

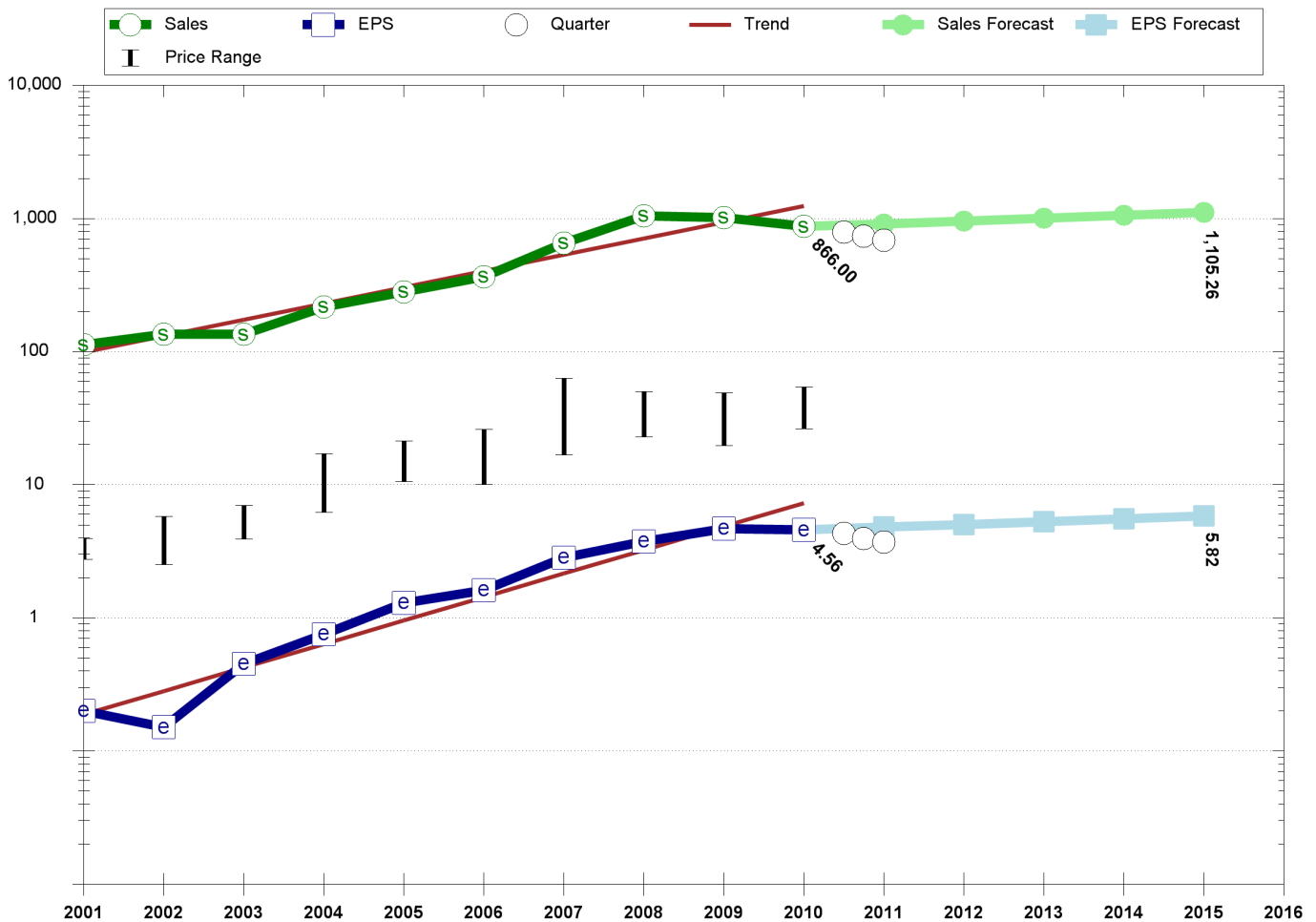
Company <u>VSE Corporation</u>		Date <u>11/21/2011</u>	
Prepared by <u>Taylor IV</u>		Data taken from <u>BI Stock Data</u>	
Where traded <u>NAS</u>		Industry <u>Engineering &amp; Construction</u>	
Capitalization --- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	5.2	22.4	35.7
Debt (\$M)	188.3	% to Tot Cap	57.8
		% Pot Dil	0.0

## Stock Selection Guide

Symbol: VSEC

### 1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2010 Quarter Ending (09/11)	Sales (\$M)	Earnings Per Share
Latest Quarter	159.9	1.17
Year Ago Quarter	212.9	1.39
Percentage Change	-24.90%	-15.83%



(1) Historical Sales Growth	32.5%	(3) Historical Earnings Per Share Growth	50.1%
(2) Estimated Future Sales Growth	5.00%	(4) Estimated Future Earnings Per Share Growth	5.00%

## 2 EVALUATING Management

VSE Corporation

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Last 5 Year Avg.
Pre-tax Profit on Sales (Net Before Taxes/Sales)	1.16%	0.85%	2.44%	2.75%	3.57%	3.43%	3.52%	2.99%	3.80%	4.39%	3.63%
% Earned on Equity (E/S / Book Value)	5.21%	3.84%	10.34%	14.55%	20.10%	19.91%	25.30%	25.08%	23.83%	19.13%	22.65%

## 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 24.6

HIGH THIS YEAR 34.49

LOW THIS YEAR 20.99

	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	25.98	9.99	1.61	16.18	6.22	0.130	8.10	1.30
2 2007	63.00	16.66	2.82	22.34	5.91	0.150	5.32	0.90
3 2008	49.69	22.72	3.74	13.29	6.07	0.170	4.55	0.75
4 2009	49.00	19.51	4.67	10.49	4.18	0.190	4.07	0.97
5 2010	54.00	26.28	4.56	11.84	5.76	0.220	4.82	0.84
6 TOTAL		95.2		74.1	28.1		26.9	
7 AVERAGE		19.0		14.8	5.6		5.4	
8 AVERAGE PRICE EARNINGS RATIO 10.2					9 CURRENT PRICE EARNINGS RATIO 6.6			

## 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 10.00 X Estimate High Earnings/Share 5.82 = Forecasted High Price \$ 58.20

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 5.63 X Estimate Low Earnings/Share 4.56 = Forecasted Low Price \$ 25.67

(b) Avg. Low Price of Last 5 Years 19.03

(c) Recent Market Low Price 19.51

(d) Price Dividend Will Support  $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{0.280}{0.80\%} = 35.00$

Selected Forecasted Low Price 19.51

### C ZONING using 25%-50%-25%

Forecasted High Price 58.20 Minus Forecasted Low Price 19.51 = 38.69 Range. 25% of Range 9.67

Buy Zone 19.51 to 29.18

Hold Zone 29.18 to 48.53

Sell Zone 48.53 to 58.20

Present Market Price of 24.62 is in the **Buy** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{58.20 - 24.62}{24.62 - 19.51} = \frac{33.58}{5.11} = 6.57$  To 1

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

$\frac{\text{High Price} - \text{Present Market Price}}{\text{Present Market Price}} = \frac{58.20 - 24.62}{24.62} = 2.36$  X 100 = 236.39 - 100 = 136.39 % 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  $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{0.280}{24.62} = 0.01 = 1.14\%$  Present Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{5.37\%}{10.00} = 0.54\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 18.78 %

Average Yield 0.54 %

Annualized Rate of Return 19.31 %