



THE VALUE LINE INVESTMENT SURVEY®

Tips and Tricks for Finding Undervalued Companies

Presented by
Kenneth Williams

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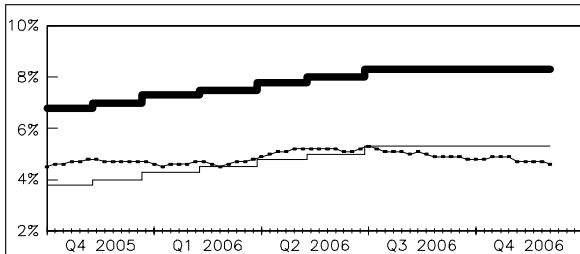
Market Monitor

Valuations and Yields	12/6	11/29	13-week range	50-week range	Last market top (5-5-2006)	Last market bottom (10-9-2002)
Median price-earnings ratio of VL stocks	18.4	17.9	17.5 - 18.5	16.8 - 19.6	19.6	14.1
P/E (using 12-mo. est'd EPS) of DJ Industrials	14.9	14.8	14.6 - 15.3	14.3 - 16.8	16.6	15.2
Median dividend yield of VL stocks	1.6%	1.7%	1.6 - 1.7%	1.5 - 1.8%	1.6%	2.4%
Div'd yld. (12-mo. est.) of DJ Industrials	2.3%	2.3%	2.3 - 2.4%	2.3 - 2.5%	2.3%	2.6%
Prime Rate	8.3%	8.3%	8.3 - 8.3%	7.3 - 8.3%	8.0%	4.8%
Fed Funds (Target)	5.3%	5.3%	5.3 - 5.3%	4.3 - 5.3%	5.0%	1.8%
91-day T-bill rate	5.0%	5.0%	4.9 - 5.1%	4.0 - 5.1%	4.8%	1.6%
AAA Corporate bond yield	5.2%	5.2%	5.2 - 5.6%	5.1 - 5.9%	6.0%	6.1%
30-year Treasury bond yield	4.6%	4.6%	4.6 - 4.9%	4.5 - 5.3%	5.2%	4.7%
Bond yield minus average earnings yield	-0.3%	-0.4%	-0.4 - 0.0%	-0.4 - 0.8%	0.9%	-1.0%

Market Sentiment	Wk. Ending 12/6	Wk. Ending 11/29	10-week average	13-week range	Last market top (5-5-2006)	Last market bottom (10-9-2002)
% of total NYSE short sales by:						
Public	58	59	61	58 - 63	59	53
NYSE specialists	15	14	12	9 - 15	12	37
Other NYSE members	27	27	28	27 - 29	29	10
Total NYSE short sales/total NYSE volume	15.8%	16.2%	16.6%	15.8 - 17.7%	13.6%	12.9%
Short interest/avg. daily volume (5 weeks)	6.3	6.2	6.2	6.1 - 7.1	5.1	5.3
Odd-lot sales/purchases	0.9	1.0	1.0	0.9 - 1.1	1.0	1.1
CBOE put volume/call volume	.83	.95	.87	.83 - .98	.89	.96

VALUE LINE ASSET ALLOCATION MODEL
(Based only on economic and financial factors)

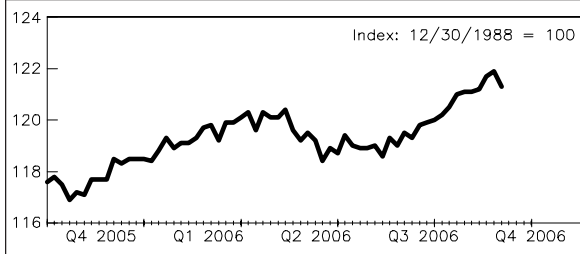
	Current (effective 2/11/05)	Previous
Common Stocks	75%-85%	
Cash and Treasury Issues	25%-15%	



Review companies that you own in these industries for indications of being overvalued or oversold.

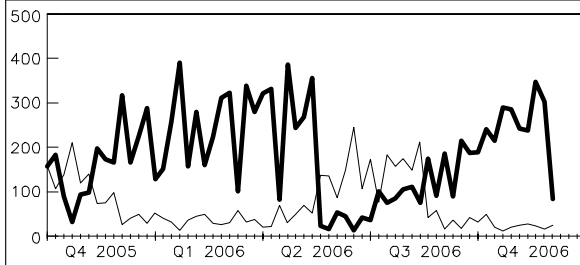
Consider searching for Quality companies in these industries.

	Recent	Week
Prime Rate	8.3%	8.3%
Fed Funds (Target)	5.3%	5.3%
30-Yr. Treasury	4.6%	4.6%



VALUE LINE UNIVERSE

	Recent	Previous Week
Advances	1412	339
Declines	214	1283
Issues Traded	1631	1635
Market Value (\$ Trillion)	19.154	18.695



VALUE LINE COMPOSITE

	Recent	Previous Week
New Highs	366	84
New Lows	9	25

INDUSTRY PRICE PERFORMANCE LAST SIX WEEKS ENDING 12/5/2006

7 Best Performing Industries

Metals & Mining (Diver.)	+14.9%
Tire & Rubber	+13.8%
Homebuilding	+12.9%
Hotel/Gaming	+12.3%
Semiconductor	+10.5%
Cement & Aggregates	+10.4%
Tobacco	+9.9%

7 Worst Performing Industries

Pharmacy Services	-5.0%
Beverage (Soft Drink)	-2.6%
Retail Building Supply	-2.5%
Foreign Electronics	-2.3%
Maritime	-1.7%
Grocery	-1.3%
Beverage (Alcoholic)	-1.1%

The corresponding change in the Value Line Arithmetic Average is +4.8%

CHANGES IN FINANCIAL STRENGTH RATINGS

Company	Prior Rating	New Rating	Ratings & Reports Page
Applied Signal	B+	B	510
Holly Corp.	B+	B++	415
Massey Energy	B++	B	533

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SUGGESTIONS IN UTILIZING
VALUE LINE

- 1) Historic over or undervaluation may be indicated by a stock trading significantly above/below the “Value Line”.
- 2) Rising sales are as (or more) important than rising profits. Sales growth is needed long-term – profit margins can only increase so much (either through price increases or expense reductions).
- 3) The longer a company stays in a flat price range while its earnings rise, the more undervalued it likely becomes. Remember the *coiled spring effect*.
- 4) The “cash flow” figure on Value Line has very limited application. Use the consolidated statement of cash flow in the annual report to determine free cash flow.
- 5) Except for financial companies, be wary of using book value to define “intrinsic value”.
- 6) There is nothing wrong with dividends. A dividend in the hand now is worth much more than promises down the road. Can you spend unrealized capital gains?
- 7) Pay close attention to the relative P/E vs. its historic numbers. This can point to current under or over valuation.
- 8) Net profit margins should remain fairly consistent. It is a major positive to have a rising net margin accompanied by significant sales growth. This trend is a key factor for a core holding in your portfolio.
- 9) Low/no debt is a positive and it is not the reason to buy a company. Do in-depth fundamental and trend analysis.
- 10) The debt/equity ratio is important and can signal upcoming trouble. Watch out when the debt position is rising overtime. Especially when profit remains the same or declines. Rising debt and declining profit margins are negative.
- 11) A sign of possible free cash flow generation is falling debt or stock buybacks. Absent an asset sale, declining debt and stock buybacks together virtually assure significant free cash flow is being generated by the company.
- 12) Avoid looking at a return on common equity alone. Return on total capital – especially when comparing companies within an industry – is likely more important. Heavy debt can give high/misleading return on common equity figures.
- 13) Watch out for rising dividend payout ratios. They can signal deterioration in future profit. For a newer growing company, dividend payout ratios above 40% can be a red flag.
- 14) Consistency in sales/earnings growth is rewarded with higher P/E’s. The opposite is, of course, true also. Don’t pay a big multiple of earnings for lack of consistency. Always check the “earnings predictability” number – the higher, the better.

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VALUE LINE

- 15) Examine the “Current Position” to figure out how much net cash a company has. Sometime you find extraordinary bargains.
- 16) Long-term projections by Value Line are their guess – just a guess. Personal experience has taught us to be very wary of the stock when the long-term price target is lower than the current price.
- 17) The safety rating in the Value Line is a pretty solid number for layperson (non-professional). But as always, nothing is guaranteed.
- 18) Use annual reports to figure out total amount of free cash flow. Also compute a free cash flow per share number. Don’t forget to compute at least three years of free cash flow figures. On year can be deceiving.

WAL-MART STORES NYSE-WMT										RECENT PRICE	P/E RATIO	Trailing: 17.9 Median: 28.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE				
TIMELINESS 2 Raised 5/26/06 SAFETY 1 Raised 2/15/02 TECHNICAL 2 Raised 10/27/06 BETA .80 (1.00 = Market)										49.28	16.8	0.92	1.4%						
High: 13.8 14.1 21.0 41.4 70.3 68.9 58.8 63.9 60.2 61.3 54.6 52.2 Low: 10.3 9.5 11.0 18.8 38.7 41.4 41.5 43.7 46.3 51.1 42.3 42.3										70.3	68.9	58.8	63.9	60.2	61.3	54.6	52.2		
LEGENDS — 11.5 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 2/93 2-for-1 split 4/99 Options: Yes Shaded area indicates recession																			
2009-11 PROJECTIONS Ann'l Total Price 80 (+60%) 14% Gain 65 (+30%) 9%										Target Price Range 2009 2010 2011 160 120 100 80 60 40 20 15									
Insider Decisions D J F M A M J J A to Buy 1 0 0 0 0 0 0 0 0 Options 3 0 0 9 0 0 0 0 1 to Sell 3 0 0 2 0 0 0 0 0										Institutional Decisions 4Q2005 1Q2006 2Q2006 to Buy 579 492 501 to Sell 571 665 617 Hlds(000)149750915101121546912									
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007										© VALUE LINE PUB, INC. 09-11									
7.14 9.55 12.06 14.65 17.96 20.42 22.87 26.32 30.71 37.02 42.80 48.91 55.64 59.46 67.36 75.01 82.80 92.15 .36 .45 .57 .69 .82 .88 .99 1.15 1.41 1.81 2.05 2.25 2.61 2.95 3.47 3.78 4.20 4.70 .29 .35 .44 .51 .59 .60 .67 .78 .99 1.28 1.40 1.50 1.81 2.03 2.41 2.63 2.87 3.20 .04 .04 .05 .07 .09 .10 .11 .14 .16 .19 .23 .27 .30 .35 .48 .58 .64 .70 1.17 1.52 1.90 2.34 2.77 3.22 3.74 4.13 4.71 5.80 7.01 7.88 8.95 10.12 11.67 12.77 14.65 16.65										Sales per sh ^A 125.55 "Cash Flow" per sh 6.40 Earnings per sh ^B 4.30 Div'ds Decl'd per sh ^C .95 Book Value per sh 24.05 Common Shs Outst'g ^D 3950.0									
24.4 32.8 32.8 27.0 20.9 20.4 18.4 21.8 31.2 39.1 38.0 34.9 30.3 26.9 22.8 18.3 1.81 2.10 1.99 1.59 1.37 1.37 1.15 1.26 1.62 2.23 2.47 1.79 1.66 1.53 1.20 .98 .5% .4% .4% .5% .7% .8% .9% .8% .5% .4% .5% .5% .6% .9% 1.2%										Avg Ann'l P/E Ratio 17.0 Relative P/E Ratio 1.15 Avg Ann'l Div'd Yield 1.3%									
CAPITAL STRUCTURE as of 7/31/06 Total Debt \$40485 mill. Due in 5 Yrs \$25600 mill. LT Debt \$27982 mill. LT Interest \$1290 mill. Incl. \$3742 mill. capitalized leases. (Total interest coverage: 9.1x) (33% of Cap'l)										104859 117958 137634 165013 191329 217799 244524 256329 285222 312427 344500 373000 Sales (\$mill) ^A 480000 Gross Margin 24.8% Operating Margin 6.6% Number of Stores 7700									
Leases, Uncapitalized Annual rentals \$730 mill. No Defined Benefit Pension Plan Pfd Stock None Common Stock 4,169,032,000 shs. MARKET CAP: \$205 billion (Large Cap)										3056.0 3526.0 4430.0 5709.0 6295.0 6711.0 8039.0 8861.0 10267 11014 11985 13250 Income Tax Rate 33.0% Net Profit (\$mill) 17100 Net Profit Margin 3.6%									
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '03-'05 of change (per sh) 10 Yrs. 5 Yrs. to '09-'11 Sales 15.0% 14.0% 10.0% "Cash Flow" 16.0% 15.5% 11.0% Earnings 15.0% 15.5% 10.5% Dividends 19.0% 18.5% 12.5% Book Value 16.0% 16.0% 13.0%										7036.0 4892.0 4370.0 d1447 d2394 964.0 d2134 d2997 d4397 d5002 d5600 d6100 Working Cap'l (\$mill) d7500 Long-Term Debt (\$mill) 37000 Shr. Equity (\$mill) 95000									
Fiscal Year Begins QUARTERLY SALES (\$ mill.) ^A Full Fiscal Year Apr.30 Jul.31 Oct.31 Jan.31										12.6% 13.8% 15.6% 14.6% 14.5% 13.6% 14.5% 14.7% 14.8% 14.1% 13.5% 13.5% Return on Total Cap'l 13.5% Return on Shr. Equity 18.0%									
Fiscal Year Begins EARNINGS PER SHARE ^{A B} Full Fiscal Year Apr.30 Jul.31 Oct.31 Jan.31										15.0% 15.8% 17.7% 18.7% 16.7% 15.6% 17.1% 16.7% 16.3% 15.9% 15.0% 15.0% Retained to Com Eq 14.0% All Div'ds to Net Prof 22%									
Cal-endar QUARTERLY DIVIDENDS PAID ^C Full Year Mar.31 Jun.30 Sep.30 Dec.31										16% 17% 16% 16% 17% 19% 17% 18%									
2003 56718 62637 62480 74494 256329 2004 64763 69722 68520 82217 285222 2005 70908 76811 75435 89273 312427 2006 78835 84524 82600 98541 344500 2007 85350 91500 89450 106700 373000										2.03 2.41 2.63 2.87 3.20									
2003 .42 .52 .46 .63 2.03 2004 .50 .62 .54 .75 2.41 2005 .55 .67 .57 .84 2.63 2006 .63 .72 .59 .93 2.87 2007 .69 .80 .67 1.04 3.20										2002 .07 .075 .075 .075 .295 2003 .075 .09 .09 .09 .345 2004 .09 .13 .13 .13 .48 2005 .13 .15 .15 .15 .58 2006 .15 .168 .168 .168 .58									
(A) Fiscal year ends Jan. 31st of following calendar year. Sales exclude rentals from licensed depts. (B) Based on diluted shares. Excludes ex- traord. (losses) and gain: '99, (\$0.07); '01, (\$0.01); '05-Q1, \$0.03. Excl. gain (loss) from discontinued operation: '03, \$0.04; '06-Q2, (\$0.22). Next earnings report due late Nov.										(C) Dividend payments historically in early January, April, July, and October. (D) In millions, adjusted for stock splits.									
Company's Financial Strength A++ Stock's Price Stability 95 Price Growth Persistence 50 Earnings Predictability 100										To subscribe call 1-800-833-0046.									

Consolidated Statements of Cash Flows

WAL-MART

(Amounts in millions)

Fiscal Year Ended January 31,	2006	2005	2004
Cash flows from operating activities			
Income from continuing operations	\$ 11,231	\$ 10,267	\$ 8,861
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,717	4,264	3,852
Deferred income taxes	(129)	263	177
Other operating activities	620	378	173
Changes in certain assets and liabilities, net of effects of acquisitions:			
Decrease (increase) in accounts receivable	(456)	(304)	373
Increase in inventories	(1,733)	(2,494)	(1,973)
Increase in accounts payable	2,390	1,694	2,587
Increase in accrued liabilities	993	976	1,896
Net cash provided by operating activities of continuing operations	17,633	15,044	15,946
Net cash provided by operating activities of discontinued operation	–	–	50
Net cash provided by operating activities	17,633	15,044	15,996
Cash flows from investing activities			
Payments for property and equipment	(14,563)	(12,893)	(10,308)
Investment in international operations, net of cash acquired	(601)	(315)	(38)
Proceeds from the disposal of fixed assets	1,049	953	481
Proceeds from the sale of McLane	–	–	1,500
Other investing activities	(68)	(96)	78
Net cash used in investing activities of continuing operations	(14,183)	(12,351)	(8,287)
Net cash used in investing activities of discontinued operation	–	–	(25)
Net cash used in investing activities	(14,183)	(12,351)	(8,312)
Cash flows from financing activities			
Increase (decrease) in commercial paper	(704)	544	688
Proceeds from issuance of long-term debt	7,691	5,832	4,099
Purchase of Company stock	(3,580)	(4,549)	(5,046)
Dividends paid	(2,511)	(2,214)	(1,569)
Payment of long-term debt	(2,724)	(2,131)	(3,541)
Payment of capital lease obligations	(245)	(204)	(305)
Other financing activities	(349)	113	111
Net cash used in financing activities	(2,422)	(2,609)	(5,563)
Effect of exchange rate changes on cash	(102)	205	320
Net increase in cash and cash equivalents	926	289	2,441
Cash and cash equivalents at beginning of year	5,488	5,199	2,758
Cash and cash equivalents at end of year	\$ 6,414	\$ 5,488	\$ 5,199
Supplemental disclosure of cash flow information			
Income tax paid	\$ 5,962	\$ 5,593	\$ 4,538
Interest paid	1,390	1,163	1,024
Capital lease obligations incurred	286	377	252

Simple Free Cash Flow formula:

Income from Continuing Operations
 + Depreciation & Amortization
 - Capital Equipment Expenditures
 = Free Cash Flow

$$(\$11,231 + 4,717) - \$14,563 = \$1,385$$

Potential Total Return = (Earnings Growth + Dividend Yield) + P/E Multiple Expansion (% change in PE)

WAL-MART STORES NYSE-WMT		RECENT PRICE	49.28	P/E RATIO	16.8	(Trailing: 17.9)	RELATIVE P/E RATIO	0.92	DIV'D YLD	1.4%	VALUE LINE														
TIMELINESS	2	High: 13.8	14.1	21.0	41.4	70.3	68.9	58.8	63.9	60.2	61.3	54.6	52.2	Target Price Range	2009	2010	2011								
SAFETY	1	Low: 10.3	9.5	11.0	18.8	38.7	41.4	41.5	43.7	46.3	51.1	42.3	42.3												
TECHNICAL	2																								
BETA	.80	LEGENDS — 11.5 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 2/93 2-for-1 split 4/99 Options: Yes Shaded area indicates recession																							
2009-11 PROJECTIONS		Price	Gain	Ann'l Total Return																					
High	Low	80	(+60%)	14%																					
		65	(+30%)	9%																					
Insider Decisions		Potential Total Return = 10.5% + 1.5% = 12% (w/o P/E Expansion) (rounded)																							
Institutional Decisions		Potential Total Return = 10.5% + 1.5% + 3% = 15% (with P/E Expansion)																							
CAPITAL STRUCTURE as of 7/31/06		Suggests 3% annual PE expansion over 5 years. $((1.15/.98) - 1) = 17%$ $(17\%/5 \text{ years}) = 3\%$																							
MARKET CAP: \$205 billion (Large Cap)		Relative P/E Ratio 1.15 Avg Ann'l Div'd Yield 1.3%																							
CURRENT POSITION (SMILL.)		2004	2005	7/31/06																					
CASH ASSETS		5488	6414	6386																					
RECEIVABLES		1715	2662	2522																					
INVENTORY (LIFO)		29447	32191	32087																					
OTHER		1841	2557	5177																					
CURRENT ASSETS		38491	43824	46172																					
ACCTS PAYABLE		21671	25373	26023																					
DEBT DUE		7781	8648	12503																					
OTHER		13436	14805	15613																					
CURRENT LIAB.		42888	48826	54139																					
ANNUAL RATES of change (per sh)		Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05																					
SALES		15.0%	14.0%	10.0%																					
"Cash Flow"		16.0%	15.5%	11.0%																					
Earnings		15.0%	15.5%	10.5%																					
Dividends		19.0%	18.5%	12.5%																					
Book Value		16.0%	16.0%	13.0%																					
FISCAL YEAR BEGINS		APR.30	JUL.31	OCT.31	JAN.31	Full Fiscal Year																			
2003		56718	62637	62480	74494	256329																			
2004		64763	69722	68520	82217	285222																			
2005		70908	76811	75435	89273	312427																			
2006		78835	84524	82600	98541	344500																			
2007		85350	91500	89450	106700	373000																			
FISCAL YEAR BEGINS		APR.30	JUL.31	OCT.31	JAN.31	Full Fiscal Year																			
2003		.42	.52	.46	.63	2.03																			
2004		.50	.62	.54	.75	2.41																			
2005		.55	.67	.57	.84	2.63																			
2006		.63	.72	.59	.93	2.87																			
2007		.69	.80	.67	1.04	3.20																			
Cal-endar		MAR.31	JUN.30	SEP.30	DEC.31	Full Year																			
2002		.07	.075	.075	.075	.295																			
2003		.075	.09	.09	.09	.345																			
2004		.09	.13	.13	.13	.48																			
2005		.13	.15	.15	.15	.58																			
2006		.15	.168	.168	.168																				
BUSINESS:		Wal-Mart Stores, Inc. is the world's largest retailer, operating 1,209 discount stores, 1,980 Supercenters (includes sizable grocery departments), 567 Sam's Clubs, and 100 Neighborhood Markets in the U.S., plus 2,285 foreign stores in Latin America, Europe, Canada, and Asia as of 1/31/06. Most stores are leased and are within a 400-mile radius of one of the expanding network of distribution centers. Sold McLane, a grocery-distribution subsidiary, in 5/03. Total store space: about 758 mill. sq. ft.; domestic sales per square foot in 2005: \$453. Has about 1,800,000 employees. Off./dir. own 41.0% of shares (4/06 proxy). Chairman: S. Robson Walton. CEO and Pres.: Lee Scott, Inc.: DE. Addr.: Box 116, Bentonville, AR 72716. Tel.: 479-273-4000. Net: walmartstores.com.																							
Wal-Mart intends to moderate its domestic store openings.		The company has built an increasing number of supercenters in the U.S. each year since since 1992. However, fiscal 2006's (ends January 31, 2007) total will likely fall somewhat short of the 267 supercenters added in fiscal 2005. Moreover, management has just raised its targeted return-on-capital hurdle from 8% to an undisclosed percentage, which will impact new site purchases/leases in the coming years. Related challenges for this segment have been increases in both the cannibalization of sales at nearby sister stores and the percentage of debt to total capital. Meanwhile, acquisitions have been the prime factor behind a doubling of International's store count since fiscal 2001. A key management focus currently is expansion in China (now 66 WMT stores).																							
The company's same-store sales gains in the U.S. have been relatively weak in the past six months.		Following average increases of about 3% since fiscal 2003, this metric was up 1.8% in this year's second quarter. Moreover, the October comp-store gain was a mere 0.5%, which reduced fiscal 2006's third-quarter increase to 1.4%. Management cited weak sales of recently introduced, relatively upscale apparel lines and disruptions caused by a much accelerated store-remodeling program for the recent quarter's poor showing. We look for a same-store sales increase of 2%-3% next year, given the likelihood that these two factors will largely dissipate by then.																							
The depressed operating margin is likely to improve slightly in fiscal 2007.		Higher costs for the aforementioned store refurbishments and lower margins, initially at least, at recently acquired stores in Central and South America are hurting profitability. We've trimmed our earnings estimate for this year by \$0.03 a share, and foresee gains of 10%-12% for fiscal 2007 and 2008.																							
These timely shares have rebounded by about 10% over the past three months.		Investors' positive response to the decreased capital budget appears to be the main catalyst. The stock's appreciation potential to 2009-2011 is slightly above Value Line's median.																							
David R. Cohen		November 10, 2006																							
(A) Fiscal year ends Jan. 31st of following calendar year. Sales exclude rentals from licensed depts.		(B) Based on diluted shares. Excludes ex-		traord. (losses) and gain: '99, (\$0.07); '01, (\$0.01); '05-Q1, \$0.03. Excl. gain (loss) from discontinued operation: '03, \$0.04; '06-Q2, (\$0.22). Next earnings report due late Nov.		(C) Dividend payments historically in early January, April, July, and October.		(D) In millions, adjusted for stock splits.		Company's Financial Strength		A++		Stock's Price Stability		95		Price Growth Persistence		50		Earnings Predictability		100	