HollAnd Advisors

Holland Views

Better get a bucket

In his 2009 Annual Report Buffett gave us a new colloquialism *'Big opportunities come infrequently. When it is raining gold reach for a bucket, not a thimble.'*

Today's Big Opportunity

Against bond yields many equities look cheap. Some are likely to be deceptively so, others will be bargains. Our, and your, job is to distinguish between these two contrasting outcomes. In a recent piece on inflation, deflation and what to own under each scenario, we outlined the type of companies investors could buy with greater confidence whichever outcome prevails. Following on from that, we thought we might put our necks on the line to suggest how much we think you will make if you follow our advice in doing so. This we will do shortly for Coke, Tesco, Wal-Mart and Becton Dickinson. In the US stock market today, and globally, there is a huge list of companies that could arguably be looked at in similar fashion. They include Pepsico, State Street, Johnson + Johnson and Colgate just to name a few. In the UK we would be prepared to look at Greggs and a few others in this way too. For now we will stick with the four mentioned as they all have long track records, businesses that have changed little and to us look very cheap indeed.

Looking backwards to look forwards

Below we list the gain in the share price along with total return received by investors after dividends for the four companies over differing investment periods:

Figure 1: Historic Total Returns

Company	Start Date	Annualised Share price gain	Annualised Total Return
Coke	Jan 1989	11.4%	12.9%
Tesco	Feb 1992	9.2%	10.7%
Wal-Mart	June 2007	1.0%	3.0%
Becton	May 1993	13.9%	14.8%

Source: Capital IQ / Holland Advisors

The more cynical amongst you will be thinking that we have used different start dates so as to flatter our result in each case. Far from it. We have done so because at these dates in history these companies were valued on as similar multiples to today as we could find. This means that the performance numbers (excluding Wal-Mart) shown do not include any re-rating or de-rating of the shares. For Wal-Mart the returns shown are not that helpful but this is due to the fact that Wal-Mart has not been rated this low…ever.

Figure 2: Historic multiples

	P/E		EV/EBIT	
Company	Start date	Today	Start date	Today
Coke($52)	15.7x	16.9x	12.7x	13.5x
Tesco(390p)	12.6x	12.9x	11.0x	12.6x
Wal-mart($48)	16.6x	12.6x	11.0x	9.4x
Becton D.($70)	13.5x	13.0x	9.9x	9.6x

Source: Capital IQ / Holland Advisors

By using periods where the share ratings have remained largely constant, the equity investors' total capital return is similar to the rise in book value per share for each of these companies + the dividend income they received. I.e. the return investors received was as if they were private owners of a little piece of the underlying business.

We should bear in mind that book value per share includes all the funnies that companies put though into their accounts on occasions – exceptional charges, provisions, overpaying for acquisitions and subsequent write downs and of course any debt built up as well. As a result whilst there are other companies who have compounded book value at similar rates sadly there are many many more who have not.

So how were these rises in Book Value and Dividends achieved?

We purposefully chose four companies who have not significantly changed their businesses in the periods shown. As such it is simple to see how such rises in the book value per share and dividend were achieved.

Figure 3: Returns on Equity and Payout ratios

Company	Start Date ROE	Today's ROE	Avg Payout Ratio	Avg % ROE Retained
Coke	39%	30%	56%	15%
Tesco	16%	17%	39%	10%
Wal-Mart	20%	21%	27%	15%
Becton D.	5%	24%	26%	11%

Source: Capital IQ / Holland Advisors

Three things determined the speed that their book values were able to grow at:

- The level of profit (return on equity)
- The amount of profit retained by the group (i.e. 1- payout ratio)
- The ability to deploy these retained earnings at the same high rates of return in the future as were available in the past

It is this last point that many investment theory experts struggle with. They insist we must use such things as fade rates to cost of capital or something similar. This is where the difference comes in between theory and practice. Also between picking an extremely high quality and hard to replicate franchise and just any ordinary company with currently good returns. In these quality franchises we are more than happy with the reasons why their premium returns can be sustained. We passionately believe this is what Warren and his friends do and what we think all investors need to be able to ascertain. Once we have, compounding and buying at the right price will do the rest. To counter the theorists, in the appendix we include models which show the actual annual rise in book value achieved by each company in the past as testament to their ability to constantly beat the fade.

Has much changed in these companies or their shares?

A detailed look at the attached models for each of these companies will hopefully show you how little their fundamentals have changed over the period in question. Whilst easy to observe it is all the more remarkable when you consider the extremes of consumer, political and investment cycle changes that have occurred over this time.

So what are our predictions?

Being a brave and wise bunch (hic!) we will predict the following:

- Almost nothing will change in the fundamental business models of each of the companies over the next five years
- More precisely:-
  - EBIT margins will not rise, or fall, that much
  - Each company's capital structure will not be that different
  - Most importantly we don't think the returns they make for the shareholders will have altered much either

The Magic Dust: Re-investment and compounding

With such a boring prediction above it may therefore surprise you to know what we think the annual return an investor who buys each of these shares today will make is:

Figure 3: Consistent rating projected return

Company	Projected annualised total return
Coke	16%
Tesco	12%
Wal-Mart	15%
Becton	17%

Source: Capital IQ / Holland Advisors

We realise that you are used to reading brokers fiction for hours on end each day and therefore are likely to discount such predictions as erroneous as anyone else's price targets. Maybe a couple of qualifications to these forecasts will help.

- None assume ROE's rise from today's level
- None assume margins rise from today's level
- None assume any share price valuation re-ratings at all from today's levels

The reality is even better

In truth we believe there is a higher likelihood that the following annual returns will be right:

Figure 4: Projected return with justified re-rating

Company	Projected annualised total return
Coke	16%
Tesco	16%
Wal-Mart	18%
Becton	19%

Source: Capital IQ / Holland Advisors

The reason these returns are higher still is because they assume a return to historic P/E's of 15x for Wal-Mart and Tesco and Becton Dickinson. I.e. that their Price/Book valuation in the future will better represent the ROE's they produce. Whilst our projected returns remain the same for Coke, even further upside could be argued as a re-rating in its P/E could easily be justified as it also trades on a multi decade P/E and Price Book low. The above 16% expected returns for Coke assume it stays on its current PE of 17x historic profits. A re-rating to past PE's(c.20x) averaged for the last 20 years would suggest it will compound as an investment at 18% pa. It is interesting to note that in each case the bulk of the returns we project are a function of asset growth not re-rating. Two further refinements could be made to adjust for:

- The fact that Becton is more than just a mere compounder as its returns on capital and equity are gradually increasing over time (not in our assumption). I.e. we should be assuming higher future returns
- And for Tesco where we have assumed future returns on equity to be 17%. This is today's level but arguably is depressed by US investment and losses. Adjusting for this would suggest an ROE of 19% and a higher likely investment return as a result.

For each of these companies we have included a one page model and a sample of P/E and Price/ book charts in the appendix. Comparing each will make you realise that you are not alone in owning a mega-cap stock that has de-rated ie that this is not as stock specific problem but a thematic one. The reason for which we can discuss at more length but the opportunities it offers us are unchanged.

Most of you will have by now hopefully understood how we achieve these projections and why we have such confidence in them. The power of reinvestment back into a strong proven business model, compounded over many years, is very significant. It is also highly under-appreciated. That the companies above have shown they have the ability to do this over a long time period gives us increased confidence in their ability to do so in the future. That we are then able to make returns 4-5x that available in Government bonds with almost no change in business conditions we find compelling.

Three things investors should do now:

Number 1: Invert

Rather than trying to understand what makes each of these four companies great or worrying about fade rates and other such theory, try to think about how you could construct a business to compete with them and why this has not been achieved by others before now.

Number 2: Look in the mirror

Before dismissing the 16%+ pa return available now in Coke or the 19% returns available in Becton Dickinson, maybe we should all take a look in the mirror. Can we really beat that return? Have we beaten it in the past without cherry picking our years or our use of leverage? Imagine making a single investment that you never had to touch and never had to pay another commission to brokers again on, which really compounded at these rates.

Number 3: Grab the biggest bucket you can find

Each of you has your own benchmarks and restrictions but we strongly suggest that such opportunities are ones for buckets not thimbles.

Last word

We repeat the concluding sentence of our recent piece which discussed what to own in inflation or deflation… In 1974 just after the Oil Crisis, Buffett was asked about investing while things looked so bleak. He responded thus: "*Look, I can't construct a disaster proof portfolio. But if you're only worried about corporate profits, panic or depression, these things don't bother me at these prices*". He went on *"now is the time to invest and get rich"*. I have chosen to underline the key words I think we should all reflect on.

We would be delighted to discuss each of these companies in more detail and to explain our expected returns on request.

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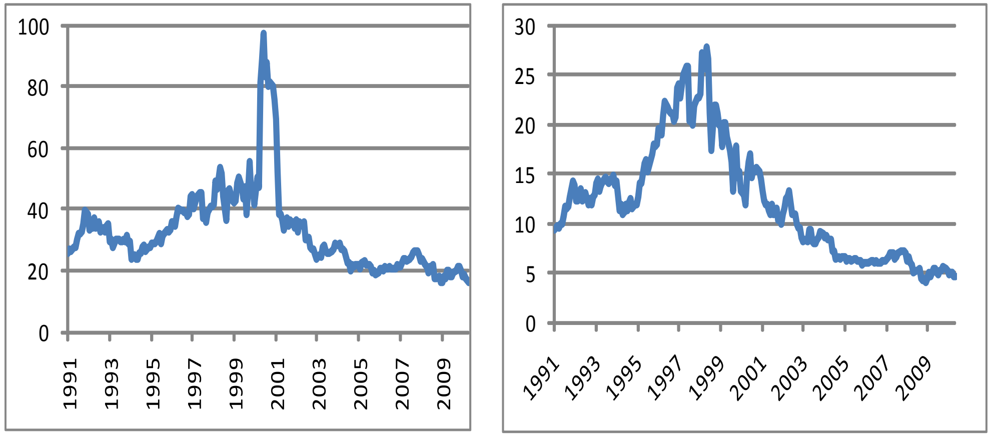
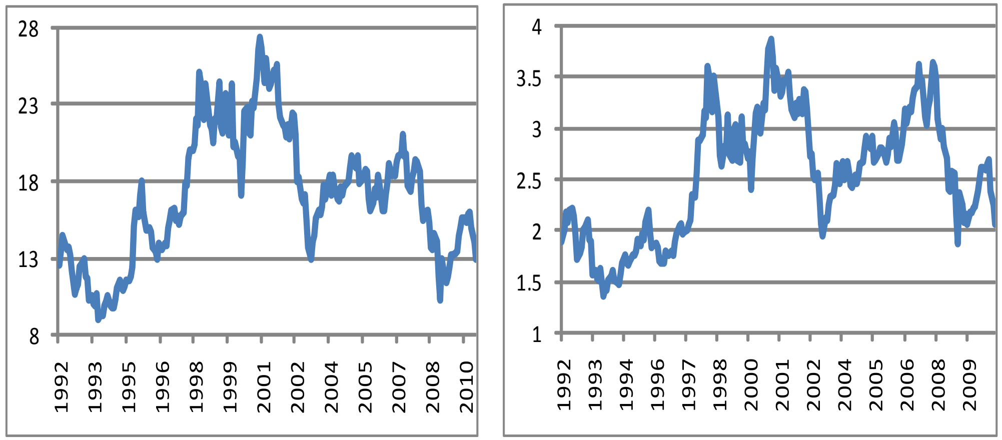


PE ↑ Coke ↑ P/BV



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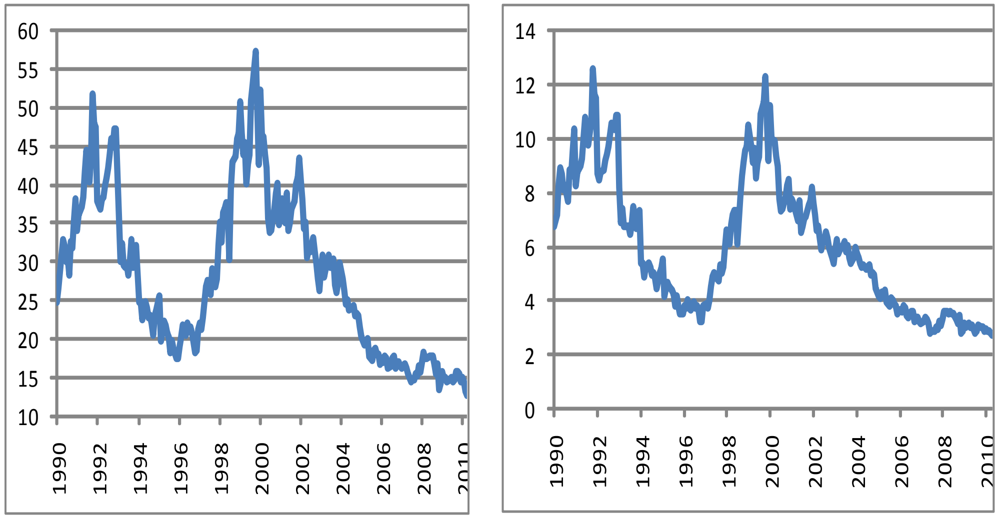
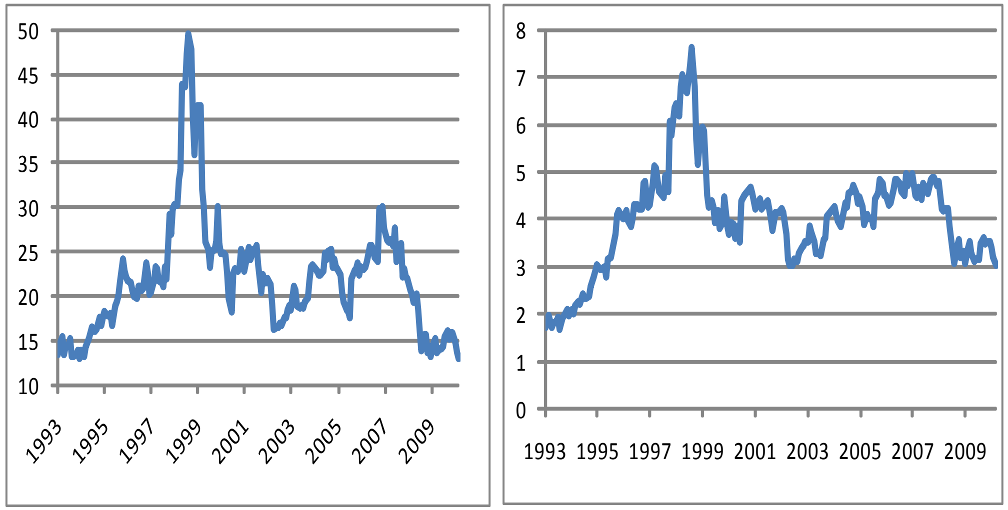


PE ↑ Wal-Mart ↑ P/BV



PE ↑ Becton Dickinson ↑ P/BV

Source: Capital IQ/Holland Advisors

THE COCA-COLA COMPANY (NYSE:KO)

	Average	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991	FY1990	FY1989
Working capital		1,417	740	624	229	148	401	(66)	321	707	223	185	395	(179)	243	(290)	(420)	(143)	(31)	74	355	196
EBIT		8,544	8,796	7,520	6,497	6,123	6,178	5,730	5,458	5,352	5,134	3,982	5,040	5,001	3,915	4,026	3,637	3,108	2,770	2,319	1,952	1,726
Net Income		6,824	5,807	5,981	5,080	4,872	4,847	4,347	3,050	3,969	2,177	2,431	3,533	4,129	3,492	2,986	2,554	2,176	1,664	1,618	1,382	1,724
S.Equity		24,799	20,472	21,744	16,920	16,355	15,935	14,090	11,800	11,366	9,316	9,513	8,403	7,274	6,156	5,392	5,235	4,584	3,888	4,239	3,849	3,485
Sales		30,990	31,944	28,857	24,088	23,104	21,742	20,857	19,564	17,545	17,354	19,284	18,813	18,868	18,673	18,127	16,181	13,963	13,074	11,572	10,236	8,622
Sales Growth	6.9%	-3.0%	10.7%	19.8%	4.3%	6.3%	4.2%	6.6%	11.5%	1.1%	-10.0%	2.5%	-0.3%	1.0%	3.0%	12.0%	15.9%	6.8%	13.0%	13.0%	19%	7%
WC % Sales		5%	2%	2%	1%	1%	2%	0%	2%	4%	1%	1%	2%	-1%	1%	-2%	-3%	-1%	0%	1%	3%	2%
WC % Net Income		21%	13%	10%	5%	3%	8%	-2%	11%	18%	10%	8%	11%	-4%	7%	-10%	-16%	-7%	-2%	5%	26%	11%
EBIT Margin	25%	27.6%	27.5%	26.1%	27.0%	26.5%	28.4%	27.5%	27.9%	30.5%	29.6%	20.6%	26.8%	26.5%	21.0%	22.2%	22.5%	22.3%	21.2%	20.0%	19.1%	20.0%
Unlevered Net Tangible assets		19,709	16,578	19,569	16,616	15,549	15,725	14,891	13,917	13,374	12,520	13,368	12,613	10,065	9,741	8,357	7,588	6,895	6,390	5,815	5,215	4,643
Total LT Assets		31,120	28,343	31,164	21,522	19,222	19,160	18,946	17,054	15,246	14,214	15,143	12,765	10,912	10,251	9,591	8,668	7,587	6,804	6,045	5,135	4,679
Gwth rate in Lterm assets		10%	-9%	45%	12%	0%	1%	11%	12%	7%	-6%	19%	17%	6%	7%	11%	14%	12%	13%	18%	10%	NA
	10 Yr Avg	**FY2009**	**FY2008**	**FY2007**	**FY2006**	**FY2005**	**FY2004**	**FY2003**	**FY2002**	**FY2001**	**FY2000**	**FY1999**	**FY1998**	**FY1997**	**FY1996**	**FY1995**	**FY1994**	**FY1993**	**FY1992**	**FY1991**	**FY1990**	**FY1989**
Returns																						
Taxed EBIT/Unlevered Net tangible Assets	**27%**	29%	36%	26%	26%	26%	26%	26%	26%	27%	27%	20%	27%	33%	27%	32%	32%	30%	29%	27%	25%	25%
Taxed EBIT/Total LT assets	**21%**	18%	21%	16%	20%	21%	22%	20%	21%	24%	24%	18%	26%	31%	26%	28%	28%	27%	27%	26%	25%	25%
ROE (NI/AvgSE) Calculated	**30%**	30%	28%	31%	31%	30%	32%	34%	26%	38%	23%	27%	45%	61%	60%	56%	52%	51%	41%	40%	429%	427%
Payout ratio (incl Specials and Share repurchases)	**56%**	56%	61%	53%	57%	55%	50%	50%	50%	45%	78%	65%	42%	34%	36%	37%	39%	40%	39%	40%	0%	0%
BVPS	*10.8%*	*10.77*	*8.85*	*9.38*	*7.30*	*6.90*	*6.61*	*5.77*	*4.78*	*4.57*	*3.75*	*3.85*	*3.41*	*2.94*	*2.48*	*2.15*	*2.05*	*1.77*	*1.49*	*1.59*	*1.41*	*1.18*
Total Dividends including Specials per share		*1.64*	*1.52*	*1.36*	*1.24*	*1.12*	*1.00*	*0.88*	*0.80*	*0.72*	*0.68*	*0.64*	*0.60*	*0.56*	*0.50*	*0.44*	*0.39*	*0.34*	*0.28*	*0.24*	-	-
Return components																						
Gross margin		64.2%	64.4%	64.0%	66.1%	64.3%	64.7%	62.5%	63.7%	65.6%	64.3%	68.8%	70.4%	68.1%	63.9%	61.7%	61.9%	63.0%	61.3%	59.8%	58.9%	58.8%
EBIT Margin		27.6%	27.5%	26.1%	27.0%	26.5%	28.4%	27.5%	27.9%	30.5%	29.6%	20.6%	26.8%	26.5%	21.0%	22.2%	22.5%	22.3%	21.2%	20.0%	19.1%	20.0%
Asset turn		1.6	1.9	1.5	1.4	1.5	1.4	1.4	1.4	1.3	1.4	1.4	1.5	1.9	1.9	2.2	2.1	2.0	2.0	2.0	2.0	1.9
Sales Increase	7%	-3%	11%	20%	4%	6%	4%	7%	12%	1%	-10%	3%	0%	1%	3%	12%	16%	7%	13%	13%	19%	7%
Asset Increase	10%	10%	-9%	45%	12%	0%	1%	11%	12%	7%	-6%	19%	17%	6%	7%	11%	14%	12%	13%	18%	10%	NA
Price?																						
EV/EBIT		13.5	14.7	17.2	16.2	16.9	18.4	19.3	23.2	23.2	27.5	39.4	36.3	31.3	30.0	20.6	16.4	18.3	20.4	17.5	15.3	12.7
EV/Unlevered Assets		5.9	7.8	6.6	6.3	6.7	7.2	7.4	9.1	9.3	11.3	11.7	14.5	15.5	12.1	9.9	7.9	8.3	8.8	7.0	5.7	4.7
Justified EV/Unlevered assets (using a 10% Hurdle)		4.3	5.3	3.8	3.9	3.9	3.9	3.8	3.9	4.0	4.1	3.0	4.0	5.0	4.0	4.8	4.8	4.5	4.3	4.0	3.7	3.7
P/E		16.5	21.5	20.8	20.3	21.1	23.3	25.0	40.5	30.5	63.0	62.8	50.8	37.4	32.8	26.9	22.6	25.3	32.7	24.3	20.8	12.2
P/B		4.6	6.1	5.7	6.1	6.3	7.1	7.7	10.5	10.6	14.7	16.0	21.3	21.2	18.6	14.9	11.0	12.0	14.0	9.3	7.5	6.0
Justified P/B(using a 10% Hurdle)		4.5	4.1	4.6	4.6	4.5	4.8	5.0	3.9	5.7	3.5	4.1	6.7	9.2	9.0	8.4	7.8	7.7	6.1	6.0	64.0	63.7
Capex / Depreciation																						
Capex		1,993	1,968	1,648	1,407	899	755	812	851	769	733	1,069	863	1,093	990	937	878	800	1,083	792	593	462
As a % of Sales		6%	6%	6%	6%	4%	3%	4%	4%	4%	4%	6%	5%	6%	5%	5%	5%	6%	8%	7%	6%	5%
Depr(From Report + Acc)		1,023	1,012	979	784	769	722	674	630	581	465	438	381	384	442	421	382	333	0	0	244	184
Capex as a percentage of Depreciation		195%	194%	168%	179%	117%	105%	120%	135%	132%	158%	244%	227%	285%	224%	223%	230%	240%	NA	NA	NA	NA
As a % of Total Lt Term assets		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA	NA	NA	NA
Debt analysis																						
	Today	**FY2009**	**FY2008**	**FY2007**	**FY2006**	**FY2005**	**FY2004**	**FY2003**	**FY2002**	**FY2001**	**FY2000**	**FY1999**	**FY1998**	**FY1997**	**FY1996**	**FY1995**	**FY1994**	**FY1993**	**FY1992**	**FY1991**	**FY1990**	**FY1989**
Total Debt	*11,635*	11859	9312	9329	4582	5700	7178	5423	5356	5118	5651	6227	5149	3875	4513	4064	3509	3100	3207	2288	2537	1981
Total Debt / Equity	*0*	0.5	0.5	0.4	0.3	0.3	0.5	0.4	0.5	0.5	0.6	0.7	0.6	0.5	0.7	0.8	0.7	0.7	0.8	0.5	0.7	0.6
Net Debt		2646	4333	5021	1992	933	410	1941	3011	3184	3759	4415	3342	2032	2855	2749	1978	2022	2144	1170	1045	799
Net Debt to Equity		0.1	0.2	0.2	0.1	0.1	0.0	0.1	0.3	0.3	0.4	0.5	0.4	0.3	0.5	0.5	0.4	0.4	0.6	0.3	0.3	0.2
EBIT/Interest	*25*	97	84	34	241	1225	158	2865	-546	-149	50	52	87	106	82	149	202	130	396	136	32	17
PBO	*3996*	3996	3618	3517	3297	2806	2800	2495	2182	1906	1819	1670	1717	1488	1375	1313	1160	1104	936	0	0	0
As % Of Mkt Cap	*3.5%*	3.5%	2.9%	2.8%	3.2%	2.7%	2.5%	2.3%	1.8%	1.6%	1.3%	1.1%	1.0%	1.0%	1.2%	1.6%	2.0%	2.0%	1.7%	0.0%	0.0%	0.0%

Source: Capital IQ/Holland Advisors

TESCO PLC (LSE:TSCO)

	Average	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991	FY1990
Working capital		(6,854)	(5,387)	(4,027)	(3,064)	(3,192)	(3,120)	(2,647)	(2,227)	(1,937)	(1,816)	(1,644)	(1,427)	(1,372)	(1,167)	(1,028)	(875)	(770)	(767)	(742)	(806)	(500)
EBIT		3,032	2,958	2,650	2,333	2,203	1,903	1,780	1,488	1,322	1,166	1,036	960	912	774	724	578	521	577	503	420	334
Net Income		2,327	2,133	2,124	1,892	1,570	1,344	1,100	946	830	722	674	606	532	520	466	380	298	418	396	303	254
S.Equity		14,596	12,849	11,815	10,506	9,380	8,603	7,998	6,516	5,530	4,978	4,769	4,382	3,903	3,890	3,588	3,104	2,749	2,753	2,447	2,360	1,254
Sales		56,910	53,898	47,298	42,641	39,454	33,866	30,814	26,004	23,653	20,988	18,796	17,158	16,452	13,887	12,094	10,101	8,600	7,582	7,097	6,346	5,402
Sales Growth	12.7%	5.6%	14.0%	10.9%	8.1%	16.5%	9.9%	18.5%	9.9%	12.7%	11.7%	9.5%	4.3%	18.5%	14.8%	19.7%	17.5%	13.4%	6.8%	11.8%	17%	15%
WC % Sales		-12%	-10%	-9%	-7%	-8%	-9%	-9%	-9%	-8%	-9%	-9%	-8%	-8%	-8%	-9%	-9%	-9%	-10%	-10%	-13%	-9%
WC % Net Income		-295%	-253%	-190%	-162%	-203%	-232%	-241%	-235%	-233%	-252%	-244%	-235%	-258%	-224%	-221%	-230%	-258%	-184%	-188%	-266%	-197%
EBIT Margin	6%	5.3%	5.5%	5.6%	5.5%	5.6%	5.6%	5.8%	5.7%	5.6%	5.6%	5.5%	5.6%	5.5%	5.6%	6.0%	5.7%	6.1%	7.6%	7.1%	6.6%	6.2%
Unlevered Net Tangible assets		23786	23075	17852	15442	14191	12606	11768	10927	9394	8054	6747	6014	5124	4682	4457	4339	3676	3232	2810	2060	1659
Total LT Assets		34258	32085	23864	20231	18644	16931	15395	14061	11503	10038	8527	7553	6496	5849	5485	5214	4446	3999	3552	2866	2160
Gwth rate in Lterm assets		7%	34%	18%	9%	10%	10%	9%	22%	15%	18%	13%	16%	11%	7%	5%	17%	11%	13%	24%	33%	26%

	10 Yr Avg	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991	FY1990
Returns?																						
Taxed EBIT/Unlvered Net tangible Assets	**10%**	9%	9%	10%	10%	10%	10%	10%	9%	9%	10%	10%	11%	12%	11%	11%	9%	9%	12%	12%	14%	13%
Taxed EBIT/Total LT assets	**7%**	6%	6%	7%	8%	8%	8%	8%	7%	8%	8%	8%	9%	9%	9%	9%	7%	8%	10%	9%	10%	10%
ROE (NI/AvgSE) Calculated	**17%**	17%	17%	19%	19%	17%	16%	15%	16%	16%	15%	15%	15%	14%	14%	14%	13%	11%	16%	16%	221%	250%
Payout ratio (incl Specials and Share repurchases)	**45%**	45%	44%	41%	41%	43%	44%	46%	46%	47%	48%	45%	46%	48%	44%	44%	47%	51%	0%	0%	0%	0%
BVPS	*10.1%*	*1.83*	*1.64*	*1.51*	*1.33*	*1.20*	*1.12*	*1.05*	*0.90*	*0.79*	*0.72*	*0.70*	*0.65*	*0.59*	*0.60*	*0.56*	*0.50*	*0.47*	*0.47*	*0.42*	*0.41*	*0.26*
Total Dividends including Specials per share		*0.13*	*0.12*	*0.11*	*0.10*	*0.09*	*0.08*	*0.07*	*0.06*	*0.06*	*0.05*	*0.04*	*0.04*	*0.04*	*0.03*	*0.03*	*0.03*	*0.03*	-	-	-	-
Return Components																						
Gross margin		8.1%	7.8%	7.7%	7.6%	7.7%	7.8%	6.1%	6.0%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	6.2%	6.0%	6.3%	11.3%	10.9%	10.4%	10.0%
EBIT Margin		5.3%	5.5%	5.6%	5.5%	5.6%	5.6%	5.8%	5.7%	5.6%	5.6%	5.5%	5.6%	5.5%	5.6%	6.0%	5.7%	6.1%	7.6%	7.1%	6.6%	6.2%
Asset turn		2.4	2.3	2.6	2.8	2.8	2.7	2.6	2.4	2.5	2.6	2.8	2.9	3.2	3.0	2.7	2.3	2.3	2.3	2.5	3.1	3.3
Sales Increase	13%	6%	14%	11%	8%	17%	10%	18%	10%	13%	12%	10%	4%	18%	15%	20%	17%	13%	7%	12%	17%	15%
Asset Increase	16%	7%	34%	18%	9%	10%	10%	9%	22%	15%	18%	13%	16%	11%	7%	5%	17%	11%	13%	24%	33%	26%
Price																						
EV/EBIT		13.0	13.6	15.4	14.3	12.9	13.1	11.2	13.4	15.6	15.9	13.4	14.0	11.6	9.6	9.4	9.9	1.5	0.8	0.7	(0.4)	0.9
EV/Unlevered Assets		1.7	1.7	2.3	2.2	2.0	2.0	1.7	1.8	2.2	2.3	2.1	2.2	2.1	1.6	1.5	1.3	0.2	0.1	0.1	(0.1)	0.2
Justified EV/Unlevered assets (using a 10% Hurdle)		1.3	1.3	1.5	1.5	1.6	1.5	1.5	1.4	1.4	1.4	1.5	1.6	1.8	1.7	1.6	1.3	1.4	1.8	1.8	2.0	2.0
P/E		13.0	13.7	16.4	15.2	15.6	15.7	14.4	16.1	20.6	21.8	17.5	19.3	17.6	12.8	12.9	12.2	-	-	-	-	-
P/B		2.07	2.27	2.95	2.74	2.60	2.46	1.98	2.33	3.09	3.16	2.47	2.67	2.40	1.71	1.68	1.50	-	-	-	-	-
Justified P/B(using a 10% Hurdle)		2.53	2.58	2.84	2.84	2.61	2.42	2.26	2.34	2.36	2.21	2.20	2.18	2.04	2.08	2.08	1.94	1.62	2.40	2.46	33.05	37.34
Capex /Depreciation																						
Capex	1,779.8	2,855.0	4,487.0	3,442.0	2,852.0	2,561.0	2,197.0	2,239.0	2,032.0	1,877.0	1,953.0	1,296.0	1,032.0	805.0	703.0	624.0	757.0	724.0	605.1	775.7	0.0	0.0
As a % of Sales	7%	5%	8%	7%	7%	6%	6%	7%	8%	8%	9%	7%	6%	5%	5%	5%	7%	8%	8%	11%	0%	0%
Depr(From Report + Acc)	526.1	1,107.0	1,036.0	876.0	785.0	758.0	672.0	700.0	581.0	524.0	468.0	428.0	401.0	358.0	317.0	285.0	247.0	213.0	127.3	112.3	0.0	0.0
Capex as a percentage of Depreciation	3.6	258%	433%	393%	363%	338%	327%	320%	350%	358%	417%	303%	257%	225%	222%	219%	306%	340%	475%	691%	#DIV/0!	#DIV/0!
As a % of Total Lt Term assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA	NA

Debt analysis

	Today	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991	FY1990
Total Debt	*13515.0*	13,515	15,862	8,056	5,700	5,388	5,045	5,190	5,377	4,230	3,338	2,406	2,048	1,416	894	905	1,215	882	711	690	325	343
Total Debt / Equity	*0.93*	0.9	1.2	0.7	0.5	0.6	0.6	0.6	0.8	0.8	0.7	0.5	0.5	0.4	0.2	0.3	0.4	0.3	0.3	0.3	0.1	0.3
Net Debt		9,382	11,120	5,908	4,658	4,063	3,899	4,090	4,739	3,560	2,804	2,060	1,720	1,191	749	813	1,100	792	471	351	(177)	317
Net Debt to Equity		0.64	0.87	0.50	0.44	0.43	0.45	0.51	0.73	0.64	0.56	0.43	0.39	0.31	0.19	0.23	0.35	0.29	0.17	0.14	-0.07	0.25
EBIT/Interest	*5.7*	7.27	9.57	16.67	14.58	17.35	14.42	8.52	9.19	8.64	9.33	10.46	10.67	12.32	32.25	16.84	26.27	-74.43	-18.32	-7.68	-21.99	-34.08
PBO	*6,536*	6,536	4,914	4,927	4,957	4,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As % Of Mkt Cap	*20.9%*	21.7%	16.9%	14.1%	17.2%	19.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NA	NA	NA	NA	NA

Source: Capital IQ/Holland Advisors

WAL-MART STORES INC. (NYSE:WMT)

	Average	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991	FY1990
Working capital		(10,218)	(6,047)	(4,681)	(4,650)	(2,560)	(2,022)	(2,251)	1,258	1,583	2,213	2,105	3,497	4,586	6,771	8,592	7,202	6,334	5,079	4,035	2,837	2,063
EBIT		24,506	23,060	22,162	20,497	18,713	17,300	15,025	13,295	11,579	11,311	10,105	8,120	6,503	5,722	5,247	4,968	4,208	3,489	2,819	2,211	1,846
Net Income		14,335	13,400	12,731	11,284	11,231	10,267	9,054	7,955	6,592	6,295	5,377	4,430	3,526	3,056	2,740	2,681	2,333	1,995	1,608	1,291	1,076
S.Equity		70,749	65,285	64,608	61,573	53,171	49,396	43,623	39,461	35,102	31,343	25,834	21,112	18,503	17,143	14,756	12,726	10,753	8,759	6,990	5,366	3,966
Sales		408,214	404,374	377,023	348,368	312,101	284,310	258,681	231,577	205,823	193,116	166,809	139,208	119,299	106,178	94,773	83,412	67,985	55,985	44,289	32,863	25,985
Sales Growth	15.5%	0.9%	7.3%	8.2%	11.6%	9.8%	9.9%	11.7%	12.5%	6.6%	15.8%	19.8%	16.7%	12.4%	12.0%	13.6%	22.7%	21.4%	26.4%	34.8%	26%	25%
WC % Sales		-3%	-1%	-1%	-1%	-1%	-1%	-1%	1%	1%	1%	1%	3%	4%	6%	9%	9%	9%	9%	9%	9%	8%
WC % Net Income		-71%	-45%	-37%	-41%	-23%	-20%	-25%	16%	24%	35%	39%	79%	130%	222%	314%	269%	271%	255%	251%	220%	192%
EBIT Margin	6%	6.0%	5.7%	5.9%	5.9%	6.0%	6.1%	5.8%	5.7%	5.6%	5.9%	6.1%	5.8%	5.5%	5.4%	5.5%	6.0%	6.2%	6.2%	6.4%	6.7%	7.1%
Unlevered Net Tangible assets		96,031	93,173	94,934	86,196	79,705	68,475	58,851	55,955	48,666	44,729	38,706	29,823	28,731	28,382	28,802	24,683	20,661	15,447	10,903	7,812	5,549
Total LT Assets		122,375	114,480	115,494	104,605	94,362	81,300	70,984	64,086	55,649	51,575	45,993	28,864	26,032	21,611	20,210	17,481	14,327	10,367	6,868	4,974	3,486
Gwth rate in Lterm assets		7%	-1%	10%	11%	16%	15%	11%	15%	8%	12%	59%	11%	20%	7%	16%	22%	38%	51%	38%	43%	28%
	10 Yr Avg	**FY2010**	**FY2009**	**FY2008**	**FY2007**	**FY2006**	**FY2005**	**FY2004**	**FY2003**	**FY2002**	**FY2001**	**FY2000**	**FY1999**	**FY1998**	**FY1997**	**FY1996**	**FY1995**	**FY1994**	**FY1993**	**FY1992**	**FY1991**	**FY1990**
Returns																						
Taxed EBIT/Unlvered Net tangible Assets	**16%**	17%	17%	16%	16%	16%	17%	17%	16%	16%	17%	17%	18%	15%	14%	12%	13%	14%	15%	17%	19%	22%
Taxed EBIT/Total LT assets	**14%**	13%	13%	13%	13%	13%	14%	14%	14%	14%	15%	15%	19%	17%	18%	17%	19%	20%	23%	28%	30%	35%
ROE (NI/AvgSE) Calculated	**21%**	21%	21%	20%	20%	22%	22%	22%	21%	20%	22%	23%	22%	20%	19%	20%	23%	24%	25%	26%	NA	NA
Payout ratio (incl Specials and Share repurchases)	**22%**	29%	28%	28%	23%	22%	21%	18%	17%	19%	17%	16%	16%	18%	17%	17%	15%	13%	13%	13%	12%	13%
BVPS	***12.4%***	*18.69*	*16.63*	*16.26*	*14.91*	*12.77*	*11.67*	*10.12*	*8.98*	*7.88*	*7.01*	*5.80*	*4.75*	*4.13*	*3.75*	*3.22*	*2.77*	*2.34*	*1.90*	*1.52*	*1.17*	*0.88*
Total Dividends including Specials per share		*1.09*	*0.95*	*0.88*	*0.67*	*0.60*	*0.52*	*0.36*	*0.30*	*0.28*	*0.24*	*0.20*	*0.16*	*0.14*	*0.11*	*0.10*	*0.09*	*0.07*	*0.06*	*0.05*	*0.04*	*0.03*
Return Components																						
Gross margin		25.4%	24.8%	24.6%	24.2%	23.9%	23.7%	23.4%	23.2%	22.9%	22.4%	22.5%	22.1%	21.9%	21.6%	21.6%	21.6%	21.6%	21.3%	21.6%	22.6%	22.9%
EBIT Margin		6.0%	5.7%	5.9%	5.9%	6.0%	6.1%	5.8%	5.7%	5.6%	5.9%	6.1%	5.8%	5.5%	5.4%	5.5%	6.0%	6.2%	6.2%	6.4%	6.7%	7.1%
Asset turn		4.3	4.3	4.0	4.0	3.9	4.2	4.4	4.1	4.2	4.3	4.3	4.7	4.2	3.7	3.3	3.4	3.3	3.6	4.1	4.2	4.7
R&D as % Sales		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales Increase	16%	1%	7%	8%	12%	10%	10%	12%	13%	7%	16%	20%	17%	12%	12%	14%	23%	21%	26%	35%	26%	25%
Asset Increase	21%	7%	-1%	10%	11%	16%	15%	11%	15%	8%	12%	59%	11%	20%	7%	16%	22%	38%	51%	38%	43%	28%
Price																						
EV/EBIT		9.4	11.0	10.4	11.0	12.5	15.0	17.3	20.0	21.9	22.7	24.1	18.1	13.2	11.5	13.2	13.6	17.3	20.6	19.9	15.5	12.9
EV/Unlevered Assets		2.4	2.7	2.4	2.6	2.9	3.8	4.4	4.7	5.2	5.7	6.3	4.9	3.0	2.3	2.4	2.7	3.5	4.7	5.1	4.4	4.3
Justified EV/Unlevered assets (using a 10% Hurdle)		2.6	2.5	2.3	2.4	2.3	2.5	2.6	2.4	2.4	2.5	2.6	2.7	2.3	2.0	1.8	2.0	2.0	2.3	2.6	2.8	3.3
P/E		13.7	16.3	15.1	17.3	18.0	22.9	26.4	30.5	35.5	37.6	41.6	31.2	21.8	18.4	20.4	20.9	27.1	32.8	32.5	24.8	20.7
P/B		2.78	3.35	2.97	3.17	3.80	4.75	5.48	6.15	6.66	7.54	8.66	6.54	4.15	3.28	3.79	4.40	5.88	7.48	7.48	5.96	5.62
Justified P/B(using a 10% Hurdle)		3.15	3.08	3.01	2.94	3.27	3.29	3.25	3.18	2.96	3.29	3.42	3.34	2.95	2.86	2.98	3.41	3.57	3.78	3.89	104.09	113.07
Capex / Depreciation																						
Capex		12,184	11,499	14,937	15,666	14,530	12,803	10,308	9,245	8,285	8,042	6,183	3,734	2,636	2,643	3,566	3,734	3,644	3,756	1,805	1,388	955
As a % of Sales		3%	3%	4%	4%	5%	5%	4%	4%	4%	4%	4%	3%	2%	2%	4%	4%	5%	7%	4%	4%	4%
Depr(From Report + Acc)		7,157	6,739	6,317	5,459	4,645	4,185	3,852	3,364	3,228	2,868	2,375	1,872	1,426	1,463	1,304	1,070	849	649	475	347	269
Capex as a percentage of Depreciation		170%	171%	236%	287%	313%	306%	268%	275%	257%	280%	260%	199%	185%	181%	273%	349%	429%	579%	380%	401%	354%
As a % of Total Lt Term assets		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Debt analysis																						
	Today	**FY2010**	**FY2009**	**FY2008**	**FY2007**	**FY2006**	**FY2005**	**FY2004**	**FY2003**	**FY2002**	**FY2001**	**FY2000**	**FY1999**	**FY1998**	**FY1997**	**FY1996**	**FY1995**	**FY1994**	**FY1993**	**FY1992**	**FY1991**	**FY1990**
Total Debt	*46,977*	41,340	42,235	44,671	39,018	38,729	31,052	26,466	25,388	21,880	22,316	22,082	10,613	10,815	10,634	13,398	11591	9606	6493.214	3771.934	2324.907	1481.208
Total Debt / Equity	*0.66*	0.58	0.65	0.69	0.63	0.73	0.63	0.61	0.64	0.62	0.71	0.85	0.50	0.58	0.62	0.91	0.91	0.89	0.74	0.54	0.43	0.37
Net Debt		33,433	34,960	39,179	31,251	32,536	25,564	21,267	22,652	19,719	20,262	20,226	8,734	9,368	9,751	13,315	11,546	9,586	6,481	3,741	2,312	1,468
Net Debt to Equity		0.47	0.54	0.61	0.51	0.61	0.52	0.49	0.57	0.56	0.65	0.78	0.41	0.51	0.57	0.90	0.91	0.89	0.74	0.54	0.43	0.37
EBIT/Interest	*12.11*	13.01	12.14	12.35	13.41	15.89	17.65	18.06	14.34	9.79	9.47	9.89	10.19	8.29	6.77	5.91	7.04	8.14	10.80	10.60	13.11	13.37
PBO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As % Of Mkt Cap	*0.0%*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Capital IQ/Holland Advisors

BECTON, DICKINSON AND COMPANY (NYSE:BDX)

	Average	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991
Working capital		1,327	1,369	1,190	929	753	889	1,046	859	866	890	921	745	626	573	573	643	657	692	558
EBIT		1,695	1,537	1,307	1,178	1,064	896	788	703	638	590	596	496	465	431	397	356	297	329	314
Net Income		1,232	1,127	890	752	722	467	547	480	402	393	276	237	300	283	252	227	72	201	190
S.Equity		5,143	4,936	4,362	3,836	3,284	3,068	2,897	2,481	2,329	1,956	1,769	1,614	1,385	1,325	1,398	1,482	1,457	1,595	1,364
Sales		7,161	7,075	6,283	5,738	5,341	4,935	4,464	3,960	3,746	3,618	3,418	3,117	2,811	2,770	2,713	2,559	2,465	2,365	2,172
Sales Growth	7.0%	1.2%	12.6%	9.5%	7.4%	8.2%	10.6%	12.7%	5.7%	3.5%	5.8%	9.7%	10.9%	1.5%	2.1%	6.0%	3.8%	4.2%	8.9%	7.9%
WC % Sales		19%	19%	19%	16%	14%	18%	23%	22%	23%	25%	27%	24%	22%	21%	21%	25%	27%	29%	26%
WC % Net Income		108%	121%	134%	124%	104%	190%	191%	179%	216%	227%	334%	315%	209%	202%	228%	283%	915%	345%	294%
EBIT Margin	17%	23.7%	21.7%	20.8%	20.5%	19.9%	18.2%	17.7%	17.8%	17.0%	16.3%	17.4%	15.9%	16.6%	15.6%	14.6%	13.9%	12.1%	13.9%	14.4%
Unlevered Net Tangible assets		4,759	4,470	4,154	3,478	2,943	2,961	3,068	3,068	3,004	2,786	2,640	2,302	2,062	2,010	2,064	2,258	2,377	2,425	2,156
Total LT Assets		4,658	4,298	4,199	3,639	3,157	3,111	3,069	3,112	3,039	2,844	2,753	2,303	1,768	1,613	1,672	1,833	1,937	1,956	1,748
Gwth rate in Lterm assets		8%	2%	15%	15%	1%	1%	-1%	2%	7%	3%	20%	30%	10%	-4%	-9%	-5%	-1%	12%	NA
	10 Yr Avg	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991
Returns																				
Taxed EBIT/Unlvered Net tangible Assets	**19%**	24%	23%	21%	23%	24%	20%	17%	15%	14%	14%	15%	14%	15%	14%	13%	11%	8%	9%	10%
Taxed EBIT/Total LT assets	**19%**	24%	24%	21%	22%	23%	19%	17%	15%	14%	14%	15%	14%	18%	18%	16%	13%	10%	11%	12%
ROE (NI/AvgSE) Calculated	**21%**	24%	24%	22%	21%	23%	16%	20%	20%	19%	21%	16%	16%	22%	21%	17%	15%	5%	14%	28%
Payout ratio (incl Specials and Share repurchases)	**25%**	27%	26%	30%	27%	26%	27%	19%	22%	23%	25%	33%	32%	23%	22%	23%	25%	25%	24%	24%
BVPS	***12.2%***	*21.69*	*20.30*	*17.89*	*15.63*	*13.26*	*12.18*	*11.40*	*9.56*	*8.83*	*7.54*	*6.87*	*6.31*	*5.46*	*5.15*	*5.16*	*5.07*	*4.68*	*5.05*	*4.33*
Total Dividends including Specials per share		*1.32*	*1.14*	*0.98*	*0.86*	*0.72*	*0.60*	*0.40*	*0.39*	*0.38*	*0.37*	*0.34*	*0.29*	*0.26*	*0.23*	*0.21*	*0.19*	*0.17*	*0.15*	*0.15*
Return Components																				
Gross margin		52.6%	51.3%	51.7%	51.3%	50.9%	49.5%	49.1%	48.4%	48.9%	49.3%	50.7%	50.6%	49.7%	48.4%	47.0%	45.3%	44.5%	45.0%	46.0%
EBIT Margin		23.7%	21.7%	20.8%	20.5%	19.9%	18.2%	17.7%	17.8%	17.0%	16.3%	17.4%	15.9%	16.6%	15.6%	14.6%	13.9%	12.1%	13.9%	14.4%
Asset turn		1.5	1.6	1.5	1.6	1.8	1.7	1.5	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.3	1.1	1.0	1.0	1.0
R&D as % Sales		5.7%	5.6%	5.7%	5.3%	5.0%	4.8%	5.0%	5.2%	5.7%	6.0%	6.0%	7.0%	5.9%	5.6%	5.3%	5.6%	5.6%	5.3%	5.2%
Sales Increase	7%	1%	13%	9%	7%	8%	11%	13%	6%	4%	6%	10%	11%	1%	2%	6%	4%	4%	9%	8%
Asset Increase	6%	8%	2%	15%	15%	1%	1%	-1%	2%	7%	3%	20%	30%	10%	-4%	-9%	-5%	-1%	12%	NA
Price																				
EV/EBIT		9.6	13.6	14.5	13.2	13.3	13.5	12.1	14.0	15.4	14.0	17.5	18.5	13.9	12.9	10.5	9.9	12.3	10.7	11.2
EV/Unlevered Assets		3.4	4.7	4.6	4.5	4.8	4.1	3.1	3.2	3.3	3.0	3.9	4.0	3.1	2.8	2.0	1.6	1.5	1.5	1.6
Justified EV/Unlevered assets (using a 10% Hurdle)		3.6	3.4	3.1	3.4	3.6	3.0	2.6	2.3	2.1	2.1	2.3	2.2	2.3	2.1	1.9	1.6	1.3	1.4	1.5
P/E		13.3	18.4	20.7	20.3	19.3	24.9	15.9	18.4	21.6	17.6	32.3	34.4	19.4	17.7	14.5	12.6	39.7	13.2	14.3
P/B		3.18	4.20	4.22	3.98	4.26	3.79	3.01	3.56	3.72	3.54	5.03	5.04	4.21	3.79	2.62	1.93	1.96	1.66	2.00
Justified P/B(using a 10% Hurdle)		3.65	3.62	3.24	3.15	3.39	2.34	3.04	2.98	2.80	3.15	2.43	2.35	3.30	3.11	2.61	2.31	0.70	2.03	4.15
Capex / Depreciation																				
Capex		591.1	601.7	556.3	457.1	315.8	265.7	259.2	255.7	370.8	376.4	311.5	181.4	170.3	145.9	123.8	123.0	184.2	185.6	211.1
As a % of Sales		8%	9%	9%	8%	6%	5%	6%	6%	10%	10%	9%	6%	6%	5%	5%	5%	7%	8%	10%
Depr(From Report + Acc)		376.0	366.3	328.1	301.5	281.7	259.4	217.6	198.2	179.4	168.8	158.2	150.0	148.0	200.5	207.8	203.7	189.8	169.6	149.9
Capex as a percentage of Depreciation		157%	164%	170%	152%	112%	102%	119%	129%	207%	223%	197%	121%	115%	73%	60%	60%	97%	109%	141%
As a % of Total Lt Term assets		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Debt analysis																				
	Today	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995	FY1994	FY1993	FY1992	FY1991
Total Debt	*1,691*	1,891	1,155	1,163	1,384	1,267	1,221	1,306	1,238	1,237	1,417	1,585	1,150	798	696	763	842.385	887.344	970.155	880.785
Total Debt / Equity	*0.33*	0.37	0.23	0.27	0.36	0.39	0.40	0.45	0.50	0.53	0.72	0.90	0.71	0.58	0.52	0.55	0.57	0.61	0.61	0.65
Net Debt		-54.38	124.12	493.83	277.51	137.64	469.30	785.99	992.64	1150.31	1362.55	1520.83	1059.70	656.93	530.55	523.39	663.62	822.47	869.69	796.47
Net Debt to Equity		-0.01	0.03	0.11	0.07	0.04	0.15	0.27	0.40	0.49	0.70	0.86	0.66	0.47	0.40	0.37	0.45	0.56	0.55	0.58
EBIT/Interest	*34.34*	234.13	-508.05	6566.82	174.48	55.26	30.26	21.56	21.15	11.51	7.96	8.28	8.81	11.82	11.53	9.26	7.47	5.57	6.69	6.27
PBO	*1,635*	1,635	1,272	1,394	1,385	1,413	1,185	1,059	853	707	655	615	649	468	413	407	361	402	371	-

Source: Capital IQ/Holland Advisors

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