

A ONE PAGE GUIDE TO THE STOCK SELECTION GUIDE

- 1 Debt should not exceed 30%. Be aware that certain industries vary.
- 2A Make sure data is the most recent you can get.
- 2B Figures should show growth or stability. Stop the study if most recent quarter shows significant decline.
- 3 Lines should be up, straight and parallel. Note EPS 5 Years from now is calculated.
STOP THE STUDY IF LINES DO NOT FIT THE MODEL!
- 4 Look at historical sales growth as a guide. Do not exceed 15% as a future estimate unless you have a good reason and never exceed 20%.
- 5 Look at historical EPS growth as a guide. Do not exceed sales growth.
- 6 Pre-Tax Profit Margins (cents earned on the dollar) should be stable or rising when compared to last 5 year's average.
STOP THE STUDY IF MARGINS ARE SIGNIFICANTLY BELOW LAST 5 YEAR'S AVERAGE!
- 7 Look for trends in last 5 year's High and Low PE values. Look for values that do not belong on the list and exclude them.
- 8 Look at last 5 year's average PE. Does it (or any of the PE values) make you gasp?
- 9 Compare 5 year average PE to current PE. Are you gasping?
- 10 Estimate High PE for next 5 years. Stay within your gasp level. Lower is more conservative.
- 11 Estimate Low PE for next 5 years. Be aware of average you have set. (Add your high estimate to your low estimate and divide by 2.)
- 12A Check last 4 quarters earnings.
- 12B Use last 4 quarters earnings as lowest possible earnings for next 5 years.
- 13 Choose option A for Low Price in next 5 years.
- 14 SSG should say BUY,
- 15 Up-side:Down-side Ratio should exceed 3:1.
- 16 Growth should meet expectations. Goal is to double your money in 5 years which means 100% growth.
- 17 Relative value should be between 70% and 110%. Do not buy when RV exceeds 110%. Be wary of stocks with RV less than 70%.
- 18 If stock pays a dividend, yield is recorded here.
- 19A Total return in order to double your money in 5 years needs to be 15%. TR means selling stock at your high estimated PE.
- 19B Potential Average Return means selling your stock at average PE that you set for next 5 years.

THE SSG IS NOT A "MAGIC BOX"! IT TAKES JUDGMENT, STUDY AND, ABOVE ALL, PRACTICE. IT IS MUCH MORE SOPHISTICATED THAN THIS BEGINNER'S "CHEAT" IMPLIES. THE FORM IS NOT INTENDED TO EVALUATE NON-GROWTH STOCKS AND YIELDS GIBBERISH IF USED INCORRECTLY OR UNWISELY. BE FOREWARNED! TAKE THE TIME TO BECOME ADEPT AT READING AND PREPARING THE SSG. IT WILL ULTIMATELY PAY OFF FOR YOU AND YOUR CLUB!



Stock Selection Guide[®]

The most widely used aid to good investment judgment

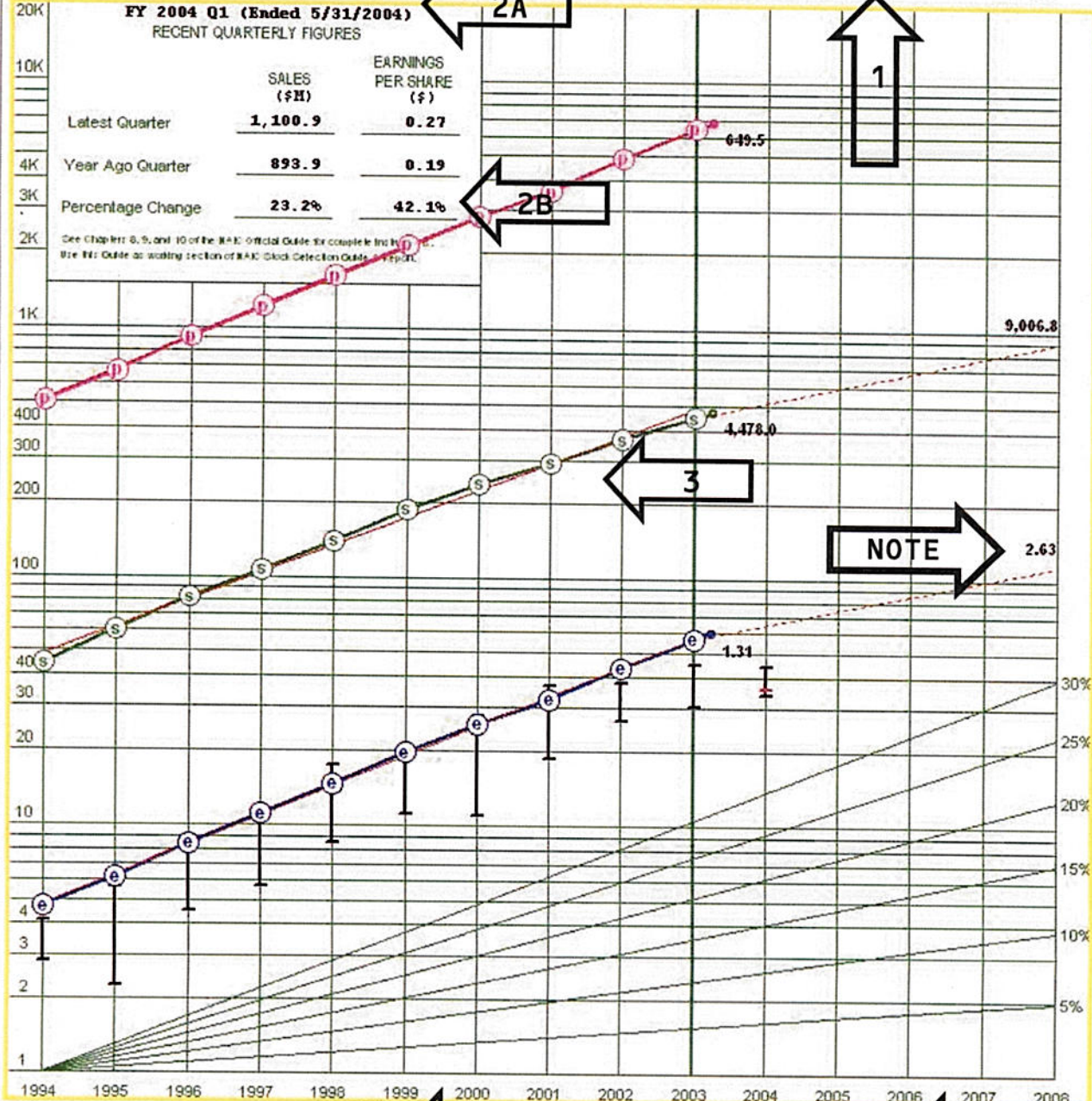
Company **BED BATH & BEYOND** Date **08/20/04**

Prepared by **KJK** Data taken from **NAIC Data**

Where traded **NASDAQ** Major product/service **Specialty S**

CAPITALIZATION -- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (H Shares)	300.6	6.0	82.6
Debt (\$M)	0.0	% to Tot. Cap.	0.0
		% Potential Dil.	None

I VISUAL ANALYSIS of Sales, Earnings and Price



(1) Historical Sales Growth	29.5%	(3) Historical Earnings Per Share Growth	31.7%
(2) Estimated Future Sales Growth	15.0%	(4) Estimated Future Earnings Per Share Growth	15.0%

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	YEAR AVG	UP	DOWN
A % Pre-tax Profit to Cash (Net Earnings Taxes + Cash)	11.6	11.1	11.1	11.4	11.6	1.5	11.68	12.7	13.4	14.5	12.7	UP	
B % Based on EBIT (EB + Book Value)	27.1	25.5	25.0	24.1	23.1	22.9	20.8	19.7	20.3	19.8	20.7		DOWN

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock price has fluctuated with earnings and dividends. It is a building block for projecting earnings into future stock prices.

Year	PRESENT PRICE		HIGH THIS YEAR		LOW THIS YEAR		Dividend Per Share	% Payout F ÷ C X 100	% High Yield F ÷ B X 100
	A PRICE	B PRICE	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share			
1 1999	19.7	11.2	0.46	43.3	24.7	0.000	0.0	0.0	
2 2000	27.8	11.0	0.59	47.1	18.6	0.000	0.0	0.0	
3 2001	36.5	18.7	0.74	49.4	25.3	0.000	0.0	0.0	
4 2002	37.9	26.7	1.00	37.9	26.7	0.000	0.0	0.0	
5 2003	45.0	30.2	1.31	34.4	23.0	0.000	0.0	0.0	
6 TOTAL		97.8		212.1	118.3		0.0		
7 AVERAGE		19.6		42.4	23.7		0.0		
8 AVERAGE PRICE EARNINGS RATIO			33.1						
9 CURRENT PRICE EARNINGS RATIO								25.8	

Proj. P/E [22.42] Based on Next 4 qtr. EPS [1.60]

Current P/E Based on Last 4 qtr. EPS [1.39]

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one reaction and one business cycle 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

40 High P/E \times Estimate High Earnings/Share = 2.63 = Forecast High Price \$ 78.9

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E \times Estimated Low Earnings/Share = 1.31 \times 1.39 = \$ 27.8

(b) Avg. Low Price of Last 5 Years = 26.7

(c) Recent Severe Market Low Price = 26.7

(d) Price Dividend Will Support = 12B
Selected Estimate Low Price = 27.8

C ZONING

78.9 High Forecast Price Minus 27.8 Low Forecast Price Equals 51.1 Range, 1/3 of Range = 12.8

(A) Lower 1/3 = 27.8 to 40.6 (Buy)

(B) Middle 1/3 = 40.6 to 66.1 (Maybe)

(C) Upper 1/3 = 66.1 to 78.9 (Sell)

Present Market Price of 35.840 in the 14 Buy Range

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

High Price 78.9 Minus Present Price 35.840 = 43.1
Present Price 35.840 Minus Low Price 27.8 = 8.0 = 5.4 To 1

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

High Price 78.9 = (2.201) \times 100 = (220.1) = 120.1 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to give an estimate of total return. It provides a means for comparing income and growth stocks.

A Present Full Year's Dividend \$ 0.000
Present Price of Stock \$ 35.840 = 0.000 \times 100 = 0.0 Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS
Avg. Earnings Per Share Next 5 Years 1.99 \times Avg. % Payout 0.0 = 0.0 %

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS
5 Year Appreciation Potential 120.1
Average Yield 24.0 %
Average Total Annual Return Over the Next 5 Years 0.0 %
% Compd Ann Ret of Ret 17.1%