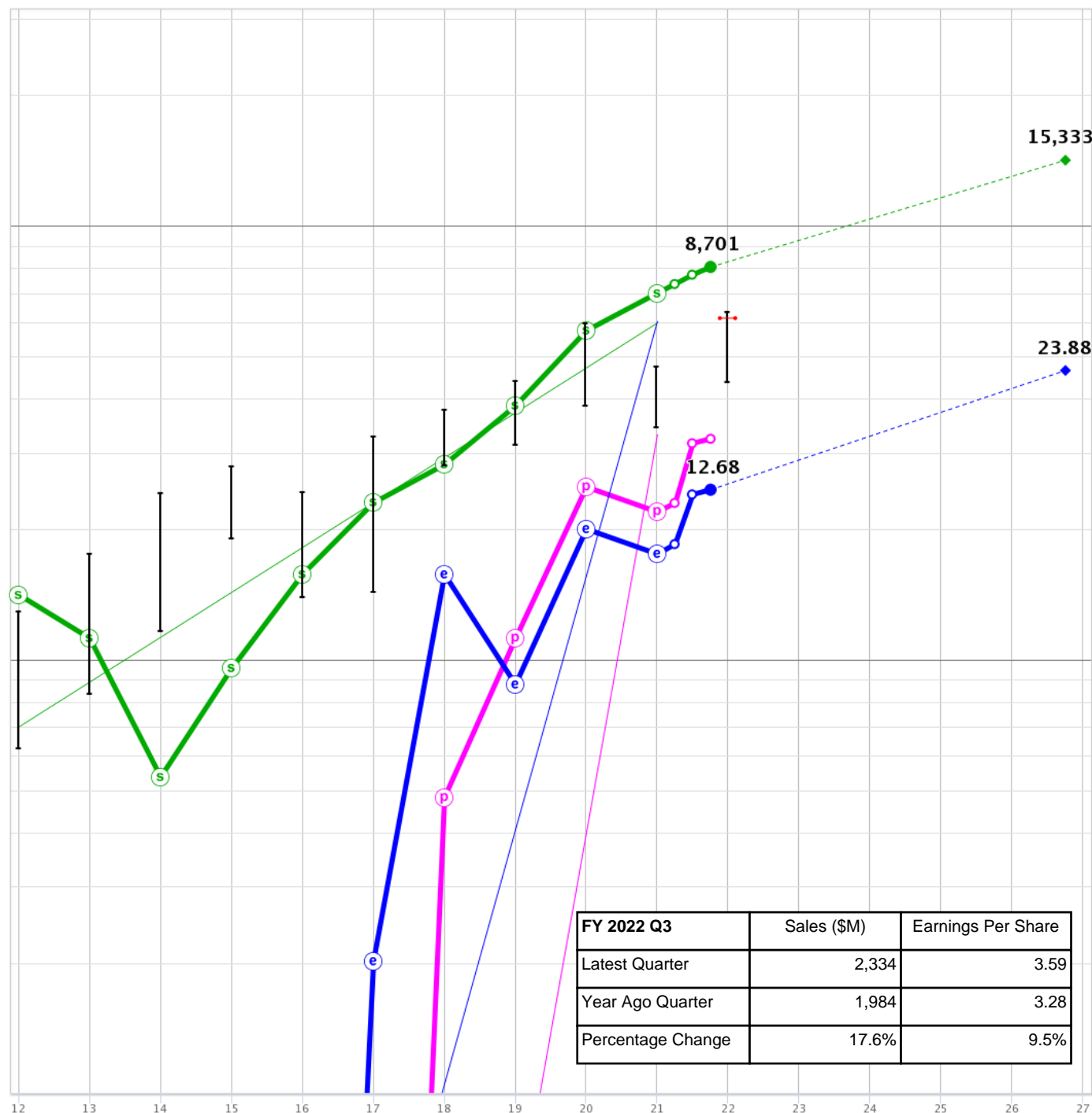


# Stock Selection Guide

Company	Vertex Pharmaceutica		Date	01/25/23	
Prepared by	TAYLOR		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Biotechnology		
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	259.5		0.9	85.2	
Debt (\$M)	824.6	% to Tot Cap	6.0	% Pot Dil	1.2

Symbol: VRTX

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



- |                                   |       |  |        |
|-----------------------------------|-------|--|--------|
| (1) Historical Sales Growth       | 26.9% | (3) Historical Earnings Per Share Growth       | 285.5% |
| (2) Estimated Future Sales Growth | 12.0% | (4) Estimated Future Earnings Per Share Growth | 13.5%  |

## 2 EVALUATING Management

Vertex Pharmaceutica

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Last 5 Year Avg.
% Pre-tax Profit on Sales	-0.8%	-80.5%	-126.6%	-54.0%	-4.0%	-0.6%	19.7%	33.5%	50.2%	36.0%	27.8%
% Earned on Equity	-10.9%	-36.6%	-65.7%	-61.7%	-11.2%	14.7%	71.0%	22.2%	32.9%	24.1%	33.0%
% Debt To Capital	41.1%	27.2%	43.4%	46.8%	42.1%	23.0%	11.8%	9.7%	9.7%	8.5%	12.5%

## 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** 315.28 (01/25/23)      **52-WEEK HIGH** 324.75      **52-WEEK LOW** 223.66

	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	
2017	167.9	73.3	1.04	161.4	70.5	0.00	0.0	0.0	
2018	193.8	144.1	8.09	24.0	17.8	0.00	0.0	0.0	
2019	225.7	161.0	4.51	50.0	35.7	0.00	0.0	0.0	
2020	306.1	197.5	10.29	29.7	19.2	0.00	0.0	0.0	
2021	243.0	176.4	9.01	27.0	19.6	0.00	0.0	0.0	
AVERAGE		150.4		58.4	32.6		0.0		
CURRENT/TTM			12.68	25.6	17.6	0.00	0.0		
AVERAGE PRICE EARNINGS RATIO: 45.5					CURRENT PRICE EARNINGS RATIO: 24.9				

## 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 45.5 X Estimate High Earnings/Share 23.88 = Forecasted High Price \$ 1,086.7

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 32.6 X Estimate Low Earnings/Share 12.68 = Forecasted Low Price \$ 413.4

(b) Avg. Low Price of Last 5 Years 150.4

(c) Recent Market Low Price 176.4

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.00}{0.00\%} = 0.0$

Selected Forecasted Low Price \$ 150.4

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

Forecasted High Price 1,086.7 Minus Forecasted Low Price 150.4 = 936.3 Range. 25% of Range 234.1

Buy Zone 150.4 to 384.5

Hold Zone 384.5 to 852.6

Sell Zone 852.6 to 1,086.7

Present Market Price of 315.28 is in the **BUY** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price}} = \frac{1,086.7 - 315.28}{315.28} = 2.43$        $\frac{\text{Present Price} - \text{Low Price}}{\text{Present Price} - \text{Low Price}} = \frac{315.28 - 150.4}{164.84} = 1.92$       = 4.7 To 1

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

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{1,086.7 - 315.28}{315.28} = 2.4368 \times 100 = 243.68\% \text{ Appreciation}$

## 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  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.00}{315.28} = 0.0000 = 0.0\% \text{ Current Yield}$

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{0.0\%}{45.50} = 0.0\%$

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{0.0\%}{39.05} = 0.0\%$

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

Annualized Appreciation 28.1 %  
Average Yield 0.0 %  
Annualized Rate of Return 28.1 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 24.2 %  
Average Yield 0.0 %  
Annualized Rate of Return 24.2 %