



# Stock Selection Guide®

The most widely used aid to good investment judgment

Company AFFILIATED COMPUTER SERVI Date 06/30/06

Prepared by MG Data taken from NAIC Data

Where traded NYSE Major product/service Data Proces

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	118.6	7.7	102.0
Debt (\$M)	1,387.6	% to Tot.Cap.	34.1 % Potential Dil. None

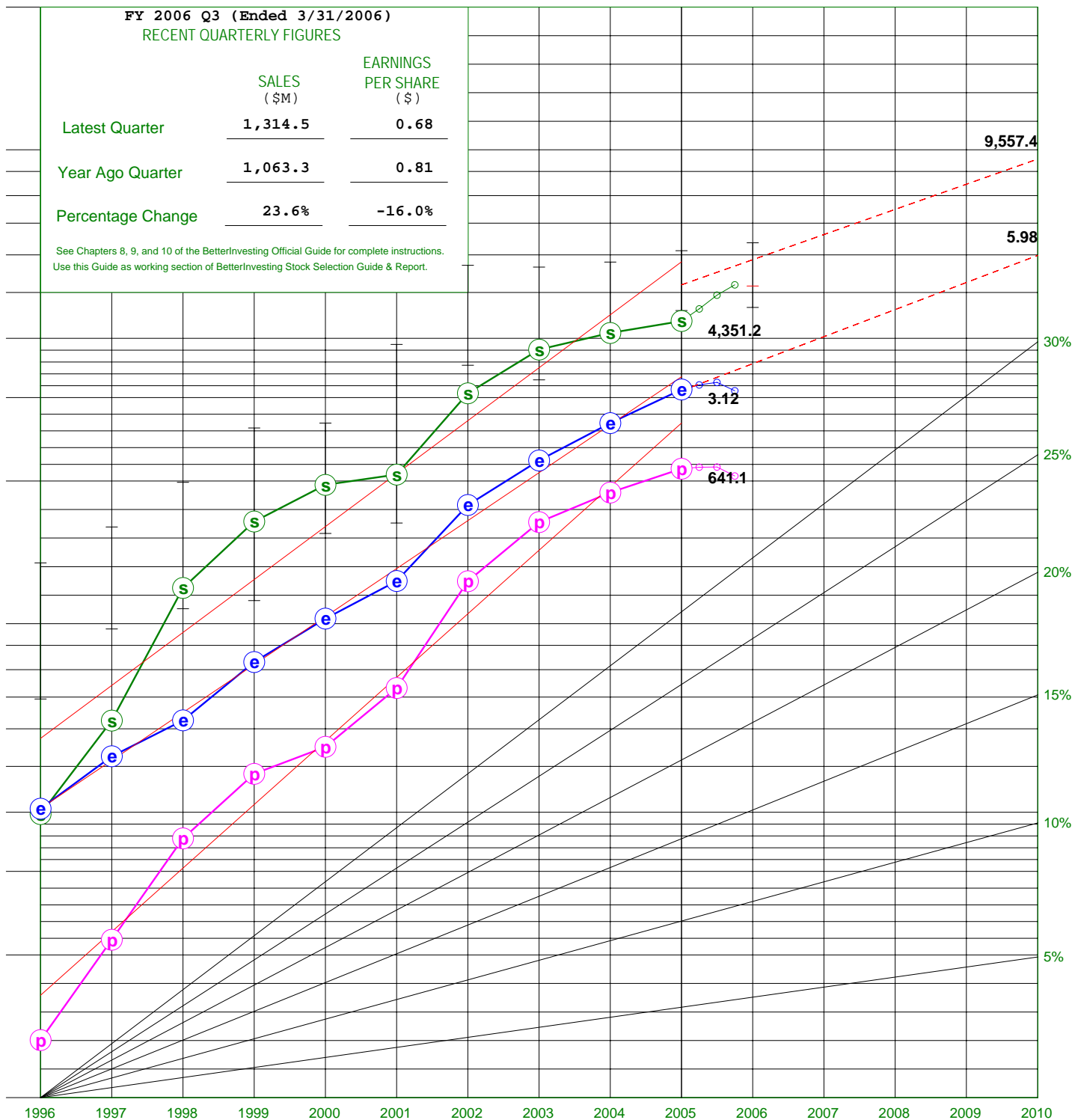
## 1 VISUAL ANALYSIS of Sales, Earnings and Price

ACS

FY 2006 Q3 (Ended 3/31/2006)  
RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	1,314.5	0.68
Year Ago Quarter	1,063.3	0.81
Percentage Change	23.6%	-16.0%

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



- (1) Historical Sales Growth 29.3 % (3) Historical Earnings Per Share Growth 26.2 %
- (2) Estimated Future Sales Growth 13.0 % (4) Estimated Future Earnings Per Share Growth 14.1 %

Printed: 07/02/06 08:42 AM Prepared by: MG Using The Investor's Toolkit

	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)	10.1	10.4	8.9	8.9	8.5	10.7	12.1	13.1	13.9	14.7	12.9	UP	
B % Earned on Equity (E/S ÷ Book Value)	9.5	10.8	12.0	13.5	14.3	14.1	11.2	12.1	13.1	13.8	12.8	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		51.610	HIGH THIS YEAR		63.660	LOW THIS YEAR		46.500
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	38.8	16.3	1.23	<del>31.5</del>	<del>13.3</del>	0.000	0.0	0.0	
2	2002	57.1	35.1	1.78	<del>32.1</del>	<del>19.7</del>	0.000	0.0	0.0	
3	2003	56.6	32.7	2.21	25.6	14.8	0.000	0.0	0.0	
4	2004	58.0	42.1	2.65	21.9	15.9	0.000	0.0	0.0	
5	2005	61.2	45.8	3.12	19.6	14.7	0.000	0.0	0.0	
6	TOTAL		172.0		67.1	45.4		0.0		
7	AVERAGE		34.4		22.4	15.1		0.0		
8	AVERAGE PRICE EARNINGS RATIO			18.8	9	CURRENT PRICE EARNINGS RATIO			16.6	

4

Proj. P/E [14.60] Based on Next 4 qtr. EPS [3.54] Current P/E Based on Last 4 qtr. EPS [3.10]
EVALUATING RISK and REWARD over the next 5 years

PEG=104

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 22.4 X Estimate High Earnings/Share 5.98 = Forecast High Price \$ 134.0  
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 15.1 X Estimated Low Earnings/Share 3.12 3.10 = \$ 46.8  
(3E7 as adj.)  
(b) Avg. Low Price of Last 5 Years = 34.4  
(3B7)  
(c) Recent Severe Market Low Price = 42.1  
(d) Price Dividend Will Support Present Divd. = 0.000 = 0.0  
High Yield (H) 0.000  
Selected Estimate Low Price = \$ 42.1  
(4B1)

C ZONING

134.0 High Forecast Price Minus 42.1 Low Forecast Price Equals 91.9 Range. 1/3 of Range = 23.0  
(4A1) (4B1) (C) (4CD)  
(4C2) Lower 1/3 = (4B1) 42.1 to 65.1 (Buy) Note: Ranges changed to 25%/50%/25%  
(4C3) Middle 1/3 = 65.1 to 111.0 (Maybe)  
(4C4) Upper 1/3 = 111.0 to 134.0 (4A1) (Sell)  
Present Market Price of 51.610 is in the Buy Range  
(4C5)

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

High Price (4A1) 134.0 Minus Present Price 51.610  
Present Price 51.610 Minus Low Price (4B1) 42.1 = 82.4 = 8.7 To 1  
9.5 (4D)

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

High Price (4A1) 134.0  
Present Market Price 51.610 = ( 2.596 ) X 100 = ( 259.6 ) - 100 = 159.6 % Appreciation  
(4E)

5

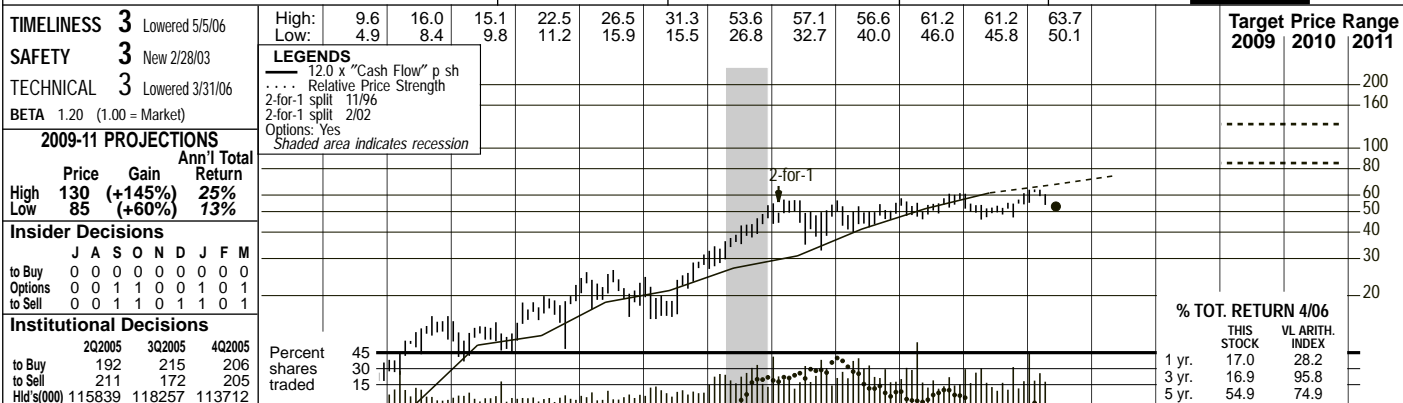
5-YEAR POTENTIAL

Relative Value: 88.3% Proj. Relative Value: 77.6%

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.

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		\$	51.610	=	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		4.60		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)	159.6			Present Price \$		51.610	
5			31.9	%	Average Yield		0.0%	P.A.R.	Tot. Ret.
Average Yield (5B)			0.0	%	Annual Appreciation		16.8%		21.0%
Average Total Annual Return Over the Next 5 Years		(5C)	31.9	%	% Compd Ann Rate of Ret		16.8%		21.0%



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
--	--	--	--	--	5.89	5.61	8.70	11.58	16.67	19.79	20.40	23.20	28.43	32.21	34.75	45.75	51.70	Sales per sh	71.05
--	--	--	--	--	d1.33	d.87	.97	1.08	1.55	1.77	2.25	2.58	3.45	4.30	5.11	5.60	6.20	"Cash Flow" per sh	8.95
--	--	--	--	--	.34	.41	.53	.65	.83	.86	1.23	1.76	2.20	2.61	3.13	3.05	3.40	Earnings per sh <sup>A</sup>	4.95
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
--	--	--	--	--	.22	.61	.53	.43	.62	.72	.98	1.09	1.54	1.76	2.02	2.10	2.20	Cap'l Spending per sh	2.40
--	--	--	--	--	2.01	4.28	4.85	4.90	6.17	7.17	8.75	15.87	18.24	20.29	22.67	24.15	27.60	Book Value per sh <sup>B</sup>	41.65
--	--	--	--	--	53.17	70.73	71.80	102.69	98.49	99.16	101.16	132.02	133.21	127.68	125.23	118.00	116.00	Common Shs Outst'g <sup>C</sup>	114.00
--	--	--	--	--	18.3	22.5	25.1	22.7	24.2	22.9	23.7	27.1	21.2	19.1	17.2	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	22.0
--	--	--	--	--	1.22	1.41	1.45	1.18	1.38	1.49	1.21	1.48	1.21	1.01	.91			Relative P/E Ratio	1.45
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 3/31/06				396.5	624.5	1189.1	1642.2	1962.5	2063.6	3062.9	3787.2	4113.1	4351.2	5400	6000	Sales (\$mill)	8100
Total Debt \$1387.6 mill. Due in 5 Yrs \$507.2 mill.				14.1%	16.4%	13.4%	13.7%	13.5%	16.3%	17.8%	19.1%	20.1%	21.5%	19.0%	20.0%	Operating Margin	21.0%
LT Debt 1365.3 mill. LT Interest \$70.0 mill.				15.0	31.3	47.5	66.7	84.8	93.6	110.5	152.1	190.0	232.8	280	300	Depreciation (\$mill)	440
(34% of Cap'l)				23.8	38.5	63.3	86.2	90.3	134.3	229.6	306.8	359.2	406.9	380	420	Net Profit (\$mill)	580
Leases, Uncapitalized: Annual rentals \$221.0 mill.				40.5%	40.8%	40.9%	40.8%	45.6%	39.3%	36.3%	37.5%	37.2%	36.5%	36.5%	36.5%	Income Tax Rate	38.0%
No Defined Benefit Pension Plan				6.0%	6.2%	5.3%	5.3%	4.6%	6.5%	7.5%	8.1%	8.7%	9.4%	7.0%	7.2%	Net Profit Margin	7.2%
Pfd Stock None				49.9	65.8	198.1	194.3	413.7	528.5	388.6	422.0	406.8	406.0	500	550	Working Cap'l (\$mill)	800
				57.2	89.5	234.9	349.1	525.6	649.3	708.2	498.3	372.4	750.4	1400	1450	Long-Term Debt (\$mill)	1600
Common Stock 118,572,199 shs.				304.1	348.6	503.7	607.4	711.4	885.5	2095.4	2429.2	2590.5	2838.4	2850	3200	Shr. Equity (\$mill)	4650
As of 5/11/06				6.7%	9.5%	9.4%	9.9%	8.3%	9.5%	8.7%	10.9%	12.4%	11.6%	10.0%	9.5%	Return on Total Cap'l	10.0%
MARKET CAP: \$7.8 billion (Large Cap)				7.8%	11.0%	12.6%	14.2%	12.7%	15.2%	11.0%	12.6%	13.9%	14.3%	13.5%	13.0%	Return on Shr. Equity	12.5%
CURRENT POSITION				NMF	11.0%	12.6%	14.2%	12.7%	15.2%	11.0%	12.6%	13.9%	14.3%	13.5%	13.0%	Retained to Com Eq	12.5%
(SMILL.)				--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

**BUSINESS:** Affiliated Computer Services, Inc. provides business process outsourcing (BPO), and information technology (IT) outsourcing solutions to federal, state and local governments. The company also provides services to commercial businesses, healthcare providers, and telecommunications companies. ACS provides federal, state and local governments with child support payment processing, electronic toll collection, welfare verification, traffic violation processing, loan processing, and human resources services. Has abt. 52,000 employees. Off. and directors own about 9.1% of common stock (9/05 proxy). Chairman: Darwin Deason. CEO: Mark King. Inc.: DE. Address: 2828 North Haskell Avenue, Dallas, TX 75204. Tel.: 214-841-6111. Internet: www.acs-inc.com.

**Affiliated Computer Services reported mixed results for the third quarter (Year ends June 30th).** Although revenue increased about 24% during the period, much of the advance was due to contributions from acquired business. In contrast, "same-store" results advanced only about 6% for the March quarter. Strength at the company's commercial segment, which accounts for about 60% of total revenue, was partially offset by ongoing weakness at the government unit.

**Elsewhere, operating expenses have risen.** Some of the increase was due to higher legal fees and integration costs from acquisitions. Also, costs associated with the launch of new human resources offerings hurt results during the quarter. Nonetheless, we expect management will probably be better able to control some of these expenses, going forward. But the bloom is off the rose here, for now.

Fiscal Year Ends	2003	2004	2005	2006	2007	Full Fiscal Year
<b>QUARTERLY REVENUES (\$ mill.)</b>						
Mar. 30	882.6	1036	1046	1310	1450	3787.2
Jun. 30	908.8	1004	1027	1348	1480	4113.1
Dec. 31	981.6	1009	1063	1315	1500	4351.2
Mar. 31	1014.2	1062	1214	1427	1570	5400
Full Fiscal Year	3787.2	4113.1	4351.2	5400	6000	
<b>EARNINGS PER SHARE <sup>A</sup></b>						
Mar. 30	.50	.60	.72	.78	.80	2.20
Jun. 30	.53	.64	.73	.77	.85	2.61
Dec. 31	.57	.67	.81	.82	.85	3.13
Mar. 31	.60	.70	.87	.88	.90	3.05
Full Fiscal Year	2.20	2.61	3.13	3.05	3.40	
<b>QUARTERLY DIVIDENDS PAID</b>						
Mar. 31						
Jun. 30						
Dec. 31						
Mar. 31						
Full Fiscal Year						

**We are lowering our earnings estimates.** We are reducing our estimate for fiscal 2006 by \$0.45 per diluted share. This largely reflects weak third-quarter results, as well as a less robust outlook for the fourth quarter. Also, are introducing

an earnings estimate of \$3.40 per share for 2007 at this time. We expect the bottom line to advance at about 10%-15% annually, on average, for the next few years, helped by increased demand for business outsourcing by large corporations and a tighter rein on expenses.

**The company has repurchased some shares.** As part of a previously announced offer, Affiliated Computer Services repurchased about 7.4 million shares of stock, which was about 6% of the shares outstanding. The company currently has a cash position of about \$174 million, and probably will continue to make some stock repurchases.

**These shares have dropped a notch in Timeliness to 3 (Average).** Still, our projections indicate the stock offers above-average appreciation potential for the next 3 to 5 years. Elsewhere, the SEC investigation into the company's stock options program will probably result in some charges for the company. Affiliated Computer Services is cooperating. But the investigation adds some uncertainty for the near term.

Adam Rosner May 26, 2006

(A) Diluted earnings. Fiscal year ends June 30th. Excludes nonrecurring gains: '00, \$0.17; '04, \$1.27; '05, \$0.07; '06, Q1, (\$0.04), Q2, \$0.4. Qtrly. egs. do not sum to total due to rounding.	(B) Includes intangibles. In 2005: \$2801.0 million, or \$19.39 per share.	(C) In millions, adjusted for stock splits.	Company's Financial Strength	A
			Stock's Price Stability	50
			Price Growth Persistence	80
			Earnings Predictability	85

# PERT Worksheet-A Graph

Company AFFILIATED COMPUTER SERVI (ACS)

