



# Stock Selection Guide <sup>®</sup>

The most widely used aid to good investment judgment

Company GETTY IMAGES INC Date 11/03/06

Prepared by Ty H. Data taken from NAIC Data

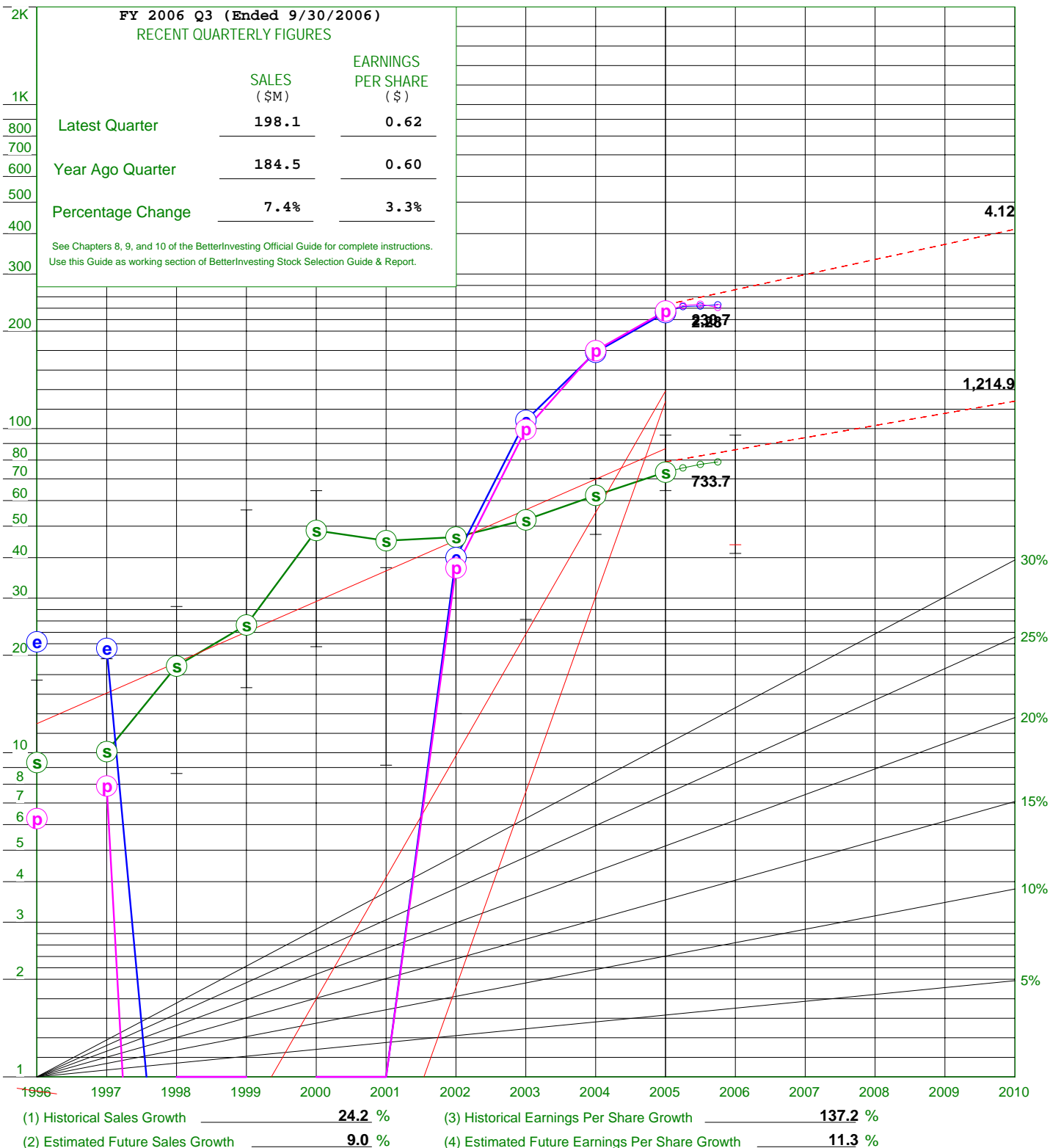
Where traded NYSE Major product/service Publishing

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	57.5	0.0	0.0
Debt (\$M)	265.0	% to Tot.Cap.	18.8
		% Potential Dil.	None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

GYI



## 2 EVALUATING MANAGEMENT

Company **GETTY IMAGES INC** (GYI)

11/03/06

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	6.7	7.8	-10.3	-23.9	-17.8	-14.0	8.0	19.0	28.0	31.4	14.5	UP	
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	3.6	3.4	-8.1				3.2	7.3	9.8	11.4	7.9	UP	

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE **43.840** HIGH THIS YEAR **95.430** LOW THIS YEAR **41.210**

Year	PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	
	HIGH	LOW		HIGH A ÷ C	LOW B ÷ C				
1 2001	37.3	9.2	-1.30	NMF	NMF	0.000	0.0	0.0	
2 2002	38.5	13.2	0.40	96.2	33.0	0.000	0.0	0.0	
3 2003	51.0	25.8	1.06	48.1	24.3	0.000	0.0	0.0	
4 2004	70.3	47.2	1.72	40.9	27.4	0.000	0.0	0.0	
5 2005	95.4	64.4	2.28	41.8	28.2	0.000	0.0	0.0	
6 TOTAL		159.8		130.8	79.9		0.0		
7 AVERAGE		32.0		43.6	26.6		0.0		
8 AVERAGE PRICE EARNINGS RATIO	35.1			9	CURRENT PRICE EARNINGS RATIO			18.2	

## 4 Proj. P/E [16.34] Based on Next 4 qtr. EPS [2.68] Current P/E Based on Last 4 qtr. EPS [2.41] EVALUATING RISK and REWARD over the next 5 years PEG=144

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~43.6~~ **30.0** X Estimate High Earnings/Share **4.12** = Forecast High Price \$ **123.6** (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~26.6~~ **20.0** X Estimated Low Earnings/Share ~~2.28~~ **2.41** = \$ **48.2**

(b) Avg. Low Price of Last 5 Years = **32.0** (3E7 as adj.)

(c) Recent Severe Market Low Price = **41.2** (3B7)

(d) Price Dividend Will Support Present Divd. = **0.000** = **0.0**  
Selected Estimate Low Price High Yield (H) **0.000**

= \$ **48.2** (4B1)

### C ZONING

**123.6** High Forecast Price Minus **48.2** Low Forecast Price Equals **75.4** Range. 1/3 of Range = **18.8** (4A1) (4B1) (C) (4CD)

(4C2) Lower 1/3 = **48.2** to **67.0** (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = **67.0** to **104.8** (Maybe)

(4C4) Upper 1/3 = **104.8** to **123.6** (4A1) (Sell)

Present Market Price of **43.840** is in the **Buy** Range (4C5)

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) **123.6** Minus Present Price **43.840** = **79.8** = **99.9 +** To 1  
Present Price **43.840** Minus Low Price (4B1) **48.2** = **-4.4** (4D)

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) **123.6** = ( **2.819** ) X 100 = ( **281.9** ) - 100 = **181.9** % Appreciation (4E)  
Present Market Price **43.840**

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

**A** Present Full Year's Dividend \$ **0.000**  
Present Price of Stock \$ **43.840** = **0.000** X 100 = **0.0** Present Yield or % Returned on Purchase Price (5A)

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years **3.33** X Avg. % Payout (3G7) **0.0** = **0.0** = **0.0** % (5B)

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) <b>181.9</b>		<b>P.A.R.</b>	<b>Tot. Ret.</b>
	<b>36.4</b> %	<b>Average Yield</b>	<b>0.0%</b>
Average Yield (5B) -----	<b>0.0</b> %	<b>Annual Appreciation</b>	<b>18.6%</b>
Average Total Annual Return Over the Next 5 Years (5C)	<b>36.4</b> %	<b>% Compd Ann Rate of Ret</b>	<b>18.6%</b>
			<b>23.0%</b>



# PERT Worksheet-A

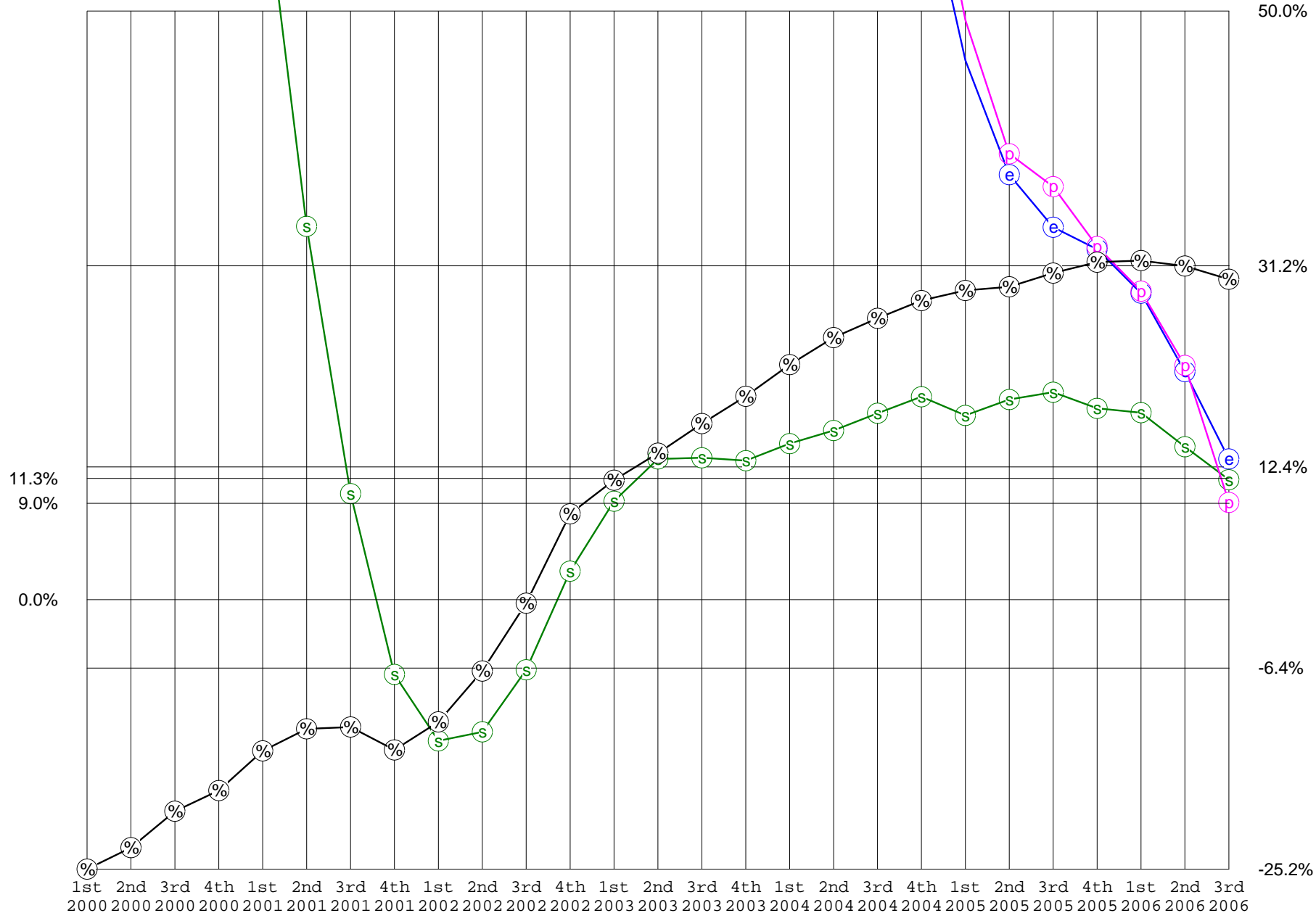
Company GETTY IMAGES INC (GYI)

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
03/99								-3.1						-29.9			
06/99	-0.47		-15.07	-27.4		54.96		-4.8						-21.4			
09/99	-0.55		-18.62	-30.6		60.82		-4.9						-12.9			
12/99	-0.44		-19.03	-23.8		79.91		6.5						-1.6			
03/00	-0.46		-22.98	-21.9		104.83		4.8	-1.92	-75.70	-25.2	300.5	-0.3	0.4			
06/00	-0.55	NMF	-24.97	-20.2	NMF	123.65	125.0	-9.4	-2.00	-85.59	-23.2	369.2	0.7	-0.8			
09/00	-0.48	NMF	-19.15	-15.1	NMF	127.00	108.8	-26.4	-1.93	-86.11	-19.8	435.4	5.3	-6.1			
12/00	-0.85	NMF	-19.42	-15.0	NMF	129.38	61.9	-123.9	-2.34	-86.51	-17.8	484.8	33.5	-38.7			
03/01	-0.23	NMF	-7.95	-6.3	NMF	125.79	20.0	-48.8	-2.11	-71.49	-14.1	505.8	37.3	-52.1	NMF	NMF	68.3
06/01	-0.27	NMF	-13.61	-11.7	NMF	115.86	-6.3	-2.5	-1.83	-60.13	-12.1	498.0	30.3	-50.4	NMF	NMF	34.9
09/01	-0.30	NMF	-16.00	-14.9	NMF	107.51	-15.3	2.7	-1.65	-56.98	-11.9	478.5	24.6	-43.1	NMF	NMF	9.9
12/01	-0.50	NMF	-25.80	-25.3	NMF	101.84	-21.3	-0.6	-1.30	-63.36	-14.0	451.0	7.8	-12.3	NMF	NMF	-7.0
03/02	0.06	NMF	5.26	4.6	NMF	113.85	-9.5	37.9	-1.01	-50.15	-11.4	439.1	-4.7	9.4	NMF	NMF	-13.2
06/02	0.08	NMF	7.44	6.6	NMF	113.30	-2.2	38.7	-0.66	-29.10	-6.7	436.5	-5.7	19.7	NMF	NMF	-12.4
09/02	0.13	NMF	11.65	9.9	NMF	118.19	9.9	39.5	-0.23	-1.46	-0.3	447.2	-0.4	28.9	NMF	NMF	-6.6
12/02	0.14	NMF	12.79	10.9	NMF	117.67	15.5	38.5	0.41	37.13	8.0	463.0	14.4	38.7	NMF	NMF	2.7
03/03	0.23	283.3	21.69	16.6	312.2	130.32	14.5	39.8	0.58	53.56	11.2	479.5	21.0	39.1	NMF	NMF	9.2
06/03	0.23	187.5	21.51	16.8	189.3	127.72	12.7	37.8	0.73	67.64	13.7	493.9	26.3	38.9	NMF	NMF	13.2
09/03	0.27	107.7	27.36	20.9	134.9	130.78	10.6	41.3	0.87	83.35	16.5	506.5	32.8	39.3	NMF	NMF	13.3
12/03	0.30	114.3	28.93	21.5	126.3	134.38	14.2	39.0	1.03	99.49	19.0	523.2	39.3	39.5	151.2	168.0	13.0
03/04	0.43	87.0	42.91	27.4	97.8	156.51	20.1	39.7	1.23	120.71	22.0	549.4	47.6	39.5	112.1	125.4	14.6
06/04	0.41	78.3	40.93	27.2	90.3	150.33	17.7	38.7	1.41	140.13	24.5	572.0	55.6	39.7	93.2	107.2	15.8
09/04	0.44	63.0	43.62	28.4	59.5	153.49	17.4	38.2	1.58	156.39	26.3	594.7	60.9	38.9	81.6	87.6	17.4
12/04	0.46	53.3	46.58	28.7	61.0	162.10	20.6	37.9	1.74	174.04	28.0	622.4	67.2	38.6	68.9	74.9	19.0
03/05	0.54	25.6	54.98	30.9	28.1	178.09	13.8	37.4	1.85	186.11	28.9	644.0	70.9	38.1	50.4	54.2	17.2
06/05	0.53	29.3	53.35	28.8	30.3	185.31	23.3	36.0	1.97	198.53	29.2	679.0	74.2	37.4	39.7	41.7	18.7
09/05	0.60	36.4	61.87	33.5	41.8	184.52	20.2	36.4	2.13	216.77	30.5	710.0	80.0	36.9	34.8	38.6	19.4
12/05	0.64	39.1	61.30	33.0	31.6	185.81	14.6	30.9	2.31	231.49	31.6	733.7	81.4	35.2	32.8	33.0	17.9
03/06	0.61	13.0	63.27	31.5	15.1	200.93	12.8	37.4	2.38	239.78	31.7	756.6	84.3	35.2	28.6	28.8	17.5
06/06	0.54	1.9	55.57	27.1	4.2	204.77	10.5	38.9	2.39	242.01	31.2	776.0	86.8	35.9	21.3	21.9	14.3
09/06	0.62	3.3	56.33	28.4	-8.9	198.11	7.4	33.3	2.41	236.47	29.9	789.6	83.0	35.1	13.1	9.1	11.2
12/06								38.7						37.1			

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

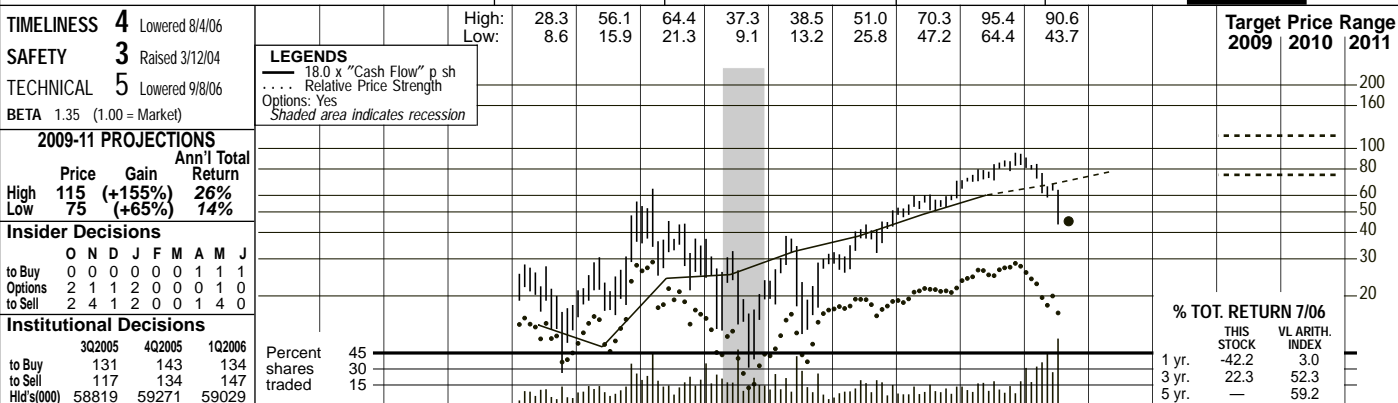
# PERT Worksheet-A Graph

Company GETTY IMAGES INC (GYI)



# GETTY IMAGES NYSE-GYI

RECENT PRICE **45.22** P/E RATIO **17.5** (Trailing: 18.5 Median: NMF) RELATIVE P/E RATIO **1.02** DIV'D YLD **Nil** VALUE LINE



Getty Images, Inc. was founded in 1995. Originally called Getty Communications plc, the company changed its name to Getty Images after it acquired PhotoDisc, Inc. in February 1998. Getty Communications ADRs were converted into 19.2 million shares of Getty Images stock, of which, 8 million shares were issued to PhotoDisc shareholders.

**CAPITAL STRUCTURE as of 6/30/06**  
 Total Debt \$265.0 mill. Due in 5 Yrs \$265.0 mill.  
 LT Debt \$265.0 mill. LT Interest \$1.5 mill.  
 (Includes \$265.0 mill. in 0.5% conv. notes).

(18% of Cap'l)  
**Leases, Uncapitalized:** Annual rentals \$21.6 mill.

**No Defined Benefit Pension Plan**  
 Pfd Stock None

**Common Stock** 59,771,423 shs. as of 7/31/06

**MARKET CAP: \$2.7 billion (Mid Cap)**

CURRENT POSITION (\$MILL.)	2004	2005	6/30/06
Cash Assets	520.7	518.3	259.5
Receivables	89.3	107.0	124.3
Inventory (FIFO)	--	--	--
Other	21.9	20.4	33.8
Current Assets	631.9	645.7	417.6
Accts Payable	67.4	72.3	85.9
Debt Due	--	265.0	--
Other	46.4	59.3	48.6
Current Liab.	113.8	396.6	134.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	--	8.0%	10.5%
"Cash Flow"	--	24.0%	12.0%
Earnings	--	--	15.5%
Dividends	--	--	Nil
Book Value	--	5.0%	13.0%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2003	130.3	127.7	130.8	134.4	523.2
2004	156.5	150.3	153.5	162.1	622.4
2005	178.1	185.3	184.5	185.8	733.7
2006	200.9	204.8	205	214.3	825
2007	220	225	225	240	910

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2003	.23	.23	.28	.30	1.04
2004	.42	.41	.43	.46	1.72
2005	.52	.52	.59	.65	2.28
2006	.61	.60	.60	.69	2.50
2007	.70	.73	.74	.78	2.95

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2002					
2003					
2004					
2005					
2006					

NO CASH DIVIDENDS BEING PAID

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC. 09-11	
Revenues per sh	--	--	6.05	5.48	9.54	8.69	8.59	9.13	10.25	11.78	14.00	15.15	19.50	19.50
"Cash Flow" per sh	--	--	.81	.64	1.35	1.40	1.81	2.13	2.70	3.34	3.75	4.30	5.50	5.50
Earnings per sh <sup>A</sup>	--	--	d.92	d1.74	d2.00	d1.30	.39	1.04	1.72	2.28	2.50	2.95	3.80	3.80
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Nil	Nil
Cap'l Spending per sh	--	--	.89	1.14	1.55	1.40	.73	.62	.60	.93	1.10	.85	.70	.70
Book Value per sh <sup>B</sup>	--	--	11.25	16.47	13.45	11.55	12.40	14.58	17.50	19.96	20.10	23.40	36.45	36.45
Common Shs Outst'g <sup>C</sup>	--	--	30.57	45.27	50.81	51.92	53.89	57.33	60.74	62.26	59.00	60.00	59.00	59.00
Avg Ann'l P/E Ratio	--	--	--	--	--	--	NMF	35.6	32.3	34.3	Bold figures are Value Line estimates		25.0	25.0
Relative P/E Ratio	--	--	--	--	--	--	3.58	2.03	1.71	1.84			1.70	1.70
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Nil	Nil
Revenues (\$mill)	--	--	185.1	247.8	484.9	451.0	463.0	523.2	622.4	733.7	825	910	1150	1150
Operating Margin	--	--	19.1%	14.1%	19.5%	20.8%	27.1%	31.5%	36.3%	38.7%	38.0%	39.5%	40.5%	40.5%
Depreciation (\$mill) <sup>D</sup>	--	--	51.4	90.0	168.1	140.3	76.0	61.4	57.5	58.1	75.0	80.0	100	100
Net Profit (\$mill)	--	--	d26.6	d61.1	d99.7	d67.4	21.5	61.0	106.7	149.7	155	180	225	225
Income Tax Rate	--	--	--	--	--	--	40.5%	38.7%	38.7%	35.1%	36.0%	37.5%	39.0%	39.0%
Net Profit Margin	--	--	NMF	NMF	NMF	NMF	4.6%	11.7%	17.1%	20.4%	18.8%	19.8%	19.6%	19.6%
Working Cap'l (\$mill)	--	--	22.6	117.0	61.3	13.2	101.9	292.4	518.1	249.1	275	350	450	450
Long-Term Debt (\$mill)	--	--	72.4	101.8	274.4	256.2	244.7	265.0	265.0	--	265	265	200	200
Shr. Equity (\$mill)	--	--	343.9	745.7	683.6	599.5	668.0	835.8	1063.1	1243.0	1185	1405	2150	2150
Return on Total Cap'l	--	--	NMF	NMF	NMF	NMF	3.2%	6.0%	8.2%	12.0%	10.5%	11.0%	9.5%	9.5%
Return on Shr. Equity	--	--	NMF	NMF	NMF	NMF	3.2%	7.3%	10.0%	12.0%	13.0%	13.0%	10.5%	10.5%
Retained to Com Eq	--	--	NMF	NMF	NMF	NMF	3.2%	7.3%	10.0%	12.0%	13.0%	13.0%	10.5%	10.5%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Nil	Nil

**BUSINESS:** Getty Images, Inc. sells and licenses still and moving images and related products and services, which are primarily distributed digitally via its Web site, and to a lesser extent by CDs. Principle customers are advertising and design agencies. Foreign sales: 56%. Acquired Digital Vision, 4/05; Visual Communications Group, 3/00; The Image Bank, 11/99; PhotoDisc, Inc., 2/98. Has

approximately 1,820 employees. Officers and directors own 4.4% of common shares; Getty Investments, 16.6%; FMR Corporation 8.4% (3/06 Proxy). Chairman: Mark H. Getty. Chief Executive Officer: Jonathan D. Klein. Incorporated: Delaware. Address: 701 N. 34th Street, Suite 400, Seattle, Washington 98103. Telephone: 206-268-2000. Internet: www.gettyimages.com.

**Getty Images continues to be active on the acquisition front.** In May, the company purchased Laura Ronchi, S.p.A., its largest distributor of content in the Italian market. This follows the acquisition of Ireland-based Pixel Images Holdings Limited, the parent company of Stockbyte and Stockdisc. The deal was valued at \$135 million. These purchases are part of the company's international growth initiative. Getty is also establishing its presence in such important markets as Japan and China (the second and fifth largest markets in terms of advertising spending). It also established a photo bureau in Beijing, which should come in handy for the 2008 Olympic games that will be held there.

**\$0.16 per share for stock-based compensation** in accordance with new accounting rules. Our 2007 bottom-line target is now \$0.20 lower, at \$2.95 per share.

**Getty Images' balance sheet is in good shape.** The debt burden is relatively light and is almost covered by cash in reserves. This gives Getty the financial flexibility to pursue its expansion strategy by making further acquisitions. In addition, cash may be used to repurchase shares. Indeed, earlier in the year, the board of directors increased the share-buyback program by \$100 million to a total of \$250 million. As of the end of July, GYI had about \$75 million remaining under authorization. These effort will likely be at least partially offset by options exercises.

**We have lowered our near-term estimates.** Management reported some weakness in the Royalty Free segment and lowered the full-year guidance, which can be partly attributed to increased competition. We now expect Getty to earn \$2.50 per share in 2006, which would represent a roughly 10% increase from last year's tally. But investors should be aware that this figure includes a charge of about

**This untimely stock may be of interest for its long-term gains potential.** In our view, the nearly 30% price decline since our last review provides a good entry point for patient investors. However, this equity may not be appropriate for conservative accounts as it is ranked below average for Price Stability and Earnings Predictability.

(A) Diluted EPS. Excludes nonrecurring (losses)/gain: '98, (\$0.30); '99, (\$0.20); '00, (\$1.41); '01, (\$0.54); '03, \$0.05; '06, \$0.25. Next earnings report due late October.  
 (B) Includes intangibles. In '05, \$855.0 mill. due to change in accounting rules (SFAS 142). (\$13.79/sh).  
 (C) In millions.  
 (D) Goodwill amortization excluded after 2001

Company's Financial Strength	B++
Stock's Price Stability	25
Price Growth Persistence	85
Earnings Predictability	25

To subscribe call 1-800-833-0046.