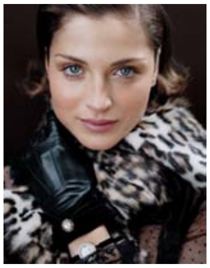
COACH, INC. (COH)

By Lynn Ostrem
February 22, 2006
garbagecop@foxinternet.net

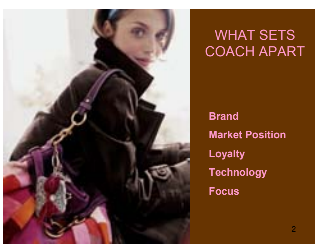


About the Company

Founded in 1941, Coach began as a family-run workshop in a Manhattan loft. The products were of such high quality that buyers began to seek out its products. Eventually, in 1985 the company was bought out by Sara Lee Corporation. In 2000, it was spun it off in a public offering.

Now Coach is America's preeminent designer, producer, and marketer of fine accessories and gifts for women and men including handbags, business cases, luggage, wallets, eyewear, gloves, scarves and fine jewelry. And new products are being developed everyday.

While Coach continues to be one of the best recognized accessories brands in the United States its long-term strategic plan is to increase international distribution and target international consumers, with an emphasis on the Japanese consumer. Currently, Coach operates 275 stores in the U.S. and Candad, and another 200 locations in nineteen countries outside the United States.

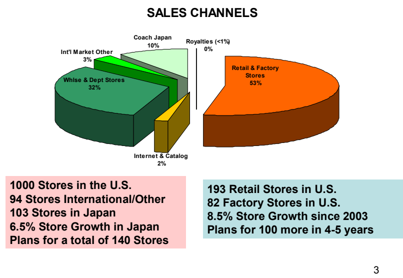


What Sets Coach Apart

The company has several elements that it believes has set it apart from its competitors:

- A Distinctive brand
- Leadership position in its market
- A Loyal customer base
- Hi-tech, multi channel, international distribution
- And a keen focus on product innovation and the consumer

The coach brand is known all over the world. Owning a Coach product has an aire of affluence, and customers clamor for the next exclusive design. One secret to its success is limited-edition seasonal offerings like iPod covers in seasonal leathers and exotic materials designed to coordinate with other Coach Collections. They also have consumer appreciation programs to make the shopping experience unique and enjoyable. This has created a very loyal customer base.



Business Channels:

Direct Channels

Coach has four different direct channels that provide access to consumers: retail stores, factory stores, the Internet and catalogs. The direct-to-consumer channels represented 55% of Coach's total net sales in fiscal year 2005. At year-end, there were 193 retail stores and 82 factory stores in North America, with an average store growth rate of 8.5% annually since 2003. Coach is planning to add another 25 stores this year, with a total of 100 new stores in the next few years.

Catalog sales are relatively small, but the Online Store contributed $41.7 million, or 2%, in net sales in 2005.

Indirect Channels

Coach began as a wholesaler to department stores and this channel remains very important to its overall consumer reach. The indirect channel represented 45% of total net sales in fiscal 2005. It includes 1,000 department stores in North America, and 94 international department stores, freestanding retail locations and specialty retailers in 19 countries, other than Japan.

Japan is an important piece of the company's bottom line, too. In 2005, there were a total of 103 locations in Japan, with an average store growth rate of 6.5% annually since 2003. Coach plans to open a total of 8 new locations in 2006, and they plan to have a total of 140 there in the next few years.

As part of the indirect channel of distribution, Coach sells products to corporations for incentive and gift-giving programs. This business is growing quickly. It also has licensing arrangements with select partners for the sale of Coach branded luxury watches, footwear, eyewear and office furniture. Business-to-business sales and partnership royalties currently comprise less than 1% of Coach's total revenues.

Coach has shifted its production from proprietary domestic factories to independent manufacturers in lower cost markets, maintaining control over design and raw materials. This has allowed it to quickly get new ideas to market. In fact, roughly 65% of Coach's total net sales in 2005 were generated from products introduced within the fiscal year.

Coach has had 3) 2-for-1 stock splits in the last 4 years—May 2002, August 2003, and January 2005.

In spring of 2004, Coach authorized a $200 million share buy back program. That was accomplished in one year. In May of 2005, they approved another $250 million buy back. Combined, 14 million shares have been repurchased at a cost of approximately $319.5 million.

2005 was a Good Year!

Coach has had quite a few good years in recent history. Sales for fiscal 2005 rose 29% to $1.7 billion, primarily driven by the Japanese market, its wholesale businesses, and the business-to-business division. Gross margin for the year climbed to nearly 77%, and in fact, the higher gross margin channels grew faster than the business as a whole. The company made strong market share gains in Japan, making it #2 in that market.

Not only is the gross margin exceptional, but same-store sales growth in stores opened or remodeled more than 18 months was 14.1% for retail stores and 23.9% for factory stores. Comparable store sales growth for the entire North American store chain was 18.2%.

Industry vs. the Company

The S&P Company Report on Coach confirms the company is the U.S. leader in luxury accessories, with a 23% share of a $4.8 billion market. It also confirms that Coach's net margin is double that of its peers, apparel, accessories and luxury goods firms. This sub-segment of the handbag/accessories market grew at an estimated 17% pace in 2005, following a 30% year over year gain in 2004, and 23% in 2003. About 40% of the global luxury handbag market is the Japanese consumer. Coach estimates that it currently has 8% of the domestic Japanese market and aims to increase its share to 15% over the next five years by opening new stores.

The S&P Specialty Retail Industry Survey conveyed that energy prices don't seem to be affecting the luxury retailers. Same-store sales are up across the entire segment. Demand for high quality products remains strong. And in fact, S&P is very positive about the prospects of luxury goods, as well as electronics and pet supplies.

Drivers of Future Growth

Coach has a clearly articulated “roadmap” for growth, with a target of doubling its sales over the next four to five years with a higher rate of profitability. The strategy for the future is focused on two “primary drivers”. The first driver is increasing distribution.

Over the next four to five years, Coach plans to open over 100 new Coach stores in the U.S. and Canada, bringing the total store base to nearly 300. They believe they can reach about 140 locations throughout Japan. During this same period, they also expect to achieve about 10% annual growth through distribution (price hikes), just as they have done in the past. In addition, emerging markets such as Greater China, Korea and Taiwan also provide attractive distribution growth opportunities for Coach, because these are high traffic destinations for the Japanese market.

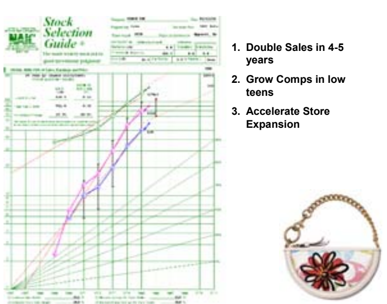
Maximizing store productivity is the second driver in its strategy for growth. The goal is to improve sales productivity by introducing new and innovative products monthly.

Analyst Opinions:

S&P has earmarked Coach as a Strong Buy with a 5-year EPS growth rate of 25%--(23% after option expense). It feels the high growth warrants a higher forward P/E, which is currently 30% above its peers. S&P believes the earnings growth will be driven by store expansion, low-double-digit store comps, and 10% annual price increases. Japan should grow the top line by another 20%.

Value Line is bullish on the company’s near-term prospects, but their long-range projections reflect a noticeable slowdown in the growth rate. This suggests that the company may be nearing the latter stages of an industry growth cycle.

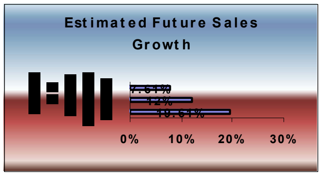
All the normal earnings estimate channels—like Value Line, Yahoo, Reuters, and Morningstar, all agree that 20%+ EPS growth is likely, well into the future.



A Look at the SSG:

Armed with all this information, I had to consider what projections were appropriate for my final SSG. We know what the analysts say, but what do the numbers show? There are 2 factors I had to consider when estimating future retail sales.

1. First, Coach stated that it intends to double sales in the next 4-5 years. We know from our NAIC studies that's an annual compounded rate of 15%. I could simply use that. But…
2. Coach has enjoyed overall U.S. same-store-sales growth of 18.2%. The company has guided analysts to future comps in the low double-digit teens. Let's choose 12%.
3. In the last couple years, they have expanded their store growth in direct channels at 8.5% and indirect channels at 6.5% annually. Based on each channel's percentage of sales (55% and 45%, respectively), that equates to an average expansion growth rate in North America of 7.61%.



I was taught that it's appropriate to estimate the future sales of retail companies by adding the expected same-store sales growth rate to the growth of new stores. So, if they can simply maintain current levels, and we add the 12% same store sales to the 7.61% expansion plan, the company could see top line growth of 19.61%, which I rounded up to 20%. And this figure doesn't include their plans for margin expansion, price increases or the Asian initiatives.

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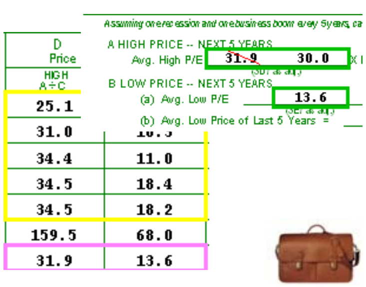
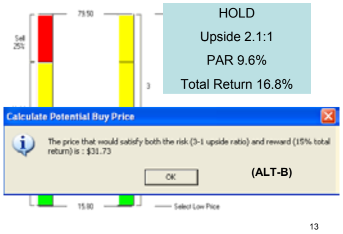
For me, 20% top line growth is my upper limit. I used the Preferred Procedure to see how my EPS would pan out. I made two changes to the default numbers. If you'll look at the SSG, you'll see that the 5-year average % Pre-Tax Profit in Section 2A was 26.4%, yet the company had increased this rate to over 37% by 2005. I don't know how much more efficiency they can squeeze out of their business model, but I do believe they can keep the current levels, at least for the foreseeable future. I chose to use 35% going forward. The other change was in the number of shares outstanding. Value Line estimates 386 shares by 2010. This is up from the SSG's projection of 382 (currently 378). This gave me an estimated growth rate of 18%. I was comfortable with that.



The 5-year high P/E was 31.9. While I'm never comfortable with such a high P/E, I was pretty sure that double-digit earnings growth and 77% gross margins would keep the stock price elevated. So I capped the high P/E at 30 and left the low P/E at the 5 year average.



Results of the SSG:

Bottom Line: Coach is a high quality industry leader with astute management, enviable profit margins and a clear plan for the future, however long that may be. They operate in a sub-industry that isn't so affected by economic factors, and they sport a very loyal and growing customer base—especially in the Pacific Rim.

The current price at the time of the study was $36.60. At that price, the SSG recommends a HOLD with a 2.1:1 upside ratio, PAR of 9.6% and a Total Return of 16.8%. ALT-B reveals that a 15% total return and a 3:1 upside ratio could be attained if the company was purchased at or below $31.73.

These are my personal judgments and they are not intended as a recommendation. Do your own due diligence.Feel free to contact me if you have any questions. The full report is available at www.bivio.com/crowriver/files under Reports & SSGs.

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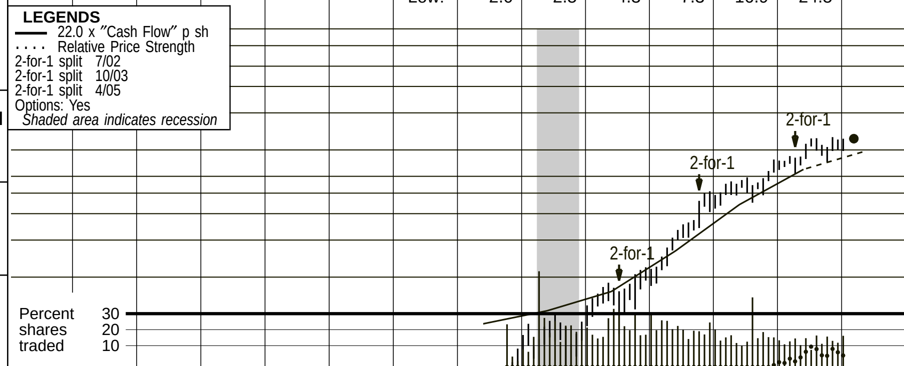
COACH, INC. NYSE-COH

RECENT PRICE 36.25 | P/E RATIO 29.2 (Trailing: 31.0 Median: NMF) | RELATIVE P/E RATIO 1.50 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 3 Lowered 2/10/06
SAFETY 3 New 2/15/02
TECHNICAL 4 Lowered 1/13/06
BETA 1.25 (1.00 = Market)

	2000	2001	2002	2003	2004	2005
High:	3.7	5.3	8.9	20.4	28.8	36.8
Low:	2.0	2.5	4.3	7.3	16.9	24.5



Target Price Range

2008 | 2009 | 2010

120, 100, 80, 64, 48, 32, 24, 20, 16, 12, 8

2008-10 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+65%)	14%
Low	40	(+10%)	3%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	2	0	0	0	0	0
Options	0	0	1	1	0	5	1	0	3
to Sell	2	0	1	1	0	1	1	0	5

Institutional Decisions

	1Q2005	2Q2005	3Q2005
to Buy	222	223	237
to Sell	190	223	213
Hld's(000)	330358	323285	324554

% TOT. RETURN 1/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	28.2	17.8
3 yr.	350.1	102.2
5 yr.	752.1	65.4

Coach, Inc. was founded in 1941 as a maker of leather handbags. It was acquired by Sara Lee in 1985. 7,380,000 shares were issued to the public at $16.00 a share in October, 2000. The transaction was led by Goldman Sachs & Co., Morgan Stanley Dean Witter, and Prudential Securities. Sara Lee subsequently distributed the remaining stock to shareholders.

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
--	--	--	--	--	1.96	1.76	2.01	2.60	3.48	4.52	*5.55*	Sales per sh A	*8.95*
--	--	--	--	--	.22	.25	.31	.48	.80	1.18	*1.45*	"Cash Flow" per sh	*2.40*
--	--	--	--	--	.14	.19	.24	.40	.68	1.00	*1.24*	Earnings per sh A B	*2.10*
--	--	--	--	--	--	--	--	--	--	--	*Nil*	Div'ds Decl'd per sh	*Nil*
--	--	--	--	--	.76	.42	.73	1.17	2.06	2.73	*3.65*	Book Value per sh	*8.00*
--	--	--	--	--	280.21	349.49	357.81	366.02	379.24	378.43	*380.00*	Common Shs Outst'g D	*386.00*
--	--	--	--	--	--	18.7	22.1	21.4	26.5	25.8		Avg Ann'l P/E Ratio	*24.0*
--	--	--	--	--	--	.96	1.21	1.22	1.40	1.34		Relative P/E Ratio	*1.60*
--	--	--	--	--	--	--	--	--	--	--		Avg Ann'l Div'd Yield	*Nil*
--	--	--	--	507.8	548.9	616.1	719.4	953.2	1321.1	1710.4	*2100*	Sales ($mill) A	*3450*
--	--	--	--	59.8%	64.0%	68.4%	70.7%	74.2%	78.2%	80.0%	*80.0%*	Gross Margin	*80.0%*
--	--	--	--	9.6%	14.3%	21.2%	22.6%	28.7%	36.9%	39.7%	*39.5%*	Operating Margin	*41.0%*
--	--	--	--	163	170	189	212	232	250	275	*305*	Number of Stores C	*395*
--	--	--	--	22.9	38.6	64.0	85.8	146.6	261.7	388.7	*485*	Net Profit ($mill)	*830*
--	--	--	--	12.4%	30.6%	35.6%	35.5%	37.0%	37.5%	36.9%	*38.0%*	Income Tax Rate	*38.0%*
--	--	--	--	4.5%	7.0%	10.4%	11.9%	15.4%	19.8%	22.7%	*23.1%*	Net Profit Margin	*24.1%*
--	--	--	--	51.7	54.1	47.1	128.2	287.0	523.7	443.6	*735*	Working Cap'l ($mill)	*2200*
--	--	--	--	3.8	3.7	3.7	3.6	3.5	3.4	3.3	*Nil*	Long-Term Debt ($mill)	*Nil*
--	--	--	--	203.2	212.8	148.3	260.4	426.9	782.3	1032.8	*1395*	Shr. Equity ($mill)	*3080*
--	--	--	--	11.1%	17.9%	42.8%	32.7%	34.1%	33.3%	37.5%	*35.0%*	Return on Total Cap'l	*27.0%*
--	--	--	--	11.3%	18.1%	43.2%	33.0%	34.3%	33.5%	37.6%	*35.0%*	Return on Shr. Equity	*27.0%*
--	--	--	--	11.3%	18.1%	43.2%	33.0%	34.3%	33.5%	37.6%	*35.0%*	Retained to Com Eq	*27.0%*
--	--	--	--	--	--	--	--	--	--	--	*Nil*	All Div'ds to Net Prof	*Nil*

CAPITAL STRUCTURE as of 12/31/05

Total Debt $16.5 mill. **Due in 5 Yrs** $5.9 mill.
LT Debt $3.1 mill. **LT Interest** $0.2 mill.
(Less than 1% of Cap'l)
Leases, Uncapitalized: Annual rentals $62.6 mill.

Pension Assets-7/05 $3.9 mill. **Oblig.** $5.8 mill.

Pfd Stock None

Common Stock 380,068,270 shs.
as of 11/2/05

MARKET CAP: $12.5 billion (Large Cap)

CURRENT POSITION ($MILL.)	2004	2005	12/31/05
Cash Assets	434.4	383.1	746.0
Receivables	55.7	64.2	123.0
Inventory (Avg Cst)	161.9	184.4	205.0
Other	53.6	80.1	107.0
Current Assets	705.6	711.8	1181.0
Accts Payable	44.8	65.0	87.7
Debt Due	1.8	.1	13.4
Other	135.3	203.1	246.6
Current Liab.	181.9	268.2	347.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '08-'10
Sales	--	12.5%	*20.5%*
"Cash Flow"	--	30.5%	*24.0%*
Earnings	--	38.0%	*25.0%*
Dividends	--	--	*Nil*
Book Value	--	21.0%	*32.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Sep.Per	Dec.Per	Mar.Per	Jun.Per	Full Fiscal Year
2002	150.6	235.8	161.6	171.4	719.4
2003	192.8	308.5	220.4	231.5	953.2
2004	258.4	411.5	313.1	338.1	1321.1
2005	344.1	531.8	415.9	418.6	1710.4
2006	449.0	650.3	*495*	*505.7*	*2100*

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.Per	Dec.Per	Mar.Per	Jun.Per	Full Fiscal Year
2002	.04	.11	.04	.05	.24
2003	.06	.17	.09	.08	.40
2004	.11	.25	.15	.17	.68
2005	.18	.35	.23	.24	1.00
2006	.24	.45	*.27*	*.28*	*1.24*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	NO CASH DIVIDENDS BEING PAID				
2003					
2004					
2005					
2006					

BUSINESS: Coach, Inc. is a designer, producer, and marketer of high-quality modern American classic accessories. Primary product offerings include handbags, women's and men's accessories, business cases, luggage, leather outerwear, gloves, scarves, and personal planning products. Also licenses watches, footwear, and home and office furniture. Operates 275 North American stores (including 82 factory outlets). Direct-to-consumer channel accounted for 55% of total net sales in fiscal 2005; Indirect channel, (45%). Acquired remaining 50% interest in Coach Japan, 7/05. Off./dir. own 2.9% of common shares; FMR, 10.3%; (9/04 Proxy). Chairman and CEO: Lew Frankfort. Inc.: MD. Add.: 516 W. 34th St., New York, NY, 10001. Tel.: 212-594-1850. Internet: www.coach.com.

Coach, Inc. continues to impress. The fashion retailer posted sales of $650.3 million in the December quarter, up 22% from the same period a year ago. The top-line was bolstered significantly by a 19.9% jump in U.S. comparable-store sales. As a result, Coach was able to better leverage its expenses and to widen margins. Share net, which now includes the expensing of stock options, rose by more than 40% on an apples-to-apples basis.

The company's products remain popular. We believe that the company is poised to gain further market share in the domestic women's accessories category, owing in part to its proven merchandising strategy. For example, the introduction of handbags designed for specific occasions, as well as limited edition products, has helped to attract incremental business. Too, it is worth mentioning that Coach has had greater success in converting sales with the assistance of a new information system that seeks to enhance customer service. Indeed, the company revealed that it had experienced a meaningful conversion improvement during the 10 highest traffic days of the December quarter.

Expansion efforts are another positive factor. In fiscal 2006 (ends June 30, 2006), the U.S. retail division is scheduled to open 25 stores in nine new markets. This is part of a broader plan to establish 100 additional domestic retail stores over the next several years. On a related note, Coach has been active in expanding its most productive locations. The seven expansion projects this year are expected to add about 9,000 square feet, or 2%, of full-price retail space. Expansion and new store openings in the island nation of Japan should also support revenue growth there. We believe it is within reason that the company can widen its presence in the Japanese market from 8% to about 15% by the end of the decade.

Coach stock is ranked to move in line with the market average in the coming six to 12 months. Although we expect earnings to advance at a solid clip in the near term, our long-range projections reflect a noticeable slowdown in the growth rate. This suggests that the company is nearing the latter stages of an industry growth cycle.

Charles W. Noh *February 10, 2006*

(A) Fiscal year ends Saturday closest to June 30th. **(B)** Diluted earnings. Includes the expensing of stock options beginning in fiscal 2006. Next earnings report due late April.

(C) Store count only reflects North American retail and factory stores. Excludes 103 Coach locations in Japan (as of 7/05).

(D) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	35
Price Growth Persistence	100
Earnings Predictability	85

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 COACH INC Date 02/22/06

Prepared by Lynn Data taken from NAIC Data

Where traded NYSE Major product/service Apparel, Ac

CAPITALIZATION --- Outstanding Amounts Reference

Preferred ($M)	0.0	% Insiders	% Institution	
Common (M Shares)	382.7	0.0	0.0	
Debt ($M) 16.5	% to Tot.Cap. 1.6	% Potential Dil.	None	

1 VISUAL ANALYSIS of Sales, Earnings and Price

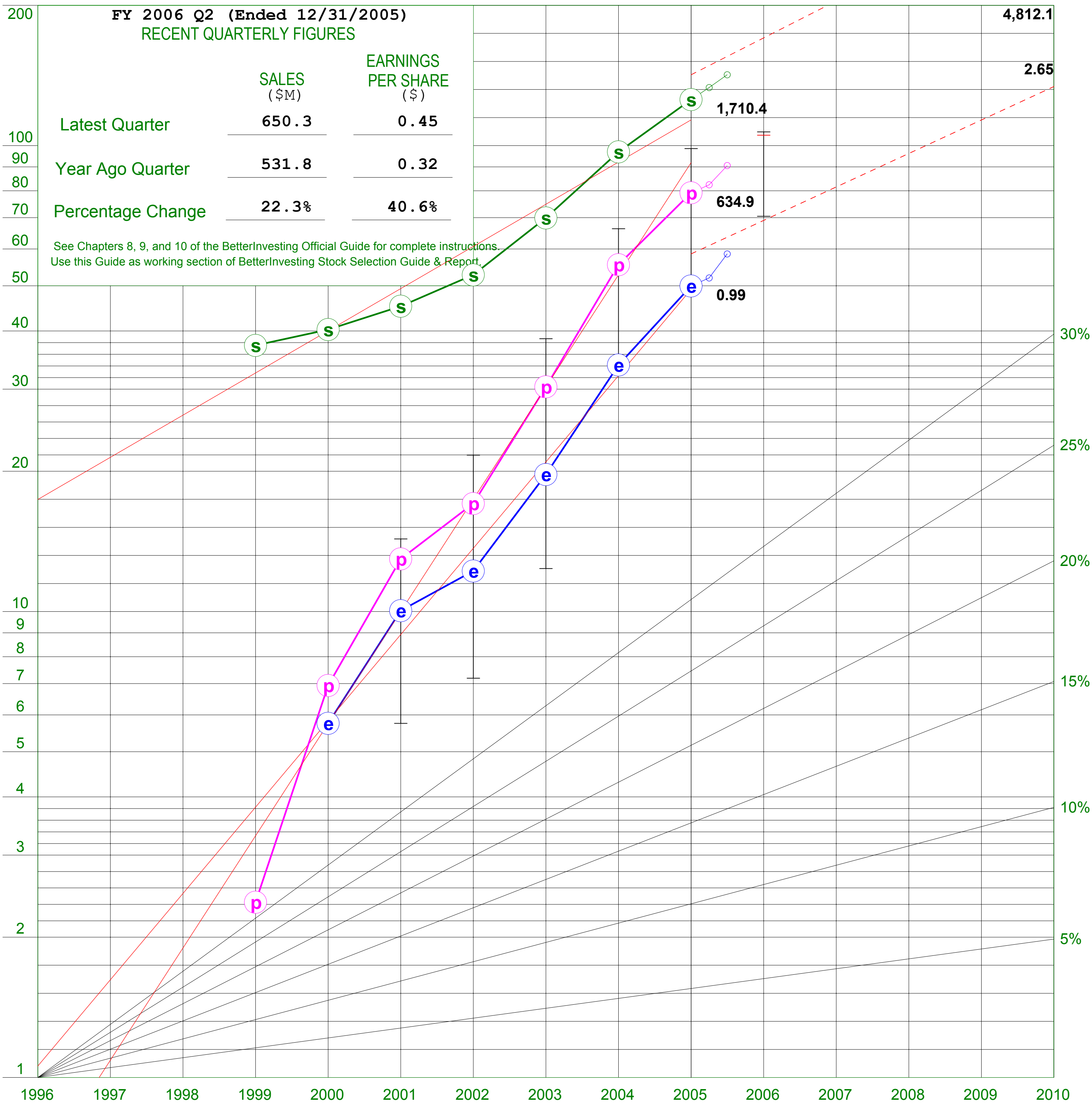
COH

FY 2006 Q2 (Ended 12/31/2005)

RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	650.3	0.45
Year Ago Quarter	531.8	0.32
Percentage Change	22.3%	40.6%

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 23.2 %

(2) Estimated Future Sales Growth 20.0 %

(3) Historical Earnings Per Share Growth 53.2 %

(4) Estimated Future Earnings Per Share Growth 18.0 %

Printed: 03/09/06 11:51 AM Prepared by: Lynn Using The Investor's Toolkit

2 EVALUATING MANAGEMENT

Company COACH INC (COH) 02/22/06

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)				3.8	10.1	16.9	19.0	25.5	33.7	37.1	26.4	UP	
B	% Earned on Equity (E/S ÷ Book Value)						46.9	33.2	33.4	32.5	36.3	36.5		EVEN

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 36.600 HIGH THIS YEAR 37.180 LOW THIS YEAR 24.510

	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	2001	5.0	2.0	0.20	25.1	10.1	0.000	0.0	0.0
2	2002	7.5	2.5	0.24	31.0	10.3	0.000	0.0	0.0
3	2003	13.4	4.3	0.39	34.4	11.0	0.000	0.0	0.0
4	2004	23.1	12.3	0.67	34.5	18.4	0.000	0.0	0.0
5	2005	34.2	18.0	0.99	34.5	18.2	0.000	0.0	0.0
6	TOTAL		39.1		159.5	68.0		0.0	
7	AVERAGE		7.8		31.9	13.6		0.0	

8 AVERAGE PRICE EARNINGS RATIO 22.8 | 9 CURRENT PRICE EARNINGS RATIO 31.6

Proj. P/E [26.74] Based on Next 4 qtr. EPS [1.37] Current P/E Based on Last 4 qtr. EPS [1.16]
PEG=149

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 ~~31.9~~ 30.0 (3D7 as adj.) X Estimate High Earnings/Share 2.65 = Forecast High Price $ 79.5 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 13.6 (3E7 as adj.) X Estimated Low Earnings/Share ~~0.99~~ 1.16 = $ 15.8

(b) Avg. Low Price of Last 5 Years = 7.8 (3B7)

(c) Recent Severe Market Low Price = 12.3

(d) Price Dividend Will Support Present Divd. / High Yield (H) = 0.000 / 0.000 = 0.0

Selected Estimate Low Price = $ 15.8 (4B1)

C ZONING

79.5 (4A1) High Forecast Price Minus 15.8 (4B1) Low Forecast Price Equals 63.7 (C) Range. 1/3 of Range = 15.9 (4CD)

(4C2) Lower 1/3 = (4B1) 15.8 to 31.7 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 31.7 to 63.6 (Maybe)

(4C4) Upper 1/3 = 63.6 to 79.5 (4A1) (Sell)

Present Market Price of 36.600 is in the Hold (4C5) Range

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

High Price (4A1) 79.5 Minus Present Price 36.600 / Present Price 36.600 Minus Low Price (4B1) 15.8 = 42.9 / 20.8 = 2.1 (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) 79.5 / Present Market Price 36.600 = (2.172) X 100 = (217.2) - 100 = 117.2 (4E) % Appreciation

Relative Value: 138.6% Proj. Relative Value: 117.3%

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 $ 0.000 / Present Price of Stock $ 36.600 = 0.000 X 100 = 0.0 (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) 0.0 = 0.0 / Present Price $ 36.600 = 0.0 (5B) %

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 117.2 / 5 = 23.4 %

Average Yield (5B) 0.0 %

Average Total Annual Return Over the Next 5 Years (5C) 23.4 %

	P.A.R.	Tot. Ret.
Average Yield	0.0%	0.0%
Annual Appreciation	9.6%	16.8%
% Compd Ann Rate of Ret	9.6%	16.8%