

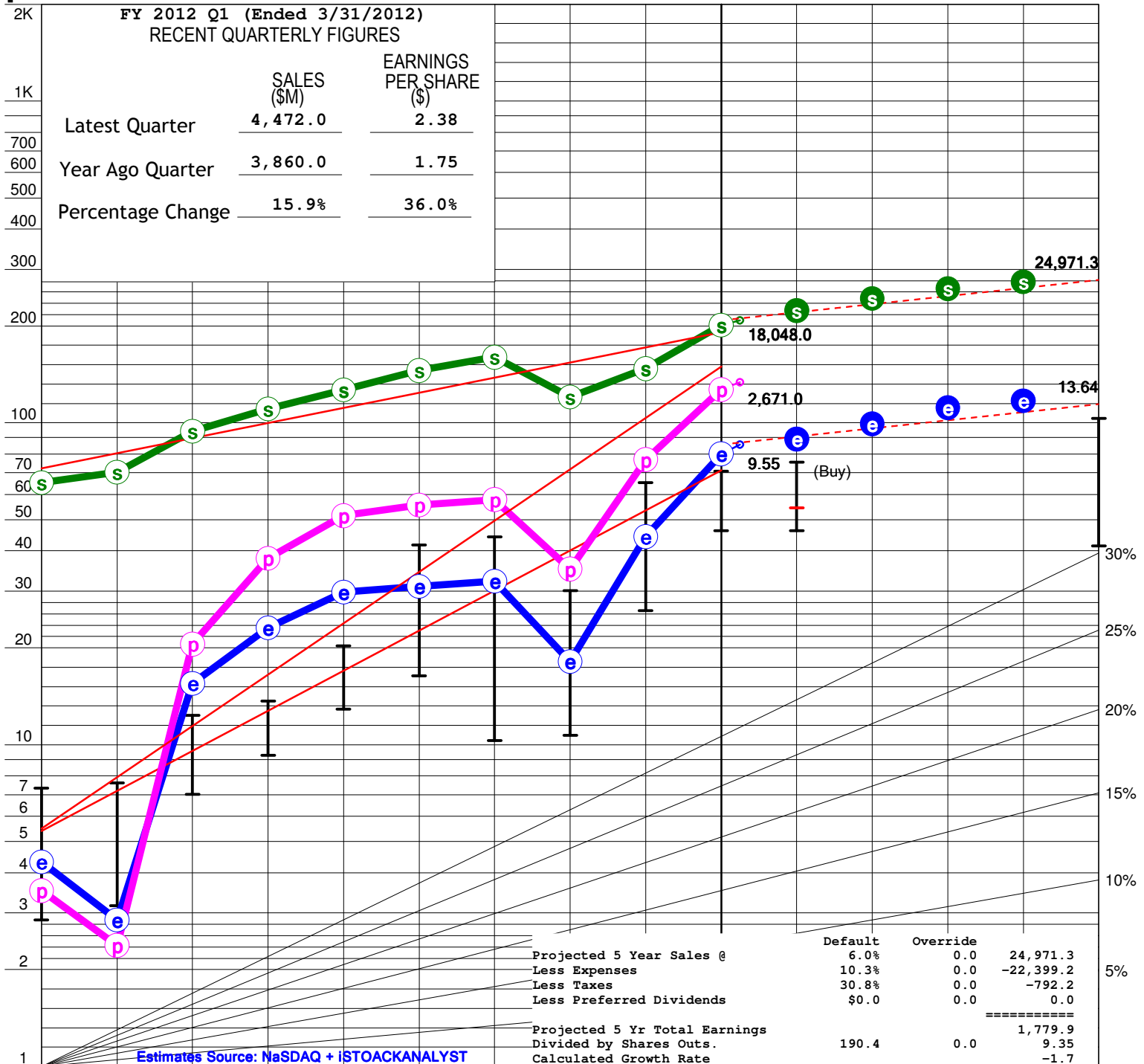


Stock Study

Company	Cummins	Price Date	06/13/12
Study by	Jo Murphy	Data Date	06/13/12
Sector	Industrials	Data Source	StkCntrl
Industry	Diversified Industrials	Reference	Morningsta
Preferred(\$M)	0.0		
Common(M Shares)	190.4	% Insiders	0.8
Debt(\$M)	683.0	% Institutions	90.9
% Debt to Tot.Cap.	11.2	Quality	2.6 (Take Stock)

1 Growth Analysis

NYSE: CMI



(1) Historical Sales Growth	11.4 %	(3) Historical Earnings Per Share Growth	33.2 %	www.iclub.com
(2) Estimated Future Sales Growth	6.0 %	(4) Estimated Future Earnings Per Share Growth	6.0 %	
(5) Sales Growth R ²	0.83	(6) Earnings Per Share Growth R ²	0.72	

2 QUALITY ANALYSIS

Company **Cummins** (CMI)

06/13/12

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	1.3	0.8	5.1	8.0	9.5	9.0	8.5	6.8	12.2	14.8	10.3	UP
B % ROE (Beginning Yr)	19.4	6.7	32.9	35.8	35.7	27.7	22.8	13.5	28.2	40.4	26.5	UP
C % Debt to Equity	128.1	156.5	100.1	68.9	25.4	16.6	20.1	17.2	15.3	12.0	16.2	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) 93.65 (9.2) 52-WEEK HIGH (P/E) 129.51 (12.7) 52-WEEK LOW (P/E) 79.53 (7.8)

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2007	71.7	28.2	3.70	19.4	7.6	0.430	11.6	1.5
2 2008	76.0	17.7	3.84	19.8	4.6	0.600	15.6	3.4
3 2009	51.7	18.3	2.16	23.9	8.5	0.700	32.4	3.8
4 2010	111.9	44.8	5.28	21.2	8.5	0.875	16.6	2.0
5 2011	121.5	79.5	9.55	12.7	8.3	1.325	13.9	1.7
6 AVERAGE		37.7		19.4	7.5		18.0	
AVERAGE P/E RATIO		13.4	PROJECTED P/E RATIO		8.7	TTM EPS		10.19
CURRENT P/E RATIO		9.2	PEG RATIO		1.4	FTM EPS		10.80
RELATIVE VALUE		68.7	PROJ. RELATIVE VALUE		64.7	AVG TTM + FTM EPS		10.50

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~19.4~~ 13.0 X Estimated High Earnings/Share 13.64 = Forecast High Price \$ 177.3

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E ~~7.5~~ 7.0 X Estimated Low Earnings/Share ~~9.55~~ 10.19 = \$ 71.3

(b) Average 5-Year Low Price = 37.7

(c) Recent Severe Low Price = 44.8

(d) Price Dividend Will Support = Present Divd. + High Yield = 1.600 + 0.038 = 41.8

Selected Estimated Low Price = \$ 71.3

C PRICE RANGES

Forecast High Price 177.3 - Estimated Low Price 71.3 = Range 106.0 25% of Range = 26.5

BUY (Lower 25% of Range) = 71.3 to 97.8

MAYBE (Middle 50% of Range) = 97.8 to 150.8

SELL (Upper 25% of Range) = 150.8 to 177.3

Current Price 93.650 is in the Buy Range

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

(Forecast High Price 177.3 - Current Price 93.650) + (Current Price 93.650 - Estimated Low Price 71.3) = 3.7 To 1

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend \$ 1.600 ÷ Current Price of Stock \$ 93.650 = 1.7 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout 18.0 ÷ Forecast High P/E 13.0 = Avg. Yield 1.4

AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout 18.0 ÷ Forecast Avg P/E 10.0 = Avg. Yield 1.8

C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E

Average Yield 1.4 % + Annual Appreciation 13.6 % = Compound Annual Total Return 15.0 %

D % PROJECTED AVERAGE RETURN - USING FORECAST AVERAGE P/E

Average Yield 1.8 % + Annual Appreciation 7.8 % = Projected Average Total Return 9.6 %

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NOTES:=====

Large Company: Industrials: Heavy Truck & Equip.
Rivals: Caterpillar, Navistar, Volvo
Morningstar: FV=100, Buy at \$60
Manifest Investing: Average PE 11, sales growth est. 6.6, net profit margin 8.9 vs. VL's 9.9%, Quality 63. Est. EPS of 13.81 vs. VL's \$15. Total return of 10.8%, vs. VL's 15%.
BI Mag.'s undervfalueed stock June/July 2012.
S&P sees \$152 as 12-month target price. (6/18 price \$93.) Fair Value \$96.30.
PE's: VL estimates 14.5, MI 11, S&P 14.
MY Total Return = 15 and PAR 9.6.

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