

Earnings Quality and Free Cash Flow

Measures of Financial Strength



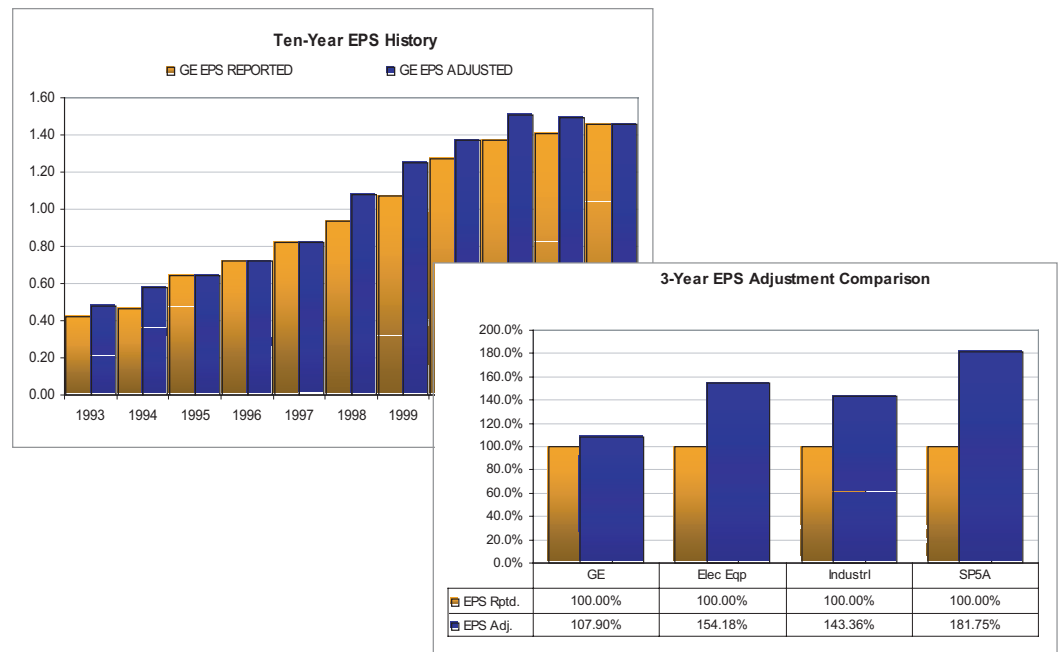
ABOUT STOCKVAL

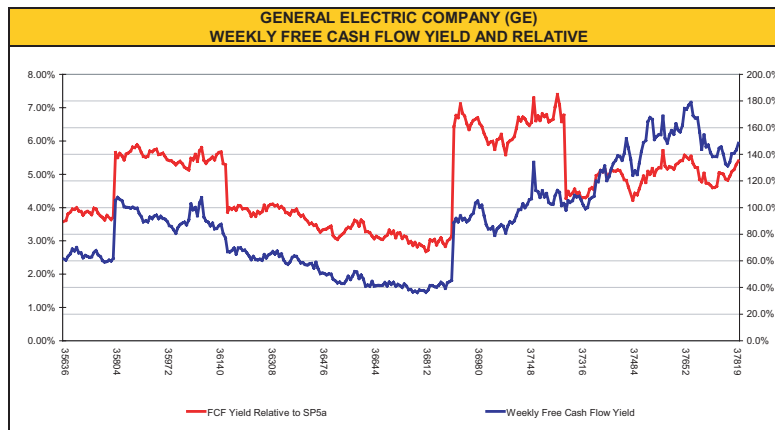
Since 1985, StockVal has offered comprehensive equity analysis and portfolio management tools to the investment management community through distinctive software and database products.

As the search for high-integrity financial results escalates, StockVal introduces two new SVConnect Templates: EPS Quality and Free Cash Flow Analysis. These spreadsheet templates can be accessed through the StockVal menu within SVConnect. Select SVConnect Templates and then the Company Fundamental Data Analysis library to view these interactive reports for any selected stock or composite.

EPS Quality

StockVal analysts adjust earnings on a quarterly and annual basis to include only recurring net income. Distortive, non-recurring items such as asset sale gains/losses, restructuring charges, merger expenses, goodwill amortization, and write-downs are excluded. This Adjusted EPS value shows a more accurate reflection of the company's true earning power and resulting valuation metrics. Viewing levels of both Reported and Adjusted EPS graphically can be useful in spotting earnings manipulation or aggressive accounting, in extreme cases, or simply natural retraction cycles in more common scenarios. In the example below, GE's increasing disparity between Reported and Adjusted EPS in recent years is likely an illustration of the latter. The EPS Adjustment Quality template provides several different views of this data, based on differing periods and relative to the stock's industry, sector and to the broad market in general.





Free Cash Flow Analysis Another popular measure of a company's true earning ability is Free Cash Flow. Since cash flow values are far less subjective by nature than earnings, manipulation is less likely, and cash flow can be a good indication of a company's financial strength. The Free Cash Flow Analysis template contains several pages of useful Cash Flow data in both chart and tabular format. Most useful are both relative and absolute Free Cash Flow Yield, which is Free Cash Flow Per Share divided by Market Price, are shown on the template excerpt above. A higher yield indicates a measure of cheapness. This graphic can supply interesting comparisons between companies or across time periods.

Carla Walker
Client Support Manager



StockVal

© Reuters 2003. All rights reserved.

Reuters, StockVal and the Sphere logo are the trademarks of the Reuters group of companies around the world. The information provided herein is for general informational purposes only and does not constitute financial advice. Reuters, by publishing this document, does not guarantee that any information will ensure correct and faultless operation of the relevant service or equipment. Reuters, its agents and employees shall not be held liable to or through any user for any loss or damage whatsoever resulting from reliance on the information contained herein. Except as permitted by law, no part of this document may be reproduced or transmitted by any process or means without the prior consent of Reuters.

13477-03.02

Privacy and Mailings

Reuters uses your data in accordance with Reuters privacy policy in the privacy footer at www.reuters.com. Reuters Limited is primarily responsible for managing your data. As Reuters is a global company your data will be transferred and available internationally, including in countries which do not have privacy laws but Reuters seeks to comply with its privacy policy. If you wish to see or correct data held on you or no longer wish to receive information about developments in Reuters Group products and services, such as free trials or events or you wish to change your preferred method of receiving a communication, please email esupport.global@reuters.com writing "Personal Details" in the subject title.

For more information on Reuters StockVal, contact your **StockVal Account Manager** today, or call 1-800-637-8625.

VISIT US ONLINE AT WWW.STOCKVAL.COM