

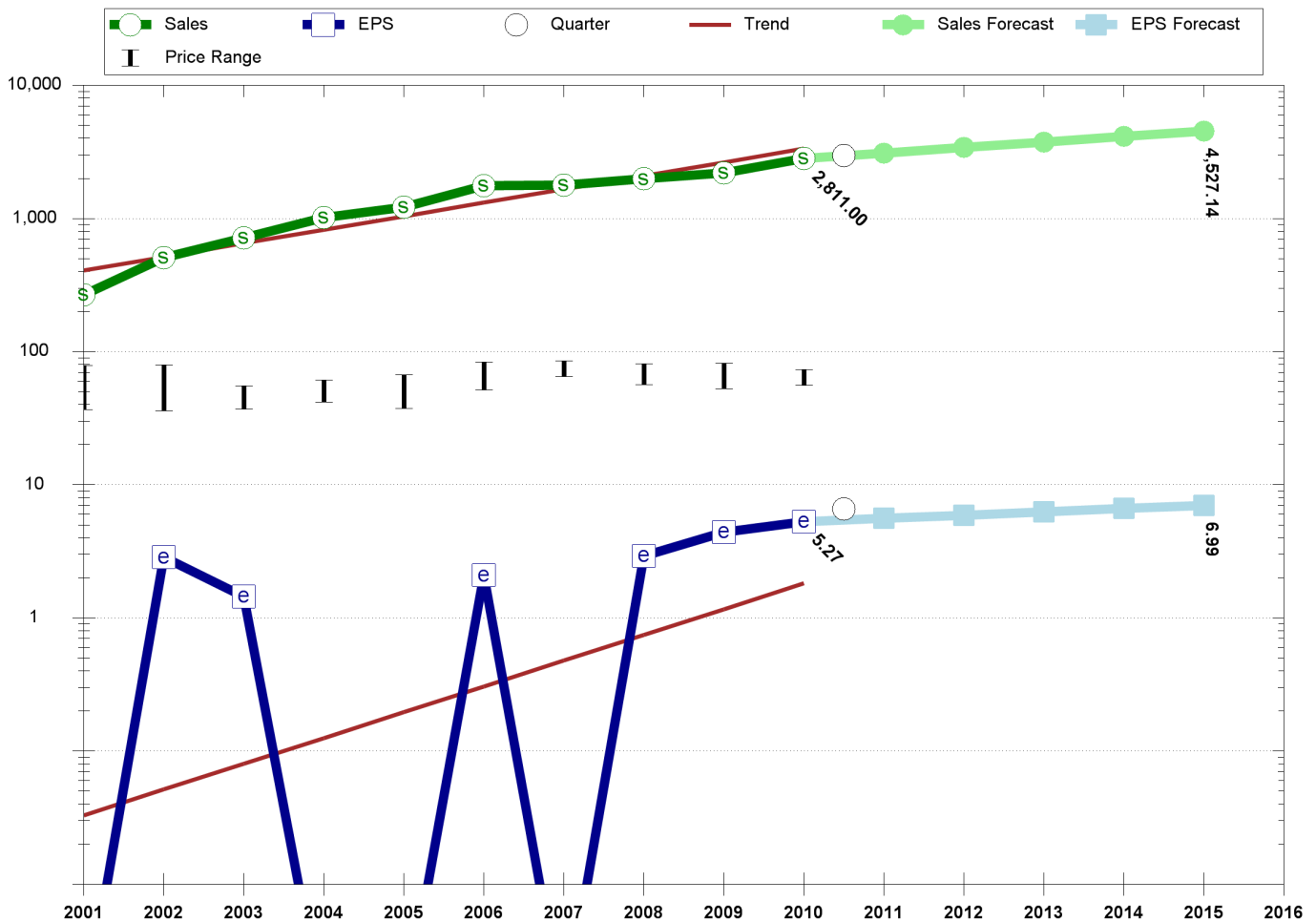
Company	Cephalon, Inc.		Date	6/20/2011	
Prepared by	Taylor IV		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Biotechnology		
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	75.7	1.5	0.0		
Debt (\$M)	1,062.2	% to Tot Cap	26.4	% Pot Dil	5.4

Stock Selection Guide

Symbol: CEPH

1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2010 Quarter Ending (03/11)	Sales (\$M)	Earnings Per Share
Latest Quarter	745.1	2.64
Year Ago Quarter	596.6	1.35
Percentage Change	24.90%	95.56%



(1) Historical Sales Growth	26.3%	(3) Historical Earnings Per Share Growth	21.8%
(2) Estimated Future Sales Growth	10.00%	(4) Estimated Future Earnings Per Share Growth	5.80%

2 EVALUATING Management

Cephalon, Inc.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Last 5 Year Avg.
Pre-tax Profit on Sales (Net Before Taxes/Sales)	-22.93%	12.32%	18.23%	15.51%	10.04%	13.79%	3.86%	16.76%	24.24%	26.18%	16.97%
% Earned on Equity (E/S / Book Value)	-16.11%	24.39%	10.40%	-9.10%	-28.56%	9.68%	-14.83%	13.30%	14.61%	15.15%	7.58%

3 PRICE-EARNINGS HISTORY as an indicator of the future

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

PRESENT PRICE 79.7

HIGH THIS YEAR 81.11

LOW THIS YEAR 54.15

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
1 2006	82.92	51.58	2.08	39.87	24.80	0.000	0.00	0.00
2 2007	84.83	64.65	-2.88	-29.45	-22.45	0.000	0.00	0.00
3 2008	80.39	56.20	2.92	27.53	19.25	0.000	0.00	0.00
4 2009	81.35	52.55	4.41	18.45	11.92	0.000	0.00	0.00
5 2010	72.87	55.47	5.27	13.83	10.53	0.000	0.00	0.00
6 TOTAL		280.5		70.2	44.0		0.0	
7 AVERAGE		56.1		14.0	8.8		0.0	
8 AVERAGE PRICE EARNINGS RATIO 11.4					9 CURRENT PRICE EARNINGS RATIO 12.1			

4 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 20.00 X Estimate High Earnings/Share 7.00 = Forecasted High Price \$ 140.00

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 16.62 X Estimate Low Earnings/Share 5.27 = Forecasted Low Price \$ 87.59

(b) Avg. Low Price of Last 5 Years 56.09

(c) Recent Market Low Price 52.55

(d) Price Dividend Will Support $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{0.000}{0.00\%} = 0.00$

Selected Forecasted Low Price 52.55

C ZONING using 25%-50%-25%

Forecasted High Price 140.00 Minus Forecasted Low Price 52.55 = 87.45 Range. 25% of Range 21.86

Buy Zone 52.55 to 74.41

Hold Zone 74.41 to 118.14

Sell Zone 118.14 to 140.00

Present Market Price of 79.74 is in the **Hold** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price}} = \frac{140.00 - 79.74}{79.74} = 0.76$
 $\frac{\text{Present Price} - \text{Low Price}}{\text{Present Price} - \text{Low Price}} = \frac{79.74 - 52.55}{79.74 - 52.55} = 1.00$
 Ratio = $\frac{0.76}{1.00} = 0.76$ To 1

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

$\frac{\text{High Price}}{\text{Present Market Price}} = \frac{140.00}{79.74} = 1.76$
 $1.76 \times 100 = 175.57 - 100 = 75.57$ % Appreciation

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 $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{0.000}{79.74} = 0.00 = 0.00\%$ Present Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{0.00\%}{20.00} = 0.00\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 11.92 %

Average Yield 0.00 %

Annualized Rate of Return 11.92 %