



# Stock Selection Guide®

The most widely used aid to good investment judgment

Company JOHNSON CONTROLS INC SP Date 12/22/03

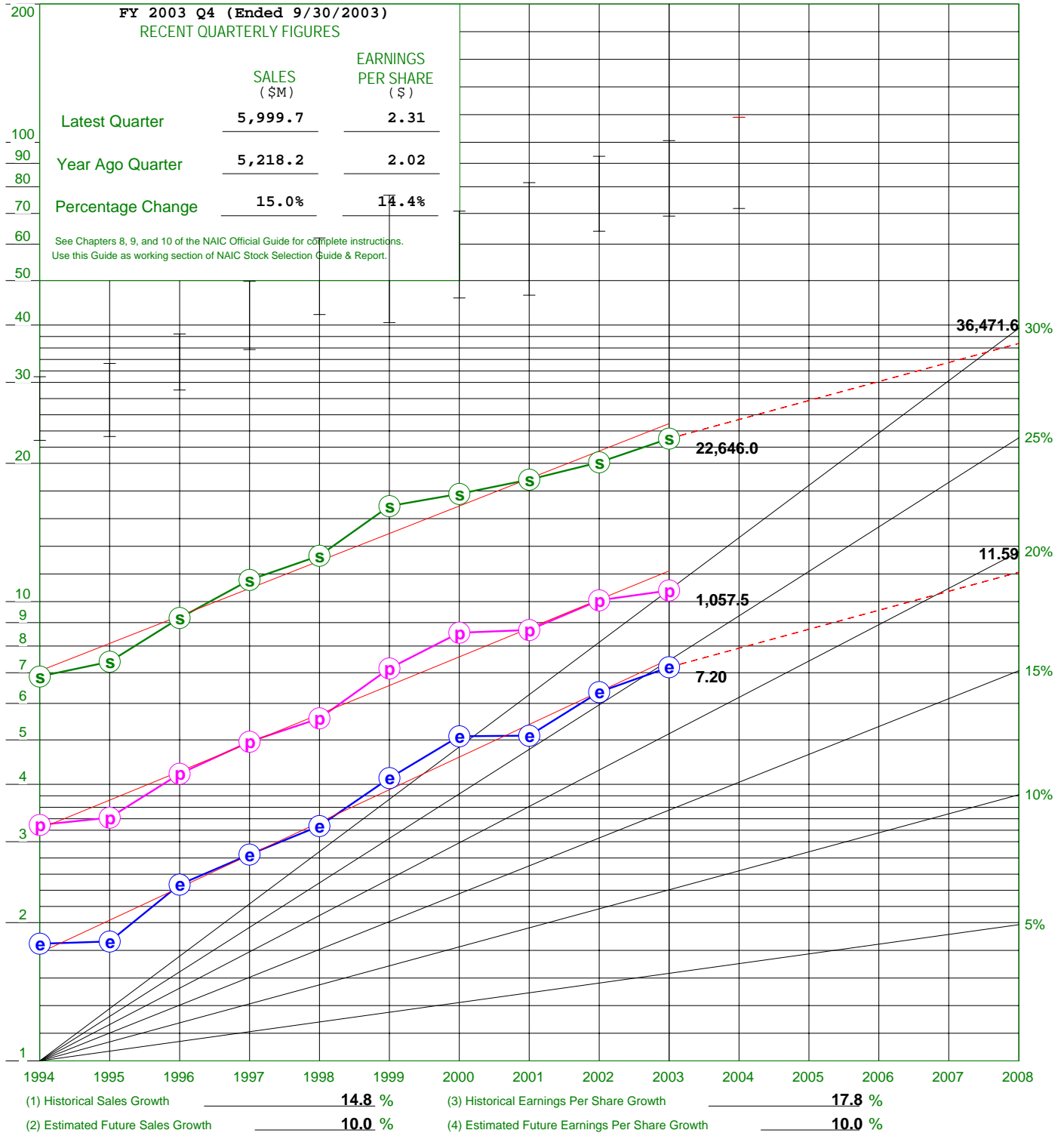
Prepared by jah Data taken from M

Where traded NYSE Major product/service Auto & Truc

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	90.0	0.0	0.0
Debt (\$M)	2,354.9	% to Tot.Cap.	35.7 % Potential Dil.
			None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

JCI



## 2 EVALUATING MANAGEMENT

Company **JOHNSON CONTROLS INC SP (JCI)**

12/22/03

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	4.8	4.6	4.6	4.4	4.4	4.4	5.0	4.7	5.0	4.7	4.8	EVEN	EVEN
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	14.2	12.7	14.8	15.2	15.2	16.5	17.8	15.5	16.5	15.3	16.3		DOWN

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

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

Year	PRESENT PRICE		HIGH THIS YEAR		LOW THIS YEAR		TREND			
	A	B	C	D	E	F	G	H		
	PRICE	PRICE	Earnings Per Share	Price Earnings Ratio	Price Earnings Ratio	Dividend Per Share	% Payout	% High Yield		
				HIGH	LOW		F ÷ C X 100	F ÷ B X 100		
				A ÷ C	B ÷ C					
1	1999	76.7	40.5	4.13	18.6	9.8	1.000	24.2	2.5	
2	2000	70.8	45.8	5.09	13.9	9.0	1.120	22.0	2.4	
3	2001	81.7	46.4	5.11	16.0	9.1	1.240	24.3	2.7	
4	2002	93.2	64.1	6.35	14.7	10.1	1.320	20.8	2.1	
5	2003	100.9	69.1	7.20	14.0	9.6	1.440	20.0	2.1	
6	TOTAL		265.9		77.2	47.6		111.3		
7	AVERAGE		53.2		15.4	9.5		22.3		
8	AVERAGE PRICE EARNINGS RATIO			12.4	9 CURRENT PRICE EARNINGS RATIO			15.8		

## 4 Proj. P/E [14.33] Based on Next 4 qtr. EPS [7.91] Current P/E Based on Last 4 qtr. EPS [7.19] 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 15.4 (3D7 as adj.) X Estimate High Earnings/Share 11.59 = Forecast High Price \$ 178.5 (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 9.5 (3E7 as adj.) X Estimated Low Earnings/Share 7.20 = \$ 68.4

(b) Avg. Low Price of Last 5 Years = 53.2 (3B7)

(c) Recent Severe Market Low Price = 64.1

(d) Price Dividend Will Support 1.800 Present Divid. = 67.4  
High Yield (H) 0.027

Selected Estimate Low Price = \$ 47.8 (4B1)

### C ZONING

178.5 (4A1) High Forecast Price Minus 47.8 (4B1) Low Forecast Price Equals 130.7 (C) Range. 1/3 of Range = 32.7 (4CD)

(4C2) Lower 1/3 = 47.8 (4B1) to 80.5 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 80.5 to 145.8 (Maybe)

(4C4) Upper 1/3 = 145.8 to 178.5 (4A1) (Sell)

Present Market Price of 113.300 is in the Hold (4C5) Range

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

High Price (4A1) 178.5 Minus Present Price 113.300 = 65.2 = 1.0 To 1  
Present Price 113.300 Minus Low Price (4B1) 47.8 = 65.5 (4D)

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

High Price (4A1) 178.5 = ( 1.575 ) X 100 = ( 157.5 ) - 100 = 57.5 (4E) % Appreciation  
Present Market Price 113.300

Relative Value: 127.4% Proj. Relative Value: 115.5%

## 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 Present Full Year's Dividend \$** 1.800 Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.  
Present Price of Stock \$ 113.300 = 0.016 X 100 = 1.6 (5A) Present Yield or % Returned on Purchase Price

**B AVERAGE YIELD OVER NEXT 5 YEARS**  
Avg. Earnings Per Share Next 5 Years 9.58 X Avg. % Payout (3G7) 22.3 = 213.6 = 1.9 (5B) %  
Present Price \$ 113.300

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

		P.A.R.	Tot. Ret.
5 Year Appreciation Potential (4E)	<u>57.5</u>		
Average Yield (5B)	<u>1.9</u> %	<u>1.8</u> %	<u>1.4</u> %
Average Total Annual Return Over the Next 5 Years (5C)	<u>13.4</u> %	<u>5.2</u> %	<u>10.0</u> %
		% Compd Ann Rate of Ret	<u>7.0</u> %
			<u>11.4</u> %

Trailing 4 quarters

# PERT Worksheet-A Graph

Company JOHNSON CONTROLS INC SP

(JCI)

