

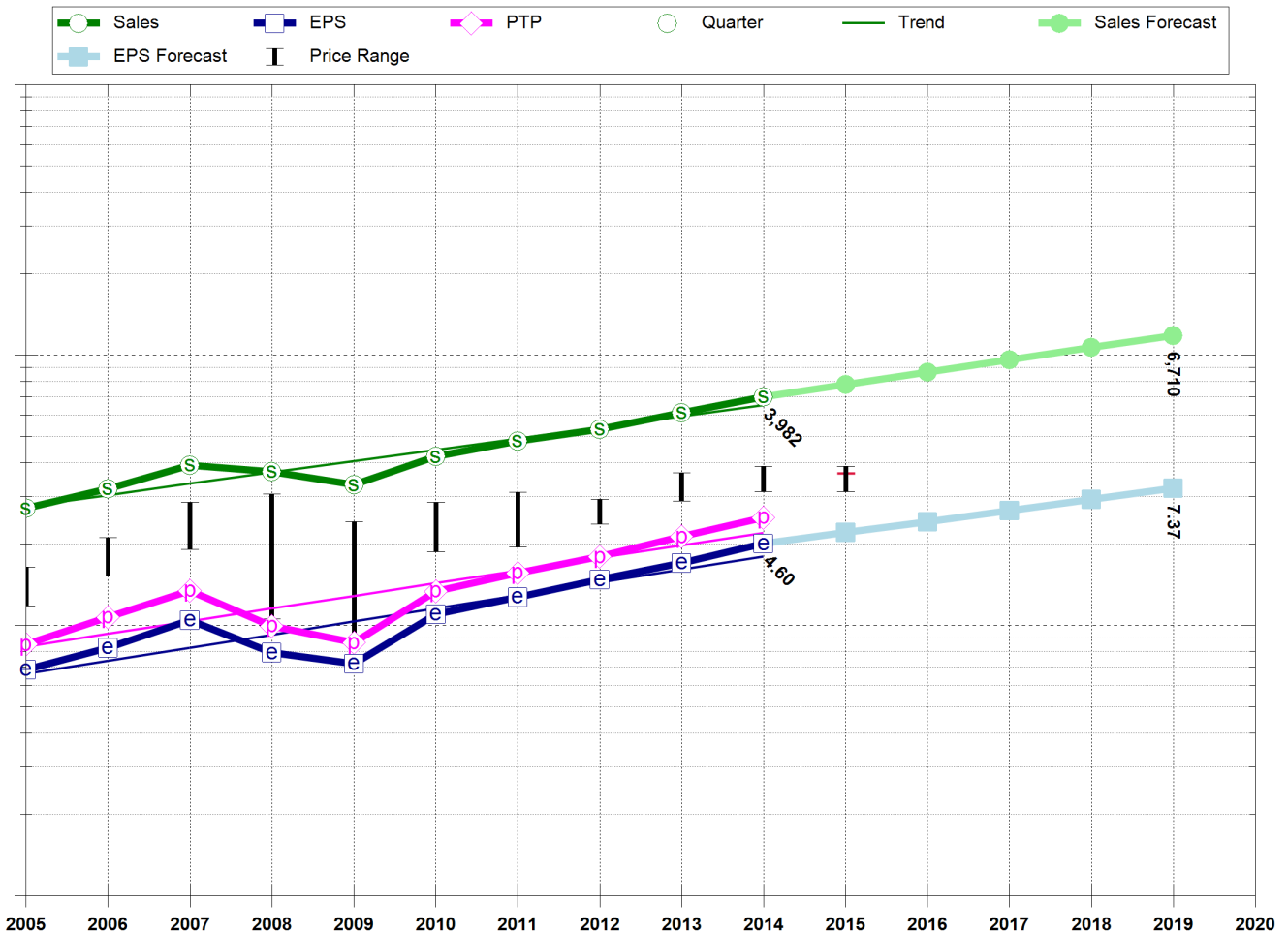
Company	T. Rowe Price Group		Date	3/17/2015	
Prepared by	EMMONS		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Asset Management		
Capitalization ---	Outstanding Amounts	Reference			
Preferred (\$M)	0.0	% Insiders	% Institution		
Diluted Shares (M)	265.0	6.7	74.1		
Debt (\$M)	0.0	% to Tot Cap	0.0	% Pot Dil	2.8

# Stock Selection Guide

Symbol: TROW

## 1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2014 Quarter Ending (12/14)	Sales (\$M)	Earnings Per Share
Latest Quarter	1,022.4	1.19
Year Ago Quarter	929.8	1.04
Percentage Change	10.0%	14.5%



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 10.1% | (3) Historical Earnings Per Share Growth       | 11.7% |
| (2) Estimated Future Sales Growth | 11.0% | (4) Estimated Future Earnings Per Share Growth | 9.9%  |

## 2 EVALUATING Management

T. Rowe Price Group

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Last 5 Year Avg.
Pre-tax Profit on Sales	44.9%	47.3%	48.3%	37.6%	36.8%	45.2%	45.5%	47.5%	48.8%	50.3%	47.5%
% Earned on Equity	20.4%	20.7%	22.9%	18.9%	14.8%	19.8%	21.6%	22.6%	21.2%	22.3%	21.5%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

PRESENT PRICE 83.6

HIGH THIS YEAR 88.64

LOW THIS YEAR 71.78

		A	B	C	D	E	F	G	H
	Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
		High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
1	2010	65.4	43.0	2.53	25.9	17.0	1.08	42.8	2.5
2	2011	71.3	44.7	2.92	24.4	15.3	1.24	42.4	2.8
3	2012	67.0	54.5	3.39	19.8	16.1	1.36	40.2	2.5
4	2013	84.0	66.2	3.90	21.5	17.0	1.52	39.0	2.3
5	2014	88.6	71.8	4.60	19.3	15.6	1.76	38.3	2.5
	AVERAGE		56.0		22.2	16.2		40.5	
	CURRENT/TTM			4.59			2.08	45.4	
AVERAGE PRICE EARNINGS RATIO 19.2					CURRENT PRICE EARNINGS RATIO 18.2				

## 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 20.00 X Estimate High Earnings/Share 7.37 = Forecasted High Price \$ 147.4

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 16.00 X Estimate Low Earnings/Share 4.60 = Forecasted Low Price \$ 73.6

(b) Avg. Low Price of Last 5 Years 56.0

(c) Recent Market Low Price 66.18

(d) Price Dividend Will Support  $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{2.080}{2.50\%} = 83.2$

Selected Forecasted Low Price \$ 66.2

### C ZONING using 25%-50%-25%

Forecasted High Price 147.4 Minus Forecasted Low Price 66.2 = 81.2 Range. 25% of Range 20.3

Buy Zone 66.2 to 86.5

Hold Zone 86.5 to 127.1

Sell Zone 127.1 to 147.4

Present Market Price of 83.56 is in the **Buy** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{147.4 - 83.56}{83.56 - 66.2} = \frac{63.84}{17.38} = 3.7$  To 1

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

$\frac{\text{High Price} - \text{Present Market Price}}{\text{Present Market Price}} = \frac{147.4 - 83.56}{83.56} = 1.76$  X 100 = 176.40 - 100 = 76.4 % Appreciation

## 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.

A  $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{2.08}{83.56} = 0.02 = 2.5\%$  Present Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{40.5\%}{20.00} = 2.0\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{40.5\%}{18.00} = 2.3\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 12.0 %  
Average Yield 2.0 %  
Annualized Rate of Return 14.0 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 9.7 %  
Average Yield 2.3 %  
Annualized Rate of Return 11.9 %