Stryker

Upside Potential 21%

Cost of Equity Calculation	
risk free rate (10 year)	4.15%
beta (bloomberg)	0.4
regressed beta	0.68
built up beta	0.50
industry average beta	0.59
Terminal Beta	1
total equity risk premium	5.50%
Default Spread	0.35%
pre tax cost of debt	4.50%
Effective tax rate	29.00%
after tax cost of debt	3.20%
cost of equity	6.91%
cost of equity (terminal)	9.65%

Share Price	51.05
Shares Outstanding	410
EPS (2004)	**1.45**
EPS (2005)	1.74
EPS (2006)	2.09
Revenue per share	8.842
P/E (Trailing)	35.20
P/E (Forward)	29.34
PEG (5 year)	1.7
Price/Sales	5.77
Debt	7.32
Equity	20930.50
D/E	0.00

	2004	**2003**	**2002**	**2001**		
Sales	4,262,300	3,625,300	3,011,600	2,602,300		Sales
Depreciation	250,900	229,700	186,100	172,000		*YoY Sales Growth*
Cap Ex	144,700	10,800	173,600	43,000		Dep % of Sales
Current Assets - Cash & Marketables	2,070,100	1,331,700	1,113,500	943,000		CapEx % Sales
Current Liabilites	1,113,500	850,500	707,500	533,400		Dep to Sales
Non Cash Working Capital	956,600	481,200	406,000	409,600		∆NWC

		1	2	3	4	5
	2004	2005E	2006E	2007E	2008E	2009E
Rev Growth Rate	17.6%	15.5%	14.5%	13.0%	12.0%	11.0%
Sales	4,262,300	4,922,957	5,636,785	6,369,567	7,133,915	7,918,646
EBIT Margin	19.93%	20.5%	21.1%	21.7%	22.3%	22.9%
EBIT Growth	27%	19.0%	17.8%	16.2%	15.1%	14.0%
EBIT	849400	1010468	1190663	1383503	1592144	1814588

Tax Rate	30%	29.5%	29.0%	29.0%	29.0%	29.0%
EBIT(1-T)	597090	712380	845370	982287	1130422	1288358
Int Expense	6800	1098	1394	1266	1166	1084
Profit Margin	13.8%	14.4%	15.0%	15.4%	15.8%	16.3%
Net Income	590290	711282	843977	981021	1129256	1287274
Net Income growth	29%	20.50%	18.66%	16.24%	15.11%	13.99%
Cap Ex % Sales	2.76%	3.0%	3.3%	3.6%	3.9%	4.2%
CapEx	117469	149686	187433	229926	277820	330916
Dep/Am % of Sales	5.89%	5.89%	5.89%	5.89%	5.89%	5.89%
Dep	250900	289790	331809	374944	419937	466131
∆NWC		148,273	160,207	164,460	171,545	176,119
FCFE	723721	703112	828146	961579	1099829	1246369
Discount Factor		0.93	0.87	0.81	0.75	0.70
PV of FCFE		654495	717580	775586	825756	871073

FCFE	8632903
Terminal Value	34349547
PV of Terminal	16777890
Total PV of CF's	25410793
Shares Outstanding	410000
Intrinsic Value	$ 61.98

Hip	871.1
Knees	770
Trauma	368.4
Spine	270.9
Other	273.5
Total Orthopedic	2553.9
Instruments	635.7
Endoscopy	497.9
Beds & Stretchers	314
Other	0
Total MedSurg	1447.6
Phisical Therapy	247.2

Sales Growth (weighted	21%
COGS % of sales	25%
SG&A % of sales	45%
EBIT Margin (weighted t	27%
Profit Margin (weighted t	8%
Hyper Growth Rate	11-15%
Transition Growth Rate	4-12%
Stable Growth Rate	3.50%

Weighted Avg	**2004**	**2003**	**2002**	**2001**
13,501,500	4,262,300	3,625,300	3,011,600	2,602,300
17.16%	*17.57%*	*20.38%*	*15.73%*	*13.67%*
4.35%	5.89%	6.34%	6.18%	6.61%
2.76%	3.39%	0.30%	5.76%	1.65%
672%	173.39%	2126.85%	107.20%	400.00%
35.97%	98.79%	18.52%	-0.88%	

6	7	8	9	10	11
2010E	2011E	2012E	2013E	2014E	Terminal
10.0%	9.0%	8.0%	6.0%	4.0%	3.5%
8,710,511	9,494,457	10,254,013	10,869,254	11,304,024	11,699,665
23.5%	24.1%	24.7%	25.3%	25.9%	26.5%
12.9%	11.8%	10.7%	8.6%	6.5%	5.9%
2048087	2289138	2533530	2750479	2928032	3100411

29.0%	29.0%	29.0%	29.0%	29.0%	29.0%
1454142	1625288	1798806	1952840	2078903	2201292
1007	929	0	0	0	0
16.7%	17.1%	17.5%	18.0%	18.4%	18.8%
1453135	1624359	1798806	1952840	2078903	2201292
12.88%	11.78%	10.74%	8.56%	6.46%	5.89%
4.5%	4.7%	5.0%	5.3%	5.6%	5.89%
388797	450809	516056	577952	633240	688700
5.89%	5.89%	5.89%	5.89%	5.89%	5.89%
512744	558891	603602	639818	665411	688700
177,720	175,943	170,469	138,080	97,577	88,795
1399361	1556497	1715883	1876626	2013496	2112497
0.65	0.61	0.56	0.52	0.49	
910374	942583	967254	984719	983484	