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k Selection Guide

St oc

Symbol: UNP **1** VISUAL ANALYSIS of Sales,

Company	Union Pacific		Date 05/24/16
Prepared by	MOHR	Data taken from	BI Stock Data
	NYS	Industry	Railroads
Where traded			

Capitalization --- Outstanding Amounts		Reference		
Preferred ($M)		0.0	% Insiders	% Institution
Common (M Shares)		846.7	0.3	81.4
Debt ($M)	15,193.0	% to Tot Cap	42.6	% Pot Dil	0.3

Earnings, and Price

21,813   21,813

6.06

5.49
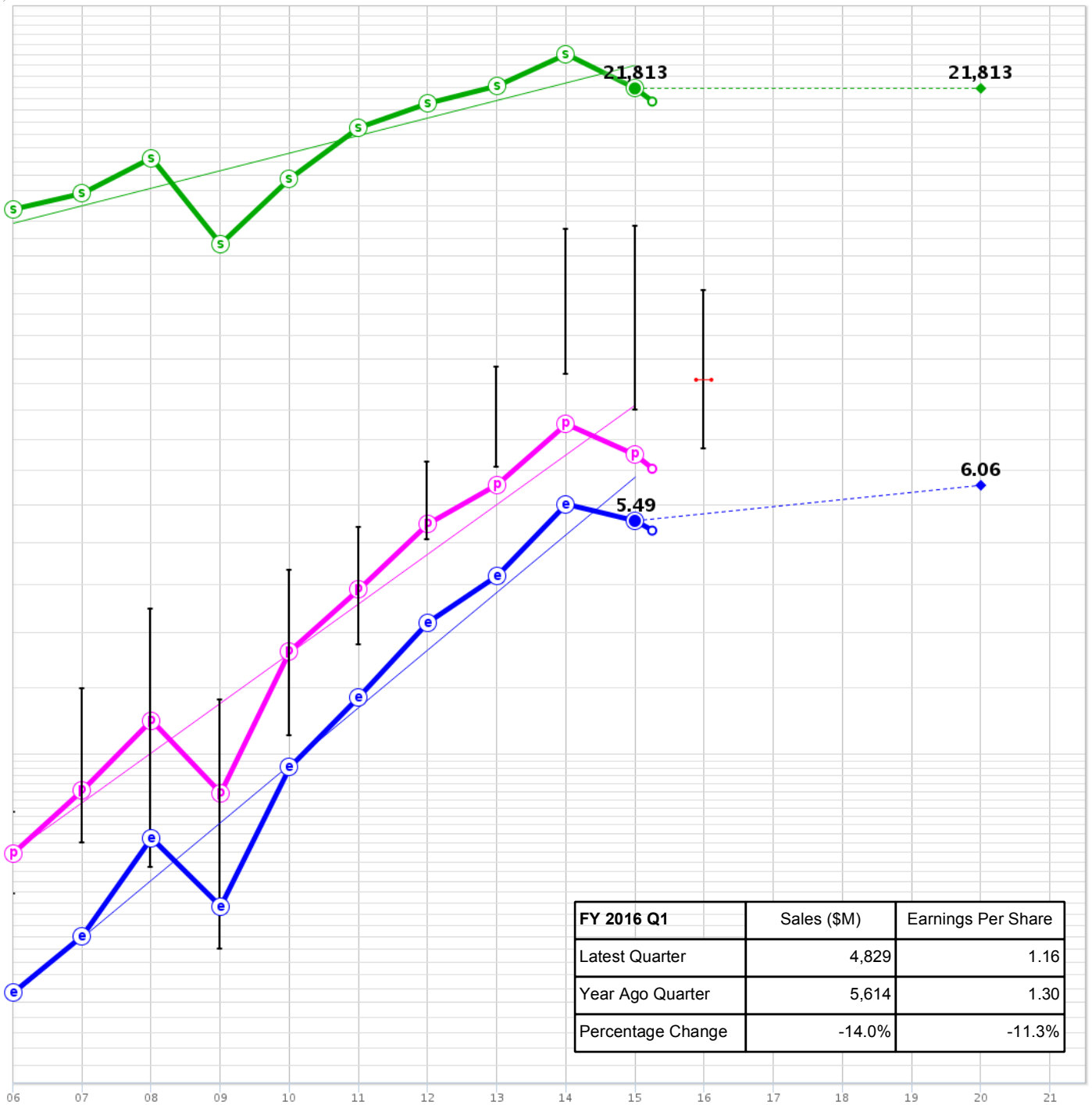
FY 2016 Q1	Sales ($M)	Earnings Per Share
Latest Quarter	4,829	1.16
Year Ago Quarter	5,614	1.30
Percentage Change	-14.0%	-11.3%

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2 EVALUATING Management   Union Pacific

(1) Historical Sales Growth	5.0%	(3) Historical Earnings Per Share Growth
		17.4%
		2.0%
(2) Estimated Future Sales Growth		(4) Estimated Future Earnings Per Share Growth

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Last 5 Year Avg.

Pre-tax Profit on Sales	16.2%	18.5%	20.3%	21.1%	26.1%	26.9%	30.2%	32.1%	34.8%	35.1%	31.8%
% Earned on Equity	10.8%	11.6%	14.8%	11.2%	15.3%	17.4%	19.5%	20.7%	23.6%	22.6%	20.8%
% Debt To Capital	30.7%	33.0%	36.6%	36.8%	34.2%	32.4%	31.2%	31.1%	35.1%	40.7%	34.1%

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.

CLOSING PRICE 81.29 (05/24/16)   **HIGH THIS YEAR** 104.20   **LOW THIS YEAR** 67.06

	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
2011	53.9	38.9	3.36	16.1	11.6	0.97	28.7	2.5
2012	64.6	52.0	4.14	15.6	12.6	1.25	30.1	2.4
2013	84.1	63.7	4.71	17.9	13.5	1.48	31.4	2.3
2014	123.6	82.5	5.75	21.5	14.3	1.91	33.2	2.3
2015	124.5	74.8	5.49	22.7	13.6	2.20	40.1	2.9
AVERAGE		62.4		18.7	13.1		32.7	
CURRENT/TTM			5.34			2.20	41.2	
AVERAGE PRICE EARNINGS RATIO: 15.9					CURRENT PRICE EARNINGS RATIO: 15.2			

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   13.0 X Estimate High Earnings/Share   6.06 =   Forecasted High Price $ 78.8

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E   13.1   X Estimate Low Earnings/Share   5.49 =   Forecasted Low Price $ 71.9

(b) Avg. Low Price of Last 5 Years   62.4

(c) Recent Market Low Price   67.1

(d) Price Dividend Will Support   Indicated Dividend   2.20

$$\frac{\text{Indicated Dividend} \quad 2.20}{\text{High Yield} \qquad 2.94\%} = 74.8$$

Selected Forecasted Low Price $ 67.1

C ZONING   using 25%-50%-25%   =   11.7   Range.   25% of Range   2.9

Forecasted High Price   78.8   Minus Forecasted Low Price   67.1   70.0

Buy Zone   67.1   to   75.9

Hold Zone   70.0   to   78.8

Sell Zone   75.9   to   **INVALID**   Zone

Present Market Price of   81.29   is in the

A   Indicated Annual Dividend   2.20

$$\frac{2.20}{\text{Closing Price} \quad 81.29} = 0.0271 = 2.7\% \quad \text{Current Yield}$$

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

$$\frac{\text{Avg. \% Payout} \quad 32.7\%}{\text{Forecast High PE} \quad 13.00} = 2.5\% \qquad \frac{\text{Avg. \% Payout} \quad 32.7\%}{\text{Forecast Average PE} \quad 13.05} = 2.5\%$$

C   **COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E**   **COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E**

Annualized Appreciation   -0.6 %   Annualized Appreciation   -0.5 %

Average Yield   2.5 %   Average Yield   2.5 %

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)   =   -2.51   To 1

High Price	78.8	Minus Present Price	81.29		

$$\frac{-2.51}{14.23} = \text{Invalid}$$

Present Price	81.29	Minus Low Price	67.1

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

High Price   78.8

$$\frac{\text{High Price } 78.8}{\text{Closing Price } 81.29} = 0.9692 \quad \text{X} \quad 100 \quad = \quad 96.92 \quad - \quad 100 \quad =$$

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.