



# Whole Foods Market (Underweight)

Date: 09/19/2005  
Symbol: WFMI  
Price: \$134.44

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Student Investment  
Association

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Symbol: WFMI  
Sector: Services  
Industry: Grocery Stores  
Industry Outlook: Neutral

Market Cap: \$9.04 B  
Shares Outstanding: 70 M  
Avg. Daily Volume: 944,742  
52-Wk Range: \$79.03 - \$139.69

DCF Valuation: \$148.05

Net Profit Margin: 3.56%  
Return on Equity: 14.1%  
Dividend Yield: .7%  
Debt to Equity: .015  
Forward P/E: 45.73

Growth Rates (5 yr.)

	Company	Industry
Sales	18%	3%
EPS	18%	3%

Company Efficiency/Profitability

	Comp.	Ind.
ROE	14.1%	6.8%
P/E	56.26	41.3
Price/Book	6.86	5.25
Net Margin	3.56	.7%

**Summary:** Whole Foods Market Inc. operates a chain of natural and organic based supermarkets in The United States, Canada, and the UK.

WHOLE FOOD MARKET  
as of 19-Sep-2005

Splits: ▼



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Revenues (Million \$)

	2005	2004	2003	2002	2001
1Q	1368	1118	--	--	--
2Q	1085	902	--	--	--
3Q	1132	927	--	--	--
4Q	--	924	--	--	--
Yr.	--	3864	3148	2690	2272

Earnings Per Share (\$)

	2005	2004	2003	2002	2001
1Q	48	39	--	--	--
2Q	42	35	--	--	--
3Q	42	26	--	--	--
4Q	--	26	--	--	--
Yr.	--	132	100	82	67

Company Highlights

- § Whole Foods Market outperforms the competition in almost every aspect of its business: sales growth, productivity, profit margins, etc.
- § The market for organic and natural foods is the fastest growing market within the food industry. Whole Foods is a leader in this narrowly defined segment of the market.
- § Whole Foods is shifting its focus to making a greater share of sales in high quality, expensive, perishable products. This will further their upscale image and differentiate Whole Foods from its competitors.

Major Risks

- § Whole Foods has, in the past, often reached the growth company milestone of beating analyst expectations. However, over time expectations will be adjusted and the company will eventually disappoint.
- § Competing regional grocery stores have begun to recognize current trends and now offer organic foods.
- § While the company is financially very sound, it trades for high multiples and is currently subject to valuation risk, especially given the possibility of a potential market pullback.

**Analysts Opinion:** As a company, Whole Foods will continue to outperform the grocery stores industry for at least the next decade. However, our analysis of Whole Foods' discounted cash flows shows the shares may be quickly approaching their fair value.