



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company MARSH & MCLENNAN CO'S Date 06/30/06

Prepared by MG Data taken from NAIC Data

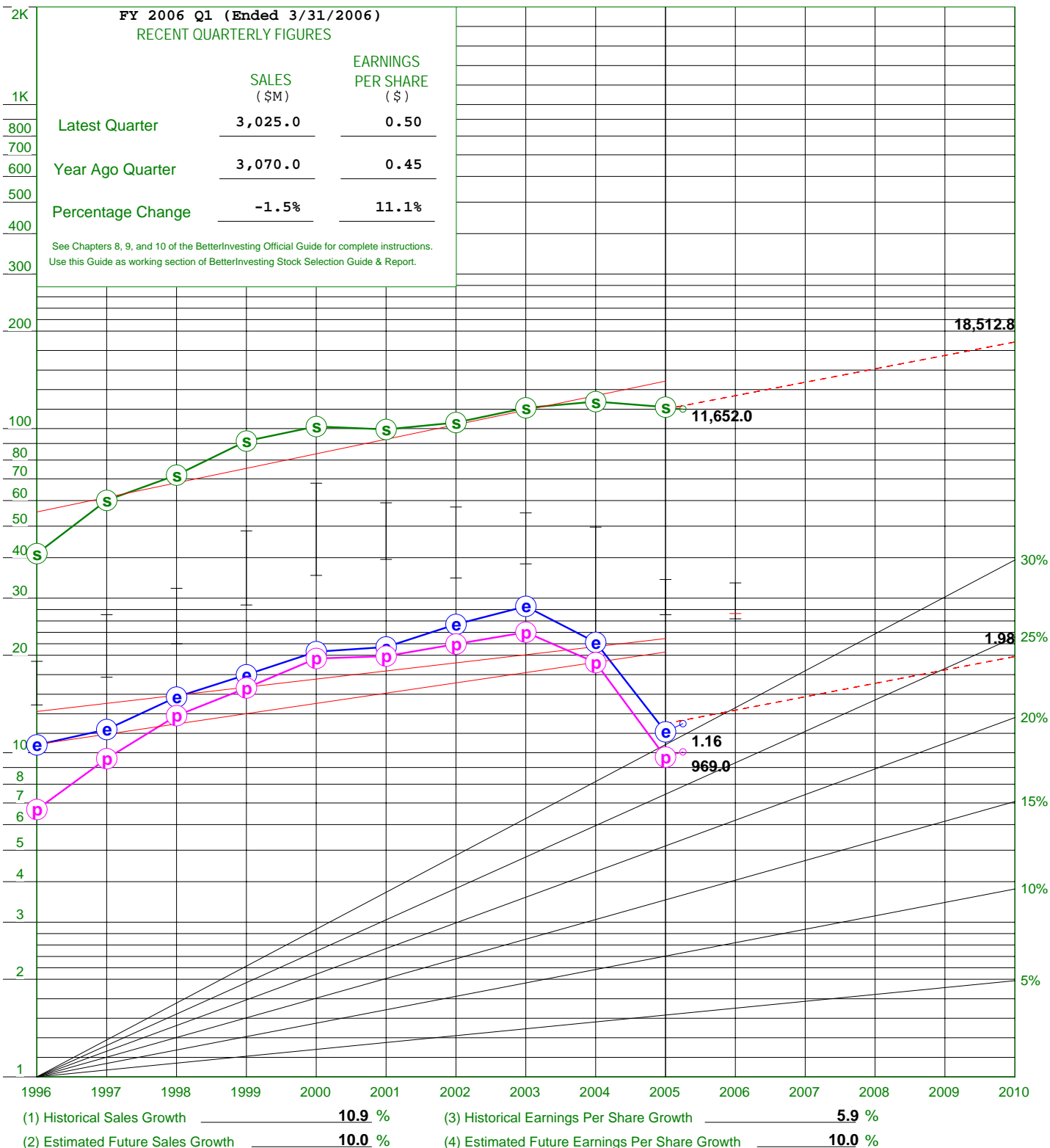
Where traded NYSE Major product/service Insurance B

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	548.8	8.0	34.3
Debt (\$M)	5,413.0	% to Tot.Cap.	50.1
		% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

MMC



2 EVALUATING MANAGEMENT

Company **MARSH & MCLENNAN CO'S**

(MMC)

06/30/06

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	16.2	16.0	18.1	17.3	19.2	20.0	20.7	20.3	15.7	8.3	17.0		DOWN
B % Earned on Equity (E/S ÷ Book Value)	24.3	18.6	20.9	22.3	21.6	22.5	26.7	27.3	22.8	11.8	22.2		DOWN

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 **26.890** HIGH THIS YEAR **33.420** LOW THIS YEAR **25.900**

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	59.0	39.5	2.12	27.8	18.6	1.030	48.6	2.6
2 2002	57.3	34.6	2.49	23.0	13.9	1.090	43.8	3.2
3 2003	55.0	38.3	2.83	19.4	13.5	1.490	52.7	3.9
4 2004	49.7	22.8	2.19	22.7	10.4	0.990	45.2	4.3
5 2005	34.3	26.7	1.16	29.6	23.0	0.680	58.6	2.5
6 TOTAL		161.9		94.7	60.8		248.9	
7 AVERAGE		32.4		23.7	15.2		49.8	
8 AVERAGE PRICE EARNINGS RATIO			19.5	9 CURRENT PRICE EARNINGS RATIO				21.9

4 Proj. P/E [19.87] Based on Next 4 qtr. EPS [1.35] Current P/E Based on Last 4 qtr. EPS [1.23] EVALUATING RISK and REWARD over the next 5 years PEG=199

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 ~~23.7~~ **22.0** X Estimate High Earnings/Share **1.98** = Forecast High Price \$ **43.6** (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~15.2~~ **14.0** X Estimated Low Earnings/Share ~~1.16~~ **1.23** = \$ **17.2**

(b) Avg. Low Price of Last 5 Years = **32.4** (3E7 as adj.)

(c) Recent Severe Market Low Price = **22.8** (3B7)

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.680}{0.043} = 15.7$

Selected Estimate Low Price = \$ **15.7** (4B1)

C ZONING

43.6 (4A1) High Forecast Price Minus **15.7** (4B1) Low Forecast Price Equals **27.9** (C) Range. 1/3 of Range = **7.0** (4CD)

(4C2) Lower 1/3 = **15.7** (4B1) to **22.7** (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = **22.7** to **36.6** (Maybe)

(4C4) Upper 1/3 = **36.6** to **43.6** (4A1) (Sell)

Present Market Price of **26.890** is in the **Hold** (4C5) Range

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

High Price (4A1) **43.6** Minus Present Price **26.890** = **16.7** = **1.5** To 1
Present Price **26.890** Minus Low Price (4B1) **15.7** = **11.2** (4D)

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

High Price (4A1) **43.6**
Present Market Price **26.890** = (**1.621**) X 100 = (**162.1**) - 100 = **62.1** (4E) % Appreciation

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 \$ 0.680
Present Price of Stock \$ **26.890** = **0.025** X 100 = **2.5** (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

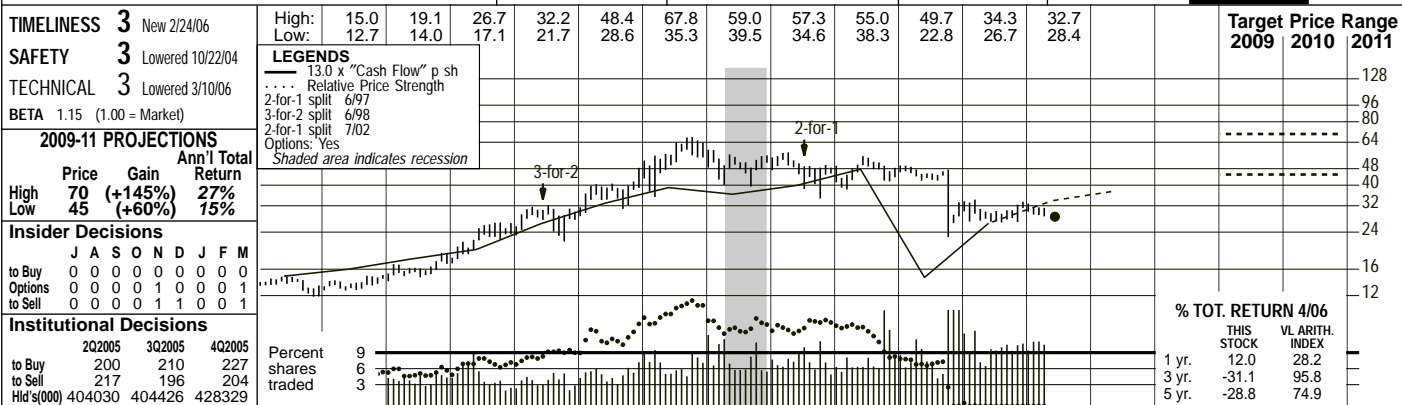
Avg. Earnings Per Share Next 5 Years **1.64** X Avg. % Payout (3G7) **49.8** = **81.7** = **3.0** (5B) %
Present Price \$ **26.890**

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 62.1		P.A.R.	Tot. Ret.
$\frac{5}{62.1}$	12.4 %	Average Yield	2.8%
Average Yield (5B) 3.0 %		Annual Appreciation	5.8%
Average Total Annual Return Over the Next 5 Years (5C) 15.4 %		% Compd Ann Rate of Ret	10.1%
			8.6%
			12.4%

MARSH & McLENNAN NYSE-MMC

RECENT PRICE **28.40** P/E RATIO **22.9** (Trailing: 22.9; Median: 21.0) RELATIVE P/E RATIO **1.22** DIV'D YLD **2.4%** VALUE LINE



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC. 09-11	
6.17	6.45	6.68	7.13	7.82	8.63	9.56	11.62	13.89	17.04	18.24	17.74	18.62	22.00	21.69	21.30	21.40	22.90	Revenues per sh ^A	27.50
.93	.97	.95	1.02	1.14	1.23	1.38	1.53	2.02	2.53	3.00	2.79	3.08	3.67	1.13	2.03	2.60	2.90	"Cash Flow" per sh	4.10
.69	.70	.70	.75	.87	.92	1.06	1.18	1.49	1.74	2.05	1.93	2.45	2.81	.33	1.33	1.65	1.95	Earnings per sh ^B	3.15
.43	.43	.45	.45	.48	.51	.57	.65	.77	.88	.90	1.03	1.11	1.18	1.30	.68	.68	.72	Div'ds Decl'd per sh ^C	.90
.35	.19	.19	.22	.34	.31	.36	.39	.57	.67	.92	.77	.75	.83	.67	.63	.65	.65	Cap'l Spending per sh	.70
2.46	2.40	2.51	3.08	3.33	3.81	4.35	6.19	7.07	7.76	9.39	9.23	8.95	10.35	9.02	9.80	10.90	12.15	Book Value per sh ^D	18.55
441.13	431.04	439.65	443.59	439.20	436.64	433.91	517.17	517.73	537.39	556.76	560.64	560.64	526.74	560.64	547.00	550.00	550.00	Common Shs Outst'g ^E	560.00
17.6	18.5	19.3	19.5	15.8	14.8	15.2	19.1	19.0	21.2	26.4	26.2	20.0	16.7	NMF	22.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	18.0
1.31	1.18	1.17	1.15	1.04	.99	.95	1.10	.99	1.21	1.72	1.34	1.09	.95	NMF	1.20			Relative P/E Ratio	1.20
3.5%	3.4%	3.3%	3.1%	3.5%	3.7%	3.5%	2.9%	2.7%	2.4%	1.7%	2.0%	2.3%	2.5%	3.1%	2.3%			Avg Ann'l Div'd Yield	2.0%

CAPITAL STRUCTURE as of 3/31/06				2004	2005	3/31/06	BUSINESS: Marsh & McLennan Companies, Inc. is a holding company. Marsh & McLennan Inc., the major subsidiary, is the world's largest insurance broker. Other subsidiaries include The Putnam Group (investment services) and Mercer Group (Human Resources and Management Consulting). 2005 revenue sources: Insurance Services, 52%; Consulting, 30%; Investment Management, 14%;		other, 4%. Acquired Sedgwick Corp in '98; Faugere & Jutheau, '92. Has approximately 55,000 employees; Officers & Directors own about 1.0% of common stock; Capital Research & Management company, 9.2% (3/06 Proxy). President and CEO: Michael Cherkasky. Address: 1166 Ave. of the Americas, New York, NY 10036. Telephone: 212-345-5000. Internet: www.marshmac.com.								
Total Debt \$5413 mill. Due in 5 Yrs \$2750 mill. Long Term Debt \$4534 mill. LT Int. \$270 mill. (48% of Cap'l)				4149.7	6008.6	7190.0	9157.0	10157	9943.0	10440	11588	12159	11652	11775	12600	Revenues (\$mill) ^A	15400
Leases, Uncapitalized Annual rentals \$466.0 mill. Pension Assets-12/05 \$3015 mill. Oblig.\$3094 mill.				20.6%	20.6%	23.2%	24.0%	26.3%	22.4%	25.2%	24.9%	9.1%	10.7%	17.0%	18.0%	Operating Margin	22.0%
Pfd Stock None Common Stock 547,001,162 shs. as of 2/17/06				140.0	199.1	251.0	400.0	488.0	325.0	359.0	391.0	456.0	391.0	400	400	Depreciation (\$mill)	400
Market Cap: \$15.5 billion (Large Cap)				459.3	592.3	796.0	959.0	1181.0	1238.4	1365.0	1540.0	176.0	722.0	920	1085	Net Profit (\$mill)	1785
CURRENT POSITION				31.2%	38.3%	39.0%	39.5%	38.5%	27.2%	35.0%	33.0%	57.6%	28.3%	33.5%	35.0%	Income Tax Rate	35.0%
Cash Assets				11.1%	9.9%	11.1%	10.5%	11.6%	12.5%	13.1%	13.3%	1.4%	6.2%	7.8%	8.6%	Net Profit Margin	11.6%
Receivables				192.3	189.5	d1757	d1035	d480.0	d146.0	d199.0	d188.0	152.0	911.0	315	290	Working Cap'l (\$mill)	1600
Other				458.2	1239.8	1590.0	2357.0	2347.0	2334.0	2891.0	2910.0	4691.0	5044.0	4500	4500	Long-Term Debt (\$mill)	5500
Current Assets				1888.6	3198.8	3659.0	4170.0	5282.0	5173.0	5018.0	5451.0	5056.0	5360.0	5995	6685	Shr. Equity (\$mill) ^D	10390
Accts Payable				20.8%	14.5%	15.4%	15.9%	16.6%	17.4%	18.1%	19.3%	2.8%	8.2%	10.0%	11.0%	Return on Total Cap'l	12.0%
Debt Due				24.3%	18.5%	21.8%	23.0%	22.6%	23.9%	27.2%	28.3%	3.5%	13.5%	15.5%	16.0%	Return on Shr. Equity	17.0%
Other				11.7%	9.0%	11.5%	12.3%	12.8%	13.0%	15.4%	16.7%	NMF	6.7%	9.0%	10.5%	Retained to Com Eq	12.5%
Current Liab.				52%	52%	47%	47%	44%	46%	43%	41%	NMF	50%	41%	36%	All Div'ds to Net Prof	28%

Cal-endar	QUARTERLY REVENUES (\$ mill.) ^A	Full Year	Cal-endar	EARNINGS PER SHARE ^B	Full Year	Cal-endar	QUARTERLY DIVIDENDS PAID ^C	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31			Mar.31 Jun.30 Sep.30 Dec.31			Mar.31 Jun.30 Sep.30 Dec.31	
2003	2852 2865 2837 3034	11588	2003	.81 .66 .65 .69	2.81	2003	.265 .265 .28 .28	1.09
2004	3210 3036 2969 2944	12159	2004	.83 .73 .04 d1.29	.33	2004	.28 .28 .31 .31	1.18
2005	3070 2977 2779 2826	11652	2005	.52 .43 .35 .03	1.33	2005	.31 .31 .34 .34	1.30
2006	3025 2950 2850 2950	11775	2006	.43 .40 .38 .44	1.65	2006	.17 .17 .17 .17	.68
2007	3200 3150 3050 3200	12600	2007	.55 .50 .45 .45	1.95	2007	.17 .17	

Marsh & McLennan's upside earnings potential is starting to outpace downside risk. Lower-than-expected share-net in the first quarter overshadowed improving business trends. Indeed, despite the profit shortfall, the outlook is strengthening for the insurance brokerage giant. Marsh is benefiting from cost savings, improving client retention rates, and revenue stabilization across several of its operating segments. Asset manager Putnam is still losing assets, but the outflows during the first quarter were within expectations and will likely reverse by yearend. The road to a full earnings recovery is still a few years long, but Marsh may well hit its stride within a few quarters.

The Risk and Insurance Services (RIS) segment is still a problem, but conditions are getting better. During the first quarter, revenues contracted 2%, a meaningful improvement over the double-digit declines experienced in 2004 when the contingent commission investigation was launched. The results exemplify the company's recent efforts to rebuild its reputation. We expect image-building endeavors to halt top-line shrinkage completely by the end of 2006.

Mercer, Marsh's consulting business, is outpacing growth in the rest of the company. Revenue in the March interim increased 10%, with the specialty consulting part of Mercer posting record top-line gains of 17%. Margins did, however, contract, but we attribute the weakness to certain one-time items. Margins should, consequently, pick up in the coming quarters as expenses level off.

Results at Kroll, the company's risk consulting segment, are a mixed bag. Pricing pressures are hurting the electronic discovery business, which represents 20% of Kroll's revenues. Still, other parts of the segment are showing promise, including the corporate advisory and restructuring businesses, both of which produced double-digit top-line growth in the recently ended quarter.

This neutrally ranked stock has good long-term appeal. Favorable business trends and stabilizing costs should help the risk management firm to best historical profit levels by decade's end.

Praneeth Satish
May 26, 2006

(A) Gross commissions, fees, & other income. 48c; '05, (59c); '06, (32c). 2004 earnings do not sum due to change in shares outstanding. (B) Avg. shares outstanding thru 1996, then diluted. Excludes nonrecurring gain (losses): '92, (28c); '94, (7c); '97, (77c); '99 (86c); '01, (C) Dividends historically paid mid-Feb., May, Aug., Nov. ■Div'd reinvestment plan available. (D) Includes intangibles. In 2005: \$7.8 billion, \$14.21/sh. (E) In millions, adjusted for stock splits.

PERT Worksheet-A Graph

Company MARSH & MCLENNAN CO'S

(MMC)

