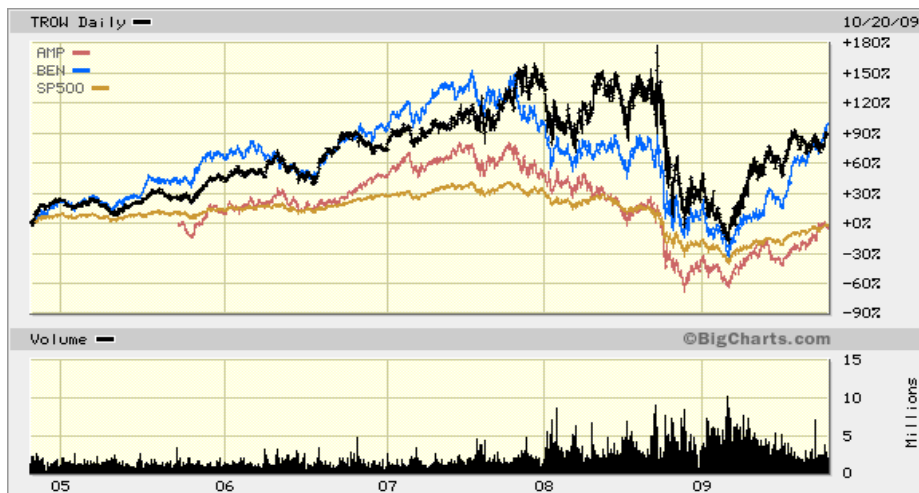


## T. Rowe Price Group, Inc. (TROW) 10/20/09

TROW operates as an asset management company, which ranks 29<sup>th</sup> in the world in Assets Under Management (AUM) and have grown then at 18% per year since 2002 (compared to 9% per year for the industry). TROW's assets are mainly in equities, but also offer fixed income and money market products. The company's management prefers to take revenue in the form of fees rather than commissions, and the company is known for having a more conservative investment approach in the industry. TROW was founded in 1937 and is headquartered in Baltimore, Maryland.

Current Price	\$47.71
52 Week High	\$49.15
52 Week Low	\$20.09
One Yr Target	\$48.00
Market Cap (in billions)	\$12.22
P/E (Trailing)	38.96
P/E(1 Yr Forward)	22.21
P/E/G	2.87
ROA	10.83%
ROE	12.43%
EPS	\$1.22
Beta	1.74
Annualized Dividend	\$1.00
Dividend Yield	2.10%
Analyst Consensus	2.80
Debt to Equity	0.15



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**Annual EPS**

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2005	\$1.58	
2006	\$1.90	20.25%
2007	\$2.40	26.32%
2008	\$1.82	-24.17%
2009E	\$1.22	-32.71%

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**Annual Revenue (in millions)**

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2005	\$1,515.82	
2006	\$1,819.30	20.02%
2007	\$2,233.10	22.75%
2008	\$2,121.30	-5.01%

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**Annual Net Income (in millions)**

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2005	\$430.93	
2006	\$529.60	22.90%
2007	\$670.60	26.62%
2008	\$490.80	-26.81%

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**Free Cash Flows (in millions)**

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2005	\$487.68	
2006	\$498.80	2.28%
2007	\$612.40	22.77%
2008	\$597.70	-2.40%

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**Required Rate of Return**

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14.83%

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**Dividend Growth Model**

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Present Value of 2014 Price	n/a
Holding Period Return (5 years)	n/a

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**Expected Annualized Return Model**

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Present Value of 2014 Price	\$32.05
Holding Period Return (5 years)	-9.04%

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**Residual Income Model**

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Intrinsic Stock Price	\$3.63
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# Analysis

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## Positives

Good ROA and ROE is a positive sign of management

## Negatives

Stock price overvalued by the EAR and RI valuation models

## Financial Statements

Balance Sheet is strong with nice Asset/Liability ratios and good Retained Earnings

Income Statement showed nice growth until recent economic conditions

Cash Flows are volatile, but good that there are little Capital Expenditures

## Industry Analysis

Company is one of the largest in a numerous and competitive industry

Company has better than average financial numbers compared to industry

Asset Fees for management are average in comparison with others

## Summary

TROW is a solid company with decent financial numbers but nothing really outstanding. The P/E and PEG ratios suggest that the current stock price is a bit expensive, and the two applicable valuation models say the stock price is overvalued. Financial Statements are good, especially the Balance Sheet, but have been hurt by the recent economic conditions. TROW as a company is one that has a high reputation across the industry and operates in a conservative and responsible manner. This however doesn't necessarily equate into a great investment option. The company may face some loss of revenue from retirees moving their savings from managed accounts into IRAs, but has done a nice job of increasing AUM anyway. TROW has faced slow international growth due to a strategic alliance, but should see an increase in the coming years. Overall, TROW seems more like a good company to keep investments with but not invest into, and therefore earns a **hold** rating.