

## **2** EVALUATING MANAGEMENT

Company MARSH & MCLENNAN CO'S

(MMC)

11/10/06

		1996	1007	1000	1999	2000	2001	2002	2003	2004	2005	LAST 5	TRE	ND
		1990	1997	1990	1999	2000	2001	2002	2003	2004	2005	YEAR AVG.	UP	DOWN
	% 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
В	% 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

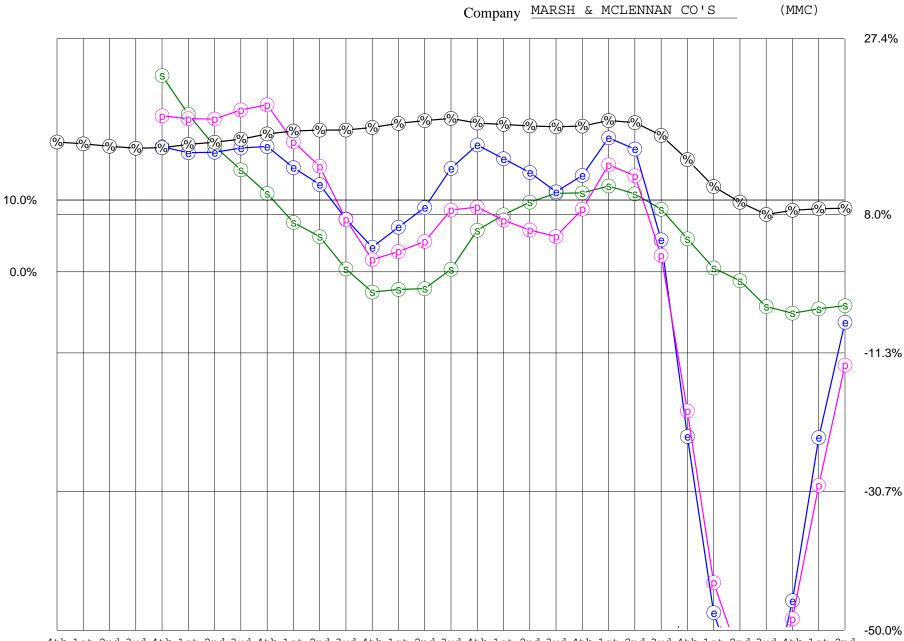
This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

	Veer	A PR	ICE	C Earnings	D Price Earr	E Lings Ratio	F Dividend	G	Н
	Year	HIGH	LOW	Per Share	HIGH A ÷ C	LOW B ÷ C	Per Share	% Payout F ÷ C X 100	% High Yield F ÷ B X 100
	2001	59.0	39.5	2.12	27.8	18.6	1.030	48.6	2.6
	2002	57.3	34.6	2.49	23.0	13.9	1.090	43.8	3.2
	2003	55.0	38.3	2.83	19.4	13.5	1.490	52.7	3.9
	2004	49.7	22.8	2.19	22.7	10.4	0.990	45.2	4.3
	2005	34.3	26.7	1.16	29.6	23.0	0.680	58.6	2.5
	TOTAL		161.9		94.7	60.8		248.9	
	AVERAGE		32.4		23.7	15.2		49.8	
	AVERAGE PRIC	CE EARNINGS RATI	0 <b>19</b>	.5	9 CURRENT PRI	CE EARNINGS RA	TIO	26.8	
	EVALUATI	[24.39] Ba NG RISK and R and one business boom even	REWARD over t	the next 5 year	s				. EPS [1.3 PEG=3
	A HIGH PRICE NI	EXT 5 YEARS		Ŭ	Ŭ	,		•	40.0
	Avg. High P/	(3D7 as a		te High Earnings/Sha	re	L.92	= Forecast High Price	e\$	42.2 (4A1)
E	a) Avg. Low	<b>AF A</b>	14.0	X Estimated Low Ear	nings/Share	1.16 1.	19 = \$	16.7	
			Tas adj.)	32.4					
	., .	Severe Market Low Price		(3B7) 22.8	_				
		idead Will Current	Present Divd.	= 0	.680	=	15.7		
		vidend Will Support	Present Divd. High Yield (H)		.680	_ =			6.7
	Selected Est	vidend Will Support timate Low Price	(1)			_ =	15.7	= \$1	(4B1)
	Selected Est		High Yield <sup>(H)</sup>	0 5.7 Low Fore				ange =	(4B1) 6.4
c	Selected Est <b>20NING</b> <u>42.2</u> (4A1)	timate Low Price	High Yield (H)	0 5.7 4B1) Low Fore	ecast Price Equals	(C)	Range. 1/3 of Ra	ange =(40	(4B1) 6.4 CD)
C	Selected Est CONING 42.2 (4A1) (4C2)	timate Low Price High Forecast Priv Lower 1/3 = (4B1)	High Yield (H)	0 5.7 Low Fore 4B1) to	ecast Price Equals	(Buy)	Range. 1/3 of Ra	ange =	(4B1) 6.4 CD)
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## **PERT Worksheet-A Graph**

(MMC)



4th 1st 2nd 3rd 4th 1st 2nd 3r