OPPENHEIMER

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CONSUMER & BUSINESS SERVICES/CONSUMER, HOUSEHOLD & PERSONAL CARE PRODUCTS

SodaStream

Management Meeting Bolsters View That Business Is Healthy, Pullback Overdone

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$65.00
SODA - NASDAQ	$40.88
3-5 Yr. EPS Gr. Rate	30%
52-Wk Range	$79.72-$20.00
Shares Outstanding	19.9M
Float	13.0M
Market Capitalization	$813.6M
Avg. Daily Trading Volume	2,113,371
Dividend/Div Yield	NA/NM
Fiscal Year Ends	Dec
Book Value	$10.83
2011E ROE	84.0%
LT Debt	$0.0M
Preferred	NA
Common Equity	$219M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2010A	0.22	0.20	0.42	0.33	1.22	33.5x
2011E	0.38A	0.42A	0.41	0.44	1.65	24.8x
2012E	0.42	0.48	0.57	0.62	2.10	19.5x

Reflects adjusted EPS for 2010. EPS estimates for 2011 and 2012 are adjusted to exclude IPO-related share-based compensation expense.

SUMMARY

Our recent meeting with SodaStream senior management underscored our view that business trends remain very healthy and the stock was meaningfully oversold owing to investor misinterpretation of the company's 2H guidance. We expect the shares to continue to stabilize and move higher in the coming months, as investors gain comfort with these issues while fundamentals remain robust, and so we reiterate both our Outperform rating and $65 target price.

KEY POINTS

- We recently had the opportunity to meet with members of SODA senior management, which bolstered our view that underlying business trends remain very healthy and that the dramatic pullback in the stock of late relates largely to misinterpretation on the part of investors of the company's implied 2H guidance.
- In terms of takeaways, management remains very confident that the U.S. could over time represent at least 1/2 of SODA's sales vs. ~20% currently, through both meaningful retail expansion (potentially 20K doors vs. 7K today) as well as same store sales growth, with "like for like" SSS in the U.S. up 40%-50% in 2Q.
- Also, we gained greater clarity on SODA's 2H guidance which implies a meaningful slowdown in revenue growth, although in our view this is not indicative of any deterioration in fundamentals. We've talked about a few of the issues impacting this outlook, including seasonality in SODA's older markets and a difficult comparison in the U.S.
- In addition, increased sales in SODA's distributor markets compared to its direct markets in 2Q has resulted in a "pulling forward" of sales into 1H from 2H, while the strengthening of the euro (SODA's functional currency) vs. the U.S. dollar has led to a drag on reported revenue growth to the order of 10%.
- Bottom line: we expect the stock to continue to stabilize and move higher in the coming months, as investors gain comfort with these issues and fundamentals remain robust. Thus, we reiterate both our Outperform rating on the shares as well as our DCF-derived target price of $65.

Stock Price Performance

Company Description

SodaStream is the world's leading manufacturer of home beverage carbonation systems, which enable consumers to convert ordinary tap water into carbonated soft drinks and sparkling water.

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Notes From Our SodaStream Meeting

Business Remains Healthy, Stock Attractive

We recently had the opportunity to meet with members of SodaStream senior management, including CFO Daniel Erdreich and Executive Director of International Projects and Corporate Communications Yonah Lloyd. Importantly, the meeting underscored our bullish stance on the shares, which we contend remain meaningfully oversold, having pulled back dramatically after the company failed to raise full-year revenue guidance when it reported very impressive 2Q results on August 11th. We continue to believe this has been largely misinterpreted by investors, as underlying business trends remain very healthy. Thus, we reiterate our Outperform rating and our DCF-derived target price of $65, with our 2011 and 2012 EPS estimates also unchanged at $1.65 and $2.10, respectively, implying growth of 35% and 27%.

U.S. Opportunity Driven by Retail Expansion and Same Store Sales Growth

We began our discussion by touching on what in our view is by far the most attractive aspect of the SODA story, namely the revenue opportunity in the U.S., the world's largest beverage market. In fact, Mr. Erdreich pointed out that he believes in the not too distant future that the U.S. could be at least half of SODA's total sales, up from about 20% today, through both increased retail distribution as well as same store sales growth. The company is currently in around 7,000 doors in the U.S., although management believes there are perhaps as many as 20,000 doors that could sell soda machines. On top of this, there are an additional 20-25,000 doors that could sell replacement cylinders and syrups, including gas stations as well as convenience and drug stores, up from around 2,800 today.

As for the concept of same store sales, it's helpful to think about this in terms of door productivity. There has been some concern among investors that sales per door in the U.S. have been slowing. However, this makes the fallacious assumption that all doors are created equal, when in reality this is hardly the case—a Bed, Bath & Beyond door will be far more productive than a Best Buy door in terms of small kitchen appliance sales. In fact, looking at doors on a "like for like" basis, management disclosed that same store sales growth for doors open at least a year as of July 2011 experienced average sales growth of 40%-50% in 2Q.

Revenue Slowdown Not Related to Fundamentals

In addition, as expected, much of our discussion centered on the company's implied guidance for the second half of 2011, having not raised full-year revenue growth guidance despite a meaningful beat in 2Q. We've talked about a few of the reasons in the past but believe it's worth revisiting, as in our view the market has greatly overreacted to this. To be clear, SODA's full-year revenue growth guidance of 30% does indeed imply a slowdown in reported revenue growth in the second half, to around 20% from 43% in the first half. There are a handful of reasons, none of which in our view indicate any deterioration in fundamentals.

For example, we've pointed out that SODA faces a difficult comparison in the U.S. in the second half of this year given the very successful launch at Bed, Bath & Beyond last year, which drove a nearly 160% sequential increase in revenue in the Americas in 2H vs. 1H. This year, despite a number of tests, including at Staples and an as yet unnamed big box retailer, there is nothing of a similar magnitude to fully mitigate the impact of the anniversary. Because of this, the natural seasonality of SODA's older European markets, which still represent the majority of its revenue, will be more readily apparent this year, as these markets tend to see a sequential decline in sales in 3Q and 4Q due to lower consumption of cold beverages as winter approaches.

Beyond these issues of difficult comparisons and seasonality, there are two other factors worth noting that will likely also have a significant effect on SODA's year-over-year revenue growth. The first is the shift in sales to markets where the company has a direct subsidiary presence, which represent 12 of its 41 total markets, vs. those where it operates through a distributor, which represent the remaining 29 markets. In the most recent quarter, distributor markets, such as France, Italy and the Czech Republic, represented 42% of SODA's total revenue, up from 31% last year. This tends to result in front-loaded sales through pipeline filling, which is what we saw during the first half of this year, and while this should lead to continued healthy sell-through in the second half, this "pulling forward" of sales has clear implications on SODA's P&L.

In addition, given SODA's current geographic footprint, the company uses the euro as its functional currency when reporting financial results. As a result of this, the recent strengthening of the euro vs. the U.S. dollar, from an average exchange rate of roughly $1.32 last year to around $1.44 for the first half of this year, has resulted in a drag on reported revenue growth of approximately 10%. In fact, while we are forecasting revenue growth in euros of 33%, our U.S. dollar denominated revenue growth forecast is an even more robust 45% and consistent with last year's 49% growth.

(In €uro millions, except per share data)

Income Statement	**Mar10A**	**Jun10A**	**Sep10A**	**Dec10A**	**2010A**	**Mar11A**	**Jun11A**	**Sep11E**	**Dec11E**	**2011E**	**Mar12E**	**Jun12E**	**Sep12E**	**Dec12E**	**2012E**
Western Europe	19.2	27.4	27.7	25.4	99.7	23.5	33.3	33.3	26.7	116.8	25.9	36.7	36.6	29.3	128.5
Y/Y Change (%)	*23%*	*54%*	*35%*	*25%*	*34%*	*23%*	*22%*	*20%*	*5%*	*17%*	*10%*	*10%*	*10%*	*10%*	*10%*
CEMEA	4.5	4.7	4.4	5.8	19.5	7.7	6.3	5.7	6.4	26.2	8.9	7.3	6.6	7.4	30.1
Y/Y Change (%)	*54%*	*36%*	*30%*	*52%*	*43%*	*70%*	*35%*	*30%*	*10%*	*34%*	*15%*	*15%*	*15%*	*15%*	*15%*
Americas	4.0	4.8	8.2	14.5	31.6	10.2	11.3	14.4	21.7	57.7	16.4	17.5	21.6	32.6	88.1
Y/Y Change (%)	*98%*	*116%*	*245%*	*238%*	*189%*	*153%*	*136%*	*75%*	*50%*	*83%*	*60%*	*55%*	*50%*	*50%*	*53%*
Asia-Pacific	2.4	1.6	1.6	4.3	9.9	3.7	2.3	2.0	4.7	12.6	4.4	2.7	2.4	5.7	15.2
Y/Y Change (%)	*161%*	*101%*	*19%*	*42%*	*63%*	*52%*	*40%*	*25%*	*10%*	*28%*	*20%*	*20%*	*20%*	*20%*	*20%*
Net Sales	**30.2**	**38.5**	**42.0**	**50.0**	**160.7**	**45.1**	**53.3**	**55.4**	**59.5**	**213.3**	**55.5**	**64.2**	**67.2**	**75.0**	**261.9**
Y/Y Change (%)	***40%***	***58%***	***52%***	***59%***	***53%***	***50%***	***38%***	***32%***	***19%***	***33%***	***23%***	***21%***	***21%***	***26%***	***23%***
Cost of Sales	13.9	19.0	18.3	22.8	74.1	21.0	25.0	25.5	28.0	99.5	25.5	29.9	30.6	34.9	120.8
Gross Profit	**16.3**	**19.5**	**23.6**	**27.2**	**86.6**	**24.1**	**28.2**	**29.9**	**31.5**	**113.8**	**29.9**	**34.3**	**36.6**	**40.1**	**141.0**
Y/Y Change (%)	***37%***	***45%***	***50%***	***57%***	***48%***	***48%***	***45%***	***27%***	***16%***	***31%***	***24%***	***22%***	***22%***	***27%***	***24%***
Gross Margin	**53.9%**	**50.7%**	**56.3%**	**54.3%**	**53.9%**	**53.5%**	**53.0%**	**54.0%**	**53.0%**	**53.4%**	**54.0%**	**53.5%**	**54.5%**	**53.5%**	**53.9%**
Y/Y Change (bps)	***(150)***	***(460)***	***(60)***	***(60)***	***(170)***	***(40)***	***230***	***(230)***	***(130)***	***(50)***	***50***	***50***	***50***	***50***	***50***
Other (Income), Net	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.0)	(0.0)	-	-	(0.1)	-	-	-	-	-
General & Administrative	3.7	3.8	4.1	3.9	15.2	4.7	4.6	5.0	4.8	19.1	5.5	5.8	6.1	6.0	23.4
% of Net Sales	12.3%	10.0%	9.7%	7.8%	9.5%	10.5%	8.6%	9.0%	8.0%	8.9%	10.0%	9.0%	9.0%	8.0%	8.9%
Sales & Marketing	9.8	14.2	14.2	18.9	57.1	13.2	17.3	18.3	19.6	68.5	17.2	20.6	20.8	23.2	81.8
% of Net Sales	32.5%	36.7%	33.8%	37.9%	35.5%	29.3%	32.5%	33.0%	33.0%	32.1%	31.0%	32.0%	31.0%	31.0%	31.2%
Operating Income (Adjusted)	**2.8**	**1.6**	**5.4**	**4.5**	**14.5**	**6.2**	**6.3**	**6.7**	**7.1**	**26.3**	**7.2**	**8.0**	**9.7**	**10.9**	**35.8**
Y/Y Change (%)	***116%***	***75%***	***43%***	***-13%***	***28%***	***124%***	***303%***	***23%***	***60%***	***82%***	***16%***	***27%***	***47%***	***52%***	***36%***
Operating Margin (Adjusted)	**9.2%**	**4.1%**	**12.9%**	**8.9%**	**9.0%**	**13.8%**	**11.9%**	**12.0%**	**12.0%**	**12.3%**	**13.0%**	**12.5%**	**14.5%**	**14.5%**	**13.7%**
Y/Y Change (bps)	***320***	***40***	***(80)***	***(730)***	***(180)***	***460***	***780***	***(90)***	***310***	***330***	***(80)***	***60***	***250***	***250***	***140***
Management Fee/Other	0.2	0.1	2.0	0.8	3.3	1.1	1.0	1.1	1.1	4.3	0.4	0.4	0.4	0.4	1.6
Operating Income (Reported)	2.6	1.5	3.4	3.7	11.2	5.2	5.3	5.6	6.0	22.1	6.8	7.6	9.3	10.5	34.2
Interest Expense, Net	0.3	0.5	0.3	0.4	1.5	(0.1)	(0.4)	(0.1)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)
Other Financial Expenses	(0.0)	(1.5)	0.6	(0.9)	(1.8)	0.3	(0.3)	-	-	(0.0)	-	-	-	-	-
Pre-Tax Income (Reported)	2.3	2.4	2.5	4.2	11.5	5.0	6.0	5.7	6.2	22.9	7.0	7.8	9.6	10.7	35.1
Income Tax	0.3	0.3	0.4	0.7	1.8	0.8	1.0	0.9	1.0	3.6	1.2	1.3	1.6	1.8	6.0
Tax Rate	12.2%	13.0%	17.1%	17.5%	15.4%	15.6%	15.9%	16.0%	16.0%	15.9%	17.0%	17.0%	17.0%	17.0%	17.0%
Net Income (Reported)	2.0	2.1	2.1	3.5	9.7	4.2	5.1	4.7	5.2	19.3	5.8	6.5	7.9	8.9	29.1
Y/Y Change (%)	*604%*	*3998%*	*-15%*	*-17%*	*36%*	*107%*	*138%*	*129%*	*51%*	*98%*	*38%*	*28%*	*67%*	*69%*	*51%*
Adjustments (Net of Tax)	0.2	0.1	1.9	0.8	3.3	1.1	1.0	1.1	1.1	4.3	0.4	0.4	0.4	0.4	1.6
Net Income (Adjusted)	**2.2**	**2.2**	**3.9**	**4.3**	**13.0**	**5.3**	**6.1**	**5.8**	**6.3**	**23.6**	**6.2**	**6.9**	**8.3**	**9.3**	**30.7**
Y/Y Change (%)	***658%***	***4133%***	***52%***	***-3%***	***69%***	***141%***	***176%***	***48%***	***49%***	***81%***	***18%***	***14%***	***43%***	***46%***	***30%***
Shares Outstanding (Diluted)	13.4	13.8	**13.5**	17.1	14.7	19.6	20.8	21.1	21.1	20.7	21.2	21.2	21.3	21.3	21.3
Diluted EPS (Reported)	€ 0.16	€ 0.15	€ 0.16	€ 0.21	€ 0.69	€ 0.22	€ 0.24	€ 0.22	€ 0.25	€ 0.93	€ 0.28	€ 0.31	€ 0.37	€ 0.42	€ 1.37
Adjustments	€ 0.01	€ 0.01	€ 0.15	€ 0.04	€ 0.23	€ 0.05	€ 0.05	€ 0.06	€ 0.05	€ 0.21	€ 0.01	€ 0.02	€ 0.02	€ 0.01	€ 0.08
Diluted EPS (Adjusted)	**€ 0.17**	**€ 0.16**	**€ 0.31**	**€ 0.25**	**€ 0.92**	**€ 0.27**	**€ 0.29**	**€ 0.28**	**€ 0.30**	**€ 1.14**	**€ 0.29**	**€ 0.33**	**€ 0.39**	**€ 0.43**	**€ 1.45**
Y/Y Change (%)					***48%***	***59%***	***81%***	***-10%***	***20%***	***24%***	***7%***	***14%***	***39%***	***43%***	***27%***
EBITDA (Reported)	3.1	3.5	3.5	5.4	15.5	5.7	6.7	6.4	6.9	25.7	7.9	8.8	10.6	11.9	39.2
Adj. For Discontinued & Exceptional Exp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mgmt Fees/Other	0.2	0.1	2.0	0.8	3.3	1.1	1.0	1.1	1.1	4.3	0.4	0.4	0.4	0.4	1.6
Debt Conversion to Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA (Adjusted)	**3.3**	**3.6**	**5.5**	**6.2**	**18.8**	**6.8**	**7.7**	**7.5**	**8.0**	**30.0**	**8.3**	**9.2**	**11.0**	**12.3**	**40.8**
Y/Y Change	***56%***	***179%***	***50%***	***4%***	***42%***	***107%***	***118%***	***35%***	***30%***	***60%***	***22%***	***19%***	***48%***	***53%***	***36%***
EBITDA Margin	**10.8%**	**9.2%**	**13.2%**	**12.3%**	**11.7%**	**15.0%**	**14.5%**	**13.5%**	**13.5%**	**14.1%**	**15.0%**	**14.4%**	**16.4%**	**16.4%**	**15.6%**
Y/Y Change	***100***	***400***	***(20)***	***(640)***	***(90)***	***420***	***530***	***30***	***120***	***240***	***-***	***(10)***	***290***	***290***	***150***
Exchange Rate ($/Euro)	$1.35	$1.22	$1.37	$1.33	$1.33	$1.42	$1.45	$1.45	$1.45	$1.45	$1.45	$1.45	$1.45	$1.45	$1.45
(In $ millions)															
Net Sales	**$40.8**	**$47.2**	**$57.1**	**$66.3**	**$213.2**	**$64.0**	**$77.4**	**$80.4**	**$86.3**	**$309.3**	**$80.4**	**$93.1**	**$97.5**	**$108.7**	**$379.7**
Y/Y Change (%)					***49%***	***57%***	***64%***	***41%***	***30%***	***45%***	***26%***	***20%***	***21%***	***26%***	***23%***
Gross Profit	$22.0	$23.9	$32.1	$36.1	$114.9	$34.2	$41.0	$43.4	$45.7	$165.0	$43.4	$49.8	$53.1	$58.1	$204.5
Operating Income (Adjusted)	$3.8	$1.9	$7.4	$5.9	$19.2	$8.8	$9.2	$9.6	$10.4	$38.2	$10.4	$11.6	$14.1	$15.8	$52.0
EBITDA (Adjusted)	**$4.4**	**$4.4**	**$7.5**	**$8.2**	**$20.6**	**$9.6**	**$11.3**	**$10.8**	**$11.6**	**$37.3**	**$12.0**	**$13.4**	**$16.0**	**$17.8**	**$56.9**
Y/Y Change (%)					***20%***	***117%***	***158%***	***44%***	***42%***	***81%***	***25%***	***19%***	***48%***	***53%***	***52%***
Net Income (Adjusted)	$3.0	$2.7	$5.4	$5.6	$17.3	$7.5	$8.8	$8.5	$9.2	$34.2	$9.0	$10.0	$12.1	$13.4	$44.6
EPS (Adjusted)	**$0.23**	**$0.20**	**$0.42**	**$0.33**	**$1.22**	**$0.38**	**$0.42**	**$0.41**	**$0.44**	**$1.65**	**$0.42**	**$0.48**	**$0.57**	**$0.62**	**$2.10**
Y/Y Change (%)					***57%***	***66%***	***115%***	***-4%***	***31%***	***35%***	***10%***	***14%***	***39%***	***43%***	***27%***
Free Cash Flow	$0.0	($9.4)	($4.4)	($2.7)	($17.1)	($5.7)	($1.9)	$6.7	$1.5	$0.5	($11.2)	$2.2	$12.8	$3.7	$7.6
Modified Free Cash Flow	$3.0	($1.3)	$6.1	$6.4	$14.4	$6.0	$6.2	$3.2	$2.7	$18.2	$3.4	$3.4	$5.2	$5.7	$17.7

Source: company reports and Oppenheimer & Co. estimates

(In €uro millions, except per share data)

SODA DCF Model	2011E	2012E	2013E	2014E	2015E
Net Income	21	31	39	49	60
Plus: Interest Expense (After-Tax)	(1)	(1)	(1)	(1)	(1)
Plus: Depreciation & Amortization	4	5	6	7	8
Less: Capital Expenditures	(15)	(24)	(6)	(7)	(9)
Plus/Less: Changes in W/C & Other	(5)	(2)	(0)	2	28
Unlevered Free Cash Flow	**5**	**9**	**37**	**49**	**86**
PV of Unlevered Free Cash Flow	**4**	**8**	**27**	**33**	**52**

PV of Free Cash Flow	124
PV of Residual Value	718
Enterprise Value	842
Less: Total Debt/Preferred	-
Equity Value	842
Mid-Year Adjustment Factor	1.05
Equity Value (Adjusted)	886
Shares Outstanding	20
Value Per Share (€)	**€ 45**

Terminal Free Cash Flow Growth Rate

WACC	2.3%	2.8%	3.3%	3.8%	4.3%
9.7%	€ 47	€ 50	€ 53	€ 57	€ 62
10.2%	€ 43	€ 46	€ 49	€ 52	€ 56
10.7%	€ 40	€ 42	**€ 45**	€ 48	€ 51
11.2%	€ 37	€ 39	€ 42	€ 44	€ 47
11.7%	€ 35	€ 37	€ 39	€ 41	€ 44

Assumptions		
Risk-Free Rate		5.00%
Beta		1.20
Market Risk Premium		6.00%
Cost of Equity		12.20%
Tax Rate (Statutory)		18.00%
Cost of Debt (Pre-Tax)		5.75%
Cost of Debt (After-Tax)		4.72%
Cost of Preferred		0.00%
Shares Outstanding		19.6
Price		$41
Market Cap		803
Total Debt		-
Preferred		-
Total Capitalization		803
Capitalization	Current	Target
Equity	100%	80%
Debt	0%	20%
Preferred	0%	0%
WACC		**10.7%**
Residual FCF Growth Rate		3.25%
$/Euro Exchange Rate		**$1.45**
USD Price Target		**$65**

:: company reports and Oppenheimer & Co. estimates

Investment Thesis

Our Outperform rating on the shares is based on our view that SODA's position as the leader in the burgeoning home beverage carbonation market should afford it significant growth opportunities in the coming years, particularly in the US, the world's largest soft drink market and one in which SODA is meaningfully under-penetrated. In addition, we believe the premium valuation for the shares is justified by this growth opportunity, while on a price-to-earnings-growth (PEG) basis the shares appear reasonably priced.

Price Target Calculation

We derive our 12- to 18-month target price of $65 through a five-year discounted cash flow valuation, using a weighted average cost of capital (WACC) of 10.7% and a 3.25% residual growth rate of our terminal (2015) unlevered free cash flow estimate of €87 million, while employing a euro-US dollar exchange rate of $1.45.

Key Risks to Price Target

The greatest risk to the SODA story, in our view, is the company's ability to successfully penetrate the US market, which will require a change in behavior on the part of consumers, as well as significant investments in marketing and infrastructure. Even if SODA is successful in executing its US growth strategy, the company is likely to attract competitors, which could mitigate growth.

Important Disclosures and Certifications

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Stock Prices as of September 8, 2011

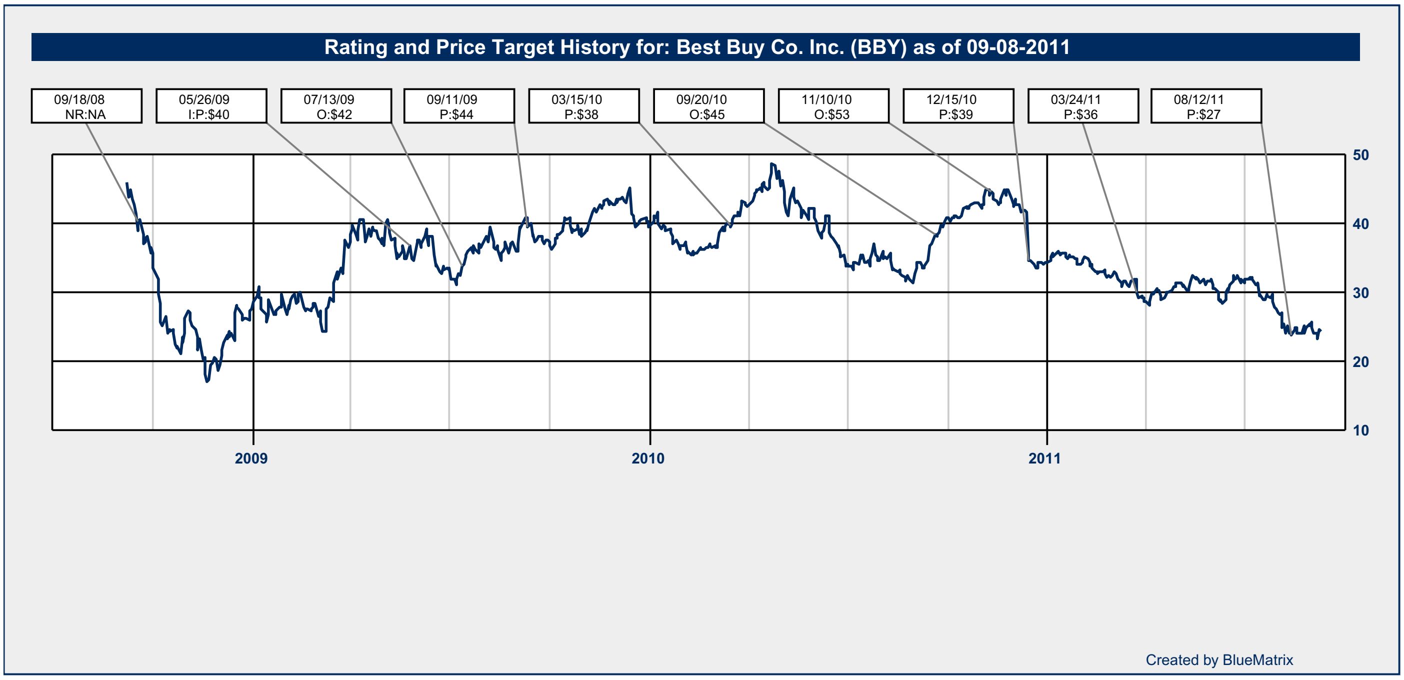
Bed Bath & Beyond Inc. (BBBY - Nasdaq, 57.40, OUTPERFORM)
Staples, Inc. (SPLS - Nasdaq, 13.93, PERFORM)
Best Buy Co. Inc. (BBY - NYSE, 24.20, PERFORM)

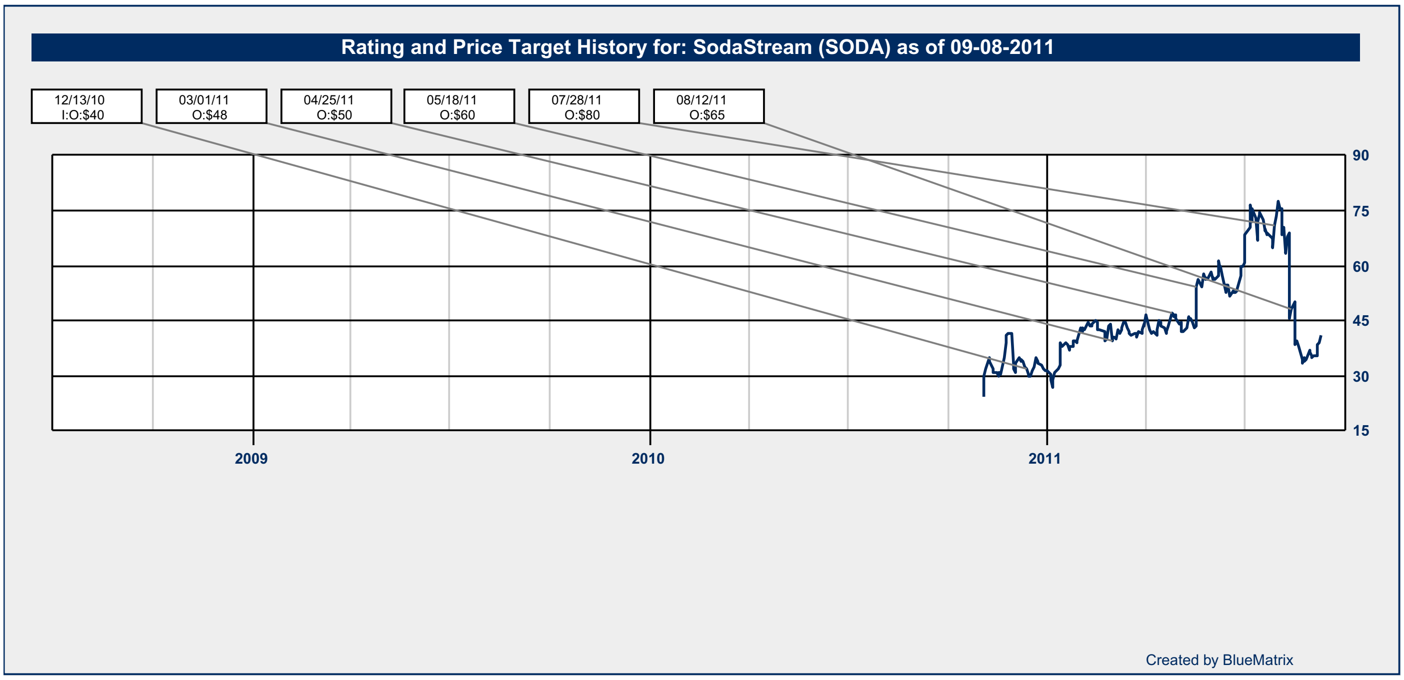
Rating and Price Target History for: Bed Bath & Beyond Inc. (BBBY) as of 09-08-2011

Created by BlueMatrix

Rating and Price Target History for: Staples, Inc. (SPLS) as of 09-08-2011

Created by BlueMatrix





All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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Outperform(O) - Stock expected to outperform the S&P 500 within the next 12-18 months.

Perform (P) - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

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Buy - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide

			IB Serv/Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
OUTPERFORM [O]	325	55.40	145	44.62
PERFORM [P]	251	42.80	81	32.27
UNDERPERFORM [U]	11	1.90	4	36.36

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