

# Crow River Stock Profile Sheet

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Basic Information	Attachments
Company Name: <u>Quest Diagnostics</u> Ticker: <u>DGX</u> Sector: <u>Healthcare</u> Industry: <u>Medical Laboratories</u> Type of Holding:      Core <u>X</u> Trade ___ Option ___	<input type="checkbox"/> Stock Selection Guide <input type="checkbox"/> Pert/Trend Report <input type="checkbox"/> FinViz Company Report <input type="checkbox"/> 6 Month Daily Price Chart from StockCharts.com <input type="checkbox"/> Perf Report from StockCharts w/S&P and Competitors

Research Due Diligence	Ratings
<input type="checkbox"/> Latest 10Q – Read the transcript or listen to the call <input type="checkbox"/> Review news & articles from websites of choice <input type="checkbox"/> Review and highlight Value Line commentary <input type="checkbox"/> Review and highlight Morningstar commentary <input type="checkbox"/> Review and highlight Argus commentary	<input type="checkbox"/> Manifest Quality Rating <u>72.5</u> <input type="checkbox"/> Navellier Rating (3 figure) <u>C C B</u> <input type="checkbox"/> Value Line Industry Timeliness Rank <u>13</u> <input type="checkbox"/> Value Line Stock Timeliness Rank <u>3</u> <input type="checkbox"/> Value Line Beta <u>.65</u>

Estimates	Technicals
<input type="checkbox"/> Yahoo current and next year EPS <u>3.87 4.19</u> <input type="checkbox"/> Manifest 5-yr EPS & P/E <u>5.40 EPS 16 P/E</u> <input type="checkbox"/> Value Line 4-yr EPS & Avg. P/E <u>5.20 EPS 16.5 P/E</u> <input type="checkbox"/> Company's Guidance Numbers <u>3.80 - 3.85 EPS</u>	<input type="checkbox"/> Review 6 month, 1-yr & 3-yr charts on StockCharts <input type="checkbox"/> Add your annotations to 6 month chart for review <input type="checkbox"/> Where is our entry point for this stock? <u>buy below \$60</u> <input type="checkbox"/> Where is our ceiling for this stock? <u>\$94</u>

Competitors	If this is a purchase for Options Trading...
<input type="checkbox"/> Pick 3 top competitors from Hoovers, Yahoo, Smart-Money, Morningstar, Manifest, etc. <input type="checkbox"/> Verify they are true competitors by reading Value Line or Yahoo business summaries <input type="checkbox"/> Perform Stock Comparison w/Toolkit <input type="checkbox"/> Note what order they rank on MI for Quality Rating	<input type="checkbox"/> What is dividend yield? <u>0.60%</u> <input type="checkbox"/> Review dividend history/payout/strength <input type="checkbox"/> What is Debt Rating? <u>B++</u> <input type="checkbox"/> Are there attractive trade options available? <u>yes</u>

Notes
<input type="checkbox"/> <u>The company has lost market share in drugs of abuse testing, which is sensitive to hiring trends. This had an</u> <input type="checkbox"/> <u>overall 1.7% drag on consolidated testing volume.</u> <input type="checkbox"/> <u>Quest has introduced the first commercial test for the H1N1 flu virus which has been authorized by the FDA</u> <input type="checkbox"/> <u>for emergency use. It also launched a saliva-based genetic test that helps physicians predict response to the</u> <input type="checkbox"/> <u>blood thinner Plavix.</u>

**Thesis for purchasing this stock:**

- Quest is reporting increased demand in testing for cancer, sexually transmitted diseases, allergies and
- Vitamin D levels. The company has raised its earnings per share guidance for the full year 2009 from \$3.70
- to \$3.80 to the new range of \$3.80 to \$3.85.
- Quest continues to generate strong cash flow of \$1.2 billion.
- While Quest has strong fundamental metrics our club might want to own a medical services company with
- a higher growth potential. The stock is trading near its 52-week high.
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**Thesis for purchasing this stock:**

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**3-month review after sale**

- Price at the time of sale \_\_\_\_\_
- Price at 3-mo. Anniversary \_\_\_\_\_

What else do we want to review here? Quality ratings? Timeliness rankings? Change in Yahoo estimates? What? In his latest book, O'Neil covers the need to go back and review sold stocks to see if his thesis to sell was found to be correct or flawed.

**6-month review after sale**

- Price at the time of sale \_\_\_\_\_
- Price at 3-mo. Anniversary \_\_\_\_\_

What else do we want to review here? Quality ratings? Timeliness rankings? Change in Yahoo estimates? What? In his latest book, O'Neil covers the need to go back and review sold stocks to see if his thesis to sell was found to be correct or flawed.



# Stock Study

Company	Quest Diagnostics, Incor..	Price Date	12/29/09
Study by	LYNN	Data Date	11/27/09
Sector	Healthcare	Data Source	StkCntrl
Industry	Medical Laboratories & Rese	Reference	Morningstr
Preferred(\$M)	0.0		
Common(M Shares)	187.0	% Insiders	0.3
Debt(\$M)	3,082.7	% Institutions	74.1
% to Tot.Cap.	46.6	Quality	2.1 (Take Stock)

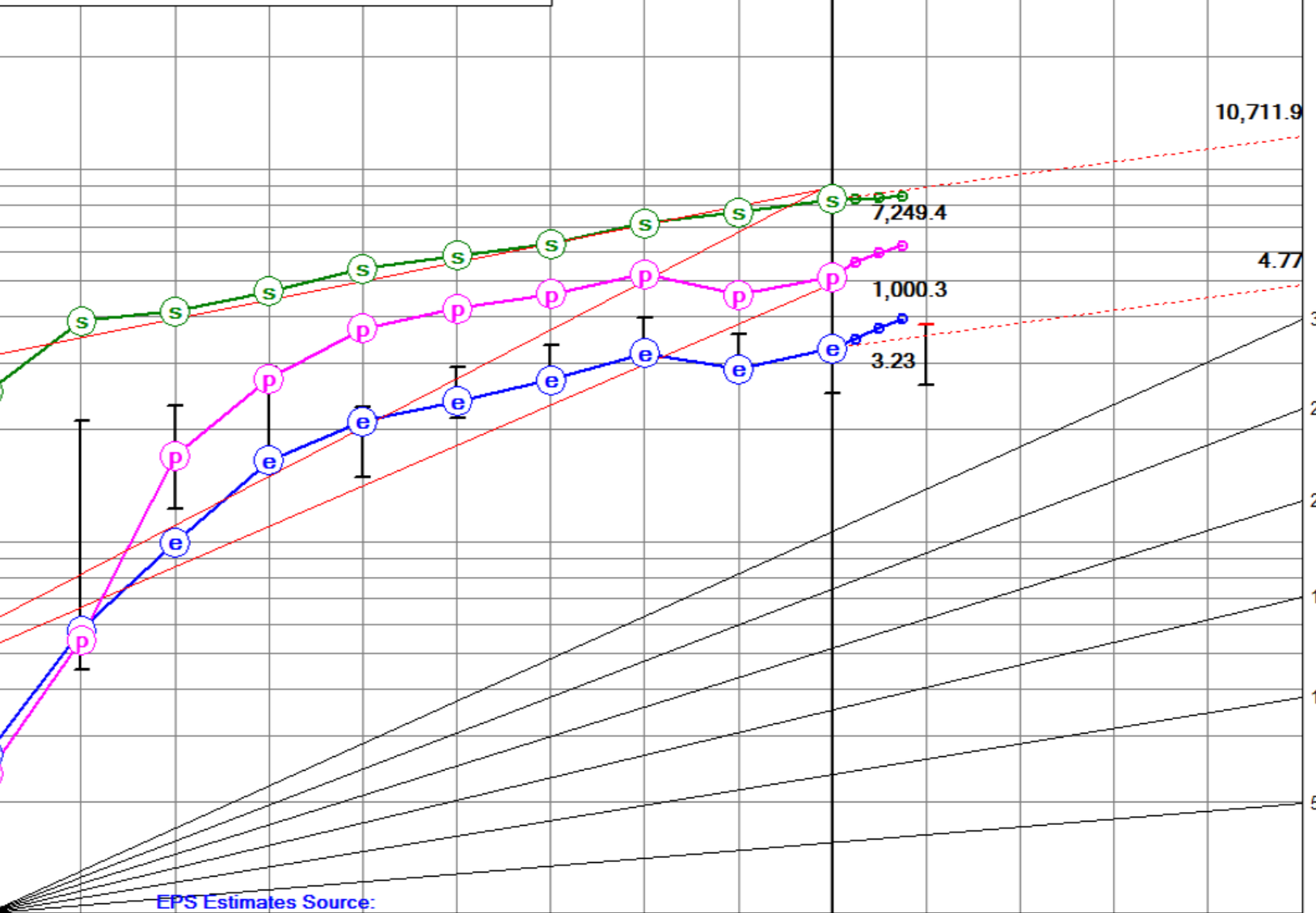
## Growth Analysis

NYSE: DGX

FY 2009 Q3 (Ended 9/30/2009)

### RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	1,897.2	1.02
Year Ago Quarter	1,826.6	0.81
Percentage Change	3.9%	25.9%



Historical Sales Growth	12.3 %	(3) Historical Earnings Per Share Growth	28.5 %	www.iclub.com
Estimated Future Sales Growth	8.1 %	(4) Estimated Future Earnings Per Share Growth	8.1 %	
Sales Growth R^2	0.93	(6) Earnings Per Share Growth R^2	0.82	

# QUALITY ANALYSIS

Company **Quest Diagnostics, Inc**

(DGX)

12/29/

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5 YEAR AVG.	TREND UP / DOWN
% Pre-tax Profit on Sales	2.1	3.1	9.1	13.0	15.3	16.0	16.3	16.3	13.4	13.8	15.2	DOWN
% ROE (Beginning Yr)	<del>11.6</del>	11.6	17.6	23.2	22.8	20.0	22.8	22.5	18.2	18.8	20.5	DOWN
% Debt to Equity	136.0	72.8	61.4	44.2	41.7	29.0	43.9	39.9	101.0	83.0	59.3	UP

## PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE		61.610		52-WEEK HIGH		61.610		52-WEEK LOW		42.360	
Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield			
2004	47.3	34.5	2.33	20.3	14.8	0.300	12.9	0.9			
2005	54.5	44.5	2.66	20.5	16.7	0.350	13.2	0.8			
2006	64.3	48.7	3.14	20.5	15.5	0.390	12.4	0.8			
2007	58.3	48.2	2.84	20.6	17.0	0.400	14.1	0.8			
2008	56.5	40.3	3.23	17.5	12.5	0.400	12.4	1.0			
AVERAGE		43.2		19.9	15.3		13.0				
AVERAGE P/E RATIO		17.6	PROJECTED P/E RATIO		14.7	TTM EPS		3.88			
CURRENT P/E RATIO		15.9	PEG RATIO		1.8	FTM EPS		4.20			
RELATIVE VALUE		90.3%	PROJ. RELATIVE VALUE		83.4%						

## EVALUATING REWARD and RISK over the next 5 years

### FUTURE HIGH PRICE ANALYSIS — NEXT 5 YEARS

Selected High P/E ~~19.9~~ 19.7 X Estimated High Earnings/Share 4.77 = Forecast High Price \$ 94.0

### FUTURE LOW PRICE ANALYSIS — NEXT 5 YEARS

(a) Avg. Low P/E 15.3 X Estimated Low Earnings/Share ~~3.23~~ 3.88 = \$ 59.4

(b) Average 5-Year Low Price = (as adj.) 43.2

(c) Recent Severe Low Price = 40.3

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 0.400 ÷ 0.010 = 40.3

Selected Estimated Low Price = \$ 49.3

### PRICE RANGES

Forecast High Price 94.0 - Estimated Low Price 49.3 = Range 44.7 25% of Range = 11.2

BUY (Lower 25% of Range) = 49.3 to 60.5

MAYBE (Middle 50% of Range) = 60.5 to 82.8

SELL (Upper 25% of Range) = 82.8 to 94.0

Current Price 61.610 is in the Hold Range

### REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 94.0 - Current Price 61.610) ÷ (Current Price 61.610 - Estimated Low Price 49.3) = 2.6 To 1

## TOTAL RETURN ANALYSIS

### CURRENT YIELD

Present Full Year's Dividend \$ 0.400 ÷ Current Price of Stock \$ 61.610 = 0.6 % Present Yield or % Returned on Purchase Price

### AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 4.08 X Avg. % Payout 13.0) ÷ Current Price \$ 61.610 = 0.9 %

### % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.7 % + Annual Appreciation 8.8 % = Compound Annual Total Return 9.5 %

### % PROJECTED AVERAGE RETURN

Average Yield 0.7 % + Annual Appreciation 6.3 % = Projected Average Total Return 7.0 %