.0%	10.0%
Earnings	22.5%	22.0%	12.0%
Dividends	23.0%	34.5%	21.0%
Book Value	23.0%	25.5%	14.5%

All things considered, Stryker fared relatively well in the first half of 2009. This medical device manufacturer's top line slipped about 3% compared to the prior year, owing to protracted anemic hospital spending and a stronger dollar. The MedSurg unit took the brunt of the decline, with surgical tools and endoscopic communication device purchases delayed due to budgetary concerns. However, hospitals can not defer investment in these items indefinitely due to instrument obsolescence, even though they will probably delay purchases for some time yet. We have clipped \$100 million from our top line, but maintain our share-net tally based on ongoing expense-reduction initiatives.

Growth opportunities should resume in 2010. By then, hospitals are liable to start opening their wallets, driving 6% and 8% respective top- and bottom-line gains. Although R&D spending has been tempered this year, pipeline development remains active. The recent update to the Triathlon family of products via the Revision system, a partial knee resurfacing procedure, has reinvigorated this mature

product. The healthcare coverage debate, however, does add an unknown factor to orthopaedic procedure levels.

Stryker's balance sheet is solid. With an impressive \$2.4 billion in cash and no long-term debt at the end of the June quarter, Stryker is in an enviable position. Even though its finances are healthy, the company has enacted measures to trim expenses, pare capital expenditures, lower inventories, and boost cash flow. Acquisitions are possible, too, since valuations of potential candidates have receded to more reasonable levels owing to the global economic slowdown.

Long-term investors ought to consider a position in this issue. The next year or so may provide some challenges to growth, but once the economy heads back toward an expansionary phase, we expect demand for Stryker's products to climb. And, as the population ages, the orthopaedic line of products will likely spur strong sales gains, as well. Thus, capital gains appreciation potential is strong over the pull to 2012-2014 based on robust average annual share-net improvements of about 12%.

Mary Beth Wiedeneller August 28, 2009

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1321	1328	1294	1463	5406
2007	1426	1464	1453	1658	6001
2008	1634	1713	1653	1718	6718
2009	1601	1634	1665	1700	6600
2010	1720	1770	1735	1775	7000

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.49	.52	.46	.55	2.02
2007	.58	.61	.55	.66	2.40
2008	.70	.73	.66	.69	2.78
2009	.71	.73	.77	.79	3.00
2010	.80	.81	.82	.82	3.25

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.09	--	--	--	.09
2006	.11	--	--	--	.11
2007	.22	--	--	--	.22
2008	.33	--	--	--	.33
2009	.40	--	--	--	.40

(A) Based on average shares through '96; diluted thereafter. Excludes extraordinary gains of \$0.03 in 1996. Excludes nonrecurring losses (gains): '98, \$0.57; '99, \$0.71; '01, \$0.01; '02, \$0.03; '04, \$0.29; '05, \$0.11; '06, 13c; '07, 4c; '08, 5c. Next earnings rpt. due mid-October. (B) Dividends historically paid at the end of January. (C) Includes intangibles. At 3/31/09: \$942.0 million, \$2.37/share. (D) In millions, adjusted for stock splits.

Stryker Corporation SYK [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship Grade	Industry	Sector
★★★★★	43.47	72.00	57.60	90.00	Low	Wide	C	Medical Appliances & Equipment	Health Care

Per share prices in USD

Stryker Backs Earnings Outlook

by Julie Stralow, CFA
Senior Stock Analyst
Analysts covering this company do not own its stock.

Pricing data through September 04, 2009.
Rating updated as of September 04, 2009.

Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.



Analyst Note Jul. 22, 2009

Tough currency comparables and ongoing hospital budget constraints cut into Stryker's sales in the second quarter. However, the firm remains on target to meet our bottom-line expectations for the year, and we're maintaining our fair value estimate.

Reported sales declined 5% but were flat on a constant currency basis. Orthopedic implants held up relatively well, turning in flat reported sales and 5% constant currency growth primarily on U.S. operation strength. Stryker's U.S. orthopedic sales grew 9% in the second quarter, an impressive feat given concerns that economic pressures would cut into these elective procedures. The MedSurg segment continued to struggle, though, as hospitals in the United States continue to delay spending on capital equipment; MedSurg sales declined 11% on a reported basis and 8% in constant currency. Lower sales didn't hurt Stryker's profitability, though. In fact, the firm actually improved margins in the quarter; it turned in a 24% operating margin, as lower selling, general, and administration costs more than offset some gross margin pressure related to increased quality-control measures.

For the second half of the year, we expect growth to be a little easier to come by for Stryker, barring a significant deepening of the economic crisis. Of note, management believes recent hospital spending cuts may have reached a stabilization point, as Stryker didn't see a major change in the number of hospital customers with frozen capital budgets in the second quarter compared with the first quarter. Also, tough growth comparables, particularly in the MedSurg business, should ease in the second half of the year along with foreign currency headwinds.

Thesis May 29, 2009

Stryker excels in several orthopedic and medical equipment niches. We expect the firm to continue

launching innovative new products to help expand in these profitable niches even further in the long run.

We especially like Stryker's top-tier position in the highly profitable orthopedic implant market, which possesses high barriers to entry and sticky surgeon relationships. This segment accounts for about 60% of Stryker's total sales and boasts a broad range of products, including knee, hip, trauma, and spine implants. In 2008, Stryker's knee growth outpaced the market with the highly successful launch of its Triathlon product set, but that outperformance was somewhat offset by weakness in the hip business, where a relatively mature product set wasn't helped by a key product recall and weak hip resurfacing launch in the United States. Trauma and spine remain a feather in Stryker's cap, however, and going forward, we're especially excited by Stryker's spine prospects. While numerous small development projects continue to fill up the bag of its dedicated spine salesforce, larger development projects could also pan out in the next couple years. For example, Stryker aims to launch two artificial spinal discs by 2010.

The balance of Stryker's sales come from tools and equipment to outfit surgical suites and regular hospital rooms. Stryker is particularly prolific in operating room products, including cutting tools, medical video equipment, and irrigation devices. These tools often complement its orthopedic devices and greatly improve the efficiency of surgical procedures. Stryker is even a top provider of medical beds and emergency equipment, such as stretchers. Although not as fundamentally attractive as implants and somewhat susceptible to economic cycles, these offerings often expand at faster rates than Stryker's orthopedic implant products. In the long run, we think that trend could continue, assuming the company expands as expected in international markets.

Also, with its cash-rich balance sheet and admirable free cash flow generation, Stryker remains in the enviable position of having many avenues to return value to shareholders. Recently, Stryker increased its dividend and repurchased shares at attractive prices, in our opinion, and

Stryker Corporation SYK [NYSE]

Morningstar Rating ★★★★★	Last Price 43.47	Fair Value 72.00	Consider Buy 57.60	Consider Sell 90.00	Uncertainty Low	Economic Moat™ Wide	Stewardship Grade C	Industry Medical Appliances & Equipment	Sector Health Care
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Per share prices in USD

Close Competitors	Currency(Mil)	Market Cap	TTM Sales	Oper Income	Net Income
Stryker Corporation	USD	17,281	6,607	1,503	1,124
Johnson & Johnson	USD	166,231	61,368	15,990	12,739
Zimmer Holdings, Inc.	USD	10,524	3,995	1,026	795
Smith & Nephew PLC	USD	8,245	3,681	662	407

Morningstar data as of September 04, 2009.

we'd expect more similar actions if Stryker's stock remains in the doldrums. Also, with many smaller firms hurting for cash, we wouldn't be surprised to see Stryker acquire smaller companies at a large discount to what they could be worth to a long-term shareholder either.

Valuation

We're keeping our fair value estimate for Stryker at \$72 per share. After double-digit growth in 2008, we expect Stryker's sales growth to decelerate to the low single digits in 2009, as foreign currency exchange rates constrict growth and both its orthopedic implant and medical equipment businesses come under some economic pressure. Beyond 2009, we expect sales growth to rebound to about 12% compounded annually through 2013, or more in line with our normalized expectations for Stryker's businesses. Our fair value estimate also depends on operating margins staying around 23% through 2013. We discount our assumptions at 9.5%.

We think current share prices reflect a dire scenario. Specifically to reach a \$38 fair value estimate for Stryker, we'd have to assume sales rise only 3% compounded annually through 2013 and operating margins fall to 18% in the period. While we think that scenario is highly unlikely, one near-term risk related to a current tax proposal on foreign operations could cut into our fair value estimate. If we assume a recent tax proposal takes effect and Stryker's effective tax rate rises to 33% from 27%, our fair value estimate would fall to \$67 per share with no other changes to our base-case scenario.

Risk

Economic concerns appear to be disrupting Stryker's business, particularly in the medical equipment segment. Caregivers may delay purchases--especially of big ticket items--until this outlook improves. Also, many highly motivated and resource-rich firms compete with Stryker. If it does not stay near the top of the innovation curve, it risks losing customers to those rivals. In the longer term, third-party payers may need to reduce payments for procedures in order to afford the expected uptick in procedure volumes. If payment cuts trickle down to Stryker and it can't make comparable cost reductions, those cuts could damage Stryker's returns on invested capital.

Bulls Say

- Stryker's balance sheet is filled with cash. Acquisitions to accelerate growth remain a key priority, but the firm could return value to shareholders by other means, as well.
- International operations in Stryker's second segment--operating room and other medical equipment--remain relatively small and provide a key growth opportunity.
- Stryker is developing two artificial spinal discs, which could pump growth even further for Stryker's fast-growing spine division within the next several years.

Bears Say

- A hip recall and manufacturing problems are distracting Stryker's management team and salesforce. If those problems aren't fixed quickly, sales and profit growth could remain stagnant.
- Third-party payers may take a cue from Japan by resisting price increases and even enforcing price declines for orthopedic procedures. These actions could hurt the profit potential of industry participants,

Stryker Corporation SYK [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship Grade	Industry	Sector
★★★★★	43.47	72.00	57.60	90.00	Low	Wide	C	Medical Appliances & Equipment	Health Care

Per share prices in USD

including Stryker.

- Although Stryker escaped most of the recent punishment when the Department of Justice targeted knee and hip providers, it might not be so lucky in future dealings with the DOJ, which has turned its attention to a key growth area for Stryker--the spine market.

with the tools needed to successfully treat patients. Its broad product set includes orthopedic implants, operating room equipment, and medical furniture. By interacting with many departments in the hospital, Stryker aims to become a top supplier to medical caregivers. It also aims to acquire new businesses to ramp up growth and diversify sales.

Financial Overview

Growth: While economic concerns will likely keep 2009 growth rate below our long-term expectations, we think new product launches and procedure growth should help Stryker grow 10% compounded annually through 2013. Acquisitions could add to that rate.

Profitability: With operating profit and free cash-flow margins averaging 20% and 12%, respectively, during the last five years, we admire Stryker's profitability. After a recent divestiture, margins have risen above those levels.

Financial Health: Even after recent share repurchases and a dividend hike, Stryker ended March 2009 with \$2.2 billion in cash. With those resources and ongoing cash flow, we expect it to return more value to shareholders or make acquisitions in fast-growing niches.

Management: While we think Stryker's stewards employ fair practices, outside shareholders should be aware of how little control they may have on Stryker's strategic direction. Stephen MacMillan heads the firm's executive team, while Stryker's former, long-time CEO John Brown chairs the board, which we think remains incredibly insulated. Even though the majority of the board pass U.S. independence standards; we think the average tenure on the board, a director's consulting relationship with Stryker, and the founding family's board seat and voting power override that litmus test. The board's interests may not be naturally aligned with most shareholders' interests. Also, though we're glad variable compensation, such as bonuses and stock-related rewards, make up the vast majority of executive compensation, we'd prefer to see those rewards based on returns on invested capital or free cash flow rather than earnings per share, which can be easily manipulated and may not be a true measure of value creation. We do applaud Stryker's disclosure surrounding compensation and financial performance, however, and we find Stryker's annual orthopedic market report especially valuable.

Company Overview

Profile: Stryker develops, manufactures, and markets medical devices and equipment for use primarily in orthopedic procedures. The firm generates most of its revenue from reconstructive implants, such as knees and hips, but serves a variety of other orthopedic niches, including spine. Stryker also offers a wide range of operating room equipment and tools used for orthopedic and other procedures. Hospital beds and stretchers account for a portion of Stryker's sales, too.

Strategy: Stryker hopes to arm hospitals and surgeons

Stryker Corporation SYK [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Stewardship Grade	Industry	Sector
★★★★★	43.47	72.00	57.60	90.00	Low	Wide	C	Medical Appliances & Equipment	Health Care

Per share prices in USD

Analyst Notes

Jul. 22, 2009

Stryker Backs Earnings Outlook

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Apr. 21, 2009

Stryker Management Cuts Outlook

Stryker reported weak first-quarter results and reduced its 2009 outlook slightly on Monday. While this is disappointing, we don't anticipate changing our fair value estimate at first glance because free cash flow generated and utilized for share repurchases at attractive prices in recent months offset ongoing weakness in Stryker's operations.

In the first quarter, Stryker continued to feel the negative effects of weak hospital spending and foreign currency trends. Sales actually declined 2% on a reported basis while constant currency sales increased 3%. Most of Stryker's product sets held up relatively well. However, its hospital bed and stretcher business declined 22% on a reported basis and 18% on a constant currency basis.

While not a huge part of Stryker's overall operations, the easy deferral of those sales was the key cause of the MedSurg segment sales decline of 5% in the quarter, or 1% in constant currency. The MedSurg segment accounts for about 40% of Stryker's sales. The balance of Stryker's sales are derived from orthopedic products, which held up relatively well and turned in flat reported growth and 6% constant currency growth.

Given the weaker-than-expected hospital spending trends in the first quarter, Stryker's management reduced its outlook for the full year. The firm now expects 2%-5% constant currency sales growth for the year, down from its previous expectation of 6%-9% growth. The company also reduced its earnings per share guidance to \$2.90-\$3.10 per share from \$3.12-\$3.22 per share. Given the trends of the

Stryker Corporation SYK [NYSE]

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★★★★★	43.47	72.00	57.60	90.00	Low	Wide	C	Medical Appliances & Equipment	Health Care

Per share prices in USD

Analyst Notes (continued)

quarter, we also think it is prudent to reduce our expectations for 2009 slightly. However, this slight reduction in our 2009 assumptions does not look like it moves the needle on our fair value estimate after taking

recently generated cash flow and share repurchases into consideration.

Disclaimers & Disclosures

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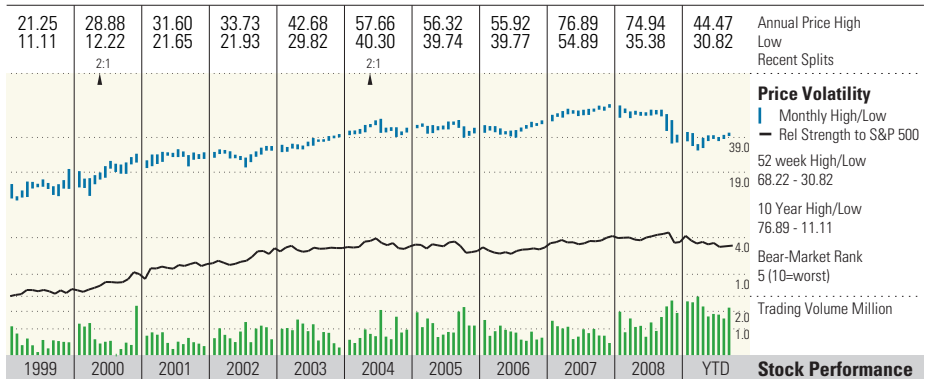
Stryker Corporation SYK

Sales USD Mil 6,607 **Mkt Cap USD Mil** 17,281 **Industry** Medical Appliances & Equipment **Sector** Health Care

Stryker develops, manufactures, and markets medical devices and equipment for use primarily in orthopedic procedures. The firm generates most of its revenue from reconstructive implants, such as knees and hips, but serves a variety of other orthopedic niches, including spine. Stryker also offers a wide range of operating room equipment and tools used for orthopedic and other procedures. Hospital beds and stretchers account for a portion of Stryker's sales, too.

2725 Fairfield Road
Kalamazoo, MI 49002
Phone: 1 269 385-2600 Website: <http://www.stryker.com>

Morningstar Rating ★★★★★ **Last Price** 43.47 **Fair Value** 72.00 **Uncertainty** Low **Economic Moat™** Wide **Stewardship Grade** C
per share prices in USD



Growth Rates Compound Annual					
Grade: C	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	12.0	11.3	13.1	19.8	
Operating Income %	16.2	15.0	16.2	39.2	
Earnings/Share %	17.3	19.2	20.1	39.5	
Dividends %	21.2	53.8	41.7	29.6	
Book Value/Share %	2.2	18.6	19.9	22.9	
Stock Total Return %	-33.3	-2.6	-1.0	11.5	
+/- Industry	-8.3	4.3	4.8	10.2	
+/- Market	-15.5	5.5	0.8	14.0	

Profitability Analysis				
Grade: C	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	18.3	21.0	0.9	16.1
Return on Assets %	14.1	14.6	0.5	6.2
Fixed Asset Turns	7.0	6.4	5.6	6.7
Inventory Turns	2.2	2.8	2.6	12.1
Revenue/Employee USD K	375.5	347.9*	—	905.0
Gross Margin %	67.5	66.5	63.2	40.6
Operating Margin %	22.8	20.3	4.1	15.4
Net Margin %	17.0	14.6	0.8	7.1
Free Cash Flow/Rev %	16.0	12.6	11.7	0.0
R&D/Rev %	5.4	0.1	—	11.2

Financial Position		
Grade: A	12-08 USD Mil	06-09 USD Mil
Cash	701	666
Inventories	953	992
Receivables	1130	1097
Current Assets	4979	5240
Fixed Assets	964	950
Intangibles	936	942
Total Assets	7603	7924
Payables	463	226
Short-Term Debt	21	19
Current Liabilities	1462	1075
Long-Term Debt	—	—
Total Liabilities	2197	1866
Total Equity	5407	6058

Valuation Analysis				
	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	15.6	28.9	909.1	18.1
Forward P/E	13.3	—	—	15.2
Price/Cash Flow	14.6	25.0	15.2	6.3
Price/Free Cash Flow	16.6	33.5	21.8	17.3
Dividend Yield %	0.9	—	0.6	2.5
Price/Book	2.9	5.3	2.9	2.1
Price/Sales	2.7	4.0	2.5	1.1
PEG Ratio	1.1	—	—	1.7

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	YTD	Stock Performance
26.7	45.5	15.6	15.2	26.9	13.7	-7.7	24.5	36.2	-46.0	8.8	Total Return %
7.2	55.6	28.6	38.6	0.5	4.7	-10.7	10.9	32.7	-7.5	-3.7	+/- Market
23.2	-4.3	23.9	22.0	2.5	2.0	-11.3	32.2	36.3	-4.5	-15.5	+/- Industry
0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.4	0.4	1.0	0.9	Dividend Yield %
6738	9895	11476	13287	16958	19398	17994	22439	30671	16129	17281	Market Cap USD Mil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Financials
2104	2289	2602	3012	3625	4262	4872	5406	6001	6718	6607	Revenue USD Mil
53.0	64.4	63.0	63.1	63.8	64.6	64.8	65.8	68.9	68.3	67.5	Gross Margin %
182	467	510	576	717	720	999	1074	1307	1519	1503	Oper Income USD Mil
8.6	20.4	19.6	19.1	19.8	16.9	20.5	19.9	21.8	22.6	22.8	Operating Margin %
19	221	267	346	454	466	675	778	1017	1148	1124	Net Income USD Mil
0.05	0.55	0.66	0.85	1.12	1.14	1.64	1.89	2.44	2.78	2.78	Earnings Per Share USD
0.03	0.04	0.05	0.06	0.07	0.09	0.11	0.22	0.33	0.40	0.40	Dividends USD
388	401	404	406	406	408	411	411	416	413	404	Shares Mil
1.73	2.19	2.69	3.78	5.40	6.85	8.03	10.29	13.10	13.39	15.24	Book Value Per Share USD
284	332	468	504	649	593	864	867	1028	1176	1200	Oper Cash Flow USD Mil
-76	-81	-162	-139	-145	-188	-272	-218	-188	-155	-144	Cap Spending USD Mil
208	251	306	365	504	406	592	650	841	1021	1056	Free Cash Flow USD Mil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Profitability
0.7	8.8	11.0	13.2	15.2	12.9	15.0	14.4	15.4	15.4	14.1	Return on Assets %
2.9	29.0	27.9	27.1	24.8	19.0	22.5	20.9	21.3	21.3	18.3	Return on Equity %
0.9	9.7	10.3	11.5	12.5	10.9	13.9	14.4	17.0	17.1	17.0	Net Margin %
0.77	0.91	1.07	1.15	1.21	1.18	1.08	1.00	0.91	0.90	0.83	Asset Turnover
3.8	2.8	2.3	1.9	1.5	1.5	1.5	1.4	1.4	1.4	1.3	Financial Leverage

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	06-09	Financial Health
441	380	460	444	547	1029	1621	2183	3572	3517	4165	Working Capital USD Mil
1181	877	721	491	19	1	184	0	—	—	—	Long-Term Debt USD Mil
672	855	1056	1498	2155	2752	3252	4191	5379	5407	6058	Total Equity USD Mil
1.76	1.03	0.68	0.33	0.01	0.00	0.06	—	—	—	—	Debt/Equity

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Valuation
—	46.1	43.5	39.5	38.2	42.4	27.1	29.1	31.6	14.4	15.6	Price/Earnings
—	1.9	1.8	2.0	1.8	2.2	1.6	1.7	1.9	1.3	0.9	P/E vs. Market
3.2	4.3	4.5	4.5	4.8	4.6	3.7	4.2	5.2	2.5	2.7	Price/Sales
10.0	11.6	10.9	8.9	7.9	7.0	5.5	5.3	5.7	3.0	2.9	Price/Book
23.8	29.9	25.2	27.1	26.7	33.2	21.1	26.2	30.3	14.0	14.6	Price/Cash Flow

Quarterly Results					
Revenue USD Mil	Sep 08	Dec 08	Mar 09	Jun 09	
Most Recent Period	1653.0	1718.2	1601.3	1634.3	
Prior Year Period	1453.2	1658.1	1634.4	1712.6	
Rev Growth %	Sep 08	Dec 08	Mar 09	Jun 09	
Most Recent Period	13.8	3.6	-2.0	-4.6	
Prior Year Period	12.3	13.4	9.7	17.0	
Earnings Per Share USD	Sep 08	Dec 08	Mar 09	Jun 09	
Most Recent Period	0.66	0.69	0.71	0.73	
Prior Year Period	0.55	0.66	0.70	0.73	

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Stryker Corporation	17281	6607	15.6	18.3
Johnson & Johnson	166231	61368	13.3	27.5
Zimmer Holdings, Inc	10524	3995	13.7	14.1

Major Fund Holders		
	% of shares	
American Funds Growth Fund of Amer A	2.68	
American Funds New Perspective A	1.06	
Vanguard Total Stock Mkt Idx	0.64	

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

Morningstar's Approach to Rating Stocks

Our Key Investing Concepts

- ▶ Economic Moat™ Rating
- ▶ Discounted Cash Flow
- ▶ Discount Rate
- ▶ Fair Value
- ▶ Uncertainty
- ▶ Margin of Safety
- ▶ Consider Buying/Consider Selling
- ▶ Stewardship Grades

At Morningstar, we evaluate stocks as pieces of a business, not as pieces of paper. We think that purchasing shares of superior businesses at discounts to their intrinsic value and allowing them to compound their value over long periods of time is the surest way to create wealth in the stock market.

We rate stocks 1 through 5 stars, with 5 the best and 1 the worst. Our star rating is based on our analyst's estimate of how much a company's business is worth per share. Our analysts arrive at this "fair value estimate" by forecasting how much excess cash--or "free cash flow"--the firm will generate in the future, and then adjusting the total for timing and risk. Cash generated next year is worth more than cash generated several years down the road, and cash from a stable and consistently profitable business is worth more than cash from a cyclical or unsteady business.

Stocks trading at meaningful discounts to our fair value estimates will receive high star ratings. For high-quality businesses, we require a smaller discount than for mediocre ones, for a simple reason: We have more confidence in our cash-flow forecasts for strong companies, and thus in our value estimates. If a stock's market price is significantly above our fair value estimate, it will receive a low star rating, no matter how wonderful we think the business is. Even the best company is a bad deal if an investor overpays for its shares.

Our fair value estimates don't change very often, but market prices do. So, a stock may gain or lose stars based

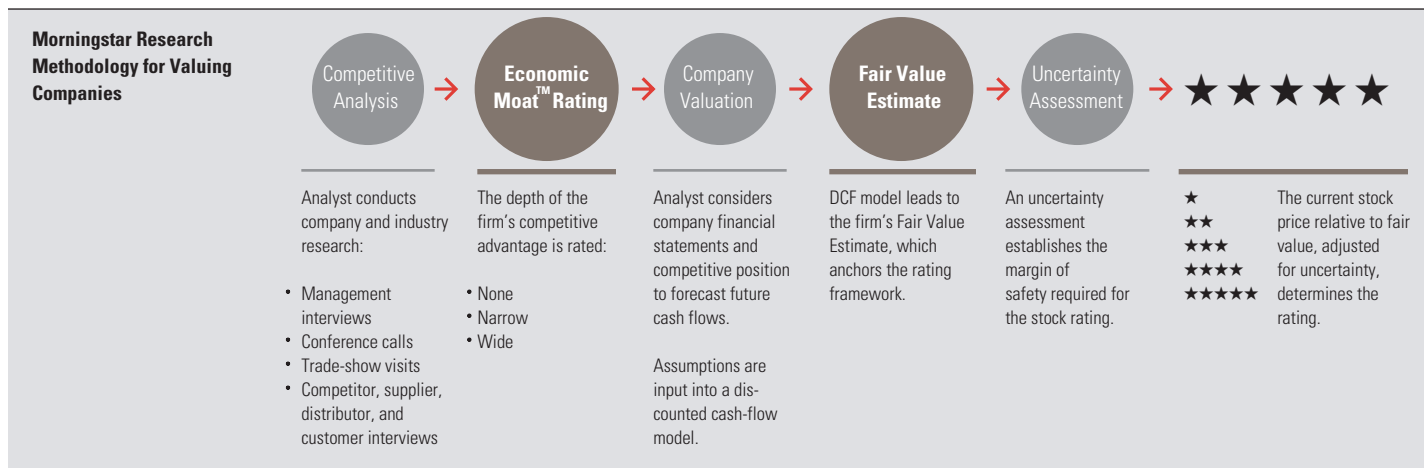
just on movement in the share price. If we think a stock's fair value is \$50, and the shares decline to \$40 without much change in the value of the business, the star rating will go up. Our estimate of what the business is worth hasn't changed, but the shares are more attractive as an investment at \$40 than they were at \$50.

Because we focus on the long-term value of businesses, rather than short-term movements in stock prices, at times we may appear out of step with the overall stock market. When stocks are high, relatively few will receive our highest rating of 5 stars. But when the market tumbles, many more will likely garner 5 stars. Although you might expect to see more 5-star stocks as the market rises, we find assets more attractive when they're cheap.

We calculate our star ratings nightly after the markets close, and issue them the following business day, which is why the rating date on our reports will always be the previous business day. We update the text of our reports as new information becomes available, usually about once or twice per quarter. That is why you'll see two dates on every Morningstar stock report. Of course, we monitor market events and all of our stocks every business day, so our ratings always reflect our analyst's current opinion.

Economic Moat™ Rating

The Economic Moat™ Rating is our assessment of a firm's ability to earn returns consistently above its cost of capital in the future, usually by virtue of some competitive advantage. Competition tends to drive down such



Morningstar's Approach to Rating Stocks (continued)

economic profits, but companies that can earn them for an extended time by creating a competitive advantage possess an Economic Moat. We see these companies as superior investments.

Discounted Cash Flow

This is a method for valuing companies that involves projecting the amount of cash a business will generate in the future, subtracting the amount of cash that the company will need to reinvest in its business, and using the result to calculate the worth of the firm. We use this technique to value nearly all of the companies we cover.

Discount Rate

We use this number to adjust the value of our forecasted cash flows for the risk that they may not materialize. For a profitable company in a steady line of business, we'll use a lower discount rate, also known as "cost of capital," than for a firm in a cyclical business with fierce competition, since there's less risk clouding the firm's future.

Fair Value

This is the output of our discounted cash-flow valuation models, and is our per-share estimate of a company's intrinsic worth. We adjust our fair values for off-balance sheet liabilities or assets that a firm might have--for example, we deduct from a company's fair value if it has issued a lot of stock options or has an under-funded pension plan. Our fair value estimate differs from a "target price" in two ways. First, it's an estimate of what the business is worth, whereas a price target typically reflects what other investors may pay for the stock. Second, it's a long-term estimate, whereas price targets generally focus on the next two to 12 months.

Uncertainty

To generate the Morningstar Uncertainty Rating, analysts consider factors such as sales predictability, operating leverage, and financial leverage. Analysts then classify their ability to bound the fair value estimate for the stock into one of several uncertainty levels: Low, Medium, High,

Very High, or Extreme. The greater the level of uncertainty, the greater the discount to fair value required before a stock can earn 5 stars, and the greater the premium to fair value before a stock earns a 1-star rating.

Margin of Safety

This is the discount to fair value we would require before recommending a stock. We think it's always prudent to buy stocks for less than they're worth. The margin of safety is like an insurance policy that protects investors from bad news or overly optimistic fair value estimates. We require larger margins of safety for less predictable stocks, and smaller margins of safety for more predictable stocks.

Consider Buying/Consider Selling

The consider buying price is the price at which a stock would be rated 5 stars, and thus the point at which we would consider the stock an extremely attractive purchase. Conversely, consider selling is the price at which a stock would have a 1 star rating, at which point we'd consider the stock overvalued, with low expected returns relative to its risk.

Stewardship Grades

We evaluate the commitment to shareholders demonstrated by each firm's board and management team by assessing transparency, shareholder friendliness, incentives, and ownership. We aim to identify firms that provide investors with insufficient or potentially misleading financial information, seek to limit the power of minority shareholders, allow management to abuse its position, or which have management incentives that are not aligned with the interests of long-term shareholders. The grades are assigned on an absolute scale--not relative to peers--and can be interpreted as follows: A means "Excellent," B means "Good," C means "Fair," D means "Poor," and F means "Very Poor."
