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 FACTSET RESEARCH SYSTEMS Date 04/22/05

Prepared by MG Data taken from NAIC Data

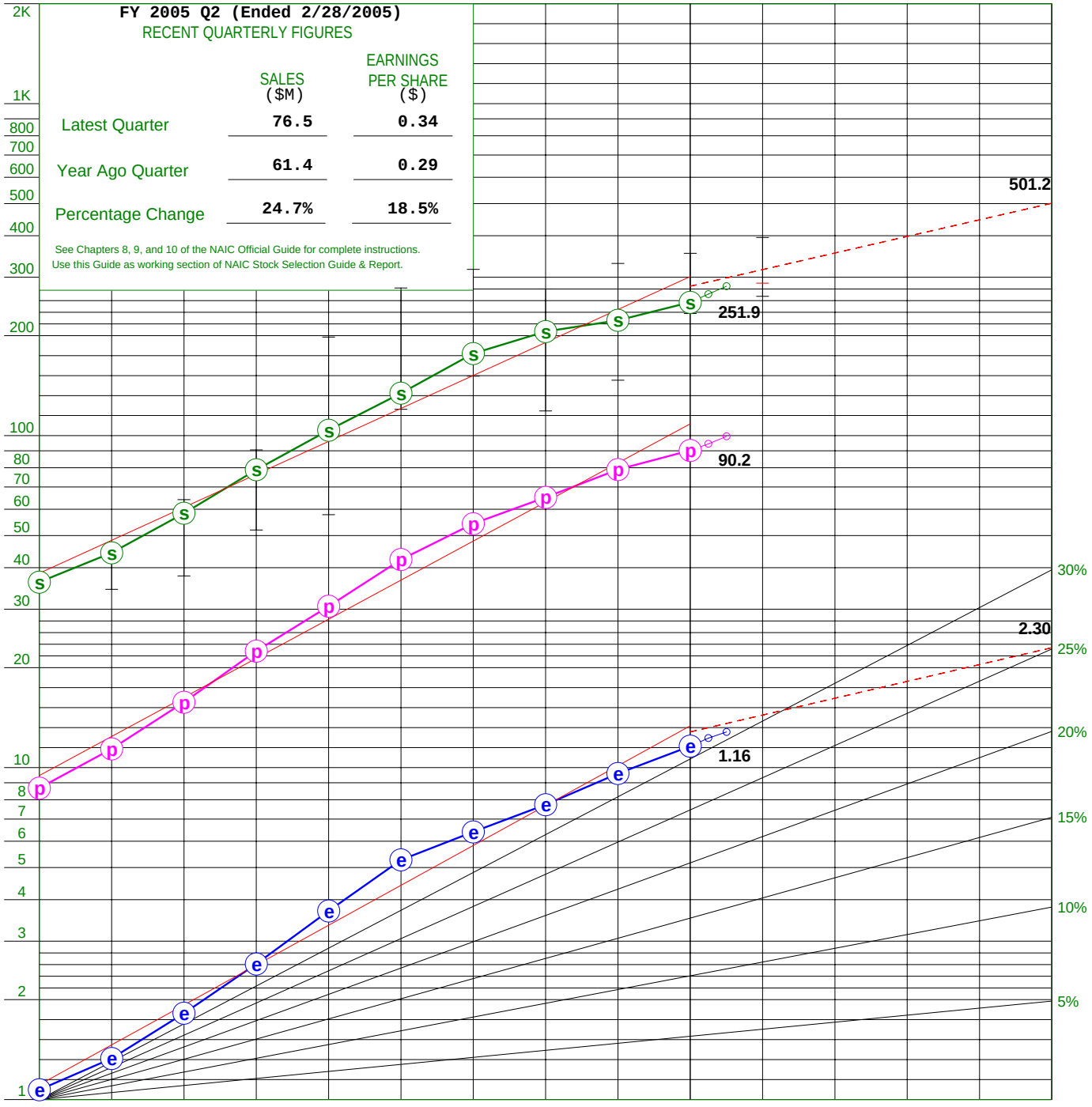
Where traded NYSE Major product/service Application

CAPITALIZATION --- Outstanding Amounts Reference

| | | | | | |
|---|---|---|---|---|---|
| Preferred($M) | 0.0 | | % Insiders | % Institution | |
| Common(M Shares) | 48.1 | | 47.9 | 62.4 | |
| Debt($M) | 0.0 | % to Tot.Cap. | 0.0 | % Potential Dil. | None |

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

FDS




(1) Historical Sales Growth 25.7 %

(2) Estimated Future Sales Growth 12.2 %

(3) Historical Earnings Per Share Growth 31.8 %

(4) Estimated Future Earnings Per Share Growth 12.4 %

## 2 EVALUATING MANAGEMENT

Company FACTSET RESEARCH SYSTEMS (FDS) 04/22/05

| | | 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) | 24.0 | 25.7 | 27.0 | 28.4 | 29.5 | 31.5 | 30.7 | 31.6 | 35.5 | 35.8 | 33.0 | UP | |
| B | % Earned on Equity (E/S ÷ Book Value) | 21.2 | 20.2 | 20.8 | 21.8 | 22.5 | 25.2 | 23.2 | 22.1 | 22.8 | 33.0 | 25.3 | 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 28.780 HIGH THIS YEAR 39.500 LOW THIS YEAR 26.267

| | 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 | 27.8 | 12.0 | 0.53 | 52.8 | 22.8 | 0.077 | 14.6 | 0.6 |
| 2 | 2001 | 31.7 | 15.1 | 0.64 | 49.5 | 23.6 | 0.093 | 14.5 | 0.6 |
| 3 | 2002 | 27.6 | 11.9 | 0.77 | 35.7 | 15.4 | 0.120 | 15.5 | 1.0 |
| 4 | 2003 | 33.0 | 14.7 | 0.96 | 34.4 | 15.3 | 0.147 | 15.3 | 1.0 |
| 5 | 2004 | 35.4 | 23.3 | 1.16 | 30.5 | 20.1 | 0.173 | 14.9 | 0.7 |
| 6 | TOTAL | | 77.0 | | 100.6 | 50.8 | | 74.8 | |
| 7 | AVERAGE | | 15.4 | | 33.5 | 16.9 | | 15.0 | |

8 AVERAGE PRICE EARNINGS RATIO 25.2 9 CURRENT PRICE EARNINGS RATIO 22.5

Proj. P/E [20.00] Based on Next 4 qtr. EPS [1.44] Current P/E Based on Last 4 qtr. EPS [1.28]

## 4 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 33.5 30.5 (3D7 as adj.) X Estimate High Earnings/Share 2.30 = Forecast High Price $ 70.1 (4A1)

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

(a) Avg. Low P/E 16.9 20.1 (3E7 as adj.) X Estimated Low Earnings/Share 1.16 = $ 23.3

(b) Avg. Low Price of Last 5 Years = 15.4 (3B7)

(c) Recent Severe Market Low Price = 14.7

(d) Price Dividend Will Support Present Divd. / High Yield (H) = 0.200 / 0.010 = 19.8

Selected Estimate Low Price = $ 23.3 (4B1)

**C ZONING**

70.1 (4A1) High Forecast Price Minus 23.3 (4B1) Low Forecast Price Equals 46.8 (C) Range. 1/3 of Range = 11.7 (4CD)

(4C2) Lower 1/3 = (4B1) 23.3 to 35.0 (Buy) **Note: Ranges changed to 25%/50%/25%**

(4C3) Middle 1/3 = 35.0 to 58.4 (Maybe)

(4C4) Upper 1/3 = 58.4 to 70.1 (4A1) (Sell)

Present Market Price of 28.780 is in the Buy (4C5) Range

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

High Price (4A1) 70.1 Minus Present Price 28.780 = 41.3 / 5.5 = 7.5 (4D) To 1

Present Price 28.780 Minus Low Price (4B1) 23.3

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

High Price (4A1) 70.1 = ( 2.436 ) X 100 = ( 243.6 ) - 100 = 143.6 (4E) % Appreciation

Present Market Price 28.780

**Relative Value: 89.3% Proj. Relative Value: 79.4%**

## 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 $ 0.200 / Present Price of Stock $ 28.780 = 0.007 X 100 = 0.7 (5A) Present Yield or % Returned on Purchase Price

**B AVERAGE YIELD OVER NEXT 5 YEARS**

Avg. Earnings Per Share Next 5 Years 1.82 X Avg. % Payout (3G7) 15.0 = 27.3 = 0.9 (5B) %

Present Price $ 28.780

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

5 Year Appreciation Potential (4E) 143.6 / 5 = 28.7 %

Average Yield (5B) 0.9 %

Average Total Annual Return Over the Next 5 Years (5C) 29.6 %

| | P.A.R. | Tot. Ret. |
|---|---|---|
| Average Yield | 0.6% | 0.5% |
| Annual Appreciation | 15.1% | 19.5% |
| % Compd Ann Rate of Ret | 15.7% | 20.0% |

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