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Investor Advisory SERVICE

July 2010

STRYKER CORPORATION (SYK)

Fiscal Year ends December 31

Recent Price	50.29	**ESTIMATES**	
Buy up to	58	E/S Growth	4%
52 Week Price Range	37.14 to 59.72	Dividend Payout Ratio	18%
Quality	Highest	**5 YEAR RISK REWARD ESTIMATE**	
Current Yield	1.2%	Price Gain	180% to 141
Shares Outstanding	396.7 Mil.	Risk of Loss	39% to 31
Total Debt	$1023.8 Mil.	Potential Gain/Loss	4.7 to 1

EARNINGS PER SHARE & P/E RATIOS

FISCAL YEAR	E/S	P/E RATIO	RV	P/E AS % GROWTH
Dec. 2009	2.77	18.2	81	130
Dec. 2010 (Est.)	3.28	15.3	76	109
Dec. 2011 (Est.)	3.68	13.7	60	98

While medical stocks are generally considered to be much more recession-resistant than most sectors, if the economy is bad enough, even these companies can be affected. **Stryker Corporation** has one of the most steady, reliable growth histories in the market. However, **Stryker**, too, has been affected by the present economic softness so that growth has slowed—but not stopped. This is primarily because 40% of the company's sales come from medical-surgical products sold to hospitals. However, the company's medical-surgical sales were down 5% in 2009, as hospitals held off buying anything they could possibly get along without because of the present economic problems.

The company's business in orthopedic implants, which is 60% of revenues, is much less affected. If you need an artificial knee, you need an artificial knee, regardless of the economy. Orthopedic sales increased enough that the company's overall sales were actually up 7% in 2009 excluding the effects of acquisitions, in spite of the softness in medical-surgical , Sales are also up

9% for the first quarter of 2010.

Stryker Corporation has maintained an earnings per share growth trajectory of 20% for many years. This is an extraordinary, almost unique, achievement. The first question that almost automatically comes to mind is whether it will be able to re-establish this growth level in the future. The company provides guidance indicating that it expects to continue growth for the foreseeable future with sales growth in the low double-digits and EPS growing at a rate several percent higher.

We see future growth being driven both by ongoing longer life spans and by broader recognition of the benefits of the company's products. We are just now seeing the first wave of the baby boom generation reach the retirement age at which orthopedic prostheses are often required. The surge of aging baby boomers should have an impact for a considerable number of years.

Besides the demand coming from an aging population, sales of orthopedic appliances are increasing because of people's greater familiarity and acceptance. At one time, implanting an artificial hip or knee was an extraordinary and radical concept to be considered only because of extreme need. Now it is nearly routine and regularly considered an appropriate measure for much more moderate problems at an earlier stage.

The company has been known for product innovation, although new developments tend to be more a matter of evolutionary improvement rather than radical new changes. The company continues to look for acquisitions, primarily to diversify its product line, particularly with the goal of entering higher growth fields. The company has low debt and is thus in a position to make attractive acquisitions. About 36% of the company's sales are international. This offers the investor the advantage of international diversification in an easily achieved form.

In calculating expectations for the future, we are faced with a conundrum in that we certainly expect that results will improve from the recession-affected numbers of the last year. However, we would not want to assume that growth will revert back to a 20% level without real evidence. Value Line states that it expects EPS to grow about 17% this year.

In the effort to be conservative, we used an earnings growth rate of 14% in our calculations for future growth giving a potential high price of 141. For a possible low price, we used 31, the lowest price the stock has reached in recent years even though that was under severe recessionary conditions. Calculations based on these numbers produce a 4.7 to 1 ratio of potential gain versus risk of loss. We consider **Stryker** one of the highest quality stocks available in the market with excellent potential for ongoing growth and a reasonable stock price.

Stryker Corporation is traded on the NYSE under the symbol **SYK**.

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Stock Study

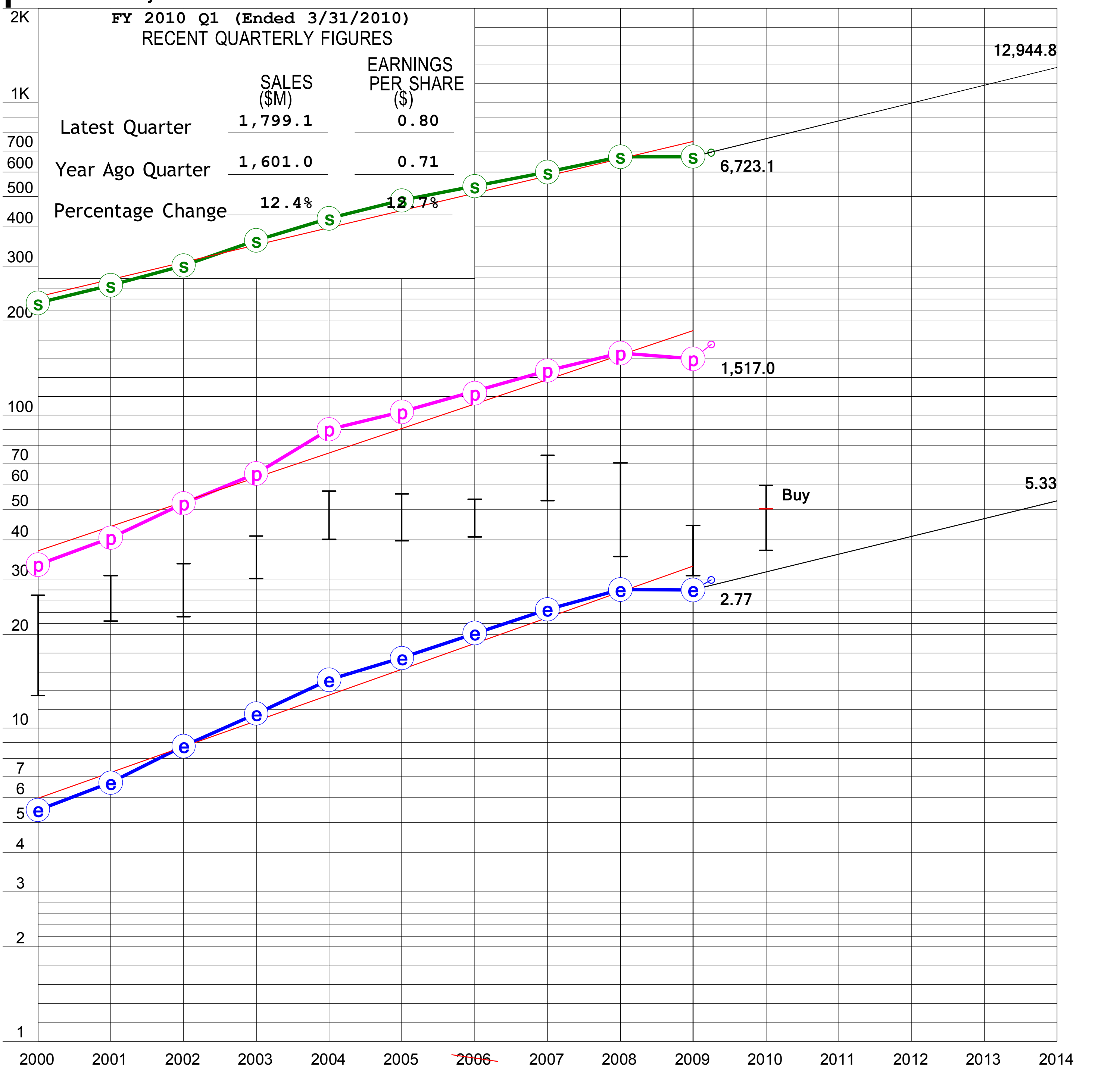
Company STRYKER CORP		Price Date	06/11/10
Study by IAS		Data Date	06/11/10
Sector		Data Source	StkCntrl
Industry Medical Instruments & Su		Reference	
Preferred($M)	0.0		
Common(M Shares)	396.7	% Insiders	14.8
Debt($M)	1,023.8	% Institutions	61.5
% Debt to Tot.Cap.	13.9	Quality 1.0 (IAS)	

1 Growth Analysis

NYSE: SYK

FY 2010 Q1 (Ended 3/31/2010)
RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	1,799.1	0.80
Year Ago Quarter	1,601.0	0.71
Percentage Change	12.4%	12.7%



(1) Historical Sales Growth	13.5 %	(3) Historical Earnings Per Share Growth	20.9 %
(2) Estimated Future Sales Growth	14.0 %	(4) Estimated Future Earnings Per Share Growth	14.0 %
(5) Sales Growth R^2	0.98	(6) Earnings Per Share Growth R^2	0.98

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2 QUALITY ANALYSIS

Company STRYKER CORP (SYK) 06/11/10

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	14.6	15.6	17.4	18.0	21.2	21.1	21.8	23.2	23.5	22.6	22.4	EVEN
B % ROE (Beginning Yr)		30.7	32.7	29.5	26.5	24.5	25.1	23.4	21.2	20.5	22.9	DOWN
C % Debt to Equity	100.0	66.3	31.9	0.9	0.0	5.6	0.0	0.0	0.4	0.0	1.2	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 50.290 52-WEEK HIGH 59.720 52-WEEK LOW 37.140

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2005	56.1	39.8	1.68	33.4	23.7	0.090	5.4	0.2
2	2006	53.9	40.9	2.02	26.7	20.3	0.110	5.5	0.3
3	2007	74.5	53.3	2.40	31.1	22.2	0.220	9.2	0.4
4	2008	70.6	35.4	2.78	25.4	12.7	0.400	14.4	1.1
5	2009	44.5	30.8	2.77	16.1	11.1	0.400	14.4	1.3
6	AVERAGE		40.0		26.5	18.0		9.8	

AVERAGE P/E RATIO	22.3	PROJECTED P/E RATIO	14.8	TTM EPS	2.98
CURRENT P/E RATIO	16.9	PEG RATIO	1.1	FTM EPS	3.40
RELATIVE VALUE	75.8%	PROJ. RELATIVE VALUE	66.4%		

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E 26.5 X Estimated High Earnings/Share 5.33 = Forecast High Price $ 141.2

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E 18.0 (as adj.) X Estimated Low Earnings/Share 2.77 = $ 49.9

(b) Average 5-Year Low Price = 40.0

(c) Recent Severe Low Price = 30.8

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 0.600 ÷ 0.013 = 46.2

Selected Estimated Low Price = $ 30.8

C PRICE RANGES

Forecast High Price 141.2 - Estimated Low Price 30.8 = Range 110.4 25% of Range = 27.6

BUY (Lower 25% of Range) = 30.8 to 58.4

MAYBE (Middle 50% of Range) = 58.4 to 113.6

SELL (Upper 25% of Range) = 113.6 to 141.2

Current Price 50.290 is in the Buy Range

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

(Forecast High Price 141.2 - Current Price 50.290) ÷ (Current Price 50.290 - Estimated Low Price 30.8) = 4.7 To 1

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend $ 0.600 ÷ Current Price of Stock $ 50.290 = 1.2 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 4.10 X Avg. % Payout 9.8) ÷ Current Price $ 50.290 = 0.8 %

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.4 % + Annual Appreciation 22.9 % = Compound Annual Total Return 23.3 %