## NATIONAL ASSOCIATION OF INVESTORS CORPORATION — NAIC

INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

# *Stock Selection Guide* ®

**The most widely used aid to good investment judgment**

| Company | SYSCO CORPORATION | Date | 10/01/04 |
|---|---|---|---|
| Prepared by | MG | Data taken from | NAIC Data |
| Where traded | NYSE | Major product/service | Food Distri |

**CAPITALIZATION --- Outstanding Amounts**    Reference _____

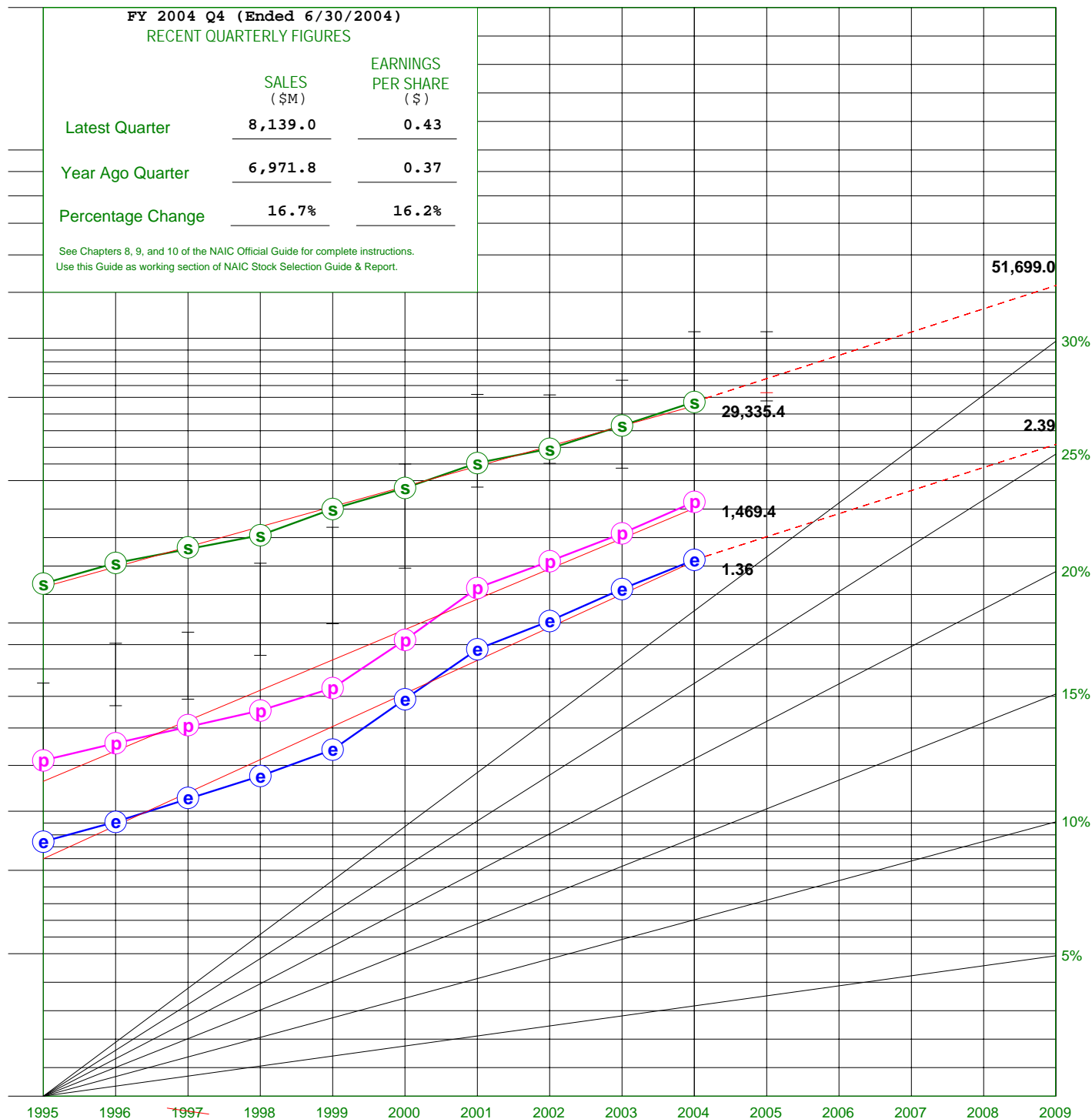| | | % Insiders | % Institution |
|---|---|---|---|
| Preferred($M) | 0.0 | | |
| Common(M Shares) | 638.0 | 0.8 | 70.7 |
| Debt($M)  1,468.2 | % to Tot.Cap.  0.0 | % Potential Dil. | None |

## 1  VISUAL ANALYSIS of Sales, Earnings and Price

SYY

**FY 2004 Q4 (Ended 6/30/2004)**
RECENT QUARTERLY FIGURES

| | SALES ($M) | EARNINGS PER SHARE ($) |
|---|---|---|
| Latest Quarter | 8,139.0 | 0.43 |
| Year Ago Quarter | 6,971.8 | 0.37 |
| Percentage Change | 16.7% | 16.2% |

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.
Use this Guide as working section of NAIC Stock Selection Guide & Report.



51,699.0

29,335.4

2.39

1,469.4

1.36

30%
25%
20%
15%
10%
5%

1995  1996  1997  1998  1999  2000  2001  2002  2003  2004  2005  2006  2007  2008  2009

| (1) Historical Sales Growth | 10.3 % | (3) Historical Earnings Per Share Growth | 17.5 % |
|---|---|---|---|
| (2) Estimated Future Sales Growth | 12.0 % | (4) Estimated Future Earnings Per Share Growth | 11.9 % |

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| | | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | LAST 5 YEAR AVG. | TREND UP | TREND DOWN |
|---|---|------|------|------|------|------|------|------|------|------|------|------|----|------|
| A | % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales) | 3.4 | 3.4 | 3.4 | 3.5 | 3.4 | 3.9 | 4.4 | 4.7 | 4.8 | 5.0 | 4.6 | EVEN | |
| B | % Earned on Equity (E/S ÷ Book Value) | 18.0 | 18.6 | 21.0 | 23.5 | 25.0 | 26.0 | 27.3 | 31.0 | 34.6 | | 29.7 | | NMF |

**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 ___30.670___   HIGH THIS YEAR ___41.270___   LOW THIS YEAR ___29.480___

| | Year | A PRICE HIGH | B PRICE LOW | C Earnings Per Share | D Price Earnings Ratio HIGH A ÷ C | E Price Earnings Ratio LOW B ÷ C | F Dividend Per Share | G % Payout F ÷ C X 100 | H % High Yield F ÷ B X 100 |
|---|------|------|------|------|------|------|------|------|------|
| 1 | 2000 | 21.7 | 13.1 | 0.69 | 31.4 | 18.9 | 0.170 | 24.6 | 1.3 |
| 2 | 2001 | 30.4 | 19.4 | 0.88 | 34.6 | 22.0 | 0.260 | 29.5 | 1.3 |
| 3 | 2002 | 30.4 | 21.8 | 1.01 | 30.0 | 21.5 | 0.320 | 31.7 | 1.5 |
| 4 | 2003 | 32.6 | 21.3 | 1.18 | 27.6 | 18.0 | 0.400 | 33.9 | 1.9 |
| 5 | 2004 | 41.3 | 28.5 | 1.36 | 30.3 | 21.0 | 0.610 | 44.9 | 2.1 |
| 6 | TOTAL | | 104.0 | | 57.9 | 57.9 | | 164.6 | |
| 7 | AVERAGE | | 20.8 | | 29.0 | 19.3 | | 32.9 | |
| 8 | AVERAGE PRICE EARNINGS RATIO | 24.1 | | 9 CURRENT PRICE EARNINGS RATIO | | 22.2 | | | |

**4** Proj. P/E [19.86] Based on Next 4 qtr. EPS [1.54]   Current P/E Based on Last 4 qtr. EPS [1.38]

**EVALUATING RISK and REWARD over the next 5 years**

*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 ~~29.0~~ 23.9 (3D7 as adj.) X Estimate High Earnings/Share ___2.39___ = Forecast High Price $ ___57.1___ (4A1)

**B LOW PRICE -- NEXT 5 YEARS**

(a) Avg. Low P/E ~~19.3~~ 17.0 (3E7 as adj.) X Estimated Low Earnings/Share ~~1.36~~ 1.38 = $ ___23.5___

(b) Avg. Low Price of Last 5 Years = ___20.8___ (3B7)

(c) Recent Severe Market Low Price = ___21.3___

(d) Price Dividend Will Support   Present Divd. = 0.520 / High Yield (H) = 0.021 = 24.3

Selected Estimate Low Price = $ ___23.5___ (4B1)

**C ZONING**

57.1 (4A1) High Forecast Price Minus 23.5 (4B1) Low Forecast Price Equals 33.6 (C) Range. 1/3 of Range = 8.4 (4CD)

(4C2) Lower 1/3 = (4B1) 23.5 to 31.9 (Buy)   Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 31.9 to 48.7 (Maybe)

(4C4) Upper 1/3 = 48.7 to 57.1 (4A1) (Sell)

Present Market Price of ___30.670___ is in the ___Buy___ (4C5) Range

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

High Price (4A1) 57.1 Minus Present Price 30.670

Present Price ___30.670___ Minus Low Price (4B1) 23.5 = $\frac{26.4}{7.2}$ = 3.7 (4D) To 1

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

High Price (4A1) 57.1 / Present Market Price 30.670 = ( 1.862 ) X 100 = ( 186.2 ) - 100 = 86.2 (4E) % Appreciation

Relative Value: 92.1%  Proj. Relative Value: 82.4%

**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 $ ___0.520___

Present Price of Stock $ ___30.670___ = 0.017 X 100 = 1.7 (5A) Present Yield or % Returned on Purchase Price

**B AVERAGE YIELD OVER NEXT 5 YEARS**

Avg. Earnings Per Share Next 5 Years ___1.91___ X Avg. % Payout (3G7) ~~32.9~~ 31.2 = 59.6 / Present Price $ 30.670 = 1.9 (5B) %

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

5 Year Appreciation Potential (4E) 86.2 / 5 = 17.2 %

Average Yield (5B) 1.9 %

Average Total Annual Return Over the Next 5 Years (5C) 19.1 %

| | P.A.R. | Tot. Ret. |
|---|------|------|
| Average Yield | 1.5% | 1.3% |
| Annual Appreciation | 9.8% | 13.2% |
| % Compd Ann Rate of Ret | 11.3% | 14.5% |

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# PERT Worksheet-A

Company  SYSCO CORPORATION          (SYY)

| | QUARTERLY DATA | | | | | | | | LAST 12 MONTHS DATA | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EPS | | PRE-TAX PROFIT | | | SALES | | INCOME TAX RATE | EPS $ | PRE-TAX PROFIT | | SALES MIL | INCOME TAX | | % CHANGE | | |
| PERIOD | $ | % CHANGE | $ MIL | % SALES | % CHANGE | $ MIL | % CHANGE | | | $ MIL | % SALES | | $ MIL | % RATE | EPS | PRE-TAX PROFIT | SALES |
| 09/98 | | | | | | | | *38.8* | | | | | | 38.7 | | | |
| 12/98 | 0.13 | | 141.64 | 3.3 | | 4,246.70 | | 39.0 | | | | | | 38.8 | | | |
| 03/99 | 0.11 | | 118.98 | 2.9 | | 4,164.88 | | 37.8 | | | | | | 38.6 | | | |
| 06/99 | 0.18 | | 191.60 | 4.0 | | 4,818.63 | | 38.8 | | | | | | 38.6 | | | |
| 09/99 | 0.16 | | 171.84 | 3.7 | | 4,657.03 | | 37.9 | 0.57 | 624.05 | 3.5 | 17,887.2 | 239.5 | 38.4 | | | |
| 12/99 | 0.17 | 28.9 | 178.69 | 3.8 | 26.2 | 4,651.54 | 9.5 | 38.4 | 0.61 | 661.10 | 3.6 | 18,292.1 | 252.7 | 38.2 | | | |
| 03/00 | 0.16 | 40.9 | 165.85 | 3.5 | 39.4 | 4,722.94 | 13.4 | 37.6 | 0.66 | 707.96 | 3.8 | 18,850.1 | 270.4 | 38.2 | | | |
| 06/00 | 0.22 | 22.9 | 234.24 | 4.4 | 22.3 | 5,271.76 | 9.4 | 38.2 | 0.70 | 750.61 | 3.9 | 19,303.3 | 285.5 | 38.0 | | | |
| 09/00 | 0.22 | 34.4 | 233.13 | 4.3 | 35.7 | 5,360.17 | 15.1 | 37.8 | 0.75 | 811.90 | 4.1 | 20,006.4 | 308.6 | 38.0 | 30.9 | 30.1 | 11.8 |
| 12/00 | 0.21 | 27.3 | 225.79 | 4.3 | 26.4 | 5,290.53 | 13.7 | 37.1 | 0.80 | 859.00 | 4.2 | 20,645.4 | 323.9 | 37.7 | 30.3 | 29.9 | 12.9 |
| 03/01 | 0.21 | 35.5 | 225.69 | 4.2 | 36.1 | 5,344.50 | 13.2 | 36.9 | 0.85 | 918.85 | 4.3 | 21,267.0 | 344.8 | 37.5 | 29.8 | 29.8 | 12.8 |
| 06/01 | 0.26 | 20.9 | 282.05 | 4.9 | 20.4 | 5,789.30 | 9.8 | 37.3 | 0.90 | 966.66 | 4.4 | 21,784.5 | 360.7 | 37.3 | 28.8 | 28.8 | 12.9 |
| 09/01 | 0.24 | 11.6 | 265.51 | 4.6 | 13.9 | 5,828.68 | 8.7 | 38.7 | 0.92 | 999.04 | 4.5 | 22,253.0 | 375.0 | 37.5 | 22.7 | 23.0 | 11.2 |
| 12/01 | 0.24 | 14.3 | 256.73 | 4.6 | 13.7 | 5,590.97 | 5.7 | 37.2 | 0.95 | 1,029.98 | 4.6 | 22,553.4 | 386.7 | 37.5 | 19.5 | 19.9 | 9.2 |
| 03/02 | 0.23 | 9.5 | 245.16 | 4.4 | 8.6 | 5,620.32 | 5.2 | 36.9 | 0.97 | 1,049.45 | 4.6 | 22,829.3 | 394.0 | 37.5 | 14.1 | 14.2 | 7.3 |
| 06/02 | 0.31 | 19.2 | 333.47 | 5.3 | 18.2 | 6,310.54 | 9.0 | 37.9 | 1.02 | 1,100.87 | 4.7 | 23,350.5 | 414.9 | 37.7 | 14.0 | 13.9 | 7.2 |
| 09/02 | 0.28 | 16.7 | 295.67 | 4.6 | 11.4 | 6,424.42 | 10.2 | 37.2 | 1.06 | 1,131.03 | 4.7 | 23,946.3 | 421.9 | 37.3 | 15.2 | 13.2 | 7.6 |
| 12/02 | 0.28 | 16.7 | 298.89 | 4.7 | 16.4 | 6,348.80 | 13.6 | 37.8 | 1.10 | 1,173.19 | 4.7 | 24,704.1 | 439.3 | 37.4 | 15.8 | 13.9 | 9.5 |
| 03/03 | 0.26 | 13.0 | 272.73 | 4.3 | 11.2 | 6,395.28 | 13.8 | 37.3 | 1.13 | 1,200.76 | 4.7 | 25,479.0 | 450.7 | 37.5 | 16.5 | 14.4 | 11.6 |
| 06/03 | 0.37 | 19.4 | 393.10 | 5.6 | 17.9 | 6,971.84 | 10.5 | 38.3 | 1.19 | 1,260.39 | 4.8 | 26,140.3 | 474.2 | 37.6 | 16.7 | 14.5 | 11.9 |
| 09/03 | 0.32 | 14.3 | 339.53 | 4.8 | 14.8 | 7,134.28 | 11.0 | 38.1 | 1.23 | 1,304.25 | 4.9 | 26,850.2 | 493.6 | 37.8 | 16.0 | 15.3 | 12.1 |
| 12/03 | 0.33 | 17.9 | 355.24 | 5.0 | 18.9 | 7,036.52 | 10.8 | 38.5 | 1.28 | 1,360.60 | 4.9 | 27,537.9 | 517.5 | 38.0 | 16.4 | 16.0 | 11.5 |
| 03/04 | 0.30 | 15.4 | 318.41 | 4.5 | 16.8 | 7,025.59 | 9.9 | 37.5 | 1.32 | 1,406.28 | 5.0 | 28,168.2 | 535.8 | 38.1 | 16.8 | 17.1 | 10.6 |
| 06/04 | 0.43 | 16.2 | 456.26 | 5.6 | 16.1 | 8,139.02 | 16.7 | 38.0 | 1.38 | 1,469.44 | 5.0 | 29,335.4 | 558.8 | 38.0 | 16.0 | 16.6 | 12.2 |

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  SYSCO CORPORATION          (SYY)