Free Cash Flow to Equity and Cash Payout Policy in Top Ten Technology Companies in the U.S.

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ABSTRACT

This thesis investigates the relationship between the free cash flow to equity (FCFE) and the total cash payout for the top ten most valuable technology corporations in the U.S.A. over the period 2002-2012. Shareholders are interested in the difference between FCFE and total cash payout since they can have a better estimation about the performance of the corporation and estimate the amount of available cash in the company. The difference between these two parameters is reflected in the sum of cash and retained earnings. This study concludes that apart from the two exceptional corporation, AT&T and Verizon, payout policy has been following the FCFE trend in the last decade. However, cash payout trend has been fluctuating smoother than FCFE. AT&T and Verizon are the two telecommunication corporations that have been acting differently due to the FCFE and cash payout trends. That is because of the high level of risk involves in this industries. Moreover, AT&T and Verizon has huge amount of tangible assets which results in high depreciation each year.

This is in line with the fact that dividend policy is sticky and managers are reluctant to change the level of dividend. Technology corporations also acted more conservatively after the global 2008-2009 crisis. The corporations paid less than their FCFE to their shareholders on average after 2009 which resulted in a huge difference between FCFE and cash plus retained earnings. The study also concludes that the corporations decided not to distribute cash to shareholders resulting in a substantial difference between FCFE and cash plus retained earnings for two main reasons; 1. To increase their flexibility for future investments and acquisition. 2. To get prepared for the next possible crisis.

Keywords: Free cash flow to equity (FCFE), Payout policy, Dividend policy, Share repurchase, Stock buybacks, Technology corporations, U.S.A.

ÖZ

Bu çalışmada, 2002-2012 dönemi için, A.B.D. yerleşik en değerli ilk on teknoloji şirketlerindeki toplam nakit temettü ödemeleri ve hissedar serbest nakit akışı arasındaki ilişki incelenmiştir. Hissedar serbest nakit akışı ve toplam nakit temettü ödemeleri arasındaki ilişki hissedarlar için önemlidir. Bu ilişkiyi inceleyerek, hissedarlar şirketin performansı ve nakit durumu hakkında bilgi edinebilirler. İki haberleşme şirketi dışında (AT&T ve Verizon), son on yılda, nakit temettü ödemelerindeki dalgalanma hissedar serbest nakit akışlarındaki dalgalanmalardan daha az olduğu gözlemlenmiştir. Bu iki haberleşme şirketindeki farklılık yıllık amortisman giderlerinin fazlalığından kaynaklanmaktadır.

Çalışma sonuçları, temettü politikasında istikrar kavramı ile uyumludur. Ayrıca, 2008-2009 küresel kriz döneminde, teknoloji şirketlerinin daha muhafazakâr bir temettü politikası takip ettikleri tespit edilmiştir. Ancak, özellikle 2009 sonrası, bu şirketlerin hissedar serbest nakit akışı tutarına göre daha az toplam nakit temettü ödedikleri gözlenmiş ve hissedar serbest nakit akışı ve nakit + dağıtılmamış kar rakamları arasında büyük bir farka neden olduğu tespit edilmiştir. Bu büyük fark iki nedenle açıklanabilir. Teknoloji şirketleri, gelecekteki yatırım fırsatları ve ileride olabilecek krizler için fazladan nakit pozisyonu tutarak şirket yönetimi açısından esnek bir ortam amaçlamaktadırlar.

Anahtar Kelimler: Hissedar serbest nakit akışı, temettü politikası, hisse geri alımı, teknoloji şirketleri, A.B.D.

With very special gratitude to my beloved family for their unconditional support, both financially and emotionally throughout my degree.

I dedicate this study to my dear mom, dad and sister.

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INTRODUCTION

Payout policy is important since we are not living in the Miller and Modigliani (1961) world. Taxes and bankruptcy cost do exist. Hence, Companies need to know how much money they should pay to the shareholders, and in what form it should be paid. Moreover, there is no such a golden rule for all companies, and each company must have its own optimal payout policy.

As studies show, there are some factors that could affect payout policy. However, the two most important ones are taxes and agency problem. As far as there are different tax rates for dividends and capital gains, tax could shift the shareholders demand for a specific form of payout policy in order to minimize their tax level. Furthermore, conflict of interests exists between shareholders and managers known as the agency problem. Managers can spend shareholders' money in a way to raise their personal benefits rather than maximizing the shareholders' wealth.

There are two general forms of cash payment to shareholders; cash dividend and stock repurchase. Each has its own characteristics, advantages and disadvantages. The most significant difference between these two methods is the stickiness of cash dividend. It means that once a company pays dividends to shareholders they expect the company to pay it at the same level or even increase the level. Moreover, cutting dividend sends bad signals to the market about the future profitability and causes the

share price to fall instantly. Stock repurchase does not have this stickiness feature, and it is more flexible than dividends. This could be the reason that companies are shifting from cash dividends to stock repurchase in their payout policy recently, especially the ones with substantial excess cash.

There is also another parameter that could estimate how much money a company can afford to pay to its shareholders. In other words, the amount of money that could be taken out of the business without hurting the firm is called free cash flow to equity (FCFE) or potential cash payout. The positive amount of FCFE shows the amount of cash that a corporation can afford to distribute to its shareholders, and when FCFE is negative, it means that the company cannot afford any payment to shareholders in that period although it is not unusual for a company to pay dividends even if it has a negative FCFE. They can use their retained earnings and/or raise financing to compensate the deficit.

According to the agency problem, managers are the agents and shareholders are the principals. Furthermore, managers need to have a reasonable explanation to convince shareholders for holding a positive FCFE in the company and not paying it out. Some argue that a company wants to have flexibility for future potential investments and acquisitions. If a company pays less than the FCFE to the shareholders, this amount will be registered as cash and retained earnings in the company.

The aim of this study is to compare the total cash payout and FCFE since it is a important criterion for shareholders to estimate the company performance. For this purpose, the required data such as balance sheets and cash flow statements are obtained from the Data Stream for the 2013 top ten technology companies in the

U.S.A; 1. Apple. 2. Microsoft. 3. IBM. 4. AT&T. 5. Google. 6. Oracle. 7. Intel. 8. Verizon. 9. Amazon. 10. eBay for the period of 2002 to 2012. These data will be collected in Microsoft Excel worksheet for calculating the FCFE and making the comparison between FCFE and total cash payout (Cash dividends plus shares repurchase). Methodology of this study suggests that there will be four group of companies regarding to the result of comparison between FCFE and the total cash payout and the future possible investments for each company as follow;

1. Those corporations which pay less than their FCFE to shareholders and good possible investments in the future: There is a maximum flexibility for the managers of these companies between holding cash and distributing it to shareholders.

2. Those corporations which pay less than their FCFE to shareholders and poor possible investments in the future: Shareholders will increase the pressure on managers of these companies to distribute cash among them and not holding it in the company.

3. Those corporations which pay more than their FCFE to shareholders and good possible investments in the future: Managers of these companies should cut the cash payments to shareholders and increase reinvestment since they have good investment opportunities.

4. Those corporations which pay more than their FCFE to shareholders and poor possible investments in the future: Although these companies could get improved by cutting the cash payments to shareholders, they better solve the investment problem first which has more impact on their performance.

The study is structured as follows: In Chapter 2, there is an overview of payout policy. In chapter 3, we have the historical review of the top ten technology companies in the U.S.A. In chapter 4, data, methodology, empirical results and analysis, and in chapter 5, there is a conclusion.

Chapter 2

AN OVERVIEW OF CASH PAYOUT POLICY

The aim of this chapter is to define of all parameters and factors that are going to be used in the rest of the study. This chapter focuses on the cash payout policy methods, dividend, stock buybacks and free cash flow to equity (FCFE).

2.1 Cash Payout Methods

How much cash should a company return to its shareholders? What method of payment should it choose? Should it be paid in the form of cash dividend and/or stock buyback? Which method has the minimum cost from the tax perspective? Companies need to answer these questions and make some important decisions regarding the cash payout policy. Many studies have done in the past forty years in order to find an optimal cash payout policy, but yet there is no one golden rule to help companies in making those decisions.

Miller and Modigliani (1958, 1961) argued that, under certain assumptions, firm's value is irrelevant with their financing and payout decisions, and it is related to their investment and operating decisions. Miller and Modigliani assumed there is no tax and no bankruptcy costs in their theory, and it highlights the importance of the tax and some costs in the cash payout policy.

According to Brav et al. (2004), some important factors that are affecting the payout policy are: 1. Taxation: As far as there are different tax rates for capital gains and

dividends, managers try to minimize the shareholders tax by comparing tax rates; 2. Special clients (Dividend clientele): Some managers believe that they can attract some investors by paying dividends or repurchasing stocks. (Graham and Kumar, 2005); 3. Agency theory: This theory suggests that payout policy can reduce the agency problem. (Jensen, 1986; Easterbrook, 1984); 4. Signaling to market: Payout conveys some information that could affect the stock price instantly (Bhattacharya, 1979; Rock and Miller, 1985; Williams and John, 1985; Allen et al., 2000); 5. Asymmetric information: Sometimes, managers might use payout as a costly way to pretend their confidence about the company's future cash flow; 6. Earnings per share (EPS): Companies can increase their EPS by repurchasing their shares and without increasing their net income; 7. Liquidity: Many companies believe that payout causes the stock to be liquid and decreasing the liquidity of a stock will decrease the stock price; 8. Credit rating: Companies are reluctant to repurchase shares or to increase dividends because it might reduce their debt rating.

There are two methods of returning cash to shareholders, cash dividend and stock repurchase. Managers consider maintaining the level of dividend before any investment decisions while buyback decisions are usually made on the remaining cash flow after capital spending. That is because cutting dividend has a negative impact on the stock price. As Lintner (1956) said, being confident about the future earnings is linked to dividend policy, and this is the reason why stock price decreases after cutting dividends. However, this link has weakened in the past years because of some advantages of stock buybacks to dividends. Nowadays, managers are more likely to buy back their own stocks because it is much more flexible than cash dividends.

2.1.1 Cash Dividend

Cash dividend is a distribution of company's earnings to shareholders, decided by company's board of directors. Companies start paying dividends for one or both of the two following reasons: 1. When there is a sustainable increase in earnings, and 2. When demand for dividends is increasing by institutional investors. (Allen and Michaely, 2003). Studies show the notion that corporations that increase dividends do so when they become more mature and less risky (Grullon et al., 2002; Julio and Ikenberry, 2004).

Managers know the consequences of cutting dividends. Hence, studies show that managers are really reluctant to change the level of dividend they have been already paying since dividend changes send bad signals to the market and cause an negative instant effect on the stock price. Because of this, they call it "sticky dividend policy". Once you pay it, you need to continue paying some or more but not less. (Fama and French, 2001). Due to this reason, maintaining dividends is on the top of managers priority list even before the investment decisions. However, increasing dividend level usually consider after investment spending.

Some executives believe that by paying dividends, they can attract some specific investors who would like to receive a regular payments like pension funds. However, that might not to be always true since a single corporation is like a drop in a bucket. In other words, there are already too many alternatives for investors in the market (Brealy, Mayers and Allen, 2010).

2.1.2 Share Repurchase

Sometimes, companies use their excess cash to repurchase (buyback) their own stock in order to reduce the number of outstanding shares that called stock buyback or

share repurchase. Buyback decision is made after investment decision, and companies usually do it for four main reasons; When they think the stock is undervalued (Jensen, 1987), or to reduce the agency problem by decreasing the amount of money in the company, or to increase the value of their outstanding shares by reducing the supply, or to eliminate any possible threats by shareholders who might looking for a controlling strike. Moreover, stock repurchase does not affect the stock price like dividends does. It means that stock repurchase could increase the stock price, but cutting stock repurchase will not affect it (Jagannathan et al., 2000; Grullon and Michaely, 2002). As a result, more companies are shifting their payout policy to the share repurchase side recently since it gives more flexibility for the CEOs about payout policy decisions.

There are three methods of share repurchase in the U.S.A; the fixed priced tender offer, Dutch auction and the open market, (Grullon and Ikenberry, 2000) Tender offer and open market are more traditional methods of stock repurchase and Dutch auction is the newest one. As the name suggests, in fixed price tender offer, corporation offers a specific number of shares with a single price to all shareholders for a limited time. Dutch auction has also a fixed price and it is determined by collecting information from shareholders, and revealed at the end of the auction. Shareholders offer their shares through an auction and corporation repurchase specific number of stocks from the least price if the price is less than the fixed one. In open market method, corporation attempt to buy its stock back directly from the market.

In accounting terminology, Stock buyback is sometimes called treasury stock. Treasury stock is a stock that is repurchased and held in company as an asset.

However this might not be always true since: 1. Treasury stock is listed in liability and equity side of the balance sheet as a negative equity so it is not held as an asset. 2. Treasury stocks may have come from buybacks or in an unlikely scenario, may have registered but never been issued to the public. Furthermore, stock buybacks (treasury stocks) affect the earnings per share (EPS) since in the denominator of EPS formula, there is share outstanding which is excluded buybacks. Thus by repurchasing stock the outstanding stocks is reduced. So if this effect is large, it can increase EPS even though there is no change in net income. (Bens et al., 2003).

2.2 Free Cash Flow to Equity (FCFE) and Payout Policy

Free cash flow to equity or potential payout simply shows the amount of money that a company can take out of the business without hurting the company. As the name suggests, this is the amount of cash that is available for distributing among equity holders after accounting for all expenses, reinvestments and debts. This parameter is so important to shareholders since they are curious about the amount of cash under the control of managers. Shareholders need to know how much cash a firm could afford to distribute and to compare with the actual payment they received. Moreover, shareholders are able to reduce the agency problem by using FCFE as a measurement tool to monitor the managers performance. FCFE can be calculated by using the following formula (Damdoran, Corporate finance course, 2013):

$$
\begin{aligned}
FCFE = {} & Net\ Income \\
& + Depreciation\ \&\ Amortization \\
& - Capital\ Expenditures \\
& - Changes\ in\ Non\ Cash\ Working\ Capital \\
& - Preferred\ Dividends \\
& - Principal\ Repaid \\
& + New\ Debt\ Issued \\
& + Changes\ in\ Short\ Term\ Borrowings
\end{aligned} \tag{1}
$$

Positive FCFE can be interpreted as the amount of cash a company can pay out whether in terms of cash dividends or stock repurchase. Negative amount of FCFE means the company has a deficit, and it cannot afford any payment to shareholders. It is not unusual for a firm with negative FCFE to pay cash dividends or even buy back their own stocks by using its cash and/or retained earnings since these two are not included in FCFE. There is also a simplified formula for those companies with a stable debt to capital ratio (Damdoran, Corporate finance course, 2013):

$$
\begin{aligned}
FCFE = {} & Net\ Income - (1 - \Delta)(Capital\ Expenditures - Depreciation) \\
& - (1 - \Delta)(Non\ Cash\ Working\ Capital\ Needs)
\end{aligned} \tag{2}
$$

$$
\Delta = \frac{Debt}{Capital\ Ratio} \tag{3}
$$

As Figure 1 shows, comparing FCFE with cash payout (Cash dividends plus stock repurchases), companies are divided to five categories as follow: [1. Companies with negative FCFE and no payout: These companies are not paying anything to

shareholders because they cannot afford it. Young growing companies with many good investment opportunities are usually in this category. 2. Companies with negative FCFE and positive payout: At first it may seem irrational for a company to do such a thing but there is a considerable number of companies that are acting like this and they have good reasons for sure. As I mentioned before, dividends are sticky, and when a company once pays it to its shareholders, it needs to keep paying it even if there is a deficit in the company. 3. Companies with positive FCFE and no payout: Cash is building up in such companies as they are storing extra cash year after year and not paying anything to shareholders. 4. Companies with positive FCFE and payout less than FCFE: In these companies cash is building up but with the lower growth rate than the previous group. In the real world, majority of companies are in this category. 5. Companies with positive FCFE and payout more than FCFE: It might be related to the stickiness of dividends, or since they have positive FCFE they are probably mature companies, they might do such a thing intentionally meaning that they want to shrink or liquidate their company].

FCFE<0 and Payout=0	**High growth young Companies**
FCFE<0 and Payout>0	**Stickiness of dividends**
FCFE>0 and Payout=0	**Building up cash**
FCFE>0 and Payout<FCFE	**Building up cash but with the lower growth rate**
FCFE>0 and Payout>FCFE	**Stickiness of dividends or liquidate the company**

Figure 1. Comparing FCFE & Payout
Source: (Damdoran, Corporate finance course, 2013).

Those companies with excess cash are always under pressure from their shareholders. Managers need to convince shareholders for holding excess cash in the company. Shareholders can evaluate their manager performance by reviewing the history of stock prices. They can easily compare ROE (Rate Of Return) to cost of equity or compare the ROC (Return On Capital) to WACC (Weighted Average Cost of Capital) to understand managers' ability for taking good or poor projects.

As Figure 2 shows, according to FCFE and possible future investment all companies are in one of the following groups: 1.Companies with cash surplus (positive FCFE) and poor projects: There is a significant pressure to the managers of this group created by shareholders to payout more dividends or buyback stocks. Shareholders are not stupid and are not willing to let managers waste their money whether by accepting poor projects. 2.Companies with cash deficit (negative FCFE) and poor projects: This is the worst scenario for a company. They could cut out dividends and buybacks, but the main problem is in their investment policy which has to get changed. 3.Companies with cash surplus (positive FCFE) and good projects: This is the best scenario and there is maximum flexibility in setting payout policy. 4.Companies with cash deficit (negative FCFE) and good projects: These companies could solve the problem with reducing payout to shareholders if they have any.

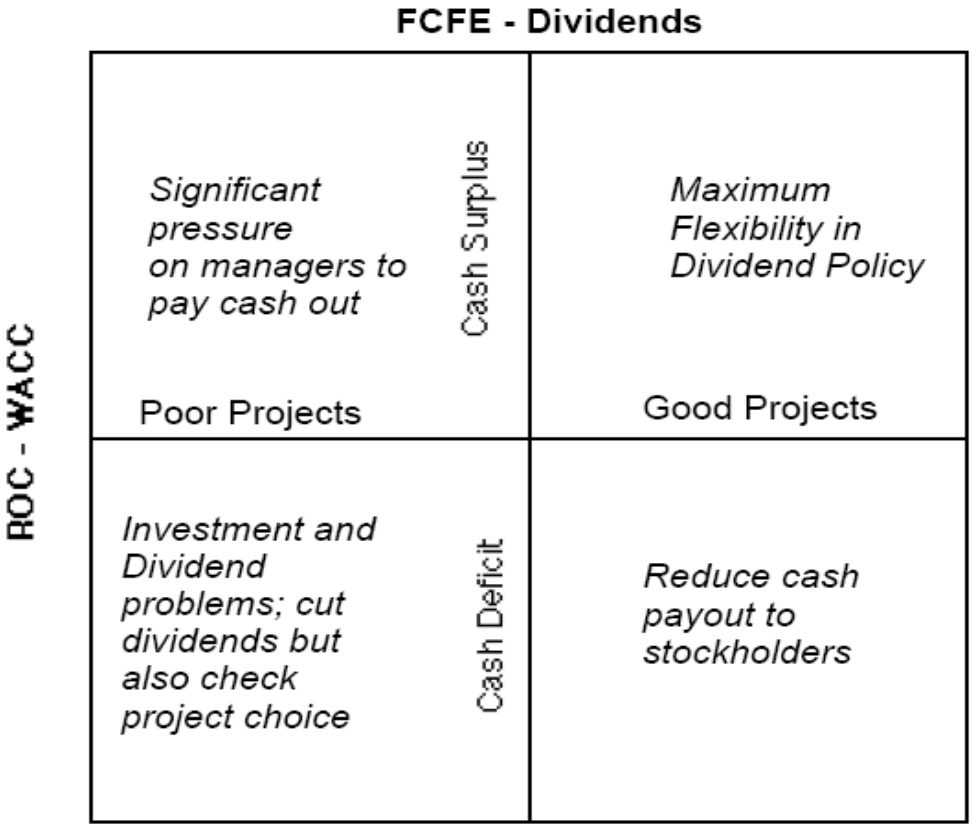

Figure 2. Dividend Matrix
Source: (Damdoran, Corporate finance course, 2013).

Chapter 3

BREIF HISTORICAL REVIEW OF THE TOP TEN TECHNOLOGY COMPANIES IN THE U.S.A

This chapter provides some fundamental information for the top ten most valuable technology companies in the U.S.A. The information consists of corporations foundation, products or services, payout policy and stock price for the last decade.

3.1 Apple

Apple was founded by the two Steves: Steve Wozniak and Steve Jobs. They got $1,250 by selling their most valuable things they had. Wozniak sold his programmable HP calculator and Jobs sold his Volkswagen Bus. On the April fool's day, 1976, they invented the first personal computer in Jobs' basement. Apple once failed miserably when they tried to battle with IBM by their own PC; Hence, they were too many same products only with minor differences in the market. Also, they had another failure in personal digital assistant (PDA), but that was a great inspiration for future devices such as Pocket PC. Apple was suffering a terrible time as one of the worst managed companies. Stock value was low, and They were losing billions of dollars (Arandilla, "Three great decades", 2012).

Jobs left Apple in 1985 and one year later, founded NeXT company. NeXT did not succeed because the products were too expensive. In 1998, Steve Jobs came back to Apple as the CEO and started developing iMac which was a great success. They sold one million iMacs in a year, but that was not the greatest one. Ipod was released on October 23, 2001. That was the first venture success that paid off very well and

caused to other innovative products such as iPod Mini, iPod Shuffle, iPod Nano, iPod Touch, iPhone and iPad.

The first generation of iPhone released in 2007 by Apple and became the most favorite product of Apple all the time. Furthermore, Apple created an online music store, called "iTunes". First, Apple launched only for Mac in 2003, and it generated 2,000,000 downloads in the first two weeks. Finally, Apple released iTunes for windows later. Steve jobs resigned on August 25, 2011, and Tim Cook became the new CEO of Apple. Jobs passed away on October 5, 2011. Apple has been creating a cash mountain by not paying out to shareholders, and that was because Jobs convinced shareholders with his brilliant ideas so after Jobs dead, they made Cook payback their cash ("Timeline of Apple Inc. products", n.d).

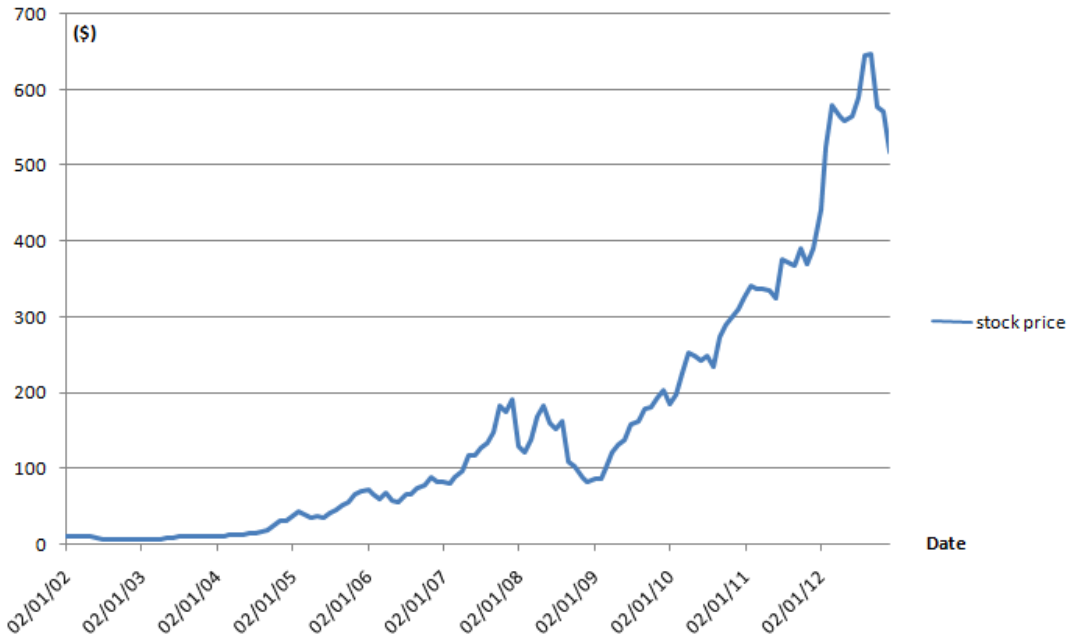

Figure 3. Apple Stock Price

3.2 Microsoft

Bill Gates founded Microsoft on November 26, 1976. The name Microsoft came from the combination of Microcomputer and Software because the software is programming in microcomputers. IBM was the monopoly in producing personal computer at that time. IBM asked Microsoft to write the MS-DOS program for them, and that was the first time people started knowing Bill Gates and his company. Microsoft introduced the next generation operating system after MS-DOS in 1983 and two years later, the very first version of Windows, called Windows 1.0 was launched by Microsoft in 1985. Microsoft shares went public on March 13, 1986 at $21 per share, and it started paying dividends from 2003 (Kumar, "The brief history of Microsoft", 2011).

Microsoft released the Windows 2.0 in 1987, and one year later, Microsoft became the world's largest PC seller. Microsoft was big enough to took the chance and tried different industries. The company entered to the video games industry by launching their gaming console, XBOX in 2001. However, they faced a powerful competitor, Play Station 2 made by Sony, so Microsoft lost about $4,000 million. They came back to the industry in 2005 by releasing XBOX 360. It could compete the new Sony's Play Station 3 very well by adding the Kinect controller, and the last round for the two rivals is still continuing between XBOX 1 and Play Station 4 in 2013. They also released the Microsoft tablet called Surface in 2012. (BBC, "Timeline: Bill Gates and Microsoft", 2008).

The only competitor of Microsoft is Apple with its Mac operating system. Microsoft released Windows 3.1, Windows 95, Windows 98, Windows 2000, Windows Me,

Windows XP, Windows Vista, Windows 7 and the last one was Windows 8 which released in 2012.

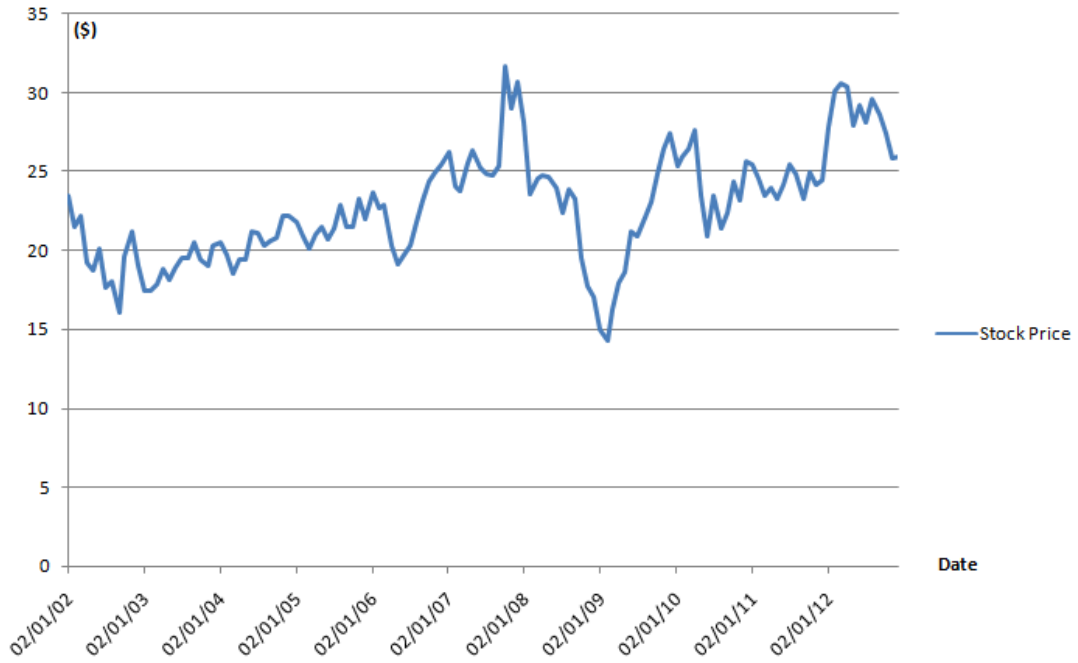

Figure 4. Microsoft Stock Price

3.3 IBM

International Business Machines (IBM) was founded by Thomas J. Watson. They also call it "Big Blue" after its blue logo. The company has been making almost every piece of personal computers. In 1911, three successful companies decided to merged and create today IBM history. The International Time Recording Company, The tabulating Machine Company and the Computing Scale Company of America joined together and form one company, the Computing Tabulating Recording Company. Thomas J. Watson became the first CEO of the company and held the title for the next twenty years. He changed the company's name to International Business Machines or IBM in 1924 (Bellis, "IBM history", 2012)

In 1953, IBM was able to produce their own computers and the very first one called IBM 701 EDPM. Finally, IBM could step into the home consumer market by producing their Personal Computer (PC) in 1980. They went public in 1986 at price $2.48 and started paying dividends in 1962. They asked Microsoft to write an operating system for their PCs and Microsoft gave them MS-DOS in 1980. IBM has 12 laboratories around the world and hold the record for the most patents created by a company for two decades ("Some key dates in the history of IBM", 2011).

Figure 5. IBM Stock Price

3.4 AT&T

The history of AT&T backs to the history of telephone in the United States when Alexander Graham Bell invented the telephone in 1875. AT&T became the parent company of the Bell System company which was the American telephone monopoly during the 19th century. The Bell System Company provided all telephone services in the world at that time. In 1984, AT&T and the U.S Department of Justice made an

agreement to break the Bell System into eight companies ("The history of AT&T", 2013).

AT&T was the most successful one between their competitors since it was an integrated telecommunications services and equipment company. Today, AT&T is one of the global networking leader which can provide a wide range of telecommunication services. AT&T went for initial public offering on July 19, 1984 at the price of $1.32 and they started paying dividends in the same year on September 24.

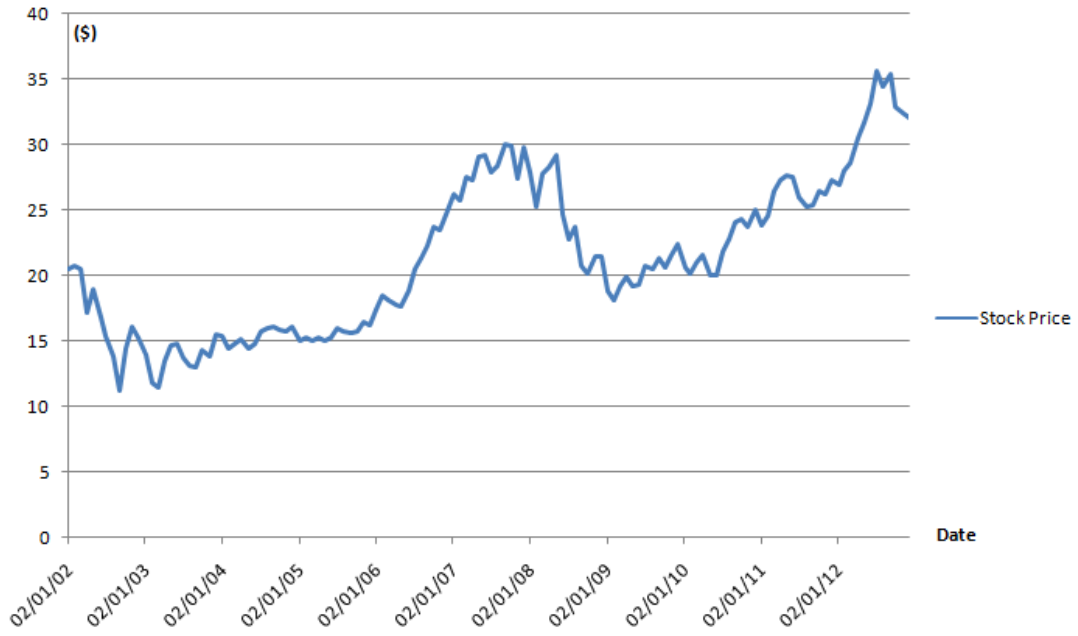

Figure 6. AT&T Stock Price

3.5 Google

Google was founded by two Stanford University students named: Larry Page and Sergey Brin. In 1996, they built a search engine which could determine the importance of individual websites. Sergey and Larry named the search engine "Google" that came from the word "Googol" which is a mathematical term for 100

zeros in front of a 1. Later on, Google as a company was born in 1998. At the end of 1998, Google index was about 60 million pages although the Google home page was still "BETA". Their unique innovation and accurate technique for searching made Google a great search engine among the competitors such as Yahoo, Excite, Lycos, AOL, Go and MSN.com ("Our history in depth", 2013).

Google could attract the loyalty of a growing number of internet users who interested in Google's simple design. In 2000, Google started selling special advertisements with search keywords that was invented by Goto.com. As a result, Google quality and revenue both were increasing at the same time. In April of 2004, Google Launched Gmail, and in the same year Google's IPO was on August 18, 2004 at the price of $102.37. They acquired YouTube company in 2006 and made it the most largest video-uploading site ever. They entered the mobile industry by introducing an open platform called Android in 2007. The last recent product of Google named Google Glass.

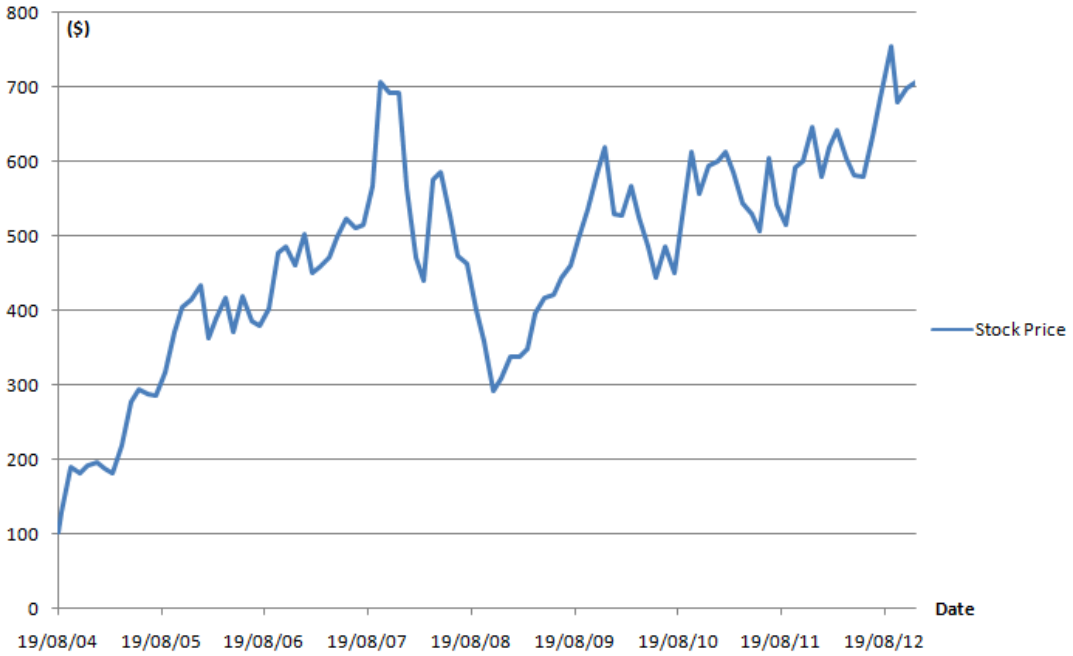

Figure 7. Google Stock Price

3.6 Oracle

Larry Elison, Bob Miner and Ed Oates founded Software Development Labs (SDL) in 1977 which lately became Oracle. They got interested in a research paper about relational database management system which had not commercialized yet. Two years later, they launched the first Oracle database software which was a success and renamed their company to Relational Software Inc (RSI). Finally, they changed the name of the company to Oracle in 1985. Furthermore, Oracle's IPO took place on March 12, 1986 and started paying dividends in 2009. The company came up with its first loss in 1990 and as a result hundreds of employees were laid off. Some years later they proved themselves since Oracle database software was the first one to pass nine industry security evaluations ("History of Oracle corporation", 2008).

Oracle has been improving a technology platform and trying to provide the highest quality information. This results in reducing the cost of evaluation as far as having high quality information can help companies for a better analysis and help them to make wiser decisions. They have been producing many successful products for the first time such as; The first Internet development suite, the first database with read consistency, and the first UNIX based accounting software and finally, Oracle database 11g was released in 2007 and that version had more features than any other Oracles products ("Oracle corporation", 2013).

Figure 8. Oracle Stock Price

3.7 Intel

In 1968, Robert Noyce and Gordon Moore were two of many unhappy employees of Fairchild who left the company to create start up. They could convince San Francisco venture capitalist, Art Rock with their ideas. Rock invested $2.5 million dollars in convertible debentures and became the first chairman of Intel. First, they wanted to name their company by adding their family names together but "Moore Noyce" was already taken by a hotel chain, so they decided upon the "Intel" which was the shortened version of "Integrated Electronics". Intel released its first product the 3101 RAM and launched MOS static RAM in 1969. The company went for IPO in 1971 at $23.5 per share and started paying dividends in 1992 (Bellis, "Intel history", 2010).

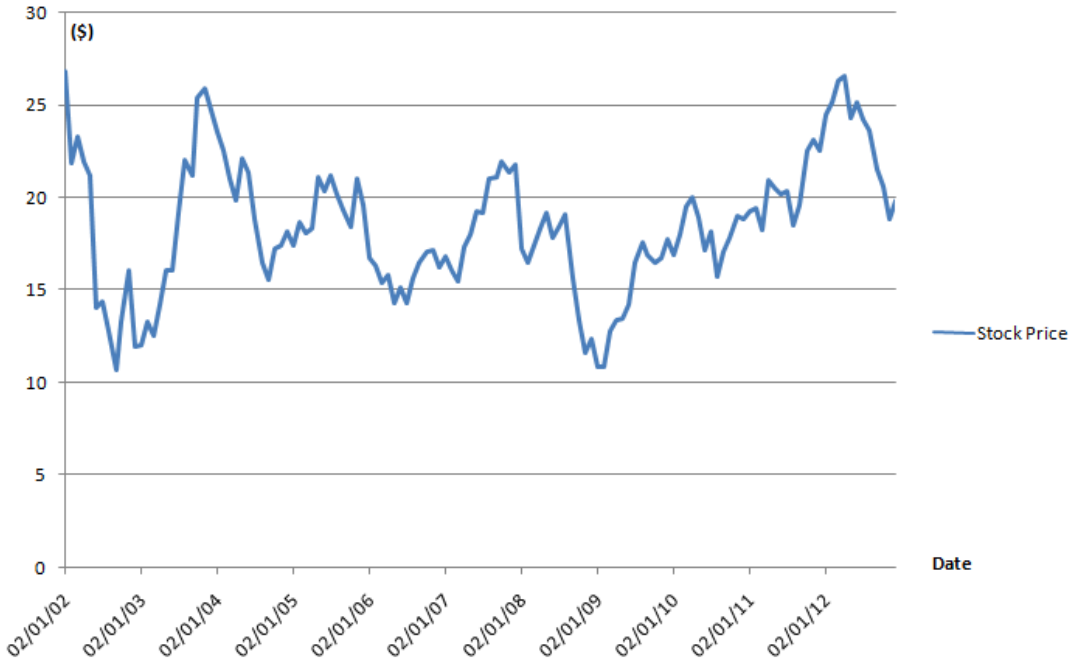

Figure 9. Intel Stock Price

3.8 Verizon

Verizon was Formed on June 30, 2000, by merging of Bell Atlantic Corp and GTE Corp. Verizon went for IPO under the VZ symbol on New York Stock Exchange (NYSE) on July 3, 2000. It also started trading under the same symbol on NASDAQ on March 10, 2010. As 13 years old company, Verizon has been doing great to get into the list of top 10 most valuable technology companies in the United States ("The history of Verizon communications", 2013).

Although Verizon is a 21st century company, Those who formed Verizon had many experiences in making and improving the telephone business in the late 19th century. Verizon operates both 3G and 4G network in the United States of America. They also provide converged communications and entertainment service over America's most advanced fiber-optic network and deliver integrated business solutions to customers in more than 150 countries.

Figure 10. Verizon Stock Price

3.9 Amazon

In 1994, Jeffrey P. Bezos founded Cadabra which later change to Amazon. Hence, Cadabra could be easily mistaken as Cadaver (Dead body). He took the name Amazon because of two reasons : First, Amazon river is the largest river in the world and secondly, the letter "A" could help them to be always on the top of alphabetical companies lists. The main purpose was only selling books, and he was aware that the most difference between a physical and online store is the unlimited capacity.

The Amazon logo was designed wisely too. It is an "Amazon" with an arrow pointing A to Z, showing that customers could find everything with a complete satisfaction since the arrow shaped like a smile. Amazon went for initial public offering (IPO) in 1997 on NASDAQ under the symbol of AMZN at the price of $18.00 per share ("History and timeline", 2013).

Figure 11. Amazon Stock Price

3.10 eBay

Pierre Omidyar founded eBay when he was in his living room and tried to sell his broken laser pointer in September 1995. eBay is an online person to person market that brings buyers and sellers all around the world together for trading their almost any stuff (except illegal or violence items). Some items are antique while many others are just ordinary ones. It reduces the transaction cost and makes items cheaper to the both producer and consumers. Even services can be traded in eBay, and not only individuals, but also big companies like IBM sell their brand new products through eBay. Finally, the company went public on September 23, 1998 ("A brief history of eBay", 2006).

eBay charges its customers in two ways: 1.for listing their products in the site and 2.When it sold their items. EBay's fee system has a complicated method since it is changing for different locations and time to time. EBay also acquired the PayPal

payment system in 2002 which has fees on its own too (Bjornsson, The business model", 2001).

Figure 12. eBay Stock Price

Chapter 4

EMPIRICAL ANALYSIS

The purpose of this chapter is to present data, methodology, empirical results and analysis, focusing on the relationship between the free cash flow to equity (FCFE) and total cash payout.

4.1 Data

In order to calculate the free cash flow to equity and carry out the analysis, the needed financial statements are the cash flow, balance sheet and income statements. These statements have been obtained from the Data Stream for the following companies: Apple (@AAPL), Microsoft (@MSFT), IBM (U:IBM), AT&T (U:T), Google (@GOOG), Oracle (U:ORCL), Intel (@INTC), Verizon (U:VZ), Amazon (@AMZN) and eBay (@EBAY). These are the top ten technology companies in the U.S.A and are listed according to their market capitalization (Scott, "The top 10 most valuable U.S. tech companies", 2012). All data has been analyzed in the Microsoft Excel software. The period of the study has been defined as 2002 to 2012.

4.2 Methodology

The following formula has been used for calculating the free cash flow to equity:

$$
\begin{aligned}
FCFE = {} & Net\ Income \\
& + Depreciation\ \&\ Amortization \\
& - Capital\ Expenditures \\
& - Changes\ in\ Non\ Cash\ Working\ Capital \\
& - Preferred\ Dividends \\
& - Principal\ Repaid \\
& + New\ Debt\ Issued \\
& + Changes\ in\ Short\ Term\ Borrowings
\end{aligned}
\qquad (1)
$$

The first three items; net income, depreciation and amortization, and capital expenditures have been directly taken from the cash flow statements. Working capital can be calculated only by subtracting current liabilities from current assets. Moreover, for non-cash working capital, cash needs to be subtracted from current assets. Hence, balance sheet has been used in order to provide cash and current assets from the asset side and current liabilities from the liability side for calculating non-cash working capital for each year. Finally, the differences have been calculated since the change in non-cash working capital was needed.

Preferred dividends was also listed in cash flow statements, and this item was always equal to zero since none of the sample companies has issued any preferred stocks. "Principal Repaid", "Change in Short-Term Borrowings" and "New Debt Issued" were also listed in cash flow statements by the names of "Reduction in Long Term Borrowings", "Increase/Decrease in Short-Term Borrowings" and "Long-Term Borrowings" respectively.

Total cash payout has been calculated by adding up cash dividends and stock buybacks. Total dividends paid for each year is listed in the cash flow statement. However, stock buybacks are not usually reflected in financial statements completely. They usually use treasury stock as cumulative stock buybacks, and this is not always true since treasury stocks is referred to those stocks whether has been bought back from the market or has been registered but not sold yet. However, in this study, it is assumed that treasury stocks are the cumulative stock buybacks since none of the considered companies in this study had any non-sold registered stocks.

After calculating free cash flow to equity (FCFE) and total cash payout for each company, shareholders are able to compare how much company actually paid out (total cash payout) with how much the company could have afforded to pay out. According to this comparison, companies are divided to three groups; 1. Companies that are paying the exact amount of FCFE to their shareholders (Very rare); 2. Companies that are paying more than the FCFE to their shareholders; 3. Companies that are paying less than FCFE to their shareholders.

Ignoring the first group, each of the two remaining groups is divided into two subgroups according to their future possible investments (Damdoran, Corporate finance course, 2013). To understand about the future possible investment for a company, we have no choice but looking at the history of previous investments had chosen by the company, and since the manager is the one who decides what investment should be the company taken, it can be the manager's assessment. Shareholders are able to evaluate their managers' performance in different ways like looking at the historical stock prices, or in more accurate methods, comparing Return on Equity (ROE) to Cost Of Equity (COE) or, comparing Return on Capital (ROC)

to Weighted Average Cost of Capital (WACC). If the ROE has been greater than COE, or the ROC has been greater than WACC for the past years, then it can be concluded that the manager passed the test successfully. This study has done for the most valuable technology companies in the U.S.A. Hence, it is assumed that all sample companies have been having good investment opportunities in the last decade to become one of the top ten technology companies. (see Figure 13).

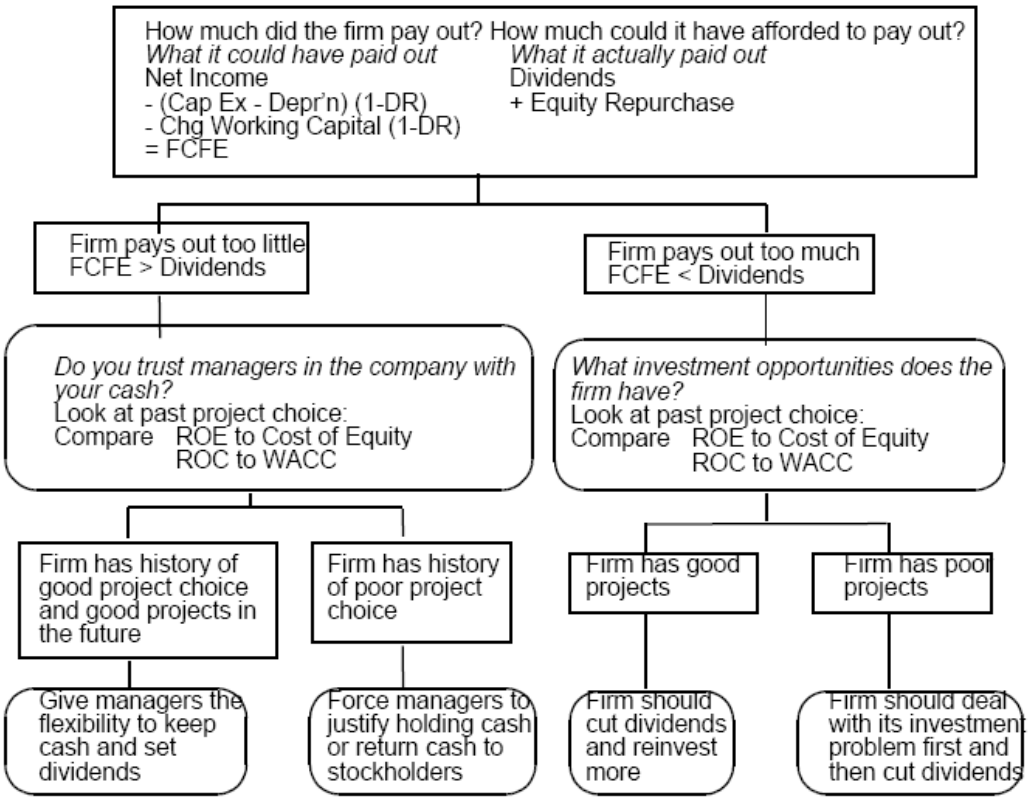

Figure 13. Practical framework for analyzing dividend policy

4.3 Empirical Results and Analysis

4.3.1 Apple

Apple started the first year of the study period with a negative FCFE like most of the companies after the 2001 crisis. In general, as a high growth company, it is natural for Apple to have an unstable FCFE trend. Apple's capital structure is heavily based on the internal financing, and they have never used any debt in the last decade. Until 2001, Apple was famous only for its Mac products, mostly used in the publishing sector. However, in the last decade, Apple hugely invested in some different products under the leadership of Steve Jobs (CEO), and these products have turned Apple to a giant company, and that is why the FCFE has been fluctuating a lot (Figure 14). Furthermore, Jobs believed in, "innovating in new products" besides "improving in the existing ones", and that is the reason for dramatic increase in the cash plus retained earnings diagram all the time (Figure 14).

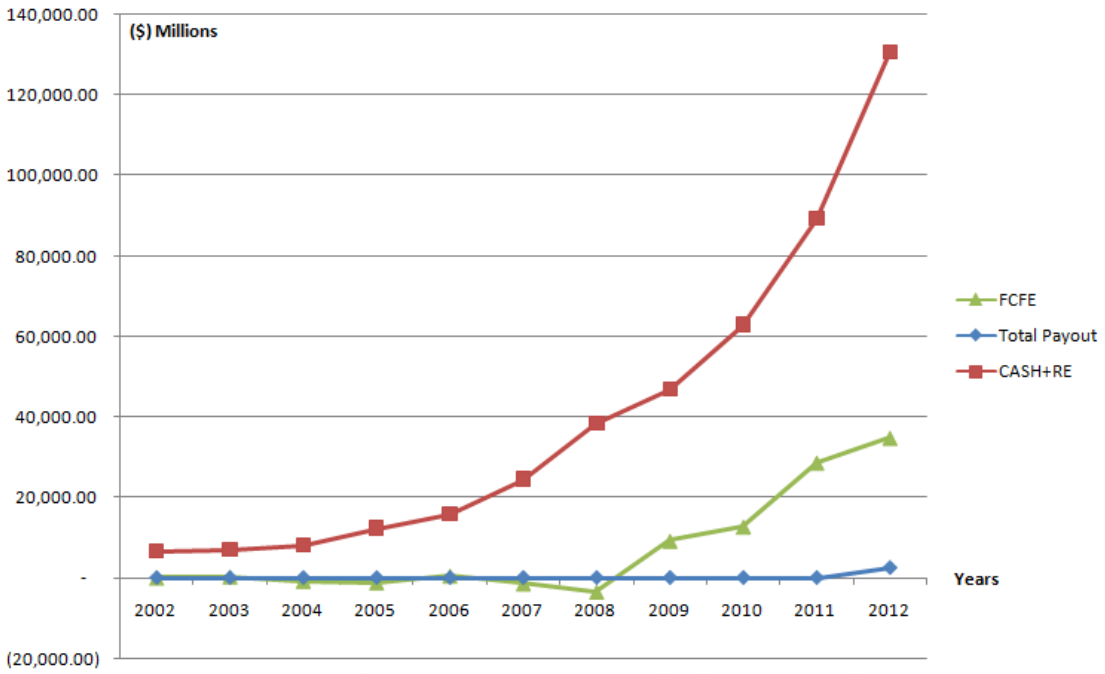

Figure 14. Apple FCFE, Payout & Cash plus Retained Earnings

Finally in 2002, Apple launched the first generation of iPod. Shareholders totally trusted Steve Jobs. Moreover, he was able to convince them for holding too much cash in the company, and the 2003 tax regulations changes did not encourage him to start paying dividends. Four years later in 2007, Apple introduced their most successful product, iPhone. As Figure 13 shows, the 2008 world financial crisis put Apple in trouble in a way that they came up with the FCFE -$3,613 million. However, not paying for any dividends or buybacks and the significant iPhone's sale have resulted in incredible upward movement in FCFE diagram from -$3,613 million in 2008 to +$9,145 million in 2009 while most of the companies have a downward movement during this period (see Figure 14).

Apple introduced the very first generation of iPad in 2010 while they had $12,679 million FCFE. Jobs resigned his CEO position on August 24, 2011 and Tim Cook became the new CEO of Apple. Shareholders could not trust Cook as much as Jobs, so they increased the pressure on the new CEO to stop holding cash in the company and distribute it to the shareholders. Finally, Apple started paying dividends by a small portion of their FCFE in 2012. Since they have not paid out anything since 2012, their cash plus retained earnings' diagram has been increasing all the time, especially the last four years they came up with huge positive amounts of FCFE which caused the diagram increase dramatically and finally, the accumulation of retained earnings and cash reached an incredible amount of $130,568 million in 2012. Moreover, Apple's shareholders were not satisfied with the dividends since the corporation still had a considerable amount of cash, consequently they raised the demand for at least $50 billion stock buyback plan in 2014 (Tam, "Apple to shareholders: Vote against Icahn's stock proposal", 2013)

4.3.2 Microsoft

As Figure 15 shows, Microsoft was too big and profitable to get hurt as relative to others from the 2001 crisis. It had +$715 million FCFE in 2002 while most of the other companies had a negative one. After tax regulatory change in 2003, Microsoft accepted itself as a mature company, and started paying dividends by $857 million. Although there is no recorded treasury stock in the balance sheet, Microsoft decided not to hold excess cash in the company, and they started to repurchase their own shares in addition to cash dividends. Furthermore, the reason why it is not registered in the balance sheet is that Microsoft decided to retire the repurchased shares immediately. That is the reason Microsoft have negative retained earnings in the following years. If a company repurchases its own stock at a higher price than what they received from issuing them at first place, the differences will be deducted from retained earnings. That could explain the strange diagram trend for retained earnings plus cash during 2005 to 2012 (see Figure 15).

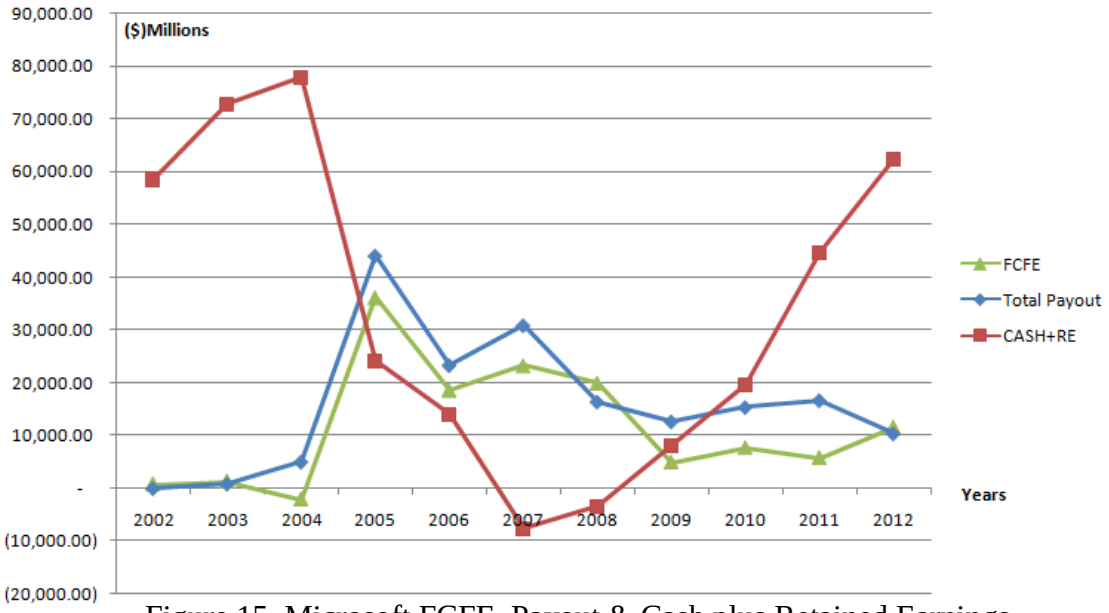

Figure 15. Microsoft FCFE, Payout & Cash plus Retained Earnings

The steep FCFE increasing in 2005 is because of releasing the Windows Vista by Microsoft, and had substantially increased its net income. On average, the corporation has been paying more than its FCFE each year. On the other hand, Microsoft's capital structure has been totally internal financing oriented. However, they finally gave up equity financing in 2009 and started using debt during 2009 to 2011 to compensate the deficit in the company rather than cutting the stock repurchase. Moreover, Microsoft took advantage from tax shield by using debt since interest expense is deductable from taxable income. The two mentioned reasons indicates that Microsoft has passed the expanding part of its life cycle and started the maturity part of it.

Paying more than FCFE to shareholders on average and having negative retained earnings, caused Microsoft have a decreasing trend in the retained earnings plus cash diagram during 2004 to 2007 (Figure 15). After 2007, the corporation decreased the amount of stock buybacks which resulted in increasing the retained earnings plus cash diagram (Figure 15).

4.3.3 IBM

As shown in Figure 16, IBM is one of the two companies that have a positive FCFE in all years of the last decade. The corporation's net income has been smoothly increasing all the time. IBM uses the combination of cash dividends and stock buybacks in their payout policy. Moreover, IBM's capital expenditures and deprecations have not been changing a lot in the last decade, so the important factor in FCFE fluctuation is borrowing. The motivation behind this could be using the tax shield, and relatively low cost of debt financing since they have a high capacity for using debt.

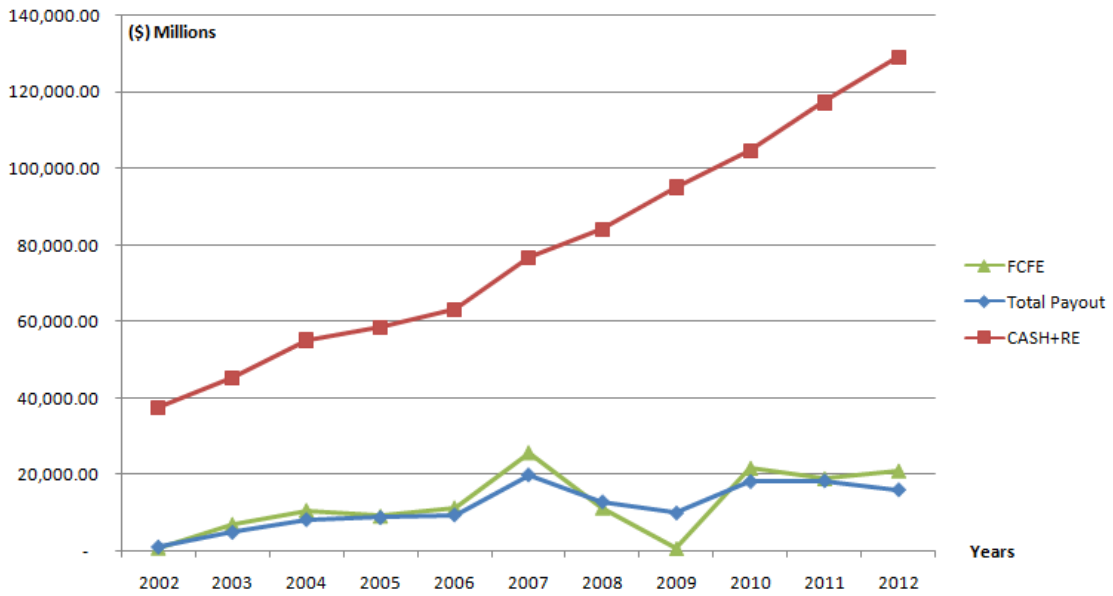

Figure 16. IMB FCFE, Payout & Cash plus Retained Earnings

In 2007, IBM reached $25,772 million in FCFE by borrowing $21,744 million, and it spent $17,650 million to buy back their own stocks which was almost ten billion more than the previous year which was $7,749 million. The decreasing trend of FCFE from 2007 to 2009 in Figure 15 is also related to the decreased amount of debt in these years. The company also used its retained earnings each year more than the previous one. Furthermore, IBM paid less than their FCFE to the shareholders for the most of the years in last decade, and this could explain the dramatic increasing in cash plus retained earnings diagram all the time. This could also give the most flexibility to the corporation since it has good investment opportunities.

4.3.4 AT&T

AT&T and Verizon are the two telecommunications company in our case sample, and because of the nature of services they are providing in terms of FCFE, total payout, and cash plus retained earnings significantly deviate from the other case corporations. As Figure 17 illustrates, AT&T free cash flow to equity's fluctuations caused the company to have a very wide range of FCFE. That is mostly related to its net income changes and its significant capital expenditures resulting in high amount

of depreciation expenses every year. These dramatic fluctuations also show the uncertainty about the FCFE in the future and reflect the risk in this industry. The large amount of depreciation could be because of the big portion of AT&T's tangible assets. AT&T is a very old corporation (founded in the eighteenth century) and although the main payout methods in the company is cash dividends, AT&T's payout policy is a combination of cash dividends and stock buybacks.

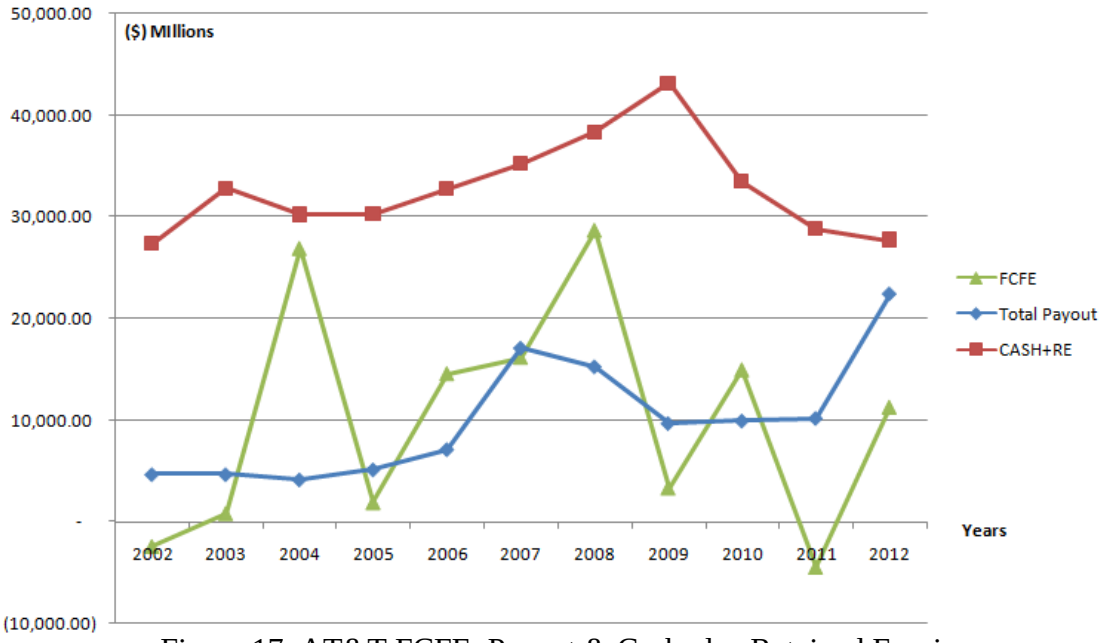

Figure 17. AT&T FCFE, Payout & Cash plus Retained Earnings

AT&T uses both debt and equity in the capital structure, and it has reissued equity from its treasury stock account in 2004, 2009, 2010 and 2011. Moreover, the reason behind having -$4,435 million FCFE in 2011 is that AT&T paid $39 billion for acquiring of one its biggest rival, T-Mobile. This acquisition could put the other competitors position such as Verizon in danger. On average, AT&T is an exceptional case company which pays almost equal to its FCFE to shareholders each year. As far as AT&T pays almost all of its FCFE to the shareholders, they need to raise fund from other sources that are not included in the FCFE like cash or issuing equity.

Moreover, they can reduce the amount of stock buybacks and reinvest more in order to use the good investments opportunities they have.

4.3.5 Google

As a high growth company, Google's FCFE diagram finally came to the positive side in 2007 after having five year negative FCFEs and that is due to the spending a large amount of funds in research and development (R&D) (see Figure18). Thus, Google's CEOs have decided a very straight forward payout policy for the corporation that is not paying any dividends or buybacks as far as they have not had a stable FCFE in the last decade. Google's capital structure is based on internal financing until 2010. However, they had to renew their long-term borrowings in 2011 and 2012. It means that they used new long-term borrowings to retire their previous ones.

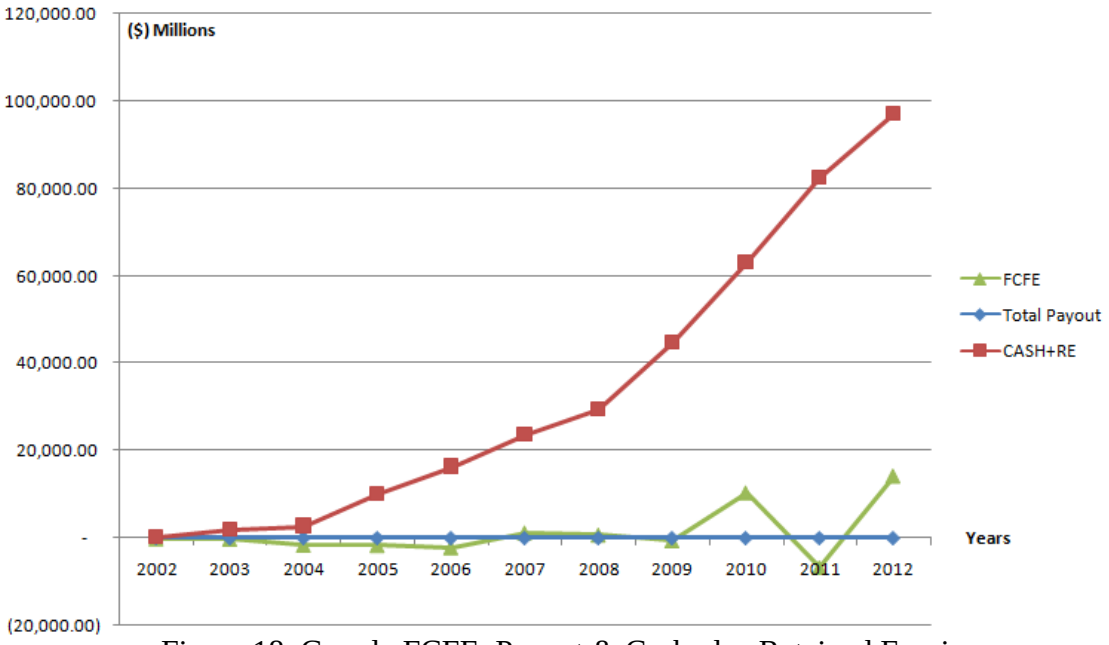

Figure 18. Google FCFE, Payout & Cash plus Retained Earnings

Google generates 97% of its revenue from advertisements, and during the 2008-2009 world crisis, most companies reduced their advertisement budget and even some of them eliminated that from their outflows. As a result, Google encountered a sharp

decrease in the FCFE form $805.25 million in 2008 to -$491.93 million in 2009 (see Figure 18). One of the consequences of any financial crisis is recession. After 2009, companies have started to increase their advertisement expending again. Moreover, Google used $3.5 billion as short term debt and also released the Nexus One in 2010, As a result of these three events, Google could reach $10,398,78 million as FCFE in 2010.

Chromebook was released by Google in 2011, but market found it too expensive and it became the worst year for Google according to their FCFE (-$6,611 million). As Figure 18 shows, Google is the only corporation among the others in the study which has not distributed any payment to its shareholders and as a result of having a positive FCFE on average for each year, the cash plus retained earnings diagram increases dramatically all the time. Furthermore, Google's management has the maximum flexibility between holding cash and setting a payment to shareholders. Regarding to the gap between FCFE and total payout, Apple and Google are similar to each other since they have not paid to their shareholders any considerable amounts compared to their FCFE.

4.3.6 Oracle

Oracle capital structure is based on borrowing rather than equity. They found borrowing cheaper than equity and has used their high capacity to borrow a considerable amount of fund each year. Furthermore, Oracle's net income has been smoothly increasing and mainly, free cash flow to equity changes in this company is strongly related to its borrowings. As Figure 19 shows, the only negative FCFE in 2004 is due to the fact that they did not borrow in that year. Furthermore, the enormous difference in FCFE -$12 million in 2004 to $12,202 million in 2005 is

because they borrowed $12,505 million and acquired one of their biggest rival, Siebel Systems at the price of $5.85 billion (see Figure 19).

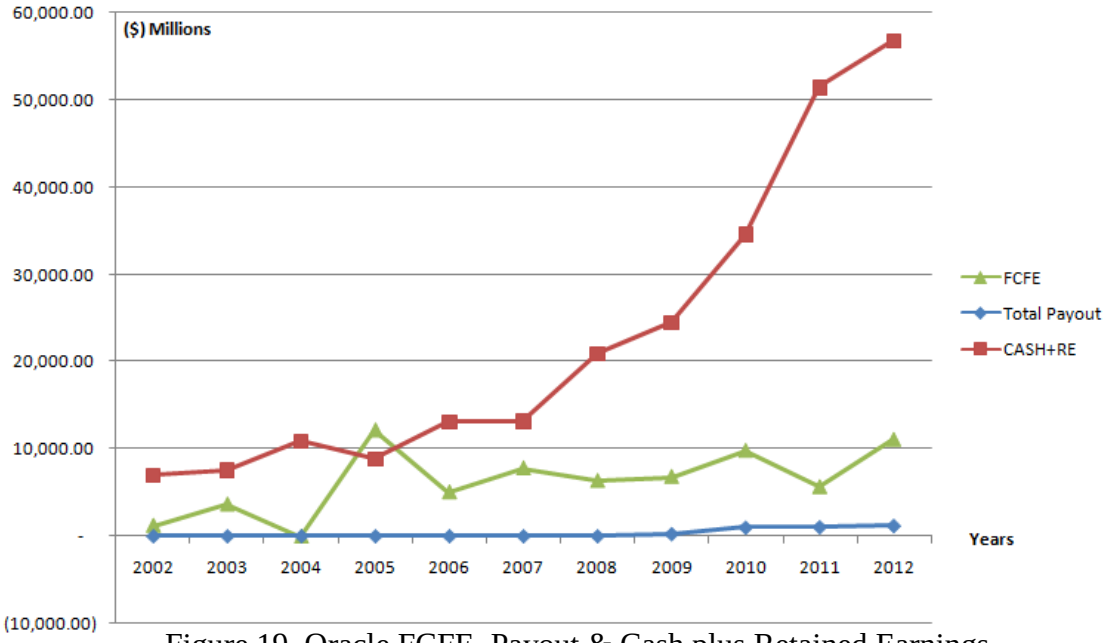

Figure 19. Oracle FCFE, Payout & Cash plus Retained Earnings

Although they had a huge positive amount of FCFE for the most of the years of last decade, Oracle had not started paying dividends until 2009. Finally, the corporation paid $250 million as dividends from the $6,858 million FCFE in 2009. Oracle business has a high level risk of getting involved with so many different lawsuits. For instant, Oracle won $1.3 billion lawsuit against SAP in 2010 which is reflected in the large FCFE of that year. Due to this fact, Oracle always needs enough liquidity to create flexibility. As a result, they have chosen a conservative dividend policy in comparison with their FCFE which resulted in building up the cash in the company and caused a constant upward trend for its cash plus retained earnings.

4.3.7 Intel

Intel is one of the exceptional company cases which has a positive FCFE in every year of the last decade. Similar to Apple, Intel has a upward trend in FCFE from 2008 to 2009 while world financial crisis had happened (see Figure 20). These two reasons could show the strong financial position of the company. They also obtained the maximum flexibility between holding cash and distributing it to the shareholders since Intel has been paying much lower than its FCFE to shareholders. Moreover, the corporation capital structure consists of a little amount of debt besides the huge amount of internal financing. Intel has not implemented any stock buyback plans. However, it has a consistent increasing dividend trend for the last ten years, which highlights the fact that the corporation might be maturing into a stable dividend producing investment.

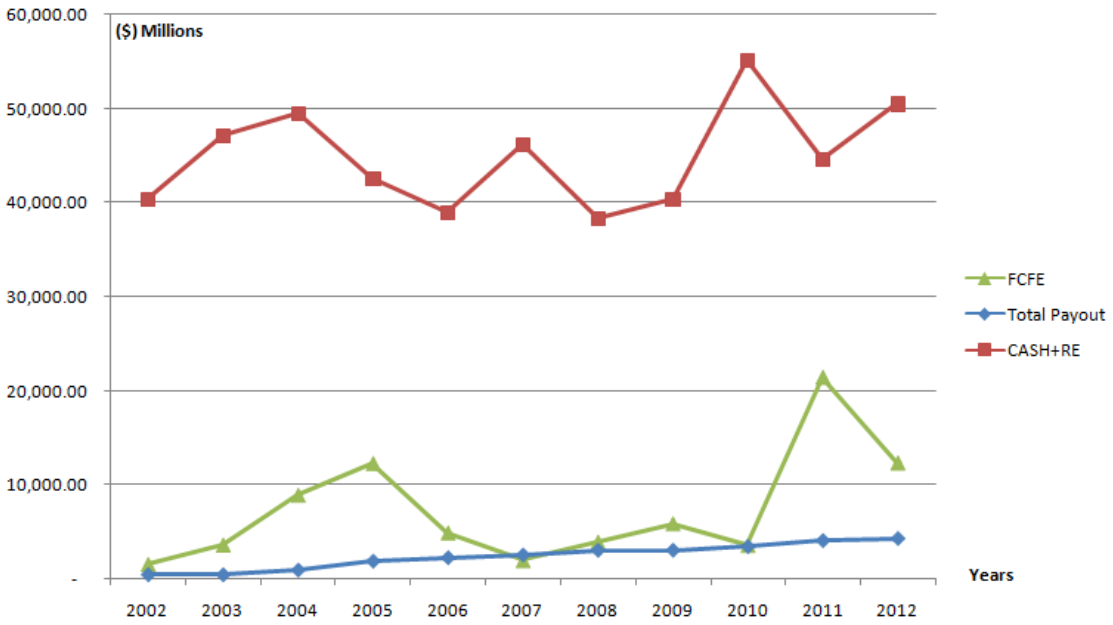

Figure 20. Intel FCFE, Payout & Cash plus Retained Earnings

As Figure 20 shows, Intel's FCFE has fluctuated over the past decade. These fluctuations have several causes including the competition with AMD, entering into mobile markets (Tablets and smart phones) and the financial world crisis 2008-2009. The company's net income has been significantly increasing during 2002 to 2005 which resulted in a dramatic upward trend in FCFE in that period. Due to the same behavior, the corporation's net income decreased because of Intel's biggest rival, AMD, by almost $3.5 billion in 2006, and as a result the FCFE has a sharp downward trend in that year.

Intel's management decided to enter into the mobile industry because they understood that increasing in smart phone and tablet sales may result in decreasing in PC and notebook sales. In 2011, Intel's capital expenditures doubled, and they borrowed around $5 billion which resulted in a dramatic increase in FCFE to $21,420 million. It seems that Intel has a restricted retained earnings policy. It has a determined range of retained earnings for each year in the past decade (27 to 32 million dollar). Intel is building up cash since on average it pays fewer dividends than FCFE each year, and it has not implemented a share repurchase plan.

4.3.8 Verizon

As Figure 21 shows, Verizon like AT&T has a lot of fluctuations in FCFE and cash plus retained earnings diagram in contrast with its payout diagram which has been smoothly increasing in the past decade. Both of the telecommunication companies have considerable amount of tangible assets which results in huge amount of depreciations each year. They also have unstable net incomes which indicates high risk and competition in the industry. The corporation has raised funds by issuing new equity or reissuing its treasury stocks besides borrowing long-term debts in the past decade. Its capital expenditures has also increased until 2007 and after that, it started

to decrease until 2012. Verizon started paying dividends in 1984 and it has been smoothly increasing since then. Besides of paying dividends, the corporation also repurchased its own stocks several times during the last decade.

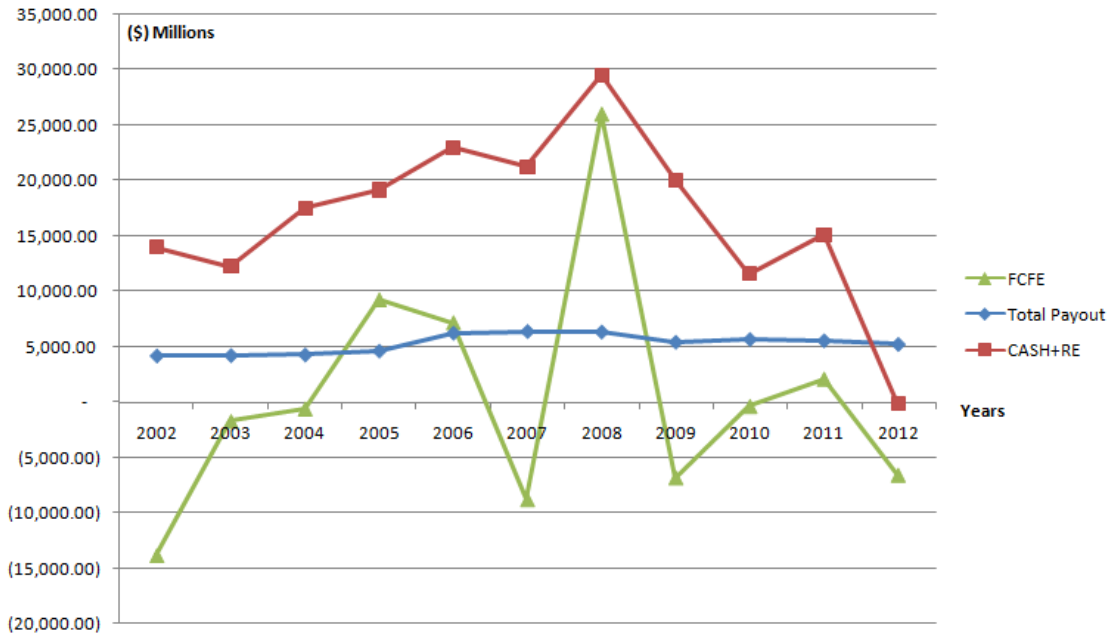

Figure 21. Verizon FCFE, Payout & Cash plus Retained Earnings

In 2011, the worst nightmare of Verizon came true and AT&T acquired T-Mobile. One year later, 2012, became the worst year for Verizon in the last decade since they came up with a dramatic decrease in the net income, -$3,734 million as retained earnings and -$6,561 million as FCFE. As a result they reduced the dividend level by $325 million which caused an instant decrease in their stock price. Moreover, on average the corporation paid much more than its FCFE to the shareholders each year, and it could explain the sharp reduction in cash plus retained earning diagram in Figure 21.The methodology of the study suggests that Verizon needs to cut down its payments to shareholders and reevaluate its investment decisions although it is assumed that all sample corporations have good investment opportunities.

4.3.9 Amazon

Amazon is the only company on the list that has negative income in the first year of the study, 2002, and the last year, 2012. However, having a year with negative net income does not mean that the company is in trouble unless it repeats for some years in a row. Actually, Amazon has performed spectacularly in the past decade. Moreover, the reason for having such result for the corporation is that sometimes financial records does not clearly reveal performance of a company. Investors pay attention not only to financial profits but the economic profits as well. Economic profit is a measurement that includes full cost of all capital in a business. Amazon has a considerable growth in economic profits since 2000 although its EPS has its ups and downs. On the other hand, accounting rules say that the amount of fund which used for research and development (R&D) and advertising must be fully deducted from the profit in that year although it is obvious that these are two methods of investments. Amazon has been accelerating investment in intangible assets rather than tangible ones to enhance its long-run value (Colvin, "The real reason behind Amazon's booming stock price", 2013) .

Furthermore, Amazon is another internet company which survived from the internet bubble crisis, and became so big that could get in the list of top ten most valuable technology companies in the U.S.A. Its stock price went down from $107 before the crisis to $7 per share in 2001. However, they could make its retained earnings to a positive number in 2009 and finally, its stock price reached $250 in 2012. The corporation added long-term borrowings to its capital structure continuously from 2005, mostly repaid its previous debts, but they never used any short-term borrowings.

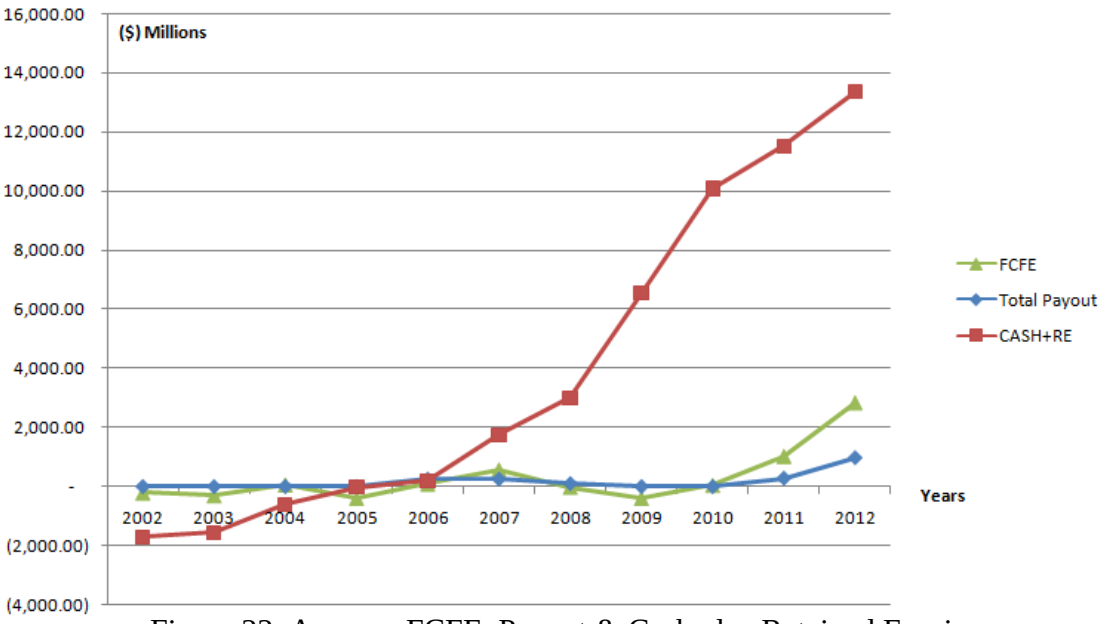

Figure 22. Amazon FCFE, Payout & Cash plus Retained Earnings

Amazon has not started paying dividends, instead of that they implemented a three years $600 million stock buyback program in 2006. They managed to $500 million of the plan in the first two years and they bought back the last $100 million in 2008 while the corporation has -$35 million as FCFE. Figure 22 illustrates that on average, Amazon pays a little less than half of its FCFE to the shareholders each year, and that explains the steep trend in the total amount of retained earnings and cash in the diagram. It also gave the needed flexibility to Amazon's manager to decide between keeping cash and distributing it to shareholders.

4.3.10 eBay

As one of the few survivors of the internet bubble crisis (1999-2001), eBay has become the world's leader internet shopping. Although they have had positive amount of FCFE in every year of the last decade, eBay has not started paying dividends yet. Instead of that, they managed to repurchase their own stocks by amount of $1,669 million in 2006, and continued the buy back plan until 2012 (see Figure 23). eBay is a service supplier company, and there is no physical product

made by eBay. Furthermore, they have been investing only in three major areas; expanding the company's global services, improving the website and the biggest part is the acquisitions. In 2005, they acquired five companies, and the biggest one was Skype for $2,600 million (Microsoft bought Skype from eBay in 2011). In contrast, the only acquisition they had in 2006 was Traera company for $48 million and that could be a good reason for the huge amount of $3,035.78 million FCFE in that year (see Figure 23).

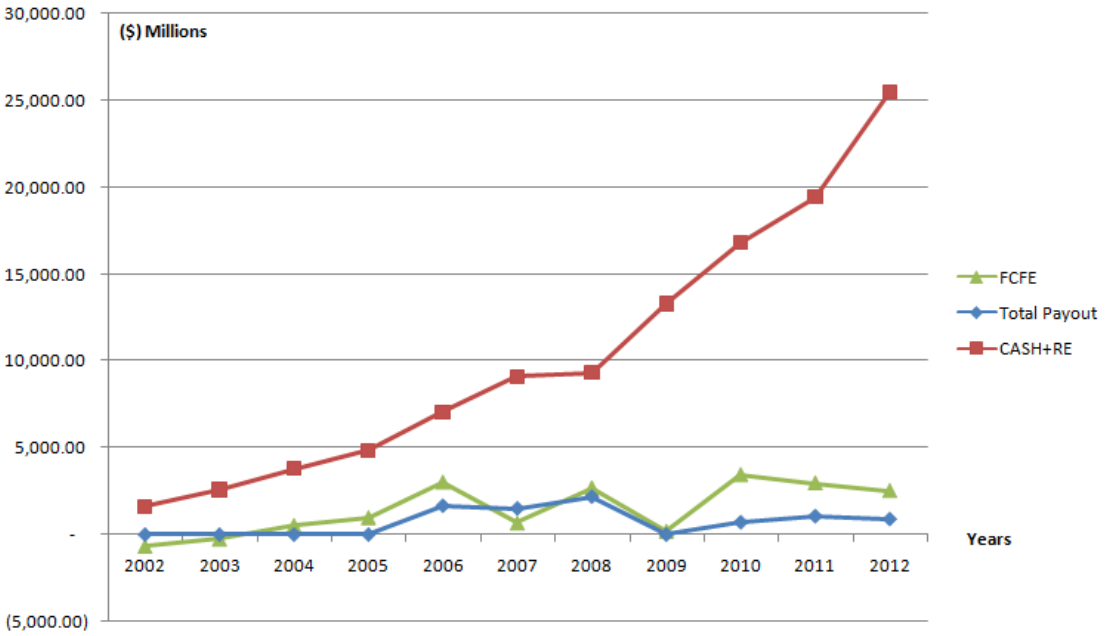

Figure 23. eBay FCFE, Payout & Cash plus Retained Earnings

During 2006, sales on eBay were decreasing and sellers were worried about the risk of not selling their items. Amazon could attract eBay's unsatisfied sellers by not charging them for listing their items. As a result, the company's net income sharply decreased from $1,125.64 million in 2006 to $348.25 million in 2007. The long-servicing CEO of eBay, Meg Whitman, left the corporation in January 2008. As a result, eBay paid out all of its FCFE by repurchasing their own stocks because shareholders did not trust the new CEO as much as they did for Whitman.

As Figure 23 shows, after the 2008-2009 world financial crisis, eBay came up with the significant reduction in FCFE in 2009. However, as far as eBay's payout policy did not contain the cash dividends method, they could use the flexibility of stock repurchase method and reduced it from $2,191.99 million in 2008 to $0.29 million in 2009 and survived the crisis. In 2010, eBay's net income started to decrease due to the same problem they had with the fee system. Also, they were sued for $3.8 billion by XPRT Ventures for allegedly stealing information shared in confidence by the inventors on XPRT's own patents. As a result, they had to borrow $1.5 billion for compensating those problems. eBay improved the net income by changing its fee system in 2011 and continued acquiring more companies. Finally, they started to store cash again in 2012 by increasing their debt and almost no acquisition which results in $2.5 billion as FCFE. eBay's manager are able to use the flexibility between setting cash payment to shareholders and holding cash in the company since on average, eBay has been paying almost half of its FCFE to the shareholders each year. It also resulted in continuously upward trend in cash plus retained earnings diagram (see Figure 23).

Chapter 5

CONCLUSION

This study aimed to compare the free cash flow to equity (FCFE) and the total cash payout of the top ten most valuable technology companies in the United States of America; Apple, Microsoft, IBM, AT&T, Google, Oracle, Intel, Verizon, Amazon and eBay for the period of 2002 to 2012.

To achieve this goal, all financial statements of the case companies have been collected and free cash flow to equity (FCFE) has been calculated for each company throughout this 10 year period (2002-2012). Moreover, there are two methods of paying cash to shareholders; cash dividends and share repurchase. The summation of these two shows the total amount of cash a company paid to its shareholders each year. Furthermore, the difference between FCFE and total payout is also important for shareholders since it enables them to analyze the performance of the corporation as well as understanding the implications for dividend policy.

If a company pays less than its FCFE to the shareholders, cash and retained earnings will increase in the company. In this situation, for those companies which have good investment opportunities, there will be the flexibility to hold the cash and set dividends. On the other hand, there will be a huge pressure on managers of those companies which do not have good investment opportunities to distribute the excess cash among the shareholders. If a company pays more than its FCFE to its

shareholders, cash and retained earnings will decrease. In this situation, those companies which have good investment opportunities should cut dividends and share repurchase for more reinvesting. However, the main problem for those companies which do not have good investment opportunities is to change their investment problem rather than cutting the payments to shareholders. (see Figure 13)

Some important conclusions from this study are: 1. Apple and Intel have an upward movement in FCFE between 2008 to 2009 in contrast with all the others. 2. Apple and IBM have a huge effect on the whole industry's steep movement in summation of cash and retained earnings as far as they have the largest amount of cash and retained earnings in the last years. 3. Microsoft and Verizon are the only two companies that have been paying more than their FCFE to the shareholders on average. 4. Two telecommunication companies in the list, AT&T and Verizon, have a different FCFE fluctuations in comparison to the others. The FCFE in these companies has been decreasing rapidly after the 2008-2009 world financial crisis.

Figure 24 considers the summation of all ten companies' data as the technology industry. It illustrates that in the last decade, although companies' payout policy is smoothly following the free cash flow to equity's trend, on average they are paying less than their free cash flow to equity to the shareholders which resulted in increasing the level of cash and retained earnings in the companies. The companies could hold the cash for different reasons such as capital expenditures or merges and acquisitions plan for the future or for immunizing themselves against the next recession or even for some unexpected extraordinary court cases.

As Figure 24 shows, in general, payout's fluctuations are smoother than FCFE. As a result of 2001 crisis, the average of FCFE was a negative number in 2002. However, companies had to pay to shareholders in order to avoid decreasing the shares price. During the financial crisis in 2008, the industry prepared itself for the consequences and started holding cash by decreasing the payout. As it was expected, FCFE had a sharp decrease in 2009 because of the crisis (see Figure 24).

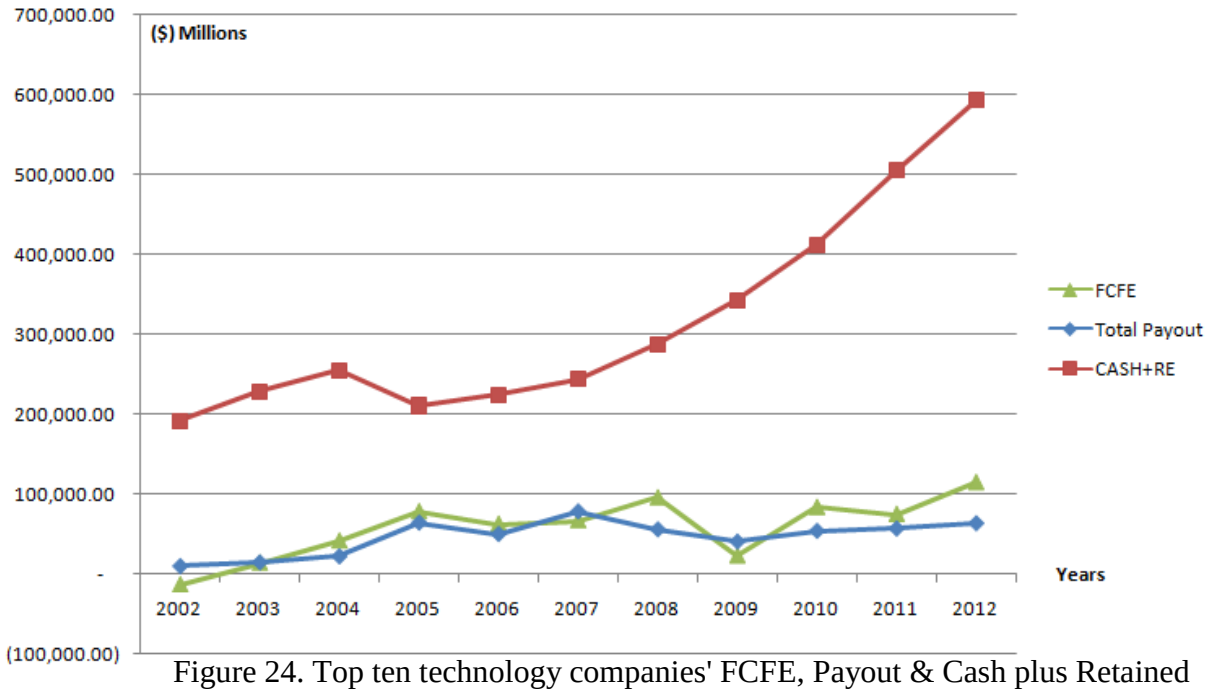

Figure 24. Top ten technology companies' FCFE, Payout & Cash plus Retained Earnings

As we discussed in chapter 4, AT&T and Verizon had a different behavior regarding to FCFE and summation of cash and retained earnings trend from the other case study companies, so I decided to remove these two companies to achieve a more accurate result. Figure 25 illustrates that by eliminating the two telecommunication companies from the case study, we can observe a tighter relationship among the FCFE and total payout in each year. After 2008-2009 world financial crisis which hurt almost all the corporations, the spread between FCFE and payout increased significantly. The industry decided to act more conservative by paying less than

FCFE to shareholders each year and holding more cash in the company. In other words, managers could prove shareholders the importance of cash flexibility and convinced them to hold more cash in the company for future potential investments, research and developments (R&D), acquisitions, or even for preparing for the next possible crisis. By expanding the spread between FCFE and total payout after 2009, the upward trend speed for cash plus retained earnings diagram has increased and resulted in a dramatic upward slope as shown in the diagram after 2009 (see Figure 25).

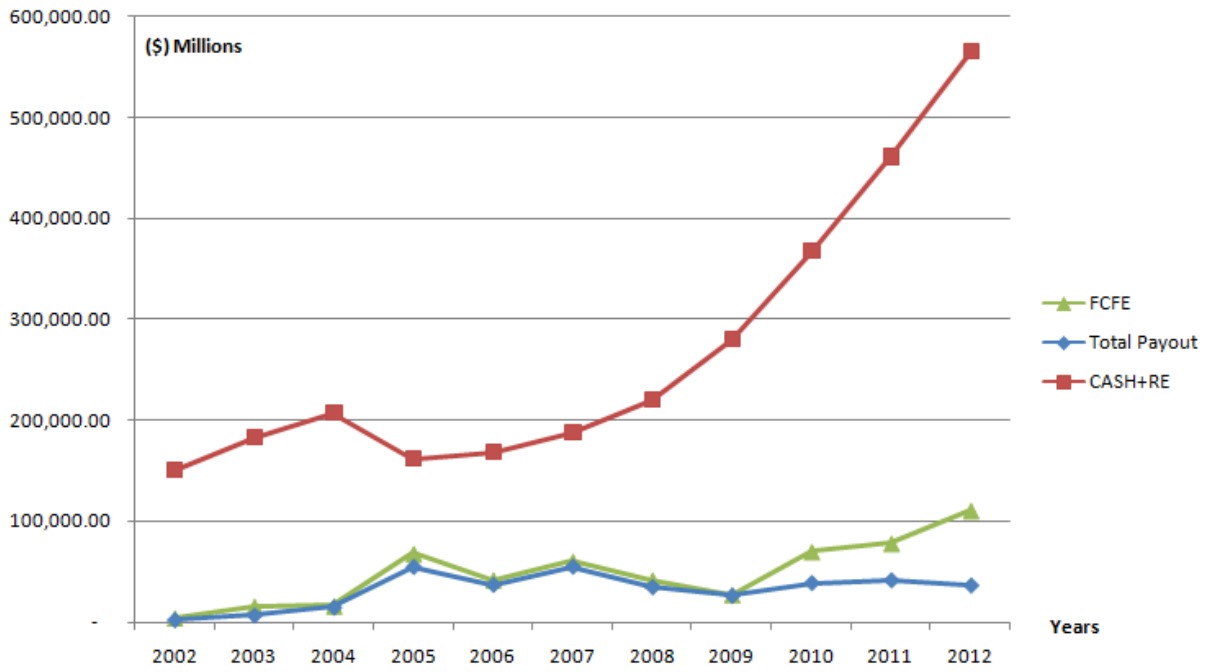

Figure 25. Eliminating AT&T and Verizon from the top ten technology companies in the U.S.A FCFE, Payout & Cash plus Retained Earnings

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APPENDICE

Appendix A. Calculation of Free Cash Flow to Equity (FCFE)

Apple Free Cash Flow to Equity (FCFE) Calculation

APPLE INC												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		65,000	68,000	276,000	1,335,000	1,989,000	3,496,000	4,834,000	8,235,000	14,013,000	25,922,000	41,733,000
DEPRECIATION, DEPLETION AND AMORTIZATION		118,000	113,000	150,000	179,000	225,000	317,000	473,000	734,000	1,027,000	1,814,000	3,277,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		174,000	164,000	176,000	260,000	657,000	735,000	1,091,000	1,144,000	2,005,000	4,260,000	8,295,000
CURRENT ASSETS - TOTAL	5,143,000	5,388,000	5,887,000	7,055,000	10,300,000	14,509,000	21,956,000	34,690,000	31,555,000	41,678,000	44,988,000	57,653,000
CASH	138,000	161,000	158,000	200,000	127,000	200,000	256,000	368,000	1,139,000	1,690,000	2,903,000	3,109,000
CURRENT LIABILITIES - TOTAL	1,518,000	1,658,000	2,357,000	2,680,000	3,484,000	6,471,000	9,299,000	14,092,000	11,506,000	20,722,000	27,970,000	38,542,000
Non-Cash Working Capital	3,487,000	3,569,000	3,372,000	4,175,000	6,689,000	7,838,000	12,401,000	20,230,000	18,910,000	19,266,000	14,115,000	16,002,000
Change in Non-Cash Working Capital		82,000	(197,000)	803,000	2,514,000	1,149,000	4,563,000	7,829,000	(1,320,000)	356,000	(5,151,000)	1,887,000
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		-	-	300,000	-	-	-	-	-	-	-	-
LONG TERM BORROWINGS	-	-	-	-	-	-	-	-	-	-	-	-
INCREASE IN LONG TERM DEBT		-	-	-	-	-	-	-	-	-	-	-
INCREASE/DECREASE IN SHORT TERM BORROWINGS		-	-	-	-	-	-	-	-	-	-	-
FCFE		(73,000)	214,000	(853,000)	(1,260,000)	408,000	(1,485,000)	(3,613,000)	9,145,000	12,679,000	28,627,000	34,828,000

Microsoft Free Cash Flow to Equity (FCFE) Calculation

MICROSOFT CORP												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		7,829,000	9,993,000	8,168,000	12,254,000	12,599,000	14,065,000	17,681,000	14,569,000	18,760,000	23,150,000	16,978,000
DEPRECIATION, DEPLETION AND AMORTIZATION		1,014,000	1,090,000	817,000	884,000	903,000	1,440,000	2,056,000	2,562,000	2,507,000	2,537,000	2,758,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		770,000	891,000	1,109,000	812,000	1,578,000	2,264,000	3,182,000	3,119,000	1,977,000	2,355,000	2,305,000
CURRENT ASSETS - TOTAL	39,637,000	48,576,000	58,973,000	70,566,000	48,737,000	49,010,000	40,168,000	43,242,000	49,280,000	55,676,000	74,918,000	85,084,000
CASH	1,145,000	1,114,000	1,308,000	1,812,000	1,911,000	3,248,000	3,040,000	3,274,000	2,064,000	1,661,000	1,648,000	2,019,000
CURRENT LIABILITIES - TOTAL	11,132,000	12,744,000	13,974,000	14,969,000	16,877,000	22,442,000	23,754,000	29,886,000	27,034,000	26,147,000	28,774,000	32,688,000
Non-Cash Working Capital	27,360,000	34,718,000	43,691,000	53,785,000	29,949,000	23,320,000	13,374,000	10,082,000	20,182,000	27,868,000	44,496,000	50,377,000
Change in Non-Cash Working Capital		7,358,000	8,973,000	10,094,000	(23,836,000)	(6,629,000)	(9,946,000)	(3,292,000)	10,100,000	7,686,000	16,628,000	5,881,000
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		-	-	-	-	-	-	-	228,000	2,986,000	814,000	-
LONG TERM BORROWINGS	-	-	-	-	-	-	-	-	4,796,000	4,167,000	6,960,000	-
INCREASE IN LONG TERM DEBT		-	-	-	-	-	-	-	4,796,000	4,167,000	6,960,000	-
INCREASE/DECREASE IN SHORT TERM BORROWINGS		-	-	-	-	-	-	-	1,178,000	(991,000)	(186,000)	-
FCFE		715,000	1,219,000	(2,218,000)	36,162,000	18,553,000	23,187,000	19,847,000	4,862,000	7,627,000	5,704,000	11,550,000

IBM Free Cash Flow to Equity (FCFE) Calculation

INT'L BUSINESS MACHS												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		5,334,000	7,613,000	8,448,000	7,934,000	9,416,000	10,418,000	12,334,000	13,425,000	14,833,000	15,855,000	16,604,000
DEPRECIATION, DEPLETION AND AMORTIZATION		4,379,000	4,916,000	4,915,000	5,188,000	4,983,000	5,201,000	5,450,000	4,994,000	4,831,000	4,815,000	4,676,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		4,753,000	4,393,000	4,368,000	3,842,000	4,362,000	4,630,000	4,171,000	3,447,000	4,185,000	4,108,000	4,082,000
CURRENT ASSETS - TOTAL	42,461,000	41,652,000	44,662,000	46,970,000	45,661,000	44,660,000	53,177,000	49,004,000	48,935,000	48,116,000	50,928,000	49,434,000
CASH	6,330,000	5,382,000	7,290,000	10,053,000	12,568,000	8,022,000	14,991,000	12,741,000	12,183,000	10,661,000	11,922,000	10,413,000
CURRENT LIABILITIES - TOTAL	35,119,000	34,220,000	37,623,000	39,798,000	35,152,000	40,091,000	44,310,000	42,435,000	36,002,000	40,562,000	42,123,000	43,626,000
Non-Cash Working Capital	1,012,000	2,050,000	(251,000)	(2,881,000)	(2,059,000)	(3,453,000)	(6,124,000)	(6,172,000)	750,000	(3,107,000)	(3,117,000)	(4,605,000)
Change in Non-Cash Working Capital		1,038,000	(2,301,000)	(2,630,000)	822,000	(1,394,000)	(2,671,000)	(48,000)	6,922,000	(3,857,000)	(10,000)	(1,488,000)
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		5,812,000	5,831,000	4,538,000	3,522,000	3,400,000	11,306,000	10,248,000	13,495,000	6,522,000	8,947,000	9,549,000
LONG TERM BORROWINGS	4,535,000	6,726,000	1,573,000	2,438,000	4,363,000	1,444,000	21,744,000	13,829,000	6,683,000	8,055,000	9,996,000	12,242,000
INCREASE IN LONG TERM DEBT		6,726,000	1,573,000	2,438,000	4,363,000	1,444,000	21,744,000	13,829,000	6,683,000	8,055,000	9,996,000	12,242,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		(4,087,000)	777,000	1,073,000	(232,000)	1,834,000	1,674,000	(6,025,000)	(651,000)	817,000	1,321,000	(441,000)
FCFE		749,000	6,956,000	10,598,000	9,067,000	11,309,000	25,772,000	11,217,000	587,000	21,686,000	18,942,000	20,938,000

AT&T Free Cash Flow to Equity (FCFE) Calculation

AT&T INC												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		7,193,000	5,971,000	4,979,000	4,786,000	7,356,000	11,951,000	12,867,000	12,535,000	19,095,000	3,944,000	7,539,000
DEPRECIATION, DEPLETION AND AMORTIZATION		8,578,000	7,870,000	7,564,000	7,226,000	9,907,000	21,577,000	19,883,000	19,714,000	19,379,000	18,377,000	18,143,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		6,808,000	5,219,000	5,099,000	5,576,000	8,320,000	17,717,000	19,676,000	16,595,000	19,530,000	20,110,000	19,728,000
CURRENT ASSETS - TOTAL	12,580,000	14,089,000	13,968,000	8,541,000	14,654,000	25,553,000	24,686,000	22,556,000	24,334,000	19,951,000	23,027,000	22,706,000
CASH	NA	3,567,000	346,000	760,000	709,000	1,324,000	889,000	958,000	437,000	332,000	1,182,000	482,000
CURRENT LIABILITIES - TOTAL	23,948,000	14,683,000	14,260,000	18,934,000	25,418,000	40,482,000	39,274,000	42,290,000	36,705,000	33,951,000	30,794,000	31,787,000
Non-Cash Working Capital	(11,368,000)	(4,161,000)	(638,000)	(11,153,000)	(11,473,000)	(16,253,000)	(15,477,000)	(20,692,000)	(12,808,000)	(14,332,000)	(8,949,000)	(9,563,000)
Change in Non-Cash Working Capital		7,207,000	3,523,000	(10,515,000)	(320,000)	(4,780,000)	776,000	(5,215,000)	7,884,000	(1,524,000)	5,383,000	(614,000)
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		1,499,000	3,098,000	881,000	2,682,000	4,242,000	6,772,000	4,010,000	8,654,000	9,294,000	7,574,000	8,733,000
LONG TERM BORROWINGS	5,723,000	2,251,000	-	6,461,000	1,973,000	1,491,000	11,367,000	12,416,000	8,161,000	2,235,000	7,936,000	13,486,000
INCREASE IN LONG TERM DEBT		2,251,000	-	6,461,000	1,973,000	1,491,000	11,367,000	12,416,000	8,161,000	2,235,000	7,936,000	13,486,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		(4,891,000)	(1,148,000)	3,398,000	(4,119,000)	3,647,000	(3,411,000)	2,017,000	(3,910,000)	1,592,000	(1,625,000)	1,000
FCFE		(2,383,000)	853,000	26,937,000	1,928,000	14,619,000	16,219,000	28,712,000	3,367,000	15,001,000	(4,435,000)	11,322,000

Google Free Cash Flow to Equity (FCFE) Calculation

GOOGLE INC.												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		99,656	105,648	399,119	1,465,397	3,077,446	4,203,720	4,226,858	6,520,448	8,505,000	9,737,000	10,737,000
DEPRECIATION, DEPLETION AND AMORTIZATION		18,030	50,185	148,473	293,812	571,939	967,658	1,499,887	1,524,308	1,396,000	1,851,000	2,962,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		37,198	176,801	318,995	838,217	1,902,798	2,402,840	2,358,461	809,888	4,018,000	3,438,000	3,273,000
CURRENT ASSETS - TOTAL	33,589	231,796	1,995,283	2,693,465	9,001,071	13,039,847	17,289,138	20,178,182	29,166,958	41,562,000	52,758,000	60,454,000
CASH	33,589	59,352	1,579,744	437,973	3,877,174	3,544,671	5,581,593	5,641,115	6,457,713	12,657,000	9,449,000	14,216,000
CURRENT LIABILITIES - TOTAL	26,261	89,508	235,452	340,368	745,384	1,304,587	2,035,602	2,302,090	2,747,467	9,996,000	8,913,000	14,337,000
Non-Cash Working Capital	(26,261)	82,936	180,087	1,915,124	4,378,513	8,190,589	9,671,943	12,234,977	19,961,778	18,909,000	34,396,000	31,901,000
Change in Non-Cash Working Capital		109,197	97,151	1,735,037	2,463,389	3,812,076	1,481,354	2,563,034	7,726,801	(1,052,778)	15,487,000	(2,495,000)
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		7,735	7,386	4,707	1,425	-	-	-	-	-	10,179,000	14,781,000
LONG TERM BORROWINGS	-	-	-	-	-	-	-	-	-	-	10,905,000	16,109,000
INCREASE IN LONG TERM DEBT		-	-	-	-	-	-	-	-	-	10,905,000	16,109,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		-	-	-	-	-	-	-	-	3,463,000	-	-
FCFE		(36,444)	(125,505)	(1,511,147)	(1,543,822)	(2,065,489)	1,287,184	805,250	(491,933)	10,398,778	(6,611,000)	14,249,000

Oracle Free Cash Flow to Equity (FCFE) Calculation

ORACLE CORPORATION												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		2,224,000	2,307,000	2,681,000	2,886,000	3,381,000	4,274,000	5,521,000	5,593,000	6,135,000	8,547,000	9,981,000
DEPRECIATION, DEPLETION AND AMORTIZATION		363,000	327,000	234,000	425,000	806,000	1,127,000	1,480,000	1,976,000	2,271,000	2,796,000	2,916,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		278,000	291,000	189,000	188,000	236,000	319,000	243,000	529,000	230,000	450,000	648,000
CURRENT ASSETS - TOTAL	8,963,150	8,728,000	9,227,000	11,336,000	8,479,000	11,974,000	12,883,000	18,103,000	18,581,000	27,004,000	39,174,000	40,023,000
CASH	4,449,166	3,095,000	4,737,000	4,138,000	3,894,000	6,659,000	6,218,000	6,815,000	8,995,000	9,914,000	16,163,000	14,385,000
CURRENT LIABILITIES - TOTAL	3,916,619	3,960,000	4,158,000	4,272,000	8,063,000	6,930,000	9,387,000	10,029,000	9,149,000	14,691,000	14,192,000	15,388,000
Non-Cash Working Capital	597,365	1,673,000	332,000	2,926,000	(3,478,000)	(1,615,000)	(2,722,000)	1,259,000	437,000	2,399,000	8,819,000	10,250,000
Change in Non-Cash Working Capital		1,075,635	(1,341,000)	2,594,000	(6,404,000)	1,863,000	(1,107,000)	3,981,000	(822,000)	1,962,000	6,420,000	1,431,000
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		5,000	-	144,000	9,830,000	9,635,000	2,418,000	2,560,000	1,004,000	3,582,000	3,143,000	1,405,000
LONG TERM BORROWINGS		15,000	9,000	-	12,505,000	12,636,000	4,079,000	6,171,000	-	7,220,000	4,354,000	1,700,000
INCREASE IN LONG TERM DEBT		15,000	9,000	-	12,505,000	12,636,000	4,079,000	6,171,000	-	7,220,000	4,354,000	1,700,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		-	-	-	-	-	-	-	-	-	-	-
FCFE		1,243,365	3,693,000	(12,000)	12,202,000	5,089,000	7,850,000	6,388,000	6,858,000	9,852,000	5,684,000	11,113,000

Intel Free Cash Flow to Equity (FCFE) Calculation

INTEL CORPORATION												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		3,117,000	5,641,000	7,516,000	8,664,000	5,044,000	6,976,000	5,292,000	4,369,000	11,464,000	12,942,000	11,005,000
DEPRECIATION, DEPLETION AND AMORTIZATION		5,097,000	5,070,000	4,889,000	4,595,000	4,912,000	4,798,000	4,616,000	5,052,000	4,638,000	6,064,000	7,522,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		4,703,000	3,656,000	3,843,000	5,818,000	5,779,000	5,000,000	5,197,000	4,515,000	5,207,000	10,764,000	11,027,000
CURRENT ASSETS - TOTAL	17,633,000	18,925,000	22,882,000	24,058,000	21,194,000	18,280,000	23,885,000	19,871,000	21,157,000	31,611,000	25,872,000	31,358,000
CASH	7,970,000	7,404,000	7,971,000	8,407,000	7,324,000	6,598,000	7,307,000	3,350,000	3,987,000	5,498,000	5,065,000	8,478,000
CURRENT LIABILITIES - TOTAL	6,570,000	6,595,000	6,879,000	8,006,000	9,234,000	8,514,000	8,571,000	7,818,000	7,591,000	9,327,000	12,028,000	12,898,000
Non-Cash Working Capital	3,093,000	4,926,000	8,032,000	7,645,000	4,636,000	3,168,000	8,007,000	8,703,000	9,579,000	16,786,000	8,779,000	9,982,000
Change in Non-Cash Working Capital		1,833,000	3,106,000	(387,000)	(3,009,000)	(1,468,000)	4,839,000	696,000	876,000	7,207,000	(8,007,000)	1,203,000
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		18,000	137,000	31,000	19,000	-	-	-	-	157,000	-	125,000
LONG TERM BORROWINGS	306,000	55,000	-	-	1,742,000	-	125,000	-	1,980,000	79,000	4,962,000	6,124,000
INCREASE IN LONG TERM DEBT		55,000	-	-	1,742,000	-	125,000	-	1,980,000	79,000	4,962,000	6,124,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		(101,000)	(152,000)	24,000	126,000	(695,000)	(39,000)	(40,000)	(87,000)	23,000	209,000	65,000
FCFE		1,614,000	3,660,000	8,942,000	12,299,000	4,950,000	2,021,000	3,975,000	5,923,000	3,633,000	21,420,000	12,361,000

Verizon Free Cash Flow to Equity (FCFE) Calculation

VERIZON COMMUNICATNS												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		4,584,000	2,574,000	7,261,000	7,397,000	5,480,000	5,510,000	6,428,000	3,651,000	2,549,000	2,404,000	875,000
DEPRECIATION, DEPLETION AND AMORTIZATION		13,423,000	13,617,000	13,910,000	14,047,000	14,545,000	14,377,000	14,565,000	16,532,000	16,405,000	16,496,000	16,460,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		11,984,000	11,884,000	13,259,000	15,324,000	17,101,000	17,538,000	17,238,000	17,047,000	16,458,000	16,244,000	16,175,000
CURRENT ASSETS - TOTAL	23,187,000	20,921,000	18,293,000	19,479,000	16,448,000	22,538,000	18,698,000	26,075,000	22,608,000	22,348,000	30,939,000	21,235,000
CASH	979,000	1,438,000	699,000	2,290,000	776,000	3,219,000	1,153,000	9,782,000	2,009,000	6,668,000	13,362,000	3,093,000
CURRENT LIABILITIES - TOTAL	38,020,000	27,047,000	26,570,000	23,129,000	25,063,000	32,280,000	24,741,000	25,906,000	29,136,000	30,597,000	30,761,000	26,956,000
Non-Cash Working Capital	(15,812,000)	(7,564,000)	(8,976,000)	(5,940,000)	(9,391,000)	(12,961,000)	(7,196,000)	(9,613,000)	(8,537,000)	(14,917,000)	(13,184,000)	(8,814,000)
Change in Non-Cash Working Capital		8,248,000	(1,412,000)	3,036,000	(3,451,000)	(3,570,000)	5,765,000	(2,417,000)	1,076,000	(6,380,000)	1,733,000	4,370,000
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		8,460,000	10,759,000	5,198,000	3,919,000	11,233,000	5,503,000	4,146,000	19,260,000	8,136,000	11,805,000	6,403,000
LONG TERM BORROWINGS	14,199,000	7,882,000	4,653,000	514,000	1,487,000	3,983,000	3,402,000	21,598,000	12,040,000	-	11,060,000	4,489,000
INCREASE IN LONG TERM DEBT		7,882,000	4,653,000	514,000	1,487,000	3,983,000	3,402,000	21,598,000	12,040,000	-	11,060,000	4,489,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		(11,024,000)	(1,330,000)	(783,000)	2,129,000	7,944,000	(3,252,000)	2,389,000	(1,652,000)	(1,097,000)	1,928,000	(1,437,000)
FCFE		(13,827,000)	(1,717,000)	(591,000)	9,268,000	7,188,000	(8,769,000)	26,013,000	(6,812,000)	(357,000)	2,106,000	(6,561,000)

Amazon Free Cash Flow to Equity (FCFE) Calculation

AMAZON.COM INC												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		(149,933)	35,282	588,451	333,000	190,000	476,000	645,000	902,000	1,152,000	631,000	(39,000)
DEPRECIATION, DEPLETION AND AMORTIZATION		87,752	78,310	75,724	121,000	205,000	271,000	340,000	432,000	657,000	1,083,000	2,159,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		39,163	45,963	89,133	204,000	216,000	224,000	333,000	373,000	979,000	1,811,000	3,785,000
CURRENT ASSETS - TOTAL	1,207,920	1,615,676	1,820,809	2,539,396	2,929,000	3,373,000	5,164,000	6,157,000	9,797,000	13,747,000	17,490,000	21,296,000
CASH	149,968	302,964	427,306	407,906	96,000	118,000	813,000	355,000	391,000	613,000	1,207,000	2,595,000
CURRENT LIABILITIES - TOTAL	921,414	1,065,958	1,252,701	1,620,400	1,929,000	2,532,000	3,714,000	4,746,000	7,364,000	10,372,000	14,896,000	19,002,000
Non-Cash Working Capital	136,538	246,754	140,802	511,090	904,000	723,000	637,000	1,056,000	2,042,000	2,762,000	1,387,000	(301,000)
Change in Non-Cash Working Capital		110,216	(105,952)	370,288	392,910	(181,000)	(86,000)	419,000	986,000	720,000	(1,375,000)	(1,688,000)
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		14,795	495,308	157,401	270,000	383,000	74,000	355,000	472,000	221,000	444,000	588,000
LONG TERM BORROWINGS	10,000	-	-	-	11,000	98,000	24,000	87,000	87,000	143,000	177,000	3,378,000
INCREASE IN LONG TERM DEBT		-	-	-	11,000	98,000	24,000	87,000	87,000	143,000	177,000	3,378,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		-	-	-	-	-	-	-	-	-	-	-
FCFE		(226,355)	(321,727)	47,353	(401,910)	75,000	559,000	(35,000)	(410,000)	32,000	1,011,000	2,813,000

eBay Free Cash Flow to Equity (FCFE) Calculation

EBAY INC.												
DESCRIPTION (In Thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NET INCOME		249,891	447,184	778,223	1,082,043	1,125,639	348,251	1,779,474	2,389,097	1,800,961	3,229,387	2,609,000
DEPRECIATION, DEPLETION AND AMORTIZATION		76,576	159,003	253,690	378,165	533,652	601,707	719,814	810,946	762,465	939,953	1,200,000
CAPITAL EXPENDITURES (ADDITIONS TO FIXED ASSETS)		138,670	365,384	292,838	338,281	515,448	453,967	565,890	567,094	723,912	963,498	1,257,000
CURRENT ASSETS - TOTAL	883,805	1,468,458	2,145,882	2,911,149	3,183,237	4,970,586	7,122,505	6,286,590	8,460,208	11,065,338	12,661,454	21,398,000
CASH	523,969	64,823	14,859	155,405	29,702	2,675,530	4,238,601	3,210,186	4,028,941	5,597,762	4,710,591	6,832,000
CURRENT LIABILITIES - TOTAL	180,139	386,224	647,276	1,084,870	1,484,935	2,518,395	3,099,579	3,705,087	3,641,968	4,516,514	6,734,204	10,924,000
Non-Cash Working Capital	179,697	1,017,411	1,483,747	1,670,874	1,668,600	(223,339)	(215,675)	(628,683)	789,299	951,062	1,216,659	3,642,000
Change in Non-Cash Working Capital		837,714	466,336	187,127	(2,274)	(1,891,939)	7,664	(413,008)	1,417,982	161,763	265,597	2,425,341
PREFERRED DIVIDENDS (CASH)		-	-	-	-	-	-	-	-	-	-	-
REDUCTION IN LONG TERM DEBT		64	11,951	2,969	128,239	-	-	-	-	-	199,271	-
LONG TERM BORROWINGS	-	-	-	-	-	-	-	-	-	1,488,702	-	2,976,000
INCREASE IN LONG TERM DEBT		-	-	-	-	-	-	-	-	1,488,702	-	2,976,000
INCREASE/DECREASE IN SHORT TERM BORROWINGS		-	-	-	-	-	200,220	366,019	(1,000,000)	300,000	250,000	(550,000)
FCFE		(649,981)	(237,484)	548,979	995,962	3,035,782	688,547	2,712,425	214,967	3,466,453	2,990,974	2,552,659

Appendix B. Comparing FCFE, Total Cash Payout and Cash plus Retained Rarnings

Apple FCFE, Total Payout and Cash plus Retained Earnings

APPLE INC												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY STOCK(Yearly)		0	0	0	0	0	0	0	0	0	0	0
CASH DIVIDENDS PAID	0	0	0	0	0	0	0	0	0	0	0	2488000
TOTAL PAYOUT (in Thousands)	0	0	0	0	0	0	0	0	0	0	0	2488000
FCFE (in Thousands)		-73000	214000	-853000	-1260000	408000	-1485000	-3613000	9145000	12679000	28627000	34828000
RETAINED EARNINGS(in Thousands)	2260000	2325000	2394000	2670000	4005000	5607000	9101000	13845000	23353000	37169000	62841000	101289000
CASH(in Thousands)	4336000	4337000	4566000	5464000	8261000	10110000	15386000	24490000	23501000	25727000	26468000	29279000
CASH+RETAINED EARNINGS(in Thousands)	6596000	6662000	6960000	8134000	12266000	15717000	24487000	38335000	46854000	62896000	89309000	130568000
FCFE (in Millions)		(73.00)	214.00	(853.00)	(1,260.00)	408.00	(1,485.00)	(3,613.00)	9,145.00	12,679.00	28,627.00	34,828.00
TOTAL PAYOUT (in Millions)		-	-	-	-	-	-	-	-	-	-	2,488.00
CASH+RETAINED EARNINGS(in Millions)		6,662.00	6,960.00	8,134.00	12,266.00	15,717.00	24,487.00	38,335.00	46,854.00	62,896.00	89,309.00	130,568.00

Microsoft FCFE, Total Payout and Cash plus Retained Earnings

MICROSOFT CORP												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY STOCK(Yearly)		0	0	3,300,000.00	8,000,000.00	19,800,000.00	27,100,000.00	12,400,000.00	8,200,000.00	10,800,000.00	11,500,000.00	4,000,000.00
CASH DIVIDENDS PAID	0	0	857000	1729000	36112000	3545000	3805000	4015000	4468000	4578000	5180000	6385000
TOTAL PAYOUT (in Thousands)	0	0	857000	5029000	44112000	23345000	30905000	16415000	12668000	15378000	16680000	10385000
FCFE (in Thousands)		715000	1219000	-2218000	36162000	18553000	23187000	19847000	4862000	7627000	5704000	11550000
RETAINED EARNINGS(in Thousands)	18312000	19950000	23836000	17310000	-13724000	-20130000	-31114000	-27703000	-23793000	-17736000	-8195000	-856000
CASH(in Thousands)	31600000	38652000	49048000	60592000	37751000	34161000	23411000	24116000	31912000	37385000	52968000	63302000
CASH+RETAINED EARNINGS(in Thousands)	49912000	58602000	72884000	77902000	24027000	14031000	-7703000	-3587000	8119000	19649000	44773000	62446000
FCFE (in Millions)		715.00	1,219.00	(2,218.00)	36,162.00	18,553.00	23,187.00	19,847.00	4,862.00	7,627.00	5,704.00	11,550.00
TOTAL PAYOUT (in Millions)		-	857.00	5,029.00	44,112.00	23,345.00	30,905.00	16,415.00	12,668.00	15,378.00	16,680.00	10,385.00
CASH+RETAINED EARNINGS(in Millions)		58,602.00	72,884.00	77,902.00	24,027.00	14,031.00	(7,703.00)	(3,587.00)	8,119.00	19,649.00	44,773.00	62,446.00

IBM FCFE, Total Payout and Cash plus Retained Earnings

INT'L BUSINESS MACHS												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	20114000	20213000	24034000	31072000	38546000	46295000	63945000	74171000	81243000	96161000	110963000	123131000
TREASURY STOCK(Yearly)		99000	3821000	7038000	7474000	7749000	17650000	10226000	7072000	14918000	14802000	12168000
CASH DIVIDENDS PAID	956000	1005000	1085000	1174000	1250000	1683000	2147000	2585000	2860000	3177000	3473000	3773000
TOTAL PAYOUT (in Thousands)	21070000	1104000	4906000	8212000	8724000	9432000	19797000	12811000	9932000	18095000	18275000	15941000
FCFE (in Thousands)		749000	6956000	10598000	9067000	11309000	25772000	11217000	587000	21686000	18942000	20938000
RETAINED EARNINGS(in Thousands)	30142000	31555000	37525000	44525000	44734000	52432000	60640000	70353000	80899000	92532000	104857000	117640000
CASH(in Thousands)	6393000	5975000	7647000	10570000	13686000	10656000	16146000	13680000	14247000	12162000	12468000	11463000
CASH+RETAINED EARNINGS(in Thousands)	36535000	37530000	45172000	55095000	58420000	63088000	76786000	84033000	95146000	104694000	117325000	129103000
FCFE (in Millions)		749.00	6,956.00	10,598.00	9,067.00	11,309.00	25,772.00	11,217.00	587.00	21,686.00	18,942.00	20,938.00
TOTAL PAYOUT (in Millions)		1,104.00	4,906.00	8,212.00	8,724.00	9,432.00	19,797.00	12,811.00	9,932.00	18,095.00	18,275.00	15,941.00
CASH+RETAINED EARNINGS(in Millions)		37,530.00	45,172.00	55,095.00	58,420.00	63,088.00	76,786.00	84,033.00	95,146.00	104,694.00	117,325.00	129,103.00

AT&T FCFE, Total Payout and Cash plus Retained Earnings

AT&T INC												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	3482000	4584000	4698000	4535000	5406000	7368000	15683000	21410000	21260000	21083000	20750000	32888000
TREASURY STOCK(Yearly)		1102000	114000	0	871000	1962000	8315000	5727000	0	0	0	12138000
CASH DIVIDENDS PAID	3456000	3557000	4539000	4141000	4256000	5153000	8743000	9507000	9670000	9916000	10172000	10241000
TOTAL PAYOUT (in Thousands)	6938000	4659000	4653000	4141000	5127000	7115000	17058000	15234000	9670000	9916000	10172000	22379000
FCFE (in Thousands)		-2383000	853000	26937000	1928000	14619000	16219000	28712000	3367000	15001000	-4435000	11322000
RETAINED EARNINGS(in Thousands)	22138000	23802000	27635000	29352000	29106000	30375000	33297000	36591000	39366000	31792000	25453000	22481000
CASH(in Thousands)	703000	3568000	5184000	859000	1224000	2418000	1970000	1792000	3802000	1665000	3334000	5241000
CASH+RETAINED EARNINGS(in Thousands)	22841000	27370000	32819000	30211000	30330000	32793000	35267000	38383000	43168000	33457000	28787000	27722000
FCFE (in Millions)		(2,383.00)	853.00	26,937.00	1,928.00	14,619.00	16,219.00	28,712.00	3,367.00	15,001.00	(4,435.00)	11,322.00
TOTAL PAYOUT (in Millions)		4,659.00	4,653.00	4,141.00	5,127.00	7,115.00	17,058.00	15,234.00	9,670.00	9,916.00	10,172.00	22,379.00
CASH+RETAINED EARNINGS(in Millions)		27,370.00	32,819.00	30,211.00	30,330.00	32,793.00	35,267.00	38,383.00	43,168.00	33,457.00	28,787.00	27,722.00

Google FCFE, Total Payout and Cash plus Retained Earnings

GOOGLE INC.												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY STOCK(Yearly)		0	0	0	0	0	0	0	0	0	0	0
CASH DIVIDENDS PAID	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PAYOUT (in Thousands)	0	0	0	0	0	0	0	0	0	0	0	0
FCFE (in Thousands)		-36444	-125505	-1511147	-1543822	-2065489	1287184	805250	-491933	10398778	-6611000	14249000
RETAINED EARNINGS(in Thousands)		105627	191352	590471	2055868	5133314	9334772	13561630	20082078	27868000	37605000	48342000
CASH(in Thousands)	33589	146331	1765467	2143397	8034247	11243914	14218613	15845771	24590261	35317000	44963000	48688000
CASH+RETAINED EARNINGS(in Thousands)		251958	1956819	2733868	10090115	16377228	23553385	29407401	44672339	63185000	82568000	97030000
FCFE (in Millions)		(36.44)	(125.51)	(1,511.15)	(1,543.82)	(2,065.49)	1,287.18	805.25	(491.93)	10,398.78	(6,611.00)	14,249.00
TOTAL PAYOUT (in Millions)		-	-	-	-	-	-	-	-	-	-	-
CASH+RETAINED EARNINGS(in Millions)		251.96	1,956.82	2,733.87	10,090.12	16,377.23	23,553.39	29,407.40	44,672.34	63,185.00	82,568.00	97,030.00

Oracle FCFE, Total Payout and Cash plus Retained Earnings

ORACLE CORPORATION												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY STOCK(Yearly)		0	0	0	0	0	0	0	0	0	0	0
CASH DIVIDENDS PAID	0	0	0	0	0	0	0	0	250000	1004000	1061000	1205000
TOTAL PAYOUT (in Thousands)	0	0	0	0	0	0	0	0	250000	1004000	1061000	1205000
FCFE (in Thousands)		1243365	3693000	-12000	12202000	5089000	7850000	6388000	6858000	9852000	5684000	11113000
RETAINED EARNINGS(in Thousands)	1610480	1210000	1092000	2383000	4043000	5538000	6223000	9961000	11894000	16146000	22581000	26087000
CASH(in Thousands)	5887661	5841000	6519000	8587000	4802000	7605000	7020000	11043000	12624000	18469000	28848000	30676000
CASH+RETAINED EARNINGS(in Thousands)	7498141	7051000	7611000	10970000	8845000	13143000	13243000	21004000	24518000	34615000	51429000	56763000
FCFE (in Millions)		1,243.37	3,693.00	(12.00)	12,202.00	5,089.00	7,850.00	6,388.00	6,858.00	9,852.00	5,684.00	11,113.00
TOTAL PAYOUT (in Millions)		-	-	-	-	-	-	-	250.00	1,004.00	1,061.00	1,205.00
CASH+RETAINED EARNINGS(in Millions)		7,051.00	7,611.00	10,970.00	8,845.00	13,143.00	13,243.00	21,004.00	24,518.00	34,615.00	51,429.00	56,763.00

Intel FCFE, Total Payout and Cash plus Retained Earnings

INTEL CORPORATION												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY STOCK(Yearly)		0	0	0	0	0	0	0	0	0	0	0
CASH DIVIDENDS PAID	538000	533000	524000	1022000	1958000	2320000	2618000	3100000	3108000	3503000	4127000	4350000
TOTAL PAYOUT (in Thousands)	538000	533000	524000	1022000	1958000	2320000	2618000	3100000	3108000	3503000	4127000	4350000
FCFE (in Thousands)		1614000	3660000	8942000	12299000	4950000	2021000	3975000	5923000	3633000	21420000	12361000
RETAINED EARNINGS(in Thousands)	27150000	27847000	31016000	32288000	29810000	28984000	30848000	26537000	26318000	32919000	29656000	32138000
CASH(in Thousands)	11550000	12587000	16164000	17172000	12772000	10002000	15363000	11843000	14056000	22215000	15003000	18383000
CASH+RETAINED EARNINGS(in Thousands)	38700000	40434000	47180000	49460000	42582000	38986000	46211000	38380000	40374000	55134000	44659000	50521000
FCFE (in Millions)		1,614.00	3,660.00	8,942.00	12,299.00	4,950.00	2,021.00	3,975.00	5,923.00	3,633.00	21,420.00	12,361.00
TOTAL PAYOUT (in Millions)		533.00	524.00	1,022.00	1,958.00	2,320.00	2,618.00	3,100.00	3,108.00	3,503.00	4,127.00	4,350.00
CASH+RETAINED EARNINGS(in Millions)		40,434.00	47,180.00	49,460.00	42,582.00	38,986.00	46,211.00	38,380.00	40,374.00	55,134.00	44,659.00	50,521.00

Verizon FCFE, Total Payout and Cash plus Retained Earnings

VERIZON COMMUNICATNS												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	1182000	218000	115000	142000	353000	1871000	3489000	4839000	5000000	5267000	5002000	4071000
TREASURY STOCK(Yearly)		0	0	27000	211000	1518000	1618000	1350000	161000	267000	0	0
CASH DIVIDENDS PAID	4168000	4200000	4239000	4262000	4427000	4719000	4773000	4994000	5271000	5412000	5555000	5230000
TOTAL PAYOUT (in Thousands)	5350000	4200000	4239000	4289000	4638000	6237000	6391000	6344000	5432000	5679000	5555000	5230000
FCFE (in Thousands)		-13827000	-1717000	-591000	9268000	7188000	-8769000	26013000	-6812000	-357000	2106000	-6561000
RETAINED EARNINGS(in Thousands)	10704000	10536000	9409000	12984000	15905000	17324000	17884000	19250000	17592000	4368000	1179000	-3734000
CASH(in Thousands)	2970000	3480000	2871000	4547000	3274000	5653000	3397000	10291000	2499000	7213000	13954000	3563000
CASH+RETAINED EARNINGS(in Thousands)	13674000	14016000	12280000	17531000	19179000	22977000	21281000	29541000	20091000	11581000	15133000	-171000
FCFE (in Millions)		(13,827.00)	(1,717.00)	(591.00)	9,268.00	7,188.00	(8,769.00)	26,013.00	(6,812.00)	(357.00)	2,106.00	(6,561.00)
TOTAL PAYOUT (in Millions)		4,200.00	4,239.00	4,289.00	4,638.00	6,237.00	6,391.00	6,344.00	5,432.00	5,679.00	5,555.00	5,230.00
CASH+RETAINED EARNINGS(in Millions)		14,016.00	12,280.00	17,531.00	19,179.00	22,977.00	21,281.00	29,541.00	20,091.00	11,581.00	15,133.00	(171.00)

Amazon FCFE, Total Payout and Cash plus Retained Earnings

AMAZON.COM INC												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	252000	500000	600000	600000	600000	877000	1837000
TREASURY STOCK(Yearly)		0	0	0	0	252000	248000	100000	0	0	277000	960000
CASH DIVIDENDS PAID	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PAYOUT (in Thousands)	0	0	0	0	0	252000	248000	100000	0	0	277000	960000
FCFE (in Thousands)		-226355	-321727	47353	-401910	75000	559000	-35000	-410000	32000	1011000	2813000
RETAINED EARNINGS(in Thousands)	-2860578	-3009710	-2974428	-2385977	-2027000	-1837000	-1375000	-730000	172000	1324000	1955000	1916000
CASH(in Thousands)	996585	1300969	1394823	1779199	2000000	2019000	3112000	3727000	6366000	8762000	9576000	11448000
CASH+RETAINED EARNINGS(in Thousands)	-1863993	-1708741	-1579605	-606778	-27000	182000	1737000	2997000	6538000	10086000	11531000	13364000
FCFE (in Millions)		(226.36)	(321.73)	47.35	(401.91)	75.00	559.00	(35.00)	(410.00)	32.00	1,011.00	2,813.00
TOTAL PAYOUT (in Millions)		-	-	-	-	252.00	248.00	100.00	-	-	277.00	960.00
CASH+RETAINED EARNINGS(in Millions)		(1,708.74)	(1,579.61)	(606.78)	(27.00)	182.00	1,737.00	2,997.00	6,538.00	10,086.00	11,531.00	13,364.00

eBay FCFE, Total Payout and Cash plus Retained Earnings

EBAY INC.												
DESCRIPTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TREASURY STOCK (Cumulative)	0	0	0	0	0	1669428	3184981	5376970	5377258	6091435	7155421	8053000
TREASURY STOCK(Yearly)		0	0	0	0	1669428	1515553	2191989	288	714177	1063986	897579
CASH DIVIDENDS PAID	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PAYOUT (in Thousands)	0	0	0	0	0	1669428	1515553	2191989	288	714177	1063986	897579
FCFE (in Thousands)		-649981	-237484	548979	995962	3035782	688547	2712425	214967	3466453	2990974	2552659
RETAINED EARNINGS(in Thousands)	164633	414474	856245	1634468	2716511	3842150	4190546	5970020	8359117	10160078	13389465	15998000
CASH(in Thousands)	723419	1220451	1736948	2167454	2117932	3217633	4897455	3352662	4944166	6660010	6041030	9463000
CASH+RETAINED EARNINGS(in Thousands)	888052	1634925	2593193	3801922	4834443	7059783	9088001	9322682	13303283	16820088	19430495	25461000
FCFE (in Millions)		(649.98)	(237.48)	548.98	995.96	3,035.78	688.55	2,712.43	214.97	3,466.45	2,990.97	2,552.66
TOTAL PAYOUT (in Millions)		-	-	-	-	1,669.43	1,515.55	2,191.99	0.29	714.18	1,063.99	897.58
CASH+RETAINED EARNINGS(in Millions)		1,634.93	2,593.19	3,801.92	4,834.44	7,059.78	9,088.00	9,322.68	13,303.28	16,820.09	19,430.50	25,461.00