Wyeth WYE [NYSE]

Morningstar Rating	Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat	Stewardship Grade	Industry	Sector
★★★★★	34.78	50.00	35.00	70.00	Medium	Wide	C	Drugs	Healthcare

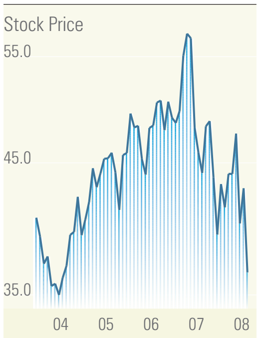
Per share prices in USD

First Impression of Wyeth's 3Q

by Matthew Coffina
Stock Analyst
Analysts covering this company do not own its stock.

Pricing data through October 21, 2008. Rating updated as of October 21, 2008.

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.



Analyst Note Oct. 22, 2008

Wyeth's third-quarter results look solid, and we are unlikely to change our fair value estimate. Total revenue increased 4% in the quarter. Growth was led by a 32% gain for Enbrel, 18% for nutritionals, and 13% for Prevnar. About half of revenue growth is the result of foreign exchange benefits. Generic competition to Protonix continued to weigh on results. Revenue came in slightly lower than our original projection as the dollar strengthened significantly during the quarter. However, we are very impressed by Wyeth's restructuring efforts, which resulted in a 6% decline in selling, general, and administrative costs in the quarter. Wyeth narrowed its earnings outlook for the year to $3.49-$3.55 per share. We had been modeling earnings at the low end of this range.

Thesis Sept. 10, 2008

A diverse portfolio and research and development successes help insulate Wyeth from a challenging time for the pharmaceutical industry. Although the company faces near-term patent expirations on three of its biggest drugs, we expect growth from biologics and new compounds to set the foundation for long-term success.

Antidepressant Effexor is Wyeth's best-selling drug, accounting for 20% of 2007 revenue. Effexor lost its compound patent this year and is beginning to face competition from generic alternatives internationally. The extended-release version of Effexor has a formulation patent that will extend U.S. exclusivity through 2010, thanks to a settlement with generics firm Teva Pharmaceuticals. While Effexor's heyday has passed, Wyeth hopes follow-on Pristiq, with its superior dosing, can help mitigate the loss.

Two other Wyeth blockbusters are under siege by generics firms. Protonix, used to treat gastroesophageal reflux disease, or GERD, must compete with the at-risk launch of generic equivalents this year, two years before its 2010 patent was set to expire. Wyeth could eventually recover damages through its ongoing patent-infringement lawsuit, but in the meantime, Protonix looks set to lose more than $1 billion in sales this year alone. Also, antibiotic Zosyn is only protected by formulation patents, which are usually easy for generics firms to work around.

Fortunately for Wyeth, its portfolio is both diversified and growing. The animal health business and consumer segment, which sells household brands such as Centrum and Advil, are a stable source of cash flow. Wyeth has launched multiple new drugs in the last few years, including Pristiq, Torisel for kidney cancer, Xyntha for hemophilia, and Tygacil for drug-resistant infections. Drugs in the pipeline include Viviant and Aprela for osteoporosis, Alzheimer's treatment bapineuzumab, and several promising cancer therapies.

The stars of Wyeth's portfolio, however, are Enbrel for rheumatoid arthritis and psoriasis, which is comarketed with Amgen, and Prevnar, a vaccine against pneumococcal disease. Both Enbrel and Prevnar are biologics, and there is currently no regulatory pathway for approval of generic biologics in the United States. Even if there were, biologics are hard to manufacture, and it would be difficult for a generics firm to prove bioequivalence, which could mean additional clinical trials would be required. Although we expect generic biologic legislation to be approved eventually, the effect on biologic drugs is unlikely to be nearly as devastating as for small molecules. As the world's fourth-largest biotech, Wyeth is well-positioned to overcome patent expirations.

Valuation

We estimate Wyeth's fair value at $50 per share. We project 3% annual revenue growth and minimal operating margin expansion--from 27.1% last year to 27.4% by 2017. We project earnings-per-share growth around 6.2% over the next 10 years. We are most enthusiastic about the prospects for Prevnar and Prevnar 13v, and we think

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Close Competitors	Currency(Mil)	Market Cap	TTM Sales	Oper Income	Net Income
Wyeth	USD	46,377	23,039	6,020	4,482
Novartis AG	USD	114,880	39,345	6,845	12,116
GlaxoSmithKline PLC	USD	104,164	45,604	14,942	10,200
Merck & Co., Inc.	USD	64,210	24,191	5,354	4,966

Morningstar data as of October 21, 2008.

sales of these products could top $6 billion within 10 years. We expect market growth to support steadily increasing sales of Enbrel over the next several years, although we expect Abbott's Humira to continue gaining market share. We think Pristiq is unlikely to enjoy the success of Effexor, and project peak sales around half our expectation for Effexor's sales this year. We only assign a 20% probability to the approval of bapineuzumab for Alzheimer's, following very mediocre phase II results. Holding all else equal, increasing our revenue growth assumption to 6% would add $11 to our fair value estimate, while assuming flat revenue would trim $9. Average operating margins of 30% would add $4 to our fair value estimate, and 24% average operating margins would reduce it by $6. We estimate Wyeth's cost of equity at 9.5%.

Risk

Wyeth faces significant legal and regulatory risks, including patent challenges to key products and product liability lawsuits. Wyeth could face additional legal liability related to diet drug Fen-phen and hormone replacement therapies Premarin and Prempro. Competition in the pharmaceutical industry is intense, both from generics manufacturers and brand-name drugmakers. Wyeth is on the verge of losing patent protection on some of its biggest products, including Effexor, Protonix, and Zosyn. Wyeth must constantly innovate to replace products as patents expire, and drug development is expensive and risky.

Bulls Say

- Prevnar 13v adds extra protection against pneumococcal disease, and Wyeth is pursuing an adult indication, which original Prevnar lacks. That contributes significant growth potential to this next-generation vaccine.
- Enbrel benefits from rapid market growth. International sales more than tripled in the past three years. Enbrel has been on the market for about a decade, giving doctors unmatched confidence in its long-term safety.
- Wyeth is well ahead of most of its peers in building a biologics presence. It is already the world's fourth-largest biotech.
- Wyeth's R&D efforts resulted in the launch of several new products this year, including Pristiq, Xyntha, and Relistor.

Bears Say

- Abbott's Humira is stealing market share from Enbrel because of its superior efficacy.
- While patent litigation languishes in the courts, Protonix is facing generic competition two years ahead of schedule. Wyeth will lose billions in sales as a result.
- While many of its costliest lawsuits have been resolved, Wyeth retains some liability for the diet-drug Fen-phen and hormone therapies Premarin and Prempro, which had unexpected adverse side effects.
- It is not clear that Pristiq's dosing benefits will be worth the higher price relative to generic Effexor. The Zosyn follow-on could face similar challenges as it competes with generic equivalents of older formulations.
- If approved, GlaxoSmithKline's GSK Synflorix would compete with Wyeth's Prevnar, ending its monopoly.

Financial Overview

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Growth: Wyeth's revenue and operating income have grown at a 9% and 12% compound annual rate, respectively, over the past five years. We expect growth to moderate significantly in the future, and project 3% annual revenue and operating income growth over the next 10 years.

Profitability: Wyeth is highly profitable, with historical operating margins in the mid-20% range. We expect operating margins to average 27% over the next 10 years.

Financial Health: Wyeth is financially healthy, with debt to capital around 40%. We think the company can generate free cash flow in excess of $4 billion per year.

Company Overview

Profile: Wyeth (formerly American Home Products) discovers, develops, and markets pharmaceutical, animal health, and consumer health products. Key products include antidepressant Effexor, pneumococcal vaccine Prevnar, rheumatoid-arthritis drug Enbrel, and over-the-counter products Centrum and Advil.

Strategy: Wyeth plans to expand and diversify its portfolio, through investments in a mix of vaccines, small molecules, and biologics. The company continues to exercise cost discipline, with selling, general, and administrative costs falling from 34.5% of revenue in 2003 to 30.2% last year.

Management: We give Wyeth average marks for stewardship. We think management has taken the company in a good direction, by being an early mover on biologics and vaccines and restraining administrative cost growth. Bernard Poussot became chairman and CEO in 2008, taking over for Robert Essner, who had served as CEO from 2001 and chairman from 2003. Poussot joined Wyeth in 1986 as general manager in France. He worked his way up through Wyeth's European and International divisions and became corporate president in 2006 and COO in 2007. We were glad to see Wyeth promote a company insider to the CEO post, as it indicates effective succession planning. On the other hand, we would prefer the posts of chairman and CEO be separated, to engender board independence. We think executive compensation at Wyeth is excessive. Essner received $24 million last year and $33 million in 2006.

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Oct. 22, 2008

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Jul. 30, 2008

Elan's Data Fails to Impress

On Tuesday, Elan and partner Wyeth presented mediocre results on their Alzheimer's drug bapineuzumab. While the investment community had been expecting slam-dunk results, we had remained cautious on the drug's prospects, evidenced by our fair value estimate for Elan. Because the mixed data matched our more pessimistic expectations, we are not changing our fair value estimate.

While some patients improved substantially in the trial, confounding factors and side effects diminished the results. Overall, bapineuzumab failed to reach its initial endpoint in efficacy. However, in a retrospective analysis, a subgroup of patients who didn't carry the gene ApoE4 reached a statistically significant response. We would caution investors not to take this data too favorably as several confounding factors arose in the detailed analysis. First, the analysis was performed in a retrospective manner, which means the company may have been data mining for any positive trends to prove the efficacy of the drug. Second, the number of patients in the subgroup totaled 79. With such a small number of patients, it's more likely that the results could be due to sheer chance. Lastly, the condition of patients who didn't receive the drug deteriorated much faster than we would have expected, which suggests that the data may be reflecting the cognitive decline in the control patients more than the positive effects of the drug itself.

On the side effect front, the data raised several red flags. We believe the 12 cases of vasogenic edema (increased fluid in the brain) will likely draw sharp criticism from regulatory agencies. This side effect appears similar to problems encountered with an earlier form of bapineuzumab, which was halted in clinical studies due to side effects. Other major side effects included back pain, anxiety, hypertension, weight loss, and paranoia. While the trial's safety-monitoring board recommended the continuation of the Phase III bapineuzumab study, the increased risk profile suggests the drug needs to show strong efficacy to counterbalance the side effects.

From an efficacy standpoint, we were not impressed by the subgroup analysis. In general, the drug appeared to improve patients' cognition by twice as much as drugs like Pfizer's Aricept. Since Aricept and similar drugs only modestly help Alzheimer's patients, we believe the efficacy rates will need to improve to offset the poor side effect profile.

Jun. 12, 2008

Wyeth under Review

We're putting Wyeth under review as we transfer coverage

Analyst Notes (continued)

to a new analyst. We will publish a new analysis shortly.

Disclaimers & Disclosures

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Wyeth WYE

Sales Mil	Mkt Cap Mil	Industry	Sector
$23,039	$46,377	Drugs	Healthcare

Wyeth (formerly American Home Products) discovers, develops, and markets pharmaceutical, animal health, and consumer health products. Key products include antidepressant Effexor, pneumococcal vaccine Prevnar, rheumatoid-arthritis drug Enbrel, and over-the-counter products Centrum and Advil.

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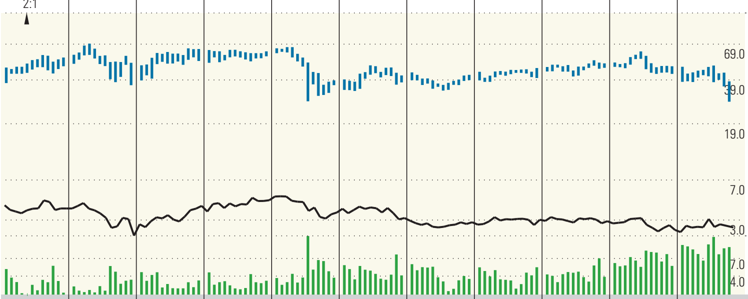
★★★★★	$34.78	$50.00	Medium	Wide	C

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	YTD	
58.75	70.25	65.25	63.80	66.51	49.95	44.70	47.88	54.13	62.20	49.80	Annual Price High
37.75	36.50	39.38	52.00	28.25	33.30	33.50	38.48	41.91	43.65	28.06	Low
2:1											Recent Splits



Price Volatility
| Monthly High/Low
— Rel Strength to S&P 500

52 week High/Low $
49.80 - 28.06

10 Year High/Low $
70.25 - 28.06

Bear-Market Rank
4 (10=worst)

Trading Volume Million

Stock Performance

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	YTD
Total Return %	50.1	-29.2	64.6	-1.9	-37.9	16.1	2.7	10.5	12.9	-11.4	-19.7
+/- Market	23.4	-48.7	74.7	11.1	-14.5	-10.3	-6.3	7.5	-0.7	-14.9	15.3
+/- Industry	10.4	-20.7	39.5	12.3	-11.5	0.5	11.4	10.1	4.8	-12.6	1.2
Dividend Yield %	1.5	2.3	1.5	1.5	2.5	2.2	2.2	2.0	2.0	2.4	3.2
Market Cap $Mil	73843	51472	83285	80948	49579	56535	56823	61838	68574	59177	46377

Financials

Financials	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TTM
Revenue $Mil	13463	13550	13263	14129	14584	15851	17358	18756	20351	22400	23039
Gross Margin %	73.1	72.7	75.3	76.0	73.1	72.4	71.5	71.0	72.5	71.8	71.5
Oper Income $Mil	2923	2801	816	3691	3234	3272	4150	4457	5152	6076	6020
Operating Margin %	21.7	20.7	6.1	26.1	22.2	20.6	23.9	23.8	25.3	27.1	26.1
Net Income $Mil	2474	-1227	-2371	2285	4447	2051	1234	3656	4197	4616	4482
Earnings Per Share $	1.85	-0.94	-1.81	1.72	3.33	1.54	0.91	2.70	3.08	3.38	3.31
Dividends $	0.87	0.91	0.92	0.92	0.92	0.92	0.92	0.94	1.01	1.06	1.10
Shares Mil	1337	1305	1309	1328	1335	1331	1356	1354	1362	1365	1354
Book Value Per Share $	7.34	4.74	2.15	3.09	6.15	6.98	7.38	8.94	10.88	13.60	14.82
Oper Cash Flow $Mil	1515	2182	555	-4447	186	2911	2879	2352	3254	5876	5357
Cap Spending $Mil	-810	-1000	-1682	-1924	-1932	-1909	-1255	-1081	-1290	-1391	—
Free Cash Flow $Mil	705	1181	-1127	-6371	-1746	1002	1623	1270	1965	4485	—

Profitability	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TTM
Return on Assets %	11.8	-5.5	-10.5	10.4	18.2	7.2	3.8	10.5	11.6	11.7	10.6
Return on Equity %	27.8	-15.5	-52.5	66.3	72.7	23.5	12.9	33.5	31.5	28.1	24.9
Net Margin %	18.4	-9.1	-17.9	16.2	30.5	12.9	7.1	19.5	20.6	20.6	19.5
Asset Turnover	0.64	0.60	0.59	0.64	0.60	0.56	0.54	0.54	0.56	0.57	0.55
Financial Leverage	2.2	3.9	7.5	5.6	3.2	3.3	3.4	3.0	2.5	2.4	2.2

Financial Health	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	06-08
Working Capital $Mil	3745	2628	439	2510	6120	6533	5902	8097	10292	15659	17120
Long-Term Debt $Mil	3859	3669	2395	7357	7546	8076	7792	9231	9097	11493	11456
Total Equity $Mil	9615	6215	2818	4073	8156	9294	9848	11994	14653	18211	19762
Debt/Equity	0.40	0.59	0.85	1.81	0.93	0.87	0.79	0.77	0.62	0.63	0.58

Valuation	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TTM
Price/Earnings	30.5	—	—	35.7	11.2	27.6	46.7	17.1	16.5	13.1	10.5
P/E vs. Market	—	—	—	1.5	0.6	1.3	2.5	1.0	1.0	0.8	0.8
Price/Sales	5.6	3.8	6.3	5.8	3.4	3.6	3.3	3.3	3.4	2.7	2.0
Price/Book	7.7	8.3	29.6	19.9	6.1	6.1	5.8	5.2	4.7	3.3	2.4
Price/Cash Flow	49.8	23.5	149.3	—	—	19.4	20.1	26.6	21.3	10.3	8.8

Growth Rates Compound Annual

Grade: C	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	10.1	8.9	9.0	4.7
Operating Income %	17.9	13.6	13.4	7.1
Earnings/Share %	9.7	54.9	0.3	8.1
Dividends %	5.0	4.8	2.9	2.5
Book Value/Share %	25.0	22.6	17.2	7.9
Stock Total Return %	-24.3	-6.1	-3.2	-1.5
+/- Industry	-2.7	-2.9	-0.3	0.2
+/- Market	12.1	0.7	-1.4	-2.9

Profitability Analysis

Grade: A	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	24.9	25.9	22.3	22.3
Return on Assets %	10.6	9.0	10.6	9.2
Fixed Asset Turns	2.1	2.0	3.6	7.1
Inventory Turns	2.2	2.2	2.9	12.1
Revenue/Employee $K	456.0	409.0*	426.2	973.1
Gross Margin %	71.5	71.9	70.3	28.5
Operating Margin %	26.1	24.1	19.1	16.8
Net Margin %	19.5	16.1	15.0	9.4
Free Cash Flow/Rev %	—	10.4	20.3	0.1
R&D/Rev %	14.6	0.1	—	11.5

Financial Position

Grade: B	12-07 $Mil	06-08 $Mil
Cash	10454	10383
Inventories	3035	3186
Receivables	3528	4231
Current Assets	22984	23137
Fixed Assets	11072	11528
Intangibles	4519	4529
Total Assets	42717	43191
Payables	1991	1468
Short-Term Debt	312	—
Current Liabilities	7324	6018
Long-Term Debt	11493	11456
Total Liabilities	24507	23429
Total Equity	18211	19762

Valuation Analysis

	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	10.5	24.2	13.7	14.0
Forward P/E	9.4	—	—	11.4
Price/Cash Flow	8.8	19.5	8.2	9.5
Price/Free Cash Flow	—	38.0	10.1	17.1
Dividend Yield %	3.2	—	0.6	3.4
Price/Book	2.4	5.0	3.8	3.0
Price/Sales	2.0	3.3	2.0	1.9
PEG Ratio	2.4	—	—	1.1

*3Yr Avg data is displayed in place of 5Yr Avg

Quarterly Results

Revenue $Mil	Sep 07	Dec 07	Mar 08	Jun 08
Most Recent Period	5619.5	5763.5	5710.6	5945.4
Prior Year Period	5135.8	5220.2	5368.7	5648.1

Rev Growth %	Sep 07	Dec 07	Mar 08	Jun 08
Most Recent Period	9.4	10.4	6.4	5.3
Prior Year Period	8.9	10.0	11.0	9.5

Earnings Per Share $	Sep 07	Dec 07	Mar 08	Jun 08
Most Recent Period	0.84	0.75	0.89	0.83
Prior Year Period	0.85	0.63	0.92	0.87

Industry Peers by Market Cap

	Mkt Cap $Mil	Rev $Mil	P/E	ROE%
Wyeth	46377	23039	10.5	24.9
Novartis AG	114880	39345	17.4	27.0
GlaxoSmithKline PLC	104164	45604	12.5	54.0

Major Fund Holders

	% of shares
Vanguard Windsor II	1.59
Dodge & Cox Stock	1.11
Vanguard 500 Index	0.96

Morningstar's Approach to Rating Stocks

Our Key Investing Concepts

- Economic Moat
- Discounted Cash Flow
- Discount Rate
- Fair Value
- Uncertainty
- Margin of Safety
- Consider Buying/Consider Selling
- Stewardship Grades

At Morningstar, we evaluate stocks as pieces of a business, not as pieces of paper. We think that purchasing shares of superior businesses at discounts to their intrinsic value and allowing them to compound their value over long periods of time is the surest way to create wealth in the stock market.

We rate stocks 1 through 5 stars, with 5 the best and 1 the worst. Our star rating is based on our analyst's estimate of how much a company's business is worth per share. Our analysts arrive at this "fair value estimate" by forecasting how much excess cash--or "free cash flow"--the firm will generate in the future, and then adjusting the total for timing and risk. Cash generated next year is worth more than cash generated several years down the road, and cash from a stable and consistently profitable business is worth more than cash from a cyclical or unsteady business.

Stocks trading at meaningful discounts to our fair value estimates will receive high star ratings. For high-quality businesses, we require a smaller discount than for mediocre ones, for a simple reason: We have more confidence in our cash-flow forecasts for strong companies, and thus in our value estimates. If a stock's market price is significantly above our fair value estimate, it will receive a low star rating, no matter how wonderful we think the business is. Even the best company is a bad deal if an investor overpays for its shares.

Our fair value estimates don't change very often, but market prices do. So, a stock may gain or lose stars based just on movement in the share price. If we think a stock's fair value is $50, and the shares decline to $40 without much change in the value of the business, the star rating will go up. Our estimate of what the business is worth hasn't changed, but the shares are more attractive as an investment at $40 than they were at $50.

Because we focus on the long-term value of businesses, rather than short-term movements in stock prices, at times we may appear out of step with the overall stock market. When stocks are high, relatively few will receive our highest rating of 5 stars. But when the market tumbles, many more will likely garner 5 stars. Although you might expect to see more 5-star stocks as the market rises, we find assets more attractive when they're cheap.

We calculate our star ratings nightly after the markets close, and issue them the following business day, which is why the rating date on our reports will always be the previous business day. We update the text of our reports as new information becomes available, usually about once or twice per quarter. That is why you'll see two dates on every Morningstar stock report. Of course, we monitor market events and all of our stocks every business day, so our ratings always reflect our analyst's current opinion.

Economic Moat

This is our assessment of a firm's ability to earn returns consistently above its cost of capital in the future, usually by virtue of some competitive advantage. Competition tends to drive down such economic profits, but companies

Morningstar Research Methodology for Valuing Companies

Competitive Analysis	Economic Moat Rating	Company Valuation	Fair Value Estimate	Uncertainty Assessment	★★★★★
Analyst conducts company and industry research: • Management interviews • Conference calls • Trade-show visits • Competitor, supplier, distributor, and customer interviews	The depth of the firm's competitive advantage is rated: • None • Narrow • Wide	Analyst considers company financial statements and competitive position to forecast future cash flows. Assumptions are input into a discounted cash-flow model.	DCF model leads to the firm's Fair Value Estimate, which anchors the rating framework.	An uncertainty assessment establishes the margin of safety required for the stock rating.	★ ★★ ★★★ ★★★★ ★★★★★ The current stock price relative to fair value, adjusted for uncertainty, determines the rating.

that can earn them for an extended time by creating a competitive advantage possess an economic moat. We see these companies as superior investments.

We're big fans of companies that are low-cost producers, create high switching costs for their customers, or have strong brands or long-lasting patents, because all of these characteristics allow companies to protect their competitive position. For example, Tiffany is far more profitable than a run-of-the-mill jewelry chain because it has a strong brand that creates a moat around its business, allowing it to charge more than competitors.

Discounted Cash Flow

This is a method for valuing companies that involves projecting the amount of cash a business will generate in the future, subtracting the amount of cash that the company will need to reinvest in its business, and using the result to calculate the worth of the firm. We use this technique to value nearly all of the companies we cover.

Discount Rate

We use this number to adjust the value of our forecasted cash flows for the risk that they may not materialize. For a profitable company in a steady line of business, we'll use a lower discount rate, also known as "cost of capital," than for a firm in a cyclical business with fierce competition, since there's less risk clouding the firm's future.

Fair Value

This is the output of our discounted cash-flow valuation models, and is our per-share estimate of a company's intrinsic worth. We adjust our fair values for off-balance sheet liabilities or assets that a firm might have--for example, we deduct from a company's fair value if it has issued a lot of stock options or has an under-funded pension plan. Our fair value estimate differs from a "target price" in two ways. First, it's an estimate of what the business is worth, whereas a price target typically reflects what other investors may pay for the stock. Second, it's a long-term estimate, whereas price targets generally focus on the next two to 12 months.

Uncertainty

To generate the Morningstar Uncertainty Rating, analysts consider factors such as sales predictability, operating leverage, and financial leverage. Analysts then classify their ability to bound the fair value estimate for the stock into one of several uncertainty levels: Low, Medium, High, Very High, or Extreme. The greater the level of uncertainty, the greater the discount to fair value required before a stock can earn 5 stars, and the greater the premium to fair value before a stock earns a 1-star rating.

Margin of Safety

This is the discount to fair value we would require before recommending a stock. We think it's always prudent to buy stocks for less than they're worth.The margin of safety is like an insurance policy that protects investors from bad news or overly optimistic fair value estimates. We require larger margins of safety for less predictable stocks, and smaller margins of safety for more predictable stocks.

Consider Buying/Consider Selling

The consider buying price is the price at which a stock would be rated 5 stars, and thus the point at which we would consider the stock an extremely attractive purchase. Conversely, consider selling is the price at which a stock would have a 1 star rating, at which point we'd consider the stock overvalued, with low expected returns relative to its risk.

Stewardship Grades

We evaluate the commitment to shareholders demonstrated by each firm's board and management team by assessing transparency, shareholder friendliness, incentives, and ownership. We aim to identify firms that provide investors with insufficient or potentially misleading financial information, seek to limit the power of minority shareholders, allow management to abuse its position, or which have management incentives that are not aligned with the interests of long-term shareholders. The grades are assigned on an absolute scale--not relative to peers--and can be interpreted as follows: A means "Excellent," B means "Good," C means "Fair," D means "Poor," and F means "Very Poor."