

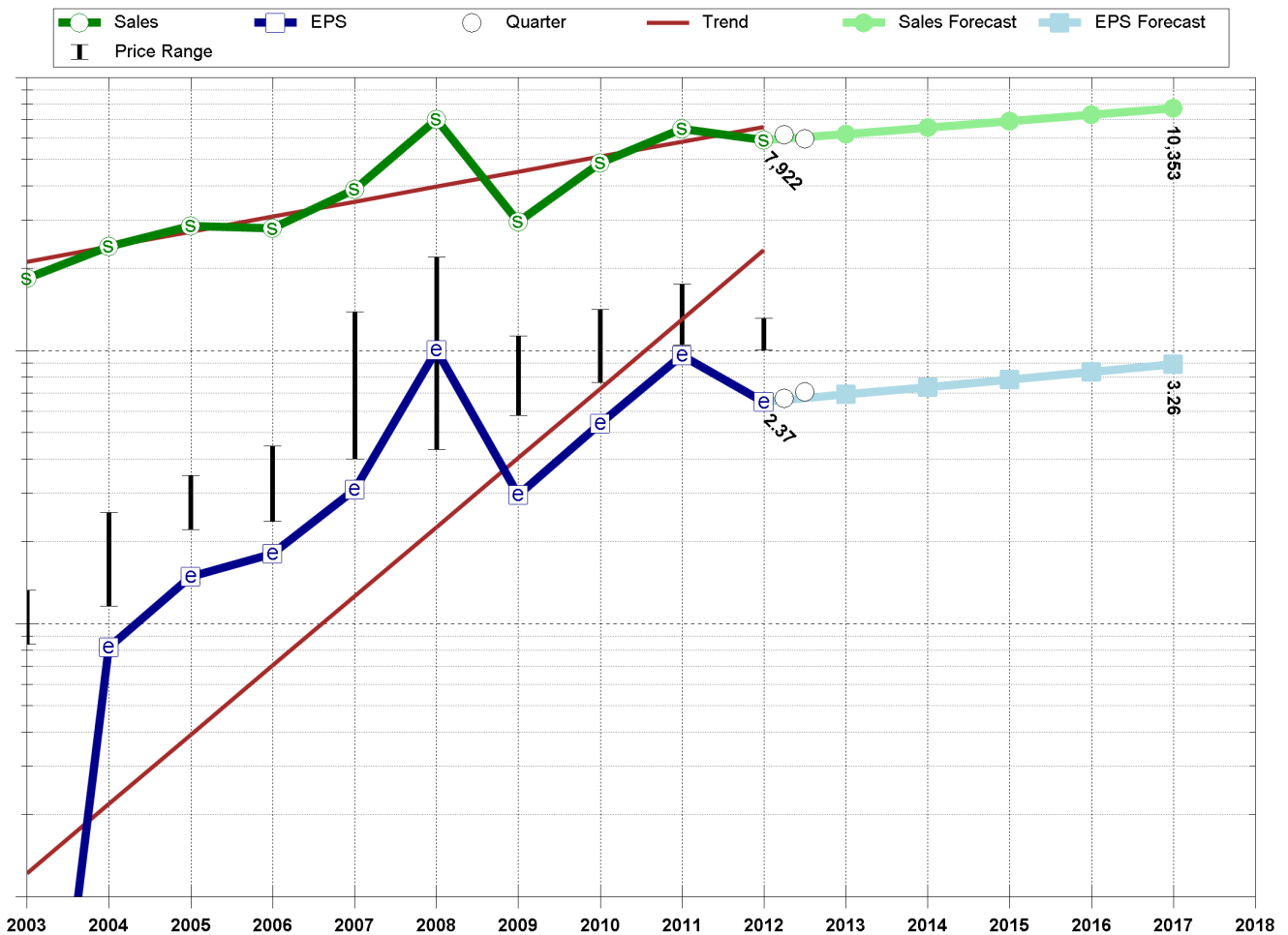
Company	Potash Corporation o		Date	9/24/2013	
Prepared by	TAYLOR		Data taken from	BI Stock Data	
Where traded	NYSE	Industry	Agricultural Inputs		
Capitalization ---	Outstanding Amounts	Reference			
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	866.0	0.0	78.2		
Debt (\$M)	3,463.0	% to Tot Cap	25.1	% Pot Dil	1.3

## Stock Selection Guide

Symbol: POT

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

FY2012 Quarter Ending (06/13)	Sales (\$M)	Earnings Per Share
Latest Quarter	2,144.0	0.73
Year Ago Quarter	2,396.0	0.60
Percentage Change	-10.52%	21.67%



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 13.5% | (3) Historical Earnings Per Share Growth       | 64.8% |
| (2) Estimated Future Sales Growth | 5.50% | (4) Estimated Future Earnings Per Share Growth | 6.60% |

## 2 EVALUATING Management

Potash Corporation o

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Last 5 Year Avg.
Pre-tax Profit on Sales (Net Before Taxes/Sales)	6.86%	13.37%	21.06%	20.97%	28.92%	48.40%	26.94%	37.45%	47.58%	41.49%	40.37%
% Earned on Equity (E/S / Book Value)	-6.43%	12.40%	24.49%	22.30%	17.86%	72.39%	14.94%	24.83%	38.41%	20.68%	34.25%

## 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 31.5

HIGH THIS YEAR 44.30

LOW THIS YEAR 28.55

	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 2008	80.54	15.85	3.67	21.95	4.32	0.100	2.72	0.63
2 2009	41.37	21.22	1.08	38.20	19.59	0.133	12.28	0.63
3 2010	51.68	27.98	1.98	26.10	14.13	0.133	6.72	0.48
4 2011	63.97	38.42	3.51	18.22	10.95	0.243	6.92	0.63
5 2012	48.00	36.73	2.37	20.25	15.50	0.560	23.63	1.52
6 TOTAL		140.2		124.7	64.5		52.3	
7 AVERAGE		28.0		24.9	12.9		10.5	
8 AVERAGE PRICE EARNINGS RATIO 18.9					9 CURRENT PRICE EARNINGS RATIO 12.2			

## 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 24.84 X Estimate High Earnings/Share 3.26 = Forecasted High Price \$ 80.98

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 13.00 X Estimate Low Earnings/Share 2.37 = Forecasted Low Price \$ 30.81

(b) Avg. Low Price of Last 5 Years 28.04

(c) Recent Market Low Price 28.55

(d) Price Dividend Will Support  $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{1.400}{1.50\%} = 93.33$

Selected Forecasted Low Price 30.81

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

Forecasted High Price 80.98 Minus Forecasted Low Price 30.81 = 50.17 Range. 25% of Range 12.54

Buy Zone 30.81 to 43.35

Hold Zone 43.35 to 68.44

Sell Zone 68.44 to 80.98

Present Market Price of 31.51 is in the **Buy** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price}} = \frac{80.98 - 31.51}{31.51} = 1.57$   
 $\frac{\text{Present Price} - \text{Low Price}}{\text{Present Price} - \text{Low Price}} = \frac{31.51 - 30.81}{31.51 - 30.81} = 1.00$   
 Ratio = 1.57 / 1.00 = 1.57 To 1

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

$\frac{\text{High Price}}{\text{Present Market Price}} = \frac{80.98}{31.51} = 2.57$   
 $2.57 \times 100 = 256.99 - 100 = 156.99$  % 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  $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{1.400}{31.51} = 0.04 = 4.44\%$  Present Yield

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{10.45\%}{24.84} = 0.42\%$

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

Annualized Appreciation 20.78 %

Average Yield 0.42 %

Annualized Rate of Return 21.20 %