

Selecting a stock

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Company overview Johnson and Johnson is a company that trades on the New York Stock Exchange using the stock symbol JNJ. As of midday 3rd February the stock quote on the market was 60.

62 dollars. The company's listed security for JNJ is under common stock. Its Transfer Agent is Computershare while its independent accountants are PriceWaterhouseCoopersLLP. The company is one of the world's premier manufacturers of consumer health products, medical diagnostics and devices and biologics. It is also the eighth-largest pharmaceutical companies in the world. Its worldwide headquarters are located in New Brunswick, New Jersey in the United States.

Its current CEO is William C. Weldon (Johnson & Johnson, 2011). Reason for choosing stock Johnson & Johnson's P/E ratio is pegged at 12. 2 with an EV/FCF ratio of 9. 9 for the last 12 months. Stretching and comparing the current valuations to reflect five-year averages on earnings as well as free cash flow, the P/E ratio of J is pegged at 13.

9 with the five-year EV/FCF ratio placed at 12. 6. For both metric a one-year ratio of 10 and below is ideal while for the five-year metric. A ratio of less than 20 is ideal. Although the share has mixed performance as far as these ideal targets are concerned, it is quite competitive over the long term when compared to other industry mates and competitors.

In addition, the company has had a net income margin of between 18. 5 % and 21. 6% over the past five years. This time frame also reveals an unleveled free cash flow margin of between 18. 2% and 25.

4 %. This shows a consistently strong earnings and cash-flow generation. Over this past five years, the company has tallied five years of positive earnings as well as positive free cash flow. Although analysts tend to overstate five-year growth estimates, the 6.7 % growth of the company anticipated by Wall Street analysts over the next five years is modest when compared by the companies past EPS growth rates which have been at 10.1 percent over the past five years.

The basis for considering Johnson share is because the more consistent the performance of company, the more growth from that company we can expect (Johnson & Johnson, 2011). Company overview Microsoft is a public multinational corporation that has its headquarter in Redmond, Washington, United States. The company's main business involves the manufacturing, licensing and supporting mainly computing related products, gaming industry as well as consumer electronics. The company's stock symbol is MSFT trading on the NASDAQ stock market.

Its current CEO is Steve Ballmer. As of midday 3rd February the stock quote on the market was 27.94 dollars (Microsoft, 2011). Reason for choosing stock Microsoft's P/E ratio is 11.1 and its EV/FCF ration is 8.

1 for the past 12 months. Stretching back and comparing the current valuations to averages over five-years on earnings and free cash flow, the P/E ratio comes to 13.4 and the EV/FCF ratio is at 10.5 for five-years. The ideal ratios for both metrics are under ten for the one-year and under twenty for the five years. Considering this, the company has mixed performance for being in the ideal target.

However, when compared to its competitors (Apple and IBM) the One year and five year multiples for the company are more ideal as well as cheaper on both relative and absolute basis. Over the past five years, the company's net income margin has been between 24.9% and 30%, while its unlevered free cash flow margin has been between 27.

3% and 35.5%. These figures indicate steadiness and growth in its earnings as well as cash flow generations. In addition, the company has a tally of five years of positive earnings and positive cash flow over the last five years.

Over the last five years, the company has posted growth rates of 13.

3% while it is expected to grow at a rate of 11.8% over the next five years.

These figures show a company that has been consistent in the past with expected growth over the coming years (Microsoft, 2011). Company overview AT&T is the United States largest fixed telephony provider. It also provides subscription television service as well as broadband. The company's headquarters are Whitacre Tower in Dallas Texas in the United States.

Its current CEO is Randall L. Stephenson. The company's stock is traded on the New York Stock Exchange under the stock symbol T. As of midday 3rd February the stock quote on the market was 27.67 dollars (AT&T, 2011).

Reason for choosing stock The P/E ratio for AT&T is 7.9 with an EV/FCF ratio of 14.3 over the last one year. When you stretch and compare the current valuation with the averages for five-year earnings and the company's free cash flow, we see that the P/E ratio comes to 13.4 and the EV/FCF ratio is 15.

4. Considering that the ideal ratio for both metrics for one-year is less than ten and for five years is less than 20, we see that the performance of AT has mixed performance when it comes to hitting these ideal targets. However, stacking is against other industry players and competitors, the company's performance are quite impressive. In the trailing five years, the company's net income margin has been between 9.7 percent and 17.6 percent while the unlevered free cash flow margin has been between 11.

6 percent and 17.4 percent. In addition to this, the company has had five years of positive earnings tallies as well as five years positive free cash flow tallies. In the last five years, the company has posted EPS growth rate of 25.2 percent with predicted future growths pegged at 6.

3 percent. These figures indicate that the shares of AT are currently trading at a cheap value. This coupled with its consistent performance and the anticipated growth gives a strong case for purchasing the AT shares (AT, 2011).