NATIONAL ASSOCIATION OF INVESTORS CORPORATION
INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

# Stock Selection Guide ®

The most widely used aid to good investment judgment

Company FORMFACTOR INC  Date 06/07/07
Prepared by Don Ames  Data taken from NAIC Data
Where traded NASDAQ  Major product/service Semiconduct

CAPITALIZATION --- Outstanding Amounts  Reference

| | | | |
|---|---|---|---|
| Preferred ($M) | 0.0 | % Insiders | % Institution |
| Common (M Shares) | 46.9 | 0.0 | 0.0 |
| Debt ($M) 0.0 | % to Tot.Cap. 0.0 | % Potential Dil. | None |

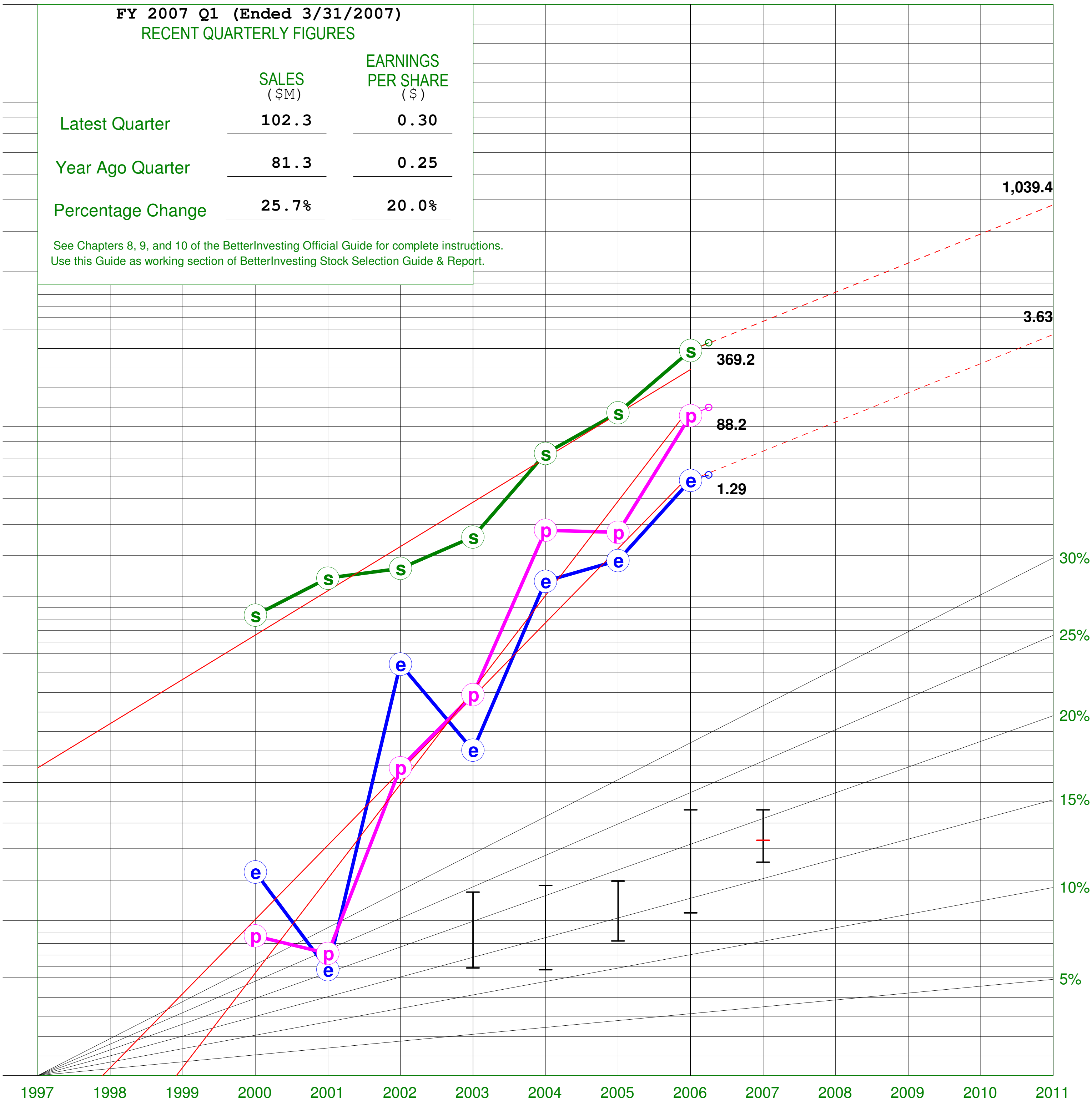
## 1 VISUAL ANALYSIS of Sales, Earnings and Price

FORM

FY 2007 Q1 (Ended 3/31/2007)
RECENT QUARTERLY FIGURES

| | SALES ($M) | EARNINGS PER SHARE ($) |
|---|---|---|
| Latest Quarter | 102.3 | 0.30 |
| Year Ago Quarter | 81.3 | 0.25 |
| Percentage Change | 25.7% | 20.0% |

See Chapters 8, 9, and 10 of the BetterInvesting Official Guide for complete instructions.
Use this Guide as working section of BetterInvesting Stock Selection Guide & Report.




(1) Historical Sales Growth 36.9 %
(3) Historical Earnings Per Share Growth 69.3 %
(2) Estimated Future Sales Growth 23.0 %
(4) Estimated Future Earnings Per Share Growth 23.0 %

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# 2 EVALUATING MANAGEMENT

Company FORMFACTOR INC (FORM) 06/07/07

| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | LAST 5 YEAR AVG. | TREND UP | TREND DOWN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales) | | | | 3.9 | 2.6 | ~~9.2~~ | 12.4 | 22.0 | 16.2 | 23.9 | 18.6 | UP | |
| B | % Earned on Equity (E/S ÷ Book Value) | | | | | ~~NMF~~ | ~~NMF~~ | ~~3.3~~ | 9.2 | 9.2 | 9.8 | 9.4 | EVEN | |

# 3 PRICE-EARNINGS HISTORY as an indicator of the future

*This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.*

PRESENT PRICE 40.080 HIGH THIS YEAR 49.710 LOW THIS YEAR 34.310

| | Year | A PRICE HIGH | B PRICE LOW | C Earnings Per Share | D Price Earnings Ratio HIGH A ÷ C | E Price Earnings Ratio LOW B ÷ C | F Dividend Per Share | G % Payout F ÷ C X 100 | H % High Yield F ÷ B X 100 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | ~~2002~~ | 0.0 | ~~0.0~~ | 0.35 | ~~0.0~~ | ~~0.0~~ | 0.000 | ~~0.0~~ | ~~0.0~~ |
| 2 | ~~2003~~ | 27.8 | ~~16.2~~ | 0.19 | ~~146.3~~ | ~~85.3~~ | 0.000 | ~~0.0~~ | ~~0.0~~ |
| 3 | ~~2004~~ | 29.1 | ~~16.0~~ | 0.63 | ~~46.2~~ | ~~25.4~~ | 0.000 | ~~0.0~~ | ~~0.0~~ |
| 4 | 2005 | 30.0 | 19.6 | 0.73 | 41.1 | 26.8 | 0.000 | 0.0 | 0.0 |
| 5 | 2006 | 49.7 | 24.0 | 1.29 | 38.5 | 18.6 | 0.000 | 0.0 | 0.0 |
| 6 | TOTAL | | 43.6 | | 79.6 | 45.4 | | 0.0 | |
| 7 | AVERAGE | | 21.8 | | 39.8 | 22.7 | | 0.0 | |
| 8 | AVERAGE PRICE EARNINGS RATIO | | 31.3 | | 9 CURRENT PRICE EARNINGS RATIO | | | 29.9 | |

Proj. P/E [24.32] Based on Next 4 qtr. EPS [1.65] Current P/E Based on Last 4 qtr. EPS [1.34]
PEG=106

# 4 EVALUATING RISK and REWARD over the next 5 years

*Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.*

**A HIGH PRICE -- NEXT 5 YEARS**

Avg. High P/E 39.8 (3D7 as adj.) X Estimate High Earnings/Share 3.63 = Forecast High Price $ 144.5 (4A1)

**B LOW PRICE -- NEXT 5 YEARS**

(a) Avg. Low P/E 22.7 (3E7 as adj.) X Estimated Low Earnings/Share ~~1.29~~ 1.34 = $ 30.4

(b) Avg. Low Price of Last 5 Years = 21.8 (3B7)

(c) Recent Severe Market Low Price = 19.6

(d) Price Dividend Will Support Present Divd. / High Yield (H) = 0.000 / 0.000 = 0.0

Selected Estimate Low Price = $ 30.4 (4B1)

**C ZONING**

144.5 (4A1) High Forecast Price Minus 30.4 (4B1) Low Forecast Price Equals 114.1 (C) Range. 1/3 of Range = 38.0 (4CD)

(4C2) Lower 1/3 = (4B1) 30.4 to 68.4 (Buy)

(4C3) Middle 1/3 = 68.4 to 106.5 (Maybe)

(4C4) Upper 1/3 = 106.5 to 144.5 (4A1) (Sell)

Present Market Price of 40.080 is in the Buy (4C5) Range

**D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)**

High Price (4A1) 144.5 Minus Present Price 40.080 / Present Price 40.080 Minus Low Price (4B1) 30.4 = 104.4 / 9.7 = 10.8 (4D) To 1

**E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)**

High Price (4A1) 144.5 / Present Market Price 40.080 = ( 3.605 ) X 100 = ( 360.5 ) - 100 = 260.5 (4E) % Appreciation

Relative Value: 95.5% Proj. Relative Value: 77.7%

# 5 5-YEAR POTENTIAL

*This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.*

**Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.**

**A** Present Full Year's Dividend $ 0.000 / Present Price of Stock $ 40.080 = 0.000 X 100 = 0.0 (5A) Present Yield or % Returned on Purchase Price

**B AVERAGE YIELD OVER NEXT 5 YEARS**

Avg. Earnings Per Share Next 5 Years 2.40 X Avg. % Payout (3G7) 0.0 = 0.0 / Present Price $ 40.080 = 0.0 (5B) %

**C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS**

5 Year Appreciation Potential (4E) 260.5 / 5 = 52.1 %

Average Yield (5B) 0.0 %

Average Total Annual Return Over the Next 5 Years (5C) 52.1 %

| | P.A.R. | Tot. Ret. |
|---|---|---|
| Average Yield | 0.0% | 0.0% |
| Annual Appreciation | 23.1% | 29.2% |
| % Compd Ann Rate of Ret | 23.1% | 29.2% |

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# Portfolio Management Guide

*See Chapter 16 of the Investors Manual for instructions on the use of this guide.*

Stock FORMFACTOR INC    Analyst Don Ames

## 1 PRICE EARNINGS ZONES

Refer to Section 3, columns D and E, Line 7, of your Stock Selection Guide study of this company for the information in columns 2 and 3 below.

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| YEAR | Average Price Earnings Ratios for Previous Five Years | | Sum of Cols. 2 and 3 | Column 4 Divided by 2 | Column 5 Multiplied by 1½ |
| | High | Low | | Low P/E Guide Line | High P/E Guide Line |
| 2003 | 0.0 | 0.0 | 0.0 | | |
| 2004 | 0.0 | 0.0 | 0.0 | | |
| 2005 | 0.0 | 0.0 | 0.0 | | |
| 2006 | 41.1 | 26.9 | 68.0 | 34.0 | 51.0 |
| 2007 | 39.8 | 22.7 | 62.5 | 31.3 | 46.9 |

## 2 PRICE ZONES

See Section 4C of Stock Selection Guide. 1 below is top of Buy Zone. 2 Below is bottom of Sell Zone

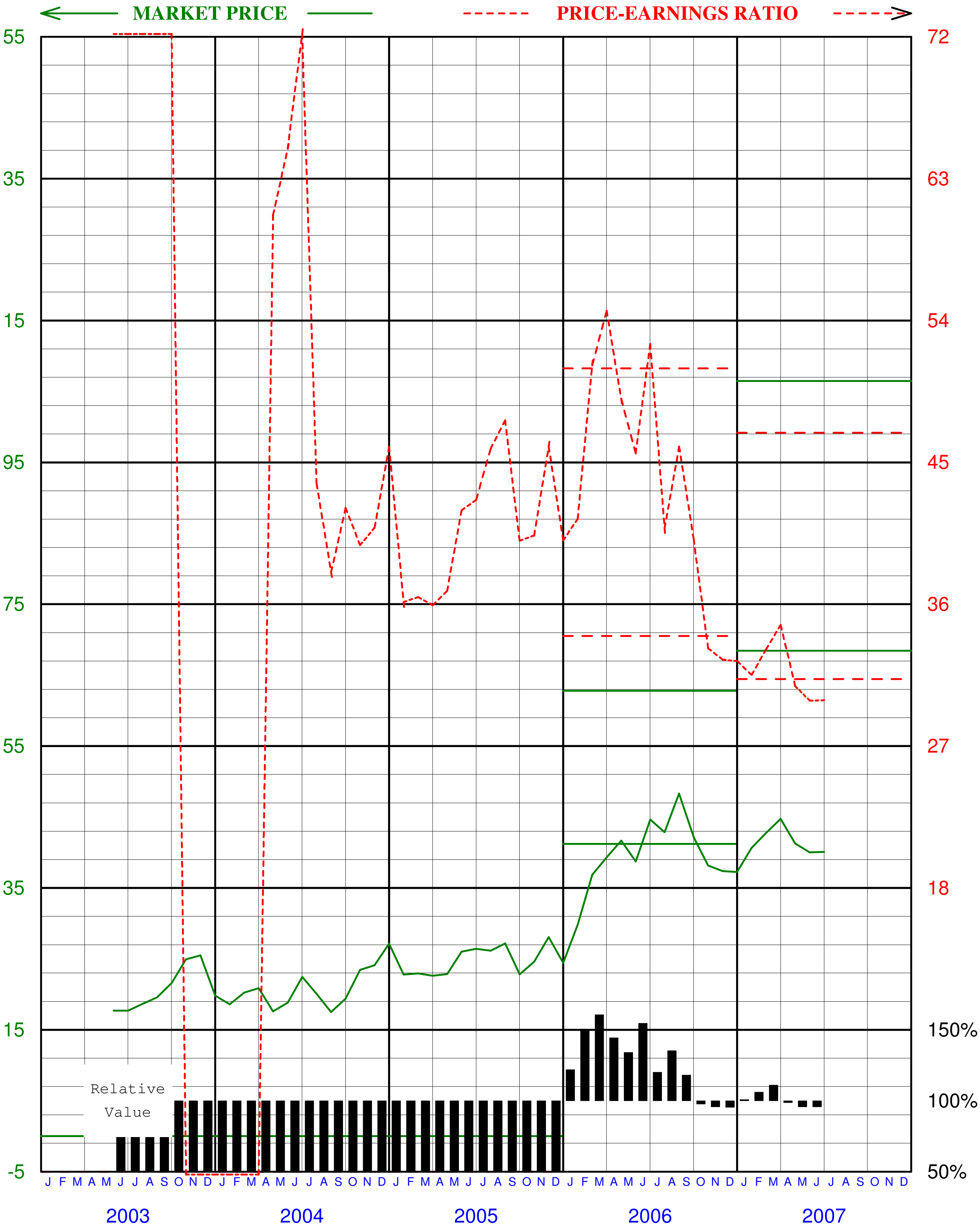
| YEAR | 1. Consider Buying Below | 2.Consider Selling Above |
|---|---|---|
| 2003 | 0.0 | 0.0 |
| 2004 | 0.0 | 0.0 |
| 2005 | 0.0 | 0.0 |
| 2006 | 41.2 | 62.8 |
| 2007 | 68.4 | 106.5 |

## 3 CUMULATIVE EARNINGS AND CURRENT PRICE-EARNINGS RATIO COMPUTATIONS

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 Months Ending | Earnings per Share | Total Earnings for last 4 Quarters | Date | Price | P/E Ratio at Time of Meeting | Date | Price | P/E Ratio at Time of Meeting | Date | Price | P/E Ratio at Time of Meeting |
| 03/02 | 0.03 | | 04/02 | | | 05/02 | | | 06/02 | | |
| 06/02 | 0.02 | | 07/02 | | | 08/02 | | | 09/02 | | |
| 09/02 | 0.24 | | 10/02 | | | 11/02 | | | 12/02 | | |
| 12/02 | 0.05 | 0.34 | 01/03 | | | 02/03 | | | 03/03 | | |
| 03/03 | -0.20 | 0.11 | 04/03 | | | 05/03 | | | 06/03 | 17.70 | 160.9 |
| 06/03 | 0.00 | 0.09 | 07/03 | 18.64 | 207.1 | 08/03 | 19.59 | 217.7 | 09/03 | 21.59 | 239.9 |
| 09/03 | 0.06 | -0.09 | 10/03 | 24.93 | NMF | 11/03 | 25.50 | NMF | 12/03 | 19.80 | NMF |
| 12/03 | 0.10 | -0.04 | 01/04 | 18.59 | NMF | 02/04 | 20.25 | NMF | 03/04 | 20.89 | NMF |
| 03/04 | 0.13 | 0.29 | 04/04 | 17.60 | 60.7 | 05/04 | 18.82 | 64.9 | 06/04 | 22.45 | 77.4 |
| 06/04 | 0.17 | 0.46 | 07/04 | 20.08 | 43.7 | 08/04 | 17.50 | 38.0 | 09/04 | 19.37 | 42.1 |
| 09/04 | 0.19 | 0.59 | 10/04 | 23.45 | 39.7 | 11/04 | 24.11 | 40.9 | 12/04 | 27.14 | 46.0 |
| 12/04 | 0.14 | 0.63 | 01/05 | 22.77 | 36.1 | 02/05 | 22.97 | 36.5 | 03/05 | 22.64 | 35.9 |
| 03/05 | 0.12 | 0.62 | 04/05 | 22.84 | 36.8 | 05/05 | 26.02 | 42.0 | 06/05 | 26.42 | 42.6 |
| 06/05 | 0.12 | 0.57 | 07/05 | 26.14 | 45.9 | 08/05 | 27.17 | 47.7 | 09/05 | 22.82 | 40.0 |
| 09/05 | 0.23 | 0.61 | 10/05 | 24.62 | 40.4 | 11/05 | 28.06 | 46.0 | 12/05 | 24.43 | 40.0 |
| 12/05 | 0.25 | 0.72 | 01/06 | 29.82 | 41.4 | 02/06 | 36.84 | 51.2 | 03/06 | 39.32 | 54.6 |
| 03/06 | 0.25 | 0.85 | 04/06 | 41.69 | 49.0 | 05/06 | 38.74 | 45.6 | 06/06 | 44.63 | 52.5 |
| 06/06 | 0.32 | 1.05 | 07/06 | 42.87 | 40.8 | 08/06 | 48.30 | 46.0 | 09/06 | 42.13 | 40.1 |
| 09/06 | 0.33 | 1.15 | 10/06 | 38.18 | 33.2 | 11/06 | 37.36 | 32.5 | 12/06 | 37.25 | 32.4 |
| 12/06 | 0.39 | 1.29 | 01/07 | 40.65 | 31.5 | 02/07 | 42.75 | 33.1 | 03/07 | 44.75 | 34.7 |
| 03/07 | 0.30 | 1.34 | 04/07 | 41.29 | 30.8 | 05/07 | 40.04 | 29.9 | 06/07 | 40.08 | 29.9 |
| 06/07 | | | 07/07 | | | 08/07 | | | 09/07 | | |
| 09/07 | | | 10/07 | | | 11/07 | | | 12/07 | | |
| 12/07 | | | 01/08 | | | 02/08 | | | 03/08 | | |

Company: FORMFACTOR INC (FORM)

# 4 CHART OF PRICES AND PRICE-EARNINGS RATIO



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# PERT Worksheet-A

Company FORMFACTOR INC (FORM)

| PERIOD | QUARTERLY DATA: EPS $ | EPS % CHANGE | PRE-TAX PROFIT $ MIL | PRE-TAX PROFIT % SALES | PRE-TAX PROFIT % CHANGE | SALES $ MIL | SALES % CHANGE | INCOME TAX RATE | LAST 12 MONTHS DATA: EPS $ | PRE-TAX PROFIT $ MIL | PRE-TAX PROFIT % SALES | SALES MIL | INCOME TAX $ MIL | INCOME TAX % RATE | % CHANGE EPS | % CHANGE PRE-TAX PROFIT | % CHANGE SALES |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 03/02 | 0.03 | | 1.18 | 6.8 | | 17.29 | | 24.0 | | | | | | 36.6 | | | |
| 06/02 | 0.02 | | 1.20 | 6.5 | | 18.51 | | 50.7 | | | | | | 39.1 | | | |
| 09/02 | 0.24 | | 2.18 | 10.5 | | 20.73 | | -225.7 | | | | | | -27.5 | | | |
| 12/02 | 0.05 | | 2.68 | 12.1 | | 22.16 | | 45.4 | 0.34 | 7.23 | 9.2 | 78.7 | -1.9 | -26.4 | | | |
| 03/03 | -0.20 | -766.7 | 0.69 | 3.7 | -41.8 | 18.67 | 8.0 | 231.3 | 0.11 | 6.74 | 8.4 | 80.1 | 1.7 | 25.4 | | | |
| 06/03 | 0.00 | -100.0 | 1.67 | 7.6 | 39.6 | 22.09 | 19.4 | 100.0 | 0.09 | 7.22 | 8.6 | 83.6 | 2.7 | 37.7 | | | |
| 09/03 | 0.06 | -75.0 | 3.64 | 13.9 | 66.9 | 26.08 | 25.8 | 38.8 | -0.09 | 8.67 | 9.7 | 89.0 | 9.0 | 103.9 | | | |
| 12/03 | 0.10 | 100.0 | 6.17 | 19.6 | 130.3 | 31.46 | 42.0 | 37.1 | -0.04 | 12.16 | 12.4 | 98.3 | 12.4 | 101.8 | -111.8 | 68.2 | 24.9 |
| 03/04 | 0.13 | NMF | 8.30 | 22.4 | 1,109.9 | 37.12 | 98.8 | 37.0 | 0.29 | 19.78 | 16.9 | 116.8 | 10.5 | 53.2 | 163.6 | 193.4 | 45.8 |
| 06/04 | 0.17 | NMF | 11.22 | 26.0 | 570.4 | 43.15 | 95.3 | 38.5 | 0.46 | 29.33 | 21.3 | 137.8 | 11.1 | 37.8 | 411.1 | 306.3 | 64.7 |
| 09/04 | 0.19 | 216.7 | 12.32 | 24.0 | 238.8 | 51.38 | 97.0 | 37.5 | 0.59 | 38.01 | 23.3 | 163.1 | 14.3 | 37.5 | NMF | 338.2 | 83.3 |
| 12/04 | 0.14 | 40.0 | 7.22 | 15.7 | 17.1 | 46.11 | 46.6 | 21.2 | 0.63 | 39.06 | 22.0 | 177.8 | 13.1 | 33.6 | NMF | 221.1 | 80.8 |
| 03/05 | 0.12 | -7.7 | 7.56 | 14.8 | -8.9 | 50.97 | 37.3 | 34.6 | 0.62 | 38.32 | 20.0 | 191.6 | 12.6 | 33.0 | 113.8 | 93.8 | 64.1 |
| 06/05 | 0.12 | -29.4 | 7.13 | 13.6 | -36.5 | 52.34 | 21.3 | 30.1 | 0.57 | 34.23 | 17.0 | 200.8 | 10.6 | 30.9 | 23.9 | 16.7 | 45.7 |
| 09/05 | 0.23 | 21.1 | 9.02 | 14.5 | -26.8 | 62.37 | 21.4 | -6.5 | 0.61 | 30.93 | 14.6 | 211.8 | 6.1 | 19.9 | 3.4 | -18.6 | 29.8 |
| 12/05 | 0.25 | 78.6 | 14.79 | 20.6 | 104.7 | 71.82 | 55.7 | 29.2 | 0.72 | 38.49 | 16.2 | 237.5 | 8.4 | 21.9 | 14.3 | -1.5 | 33.6 |
| 03/06 | 0.25 | 108.3 | 16.79 | 20.6 | 122.1 | 81.33 | 59.6 | 35.3 | 0.85 | 47.72 | 17.8 | 267.9 | 10.5 | 22.0 | 37.1 | 24.5 | 39.8 |
| 06/06 | 0.32 | 166.7 | 23.35 | 25.3 | 227.7 | 92.43 | 76.6 | 34.0 | 1.05 | 63.94 | 20.8 | 308.0 | 14.7 | 23.0 | 84.2 | 86.8 | 53.4 |
| 09/06 | 0.33 | 43.5 | 23.49 | 24.3 | 160.5 | 96.76 | 55.1 | 31.9 | 1.15 | 78.42 | 22.9 | 342.3 | 25.6 | 32.6 | 88.5 | 153.5 | 61.6 |
| 12/06 | 0.39 | 56.0 | 24.59 | 24.9 | 66.3 | 98.69 | 37.4 | 22.7 | 1.29 | 88.22 | 23.9 | 369.2 | 27.3 | 31.0 | 79.2 | 129.2 | 55.5 |
| 03/07 | 0.30 | 20.0 | 22.00 | 21.5 | 31.0 | 102.27 | 25.7 | 33.1 | 1.34 | 93.43 | 23.9 | 390.2 | 28.4 | 30.4 | 57.6 | 95.8 | 45.7 |
| 06/07 | | | | | | | | *31.0* | | | | | | 29.7 | | | |
| 09/07 | | | | | | | | *31.0* | | | | | | 29.5 | | | |
| 12/07 | | | | | | | | *31.0* | | | | | | 31.5 | | | |

A B C D E F G H I J K L M N O P Q R S T

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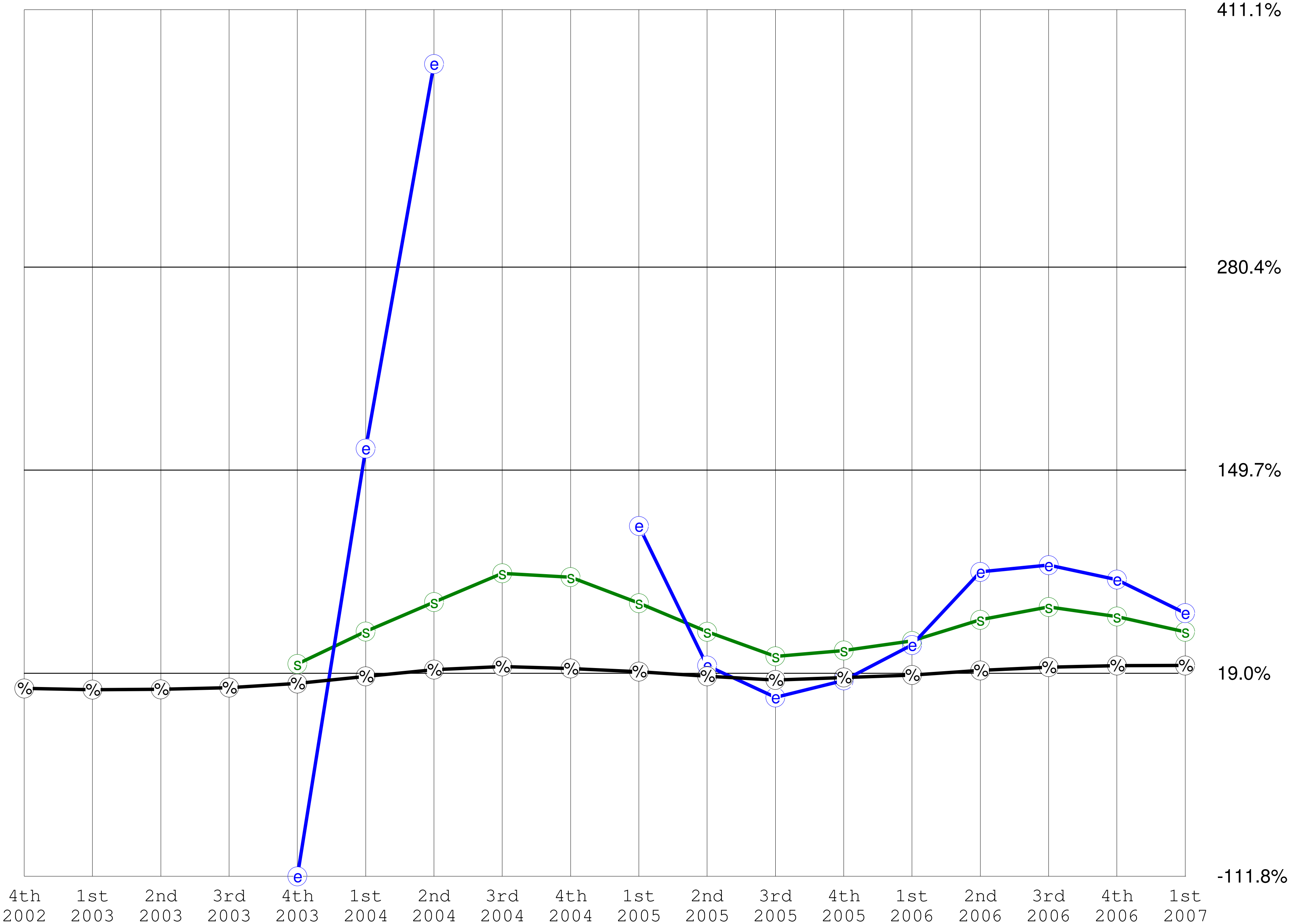
Trailing 4 quarters

# *PERT Worksheet-A Graph*

Company FORMFACTOR INC (FORM)

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# PERT Worksheet-B

Company FORMFACTOR INC Symbol FORM

| | | PRICE RANGE | | P/E RATIO | | 5 YR AVG P/E RATIO | | | DIV/ SHARE | % PAYOUT | | % HIGH YIELD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YEAR | EPS | HIGH | LOW | HIGH | LOW | HIGH | AVG | LOW | | THIS YEAR | 5 YR AVG | |
| 1997 | | 0.0 | | ~~NMF~~ | ~~NMF~~ | | | | | | | |
| 1998 | | | | ~~NMF~~ | ~~NMF~~ | | | | | | | |
| 1999 | | | | ~~NMF~~ | ~~NMF~~ | | | | | | | |
| 2000 | 0.08 | | | ~~0.0~~ | ~~0.0~~ | | | | | | | |
| 2001 | 0.04 | | | ~~0.0~~ | ~~0.0~~ | | | | | | | |
| 2002 | 0.35 | | | ~~0.0~~ | ~~0.0~~ | | | | .000 | .0 | | |
| 2003 | 0.19 | 27.8 | 16.2 | ~~146.1~~ | ~~85.3~~ | | | | .000 | .0 | | .0 |
| 2004 | 0.63 | 29.1 | 16.0 | ~~46.2~~ | ~~25.4~~ | | | | .000 | .0 | | .0 |
| 2005 | 0.73 | 30.0 | 19.6 | 41.1 | 26.9 | 41.1 | 34.0 | 26.9 | .000 | .0 | | .0 |
| 2006 | 1.29 | 49.7 | 24.0 | 38.5 | 18.6 | 39.8 | 31.3 | 22.7 | .000 | .0 | | .0 |
| | | | | | | | | | | | | |
| 10 Year | Avg. | | | 39.8 | 22.7 | | 31.3 | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| A | B | C | D | E | F | G | H | I | J | K | L | M |