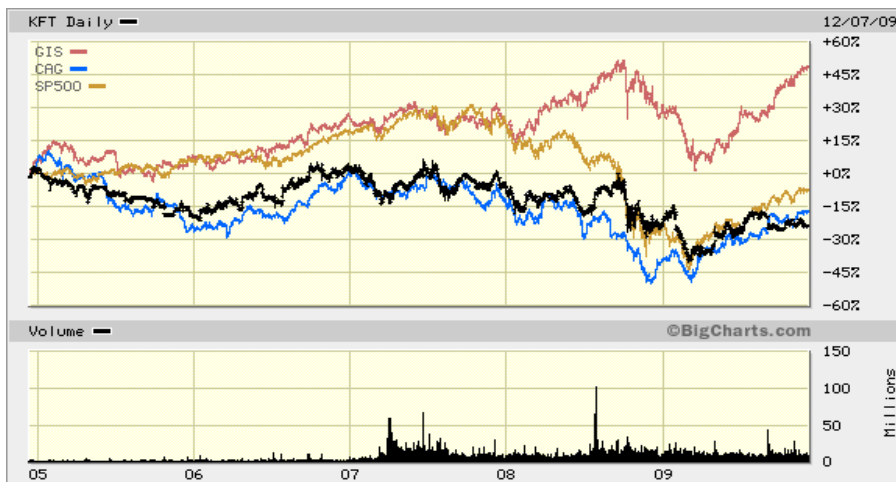


Kraft Foods Inc. (KFT) 12/7/09

KFT operates as the world's second largest food and beverage producer. KFT operates under brand names such as; Kraft, Oscar Meyer, Oreo, Jello, Maxwell House, Nabisco, Kool-Aid, and more. KFT was taken public in 1998 by parent company Philip Morris Company, and fully spun off in 2007.

Current Price	\$26.68
52 Week High	\$29.84
52 Week Low	\$20.81
One Yr Target	\$31.50
Market Cap (in billions)	\$39.38
P/E (Trailing)	15.74
P/E(1 Yr Forward)	12.29
P/E/G	1.46
ROA	3.60%
ROE	9.30%
EPS	\$1.70
Beta	0.20
Annualized Dividend	\$1.16
Dividend Yield	4.35%
Analyst Consensus	2.30
Debt to Equity	1.65



Annual EPS

2005	\$1.58	
2006	\$1.87	18.67%
2007	\$1.69	-9.72%
2008	\$1.97	16.92%
2009E	\$1.70	-14.15%

Annual Revenue (in millions)

2005	\$34,113.00	
2006	\$33,256.00	-2.51%
2007	\$36,134.00	8.65%
2008	\$42,201.00	16.79%

Annual Net Income (in millions)

2005	\$2,632.00	
2006	\$3,060.00	16.26%
2007	\$2,590.00	-15.36%
2008	\$2,901.00	12.01%

Free Cash Flows (in millions)

2005	\$2,293.00	
2006	\$2,551.00	11.25%
2007	\$2,330.00	-8.66%
2008	\$2,774.00	19.06%

Required Rate of Return

5.52%

Dividend Growth Model

Present Value of 2014 Price	\$20.89
Holding Period Return (5 years)	5.08%

Expected Annualized Return Model

Present Value of 2014 Price	\$25.19
Holding Period Return (5 years)	-1.12%

Residual Income Model

Intrinsic Stock Price	\$23.35
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Analysis

Positives

Nice Dividend Yield means stock price could be at a value

Very low Beta lowers stock's required returns and overall volatility

Negatives

Two of three valuation models have the stock price as overvalued

Financial Statements

Income Statement is suspect, ratios are decent but Operating Expense is outpacing Revenue

Balance Sheet is hurt by a massive amount of new Debt in 2008 that will cut into Equity

Cash Flows are decent, Operating Cash has been increasing for past 4 years

Industry Analysis

Largest company in a small industry, has average financial ratios compares with others

Emerging markets will help industry, but a shift towards organic foods will also hurt sales

Summary

KFT has solid financial numbers, if un-spectacular anyway, and is a stable company. That being said there doesn't seem to be much growth potential expected either. The best financial ratio the stock has is its high Dividend Yield, which works well with its low Beta. The company recently added a lot of Debt in 2008 which will affect profits into the next couple of years, making it less attractive to growth investors. Industry outlook is fairly good as emerging markets are a potentially large source of new revenues, yet this will be a long and slow process. Some concern for KFT is the overall rising cost of input materials and an increasing concentration of sales with a small number of customers (Wal-Mart), which puts more leverage in the hands of their customers. KFT could be the right addition to a portfolio that needs to offset risk of some higher Beta stocks or investors looking for safe, high Dividend Yields but overall KFT is a hold.