H&R Block (HRB_US; US$ 16.11)

US – Consumer Services
Risk Level: High **Initiation Report**

Value Investment Principals Ltd.

Strong Buy August 13, 2012

Target Price	US$ 24.20
Current Price	US$ 16.11
Upside Potential	50%

Industry Leader, Gaining Share

H&R Block [HRB] represents a compelling mix of a branded industry leader, extreme deep value metrics with huge return of capital, strong BS, robust FCF, consistent and predictable revenues, double-digit EPS growth, and numerous unrecognized catalysts. HRB is the largest tax return preparer in the world with over 12,000 offices, having created a strong brand over the last several decades. In 2012, they had an approximately 16.7% market share in the U.S. tax preparation services preparing taxes for 22 million people in the U.S. and 25.6 million worldwide. Moreover, its market share has been rising with steady growth in both its tax services: Assisted grew from 18% in 2010 to 18.7% in 2012 whereas DIY (Do-it-yourself) grew from 11.7% in 2010 to 13.8% in 2012. Furthermore, the new testing and certification requirements from the IRS coming into effect next year could drive away independent "mom and pop" preparers out of business in favor of HRB.

Compelling Deep Value

- 9% FCF Yield, 9x forward P/E
- Clean BS; 11% Net Cash; 27% ROE
- 5% Dividend Yield (50% Payout)
- Buybacks of 23% of Market Cap Going Forward

New CEO/CFO Huge Catalyst for Higher Returns

Significant changes being implemented by new CEO William Cobb [May 2011] and CFO Gregory Macfarlane [June 2012] are resulting in major catalysts for the stock. Several ongoing initiatives under their guidance include: increasing operating efficiency by rationalizing cost structure, aggressive client retention strategy by promoting attractive products, extensive share buybacks to return value to the shareholders, entering untapped international markets, etc. We believe that the new management's initiatives are clearly in the right direction and it's only a matter of time when we will see strong upside to the share price. ***We believe that we will get some important insights into the management's plan going forward with further clarity on capital structure, pricing, growth, efficiencies, etc at its upcoming Analyst Day in NYC to be held on December 6, 2012.***

9% FCF Yield, 9x P/E

Currently the stock is trading at a P/E of 9.0x ex-cash [10.0x on consensus estimates] on forward year [ending April 2013] earnings. This compares to HRB's 5-year historic average of about 13x times. Given these valuation metrics, we believe the stock is undervalued and is presently assuming zero or negative long-term growth.

Deep Value Matrix

9% FCF Yield, 9x ex-cash P/E (FY 04/2013E)

27% ROE, Buybacks = 23% of the Mkt. cap

5% Dividend Yield (50% payout), 11% Net Cash

Company Profile / Data

Market Cap.	US$ 4,400mn
Shares Outstanding	274.4 mn
Free Float (FF %)	272.8/ 99%
52 Week Range (US$)	12.73 / 17.46
Avg. Daily Value	US$ 58mn

Performance Chart

Forecasting & Valuations

(US$ mn except ratio)	Apr 12	Apr 13E	Apr 14E
Revenue	2,794.0	2,936.5	3,071.5
EBIT	896.3	1,016.0	1,056.6
Net Income (adjusted)	353.4	423.3	436.7
EPS (adjusted)	1.18	1.65	1.85
EPS Growth (%)	-11.7	39.3	12.2
P/E	12.42	9.77	8.71
EV/EBITDA	3.89	3.59	3.45
Div. yield (%)	4.66	4.97	5.36
P/B	6.92	16.44	N/A
ROE (%)	26.7	44.9	75.8
Debt/capital	23.6	30.2	41.5
Net Cash (Debt)	496.2	117.5	-259.9

Sandy Mehta, CFA (1) 617-848-8279
Devina Bafna (1) 617-996-9260

Moreover, the market is not even factoring in HRB's typical level of 9% FCF generation. The stock looks attractively valued with limited downside supported by large ongoing repurchases. The point we are trying to make is that over the years, HRB has been able to maintain healthy operating cash flow levels which has enabled the company to carry on with its extensive buyback plans and steady dividend distributions.

5% Dividend Yield, 23% Buybacks

For FY ended April 2012, the company paid 75 cents per share in dividends, up 25% from 60 cents paid in the previous year. The current dividend yield is 5.0%. Management has a strong and consistent history of dividends, paying them for the last 198 consecutive quarters - approximately 50 years! For the past eight years [2005 – 2013], dividends have grown at a CAGR of 8%. Furthermore, the company has made aggressive buybacks in recent years repurchasing 46 million shares, or 14% of total shares outstanding, for $730 million, at an approximate price of $15.90 per share, in the last three fiscal years [2010-2012]. Notably, in the last two months [April 30 to June 25, 2012], the company has already repurchased an incremental 21.3 million shares or 7% of total shares outstanding for $315 million. HRB presently has a repurchase authorization of $890 million, which is roughly 20% of the current market cap. Furthermore, the removal of equity covenants should add another $150 million [3% of the market cap] to the buyback authorization.

Strong Balance Sheet; 11% Net Cash; 34% ROE

HRB has a strong balance sheet with $2.4 billion in cash and short-term marketable securities and $1.9 billion in total L-T + S-T debt. This approximates to net cash of $0.5 billion or 11% of the current market cap. Also, HRB has an impressive track record of generating healthy levels of ROE for its shareholders. In FY ended April 2012, the company generated an ROE of 27% whereas in the last four years, the company has averaged a robust ROE of 34%.

Inflection Point: Focused HRB Emerges as Legacy Issues Wind Down

We believe that HRB is at an inflection point, which creates a great risk-reward opportunity for investors and a timely entry point. The stock's current valuation and general buy-side and sell-side apathy reflects the company's lackluster performance over the past five years. But that is history now, and new management led by a new CEO & CFO are bringing about rapid change and renewed focus, as discussed in prior points. Historical legacy issues related to a mortgage servicing business [sold in March 2008], losses on subprime mortgage loans, divested brokerage business, divested RSM McGladrey business services unit, debt, lawsuits resulting from the great recession, are now firmly winding down.

Consistent Predictable Revenues and Margins

Tax preparation business is all about scale of operations, and HRB has historically enjoyed this advantage. With over 12,000 offices and over 100,000 tax professionals, the company has commanded high margins in part due to its scale of operations. In FY2012, HRB Block had revenues of $2.9 billion and prepared 25.6 million tax returns worldwide (up 4.3% YoY). Furthermore, HRB very actively pursues client retention strategies through attractive promotions such as free 1040EZ prep early on in the tax cycle in addition to their digital products such as HRB At Home, the mobile app, and Block Live. Though the free promotions had a negative impact on pricing and revenues in FY 2012, we believe that these products coupled with increased tax code complexity will continue to drive HRB's market share in the long run.

HRB is the largest tax return preparer in the world with over 12,000 offices, having created a strong brand over the last several decades. In 2012, they had an approximately 16.7% market share in the U.S. tax preparation services preparing taxes for 22 million people in the U.S. and 25.6 million worldwide.

The current dividend yield is 5.0%. Management has a strong and consistent history of dividends, paying them for the last 198 consecutive quarters - approximately 50 years! For the past eight years [2005 – 2013], dividends have grown at a CAGR of 8%.

Recently, a number of changes have been applied to 2012-13 taxes... All these changes add to the complexity of the tax filing process which in turn presents an opportunity to H&R Block to cater to the needs of millions of taxpayers who need to figure out the best way to improve their tax situation.

Double-Digit EPS Growth Highly Likely

In our view, HRB's valuation reflects a 5% coupon bond priced for no growth. ***But our analysis suggests HRB is highly likely to grow EPS in the 10% - 12% range. Importantly, the combination of a large one-time expense reduction and large buybacks virtually guarantees very high EPS growth this year and next.*** On a longer-term sustainable basis, a combination of USA population growth, unit pricing in line with inflation, international growth, and mix should drive revenue growth in the 4%-5% range, in our view. Please see attached detailed IS/BS/CF/DCF models. Efficiency gains [the margins on incremental tax returns are huge for HRB], cost cutting, fixed cost leverage should drive higher margins over time. Finally, HRB is likely to have high single digit or low double digit FCF yield, whereas the dividend yield is 5%. The incremental FCF is likely to be used for ongoing repurchases, especially if the stock price remains below $20, in our view. The aforementioned points, plus reduced share count, should comfortably drive double-digit EPS growth on a long-term sustainable basis.

Increasing Tax Complexity is an Opportunity

Taxpayers have consistently resorted to services from H&R Block and similar companies mainly due to the level of complexity involved in the entire process of tax return preparation and filing and also these service providers' ability to hasten the refund proceeds. Recently, a number of changes have been applied to 2012-13 taxes - the loss of deductions like educator's expense, tuition and fees, and sales tax; increased taxes for married taxpayers, Alternative Minimum Tax (AMT) which could increase taxes for more than 20 million taxpayers by assessing the additional tax or limiting the amount of credits allowed. Net-net, the amendments will lead to lower standard deductions, higher taxes for all, higher capital gain taxes, and changes to many popular tax credits and deductions. All these changes add to the complexity of the tax filing process which in turn presents an opportunity to H&R Block to cater to the needs of millions of taxpayers who need to figure out the best way to improve their tax situation.

Increased Regulation Gives HRB a Competitive Edge

While regulations do have negative effects as well as positive, HRB's management thinks that some of the ongoing regulations present an opportunity for the company. RAL [refund anticipation loans] has faced severe regulations in the past due to its high costs to the clients and HRB has timely exited that product leading to minimal financial impact while the competitors are still offering the same. Further, the IRS is now being more stringent in its policies regarding the education and certification of tax professionals. Having one of the best tax professionals in the U.S with an extensive training squad, HRB could easily pass the certification requirements whereas their competitors especially the mom & pop stores could struggle to keep up with the stringent actions and could ultimately be driven out of business or get acquired by HRB.

Digital [online and software] has seen a steady growth in revenues in recent years growing at a CAGR of 19% over the last 4 years. In FY2012, HRB's market share in Digital and DIY grew by 30 bps and 75 bps respectively beating its largest competitors in two consecutive years.

Digital/Internet Revenues Gaining Strength

Digital [online and software] has seen a steady growth in revenues in recent years growing at a CAGR of 19% over the last 4 years. In FY2012, HRB's market share in Digital and DIY grew by 30 bps and 75 bps respectively beating its largest competitors in two consecutive years. Though the major chunk of the digital growth came from the migration of taxpayers from pen and paper [which has already bottomed out], digital still remains an attractive growth segment though the rates may stabilize in the long run from the current high levels.

Price Target & Recommendation

We initiate coverage on HRB with a Buy rating and US$24.20 price target which represents 50% upside potential. We derive our price target using DCF analysis assuming 9.7% cost of capital, terminal growth of 0% and $806 million in FCF generation in 2021. See details of our DCF analysis in the appendix at the back. Our price target represents 13x P/E on our FY 04/2014 EPS estimate of $1.85. The FCF yield on our $24.20 price target is around 7.5% while the dividend yield is 3.5%.

We derive our price target using DCF analysis assuming 9.7% cost of capital, terminal growth of 0% and $806 million in FCF generation in 2021. See details of our DCF analysis in the appendix at the back. Our price target represents 13x P/E on our FY 04/2014 EPS estimate of $1.85.

Catalysts

New CEO/CFO Driving Huge Change

Under the guidance of new management, H&R Block should soon start to reap the benefits of its numerous strategic initiatives including: increasing operating efficiency by rationalizing cost structure, aggressive client retention strategy by promoting attractive products, extensive share buybacks to return value to the shareholders, enter untapped international markets, etc. We believe that the new management's initiatives seem to be in the right direction and it will be a matter of time when we will see strong upside to the share price.

Return of Capital via Large Buybacks and Dividends

Buybacks remain the key focus of the management whereby they are consistently returning value to the shareholders and this serves as one of the major catalysts for the stock. In the last three fiscal years, the company has bought back 46 million shares or 14% of total shares outstanding for an approximate cost of $730 million. In June 2012, the Board of Directors extended the repurchase authorization through June 2015 and $1.2 billion still remained to be purchased under that program at the end of April 2012. Interestingly, since then through June 25, 2012, the company has already repurchased an incremental 21.3 million shares or 7% of total shares outstanding for $315 million. Any further buybacks the company makes will add incrementally to EPS and ROCE as a result of reduced share count and capital. The company is also hopeful of eliminating their minimum net worth covenant which stands at $500 million. This will incrementally enable them to use their cash pile for buybacks. Furthermore, the recent dividend increase by 25% to 75 cents reconfirms the company's confidence in its business as well as its shareholders-friendly return policy.

Cost Savings to Boost EPS

The company is all set for very strong EPS growth in FY April 2013. HRB has guided to pre-tax cost savings of $85 - $100 million in FY2013. Assuming a share count of 270 million shares and an effective tax rate of 40%, this approximates to an after-tax upside of about 20 cents to the EPS, which represents 16% growth over last's year's EPS of $1.26. While this is a one-time, non-recurring upswing in EPS in FY2013 only, we see this as a "free gift" to the investors that has not been factored into by the Street.

The company is all set for very strong EPS growth in FY April 2013. HRB has guided to pre-tax cost savings of $85 - $100 million in FY2013. Assuming a share count of 270 million shares and an effective tax rate of 40%, this approximates to an after-tax upside of about 20 cents to the EPS, which represents 16% growth over last's year's EPS of $1.26.

Removal of 'Minimum Equity Covenant' to Release Capital

We are awaiting news on the refinancing of its committed line of credit [CLOC] which expires in July 2013. The company is hopeful of removing the minimum equity covenant from the financing agreement which stands at $500 million and replace the same with leverage and cash flow tests. Once the covenant is removed, it will enhance HRB's financial flexibility enabling the company to actively pursue its capital return initiative.

Total Emerald cards issued grew 24% YoY to $2.9 million with record $9.5 billion in deposits driven by free RAC promotions. While this supernormal growth may not be repeated going forward especially with the company's decision to terminate its free RAC promotions, we still believe that Emerald cards represent a significant opportunity and can bring incremental upside to revenues and profits.

We believe that given HRB's cheap valuation coupled with a very strong balance sheet, steady cash flows and consistent revenue streams, there could be two probabilities: either the stock trades significantly higher from its current levels aided by strategic realignment and growth or it could be an attractive takeover candidate commanding a hefty premium to its current market price.

Strong Growth at the Digital and Emerald Cards

While Assisted remains the bread and butter of the tax preparation business, the industry has witnessed very strong growth in the digital segment which has seen a CAGR of 19% over the last four years. Though the major chunk of digital growth came from the migration of taxpayers from pen and paper [which has already bottomed out], digital still remains an attractive growth segment though the rates may stabilise in the long run from the current high levels. Furthermore, the company plans to expand its financial services business after record results in Emerald cards in FY12. Total Emerald cards issued grew 24% YoY to $2.9 million with record $9.5 billion in deposits driven by free RAC promotions. While this supernormal growth may not be repeated going forward especially with the company's decision to terminate its free RAC promotions, we still believe that Emerald cards represent a significant opportunity and can bring incremental upside to revenues and profits.

Margins Boost From Shedding Non-Core Assets

Over the past few years, the company has taken strategic actions to focus on the core tax preparation business. The company has exited their securities brokerage, mortgage and corporate payroll and consulting businesses. The Tax services segment is primarily engaged in providing tax return preparation and related services in the U.S. and its territories, plus Canada and Australia. We believe that the streamlining of the company operations now presents an opportunity to focus on its core businesses, increase client retention, cut costs and accelerate share repurchases given a stronger balance sheet.

International Markets to Provide Profitable Growth

HRB's International segment is the fastest growing business, with a five-year CAGR of 12% in revenue. In FY12, International revenue grew 13% y/y to $233 million driven by strong growth in Canada and Australia. Notably, apart from U.S, HRB is the largest preparer in Canada and Australia as well. Furthermore, HRB has recently ventured into untapped markets like India [current market of 30 to 35 million taxpayers] by setting up several offices there. Though the investment in these territories is still relatively low as of now, these regions could provide tremendous growth opportunities to HRB given the fact that India has one of the largest populations in the world.

Takeover Candidate

HRB had some legacy issues in the past that have now been cleaned up. We believe that given HRB's cheap valuation coupled with a very strong balance sheet, steady cash flows and consistent revenue streams, there could be two probabilities: either the stock trades significantly higher from its current levels aided by strategic realignment and growth or it could be an attractive takeover candidate commanding a hefty premium to its current market price. In either of the two probable scenarios, the investors should benefit from the upside.

Risks

Loss of Market Share to Competitors

HRB could possibly lose market share to cheaper alternatives in the market which also provides a better value proposition. HRB faces severe competition from independent tax preparers, CPAs as well as online tax preparation services like Intuit, Inc. The industry remains price competitive.

RAC Goes the RAL Way

HRB's RAC product remains one of the important revenue drivers. Currently, RAC contributes 5% of total revenues. Tax regulators may impose stringent regulations on RAC products which could eventually fade out just like RAL. If that were to happen, HRB's revenues could be severely impacted.

Higher Unemployment

HRB's revenues and profitability could be severely impacted in times of difficult economic conditions characterized by high unemployment levels and declining consumer and business spending. These conditions could negatively affect demand and pricing for HRB's services. Higher unemployment levels may lead to loss of clients who may choose not to file tax returns, or seek lower cost alternatives. Furthermore, even when the conditions improve, there is a possibility that the lost clients do not return to HRB services after resorting to lower cost options during difficult times.

Sand Canyon Liability Remains an Overhang

The Sand Canyon Mortgage [SCC] remains to be an overhang on the stock with not much clarity on the issue. While HRB has slowly eliminated "legacy" issues, there continues to be risk of litigation, legal expenses and other losses. Mortgage loans purchased from Sand Canyon Corporation [previously known as Option One Mortgage Corporation] represent 59% of total loans held for investment at April 30, 2012. These loans have experienced higher delinquency rates than other loans in HRB Bank's portfolio, and may expose HRB Bank to greater risk of credit losses.

Litigation and Related Expenses

The company is involved in a number of legal issues and subject to litigation claims and indemnification claims due to the nature of its business. In some of the matters, very large and/or indeterminate amounts, including punitive damages, are sought. Though, the company has accrued liabilities related to certain legal matters where losses are probable and the range of such loss can be reasonably estimated. However, actual losses in the future may significantly differ from current estimates which may negatively impact the results.

Recent Results

For the twelve months ended April 30, 2012, HRB Block reported GAAP net income from continuing operations $346.0 million, or $1.16 per share, which was above the guided range of $1.09 to $1.15 per share and included after-tax charges of $30.8 million, or 10 cents per share mainly related to strategic realignment and litigation expenses. The company recorded total revenues of $2.8 billion (ex- interest income), down 0.6% YoY. For the year, the company prepared record 25.6 million tax returns worldwide, up 4.3% YoY. The main factor behind the year-on-year decrease in total revenue, though the company reported better tax preparation revenues, was primarily due to a decline in financial product revenues as a result of free RAC promotions to retain more early-season tax clients. Positively, as a result of the free promotions, total Emerald Card units issued were up 24% YoY to 2.9 million, with $9.5 billion in total deposits. Furthermore, HRB recorded share growth in both assisted (up 10 basis points) and digital categories (75 basis points of share gain in DIY category) for second consecutive year.

During the year ended fiscal 2012, the company repurchased and retired 14.6 million shares of its common stock at an average price $13.74 per share which represents 4.8% of the total shares outstanding. More importantly, during the first quarter of

HRB's revenues and profitability could be severely impacted in times of difficult economic conditions characterized by high unemployment levels and declining consumer and business spending.

Mortgage loans purchased from Sand Canyon Corporation [previously known as Option One Mortgage Corporation] represent 59% of total loans held for investment at April 30, 2012. These loans have experienced higher delinquency rates than other loans in HRB Bank's portfolio, and may expose HRB Bank to greater risk of credit losses.

For the twelve months ended April 30, 2012, HRB Block reported GAAP net income from continuing operations $346.0 million, or $1.16 per share, which was above the guided range of $1.09 to $1.15 per share and included after-tax charges of $30.8 million, or 10 cents per share mainly related to strategic realignment and litigation expenses. The company recorded total revenues of $2.8 billion (ex- interest income), down 0.6% YoY. For the year, the company prepared record 25.6 million tax returns worldwide, up 4.3% YoY.

fiscal 2013 till June 26, the company has repurchased an additional 21.3 million shares or 7.3% of its shares outstanding at an average price of $14.82 per share. The company also increased its annual dividend by 33% to 80 cents from 60 cents in the previous year.

Company Description

Incorporated since 1955, H&R Block, Inc. and its subsidiaries provide tax preparation and banking services. Its Tax Services segment provides assisted income tax return preparation, digital tax solutions and other services and products related to income tax return preparation primarily in the U.S. and in Canada and Australia. This segment also offers financial services including the H&R Block Prepaid Emerald MasterCard and Emerald Advance lines of credit through HRB Block Bank (H&R Bank), along with other retail banking services. Corporate operations include net interest margin and gains or losses relating to mortgage loans held for investment, real estate owned and residual interests in securitizations, along with interest expense on borrowings and other corporate expenses.

Management History

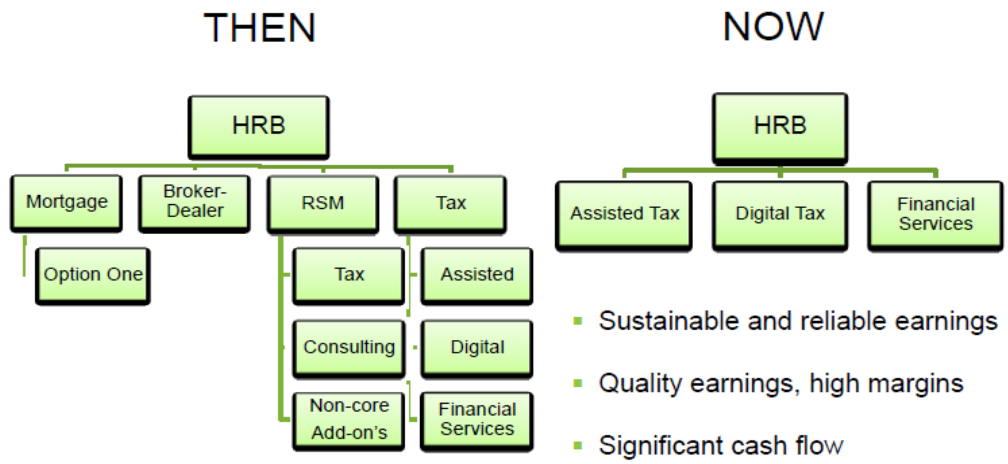
William C. Cobb, President and C.E.O

William C. Cobb was elected as President and Chief Executive Officer in May 2011. He retired from eBay, Inc. in 2008, having worked there from November 2000 to March 2008, where he most recently served as President of eBay Marketplaces North America for four years. Before that, he held several senior management positions, including Senior Vice President and General Manager of eBay International and Senior Vice President of Global Marketing.

Gregory J. Macfarlane, C.F.O

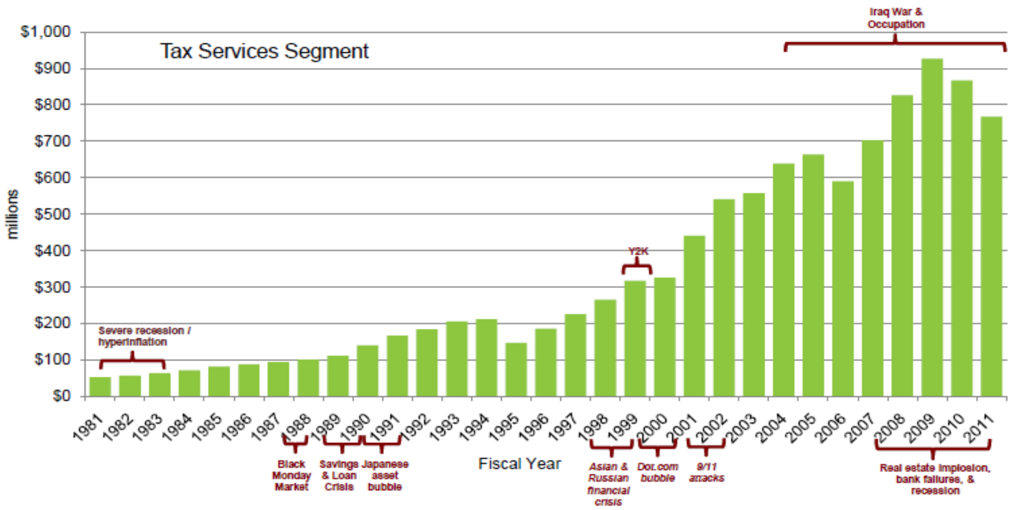
Gregory J. Macfarlane has been recently appointed as the Chief Financial Officer in June 2012. Earlier, he was the Executive Vice President and Chief Financial Officer of Ceridian Corporation from March 2007 until August 2011.

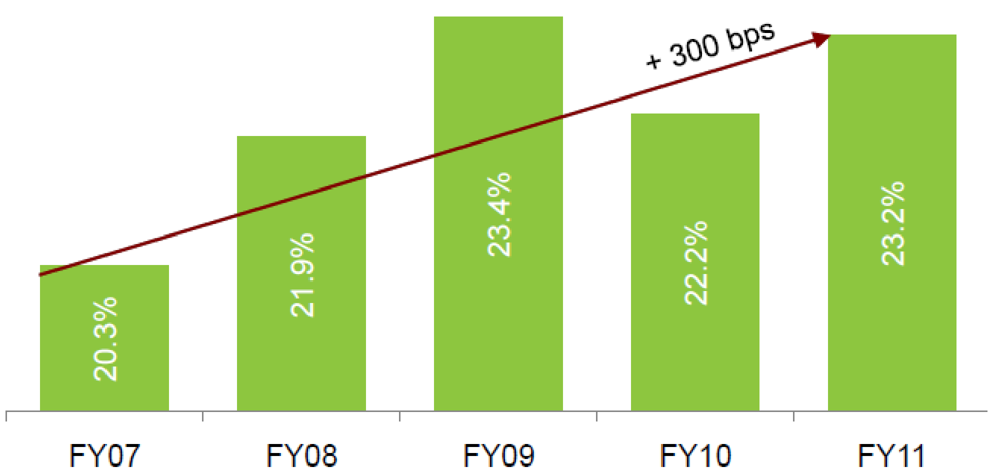
Appendix:
Source: Company Reports



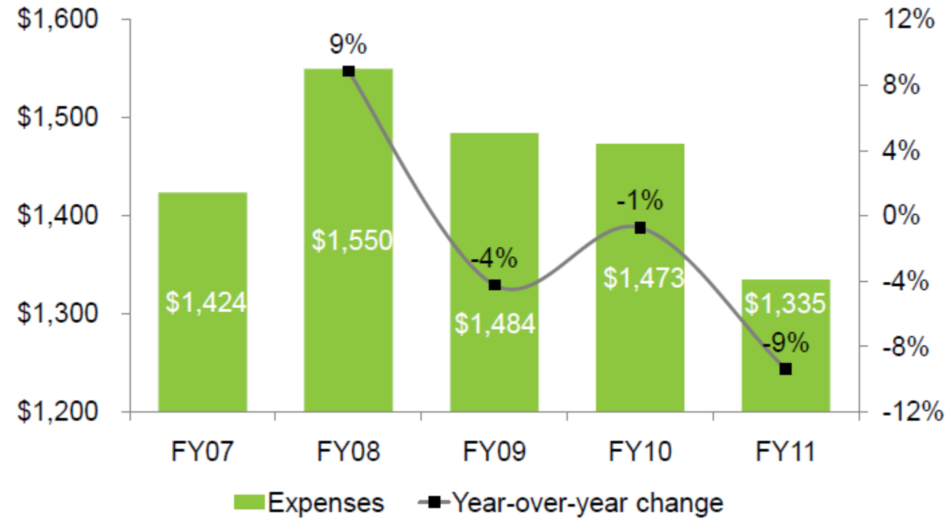
- Sustainable and reliable earnings
- Quality earnings, high margins
- Significant cash flow
- Low capital requirements

Consistent growth drives value

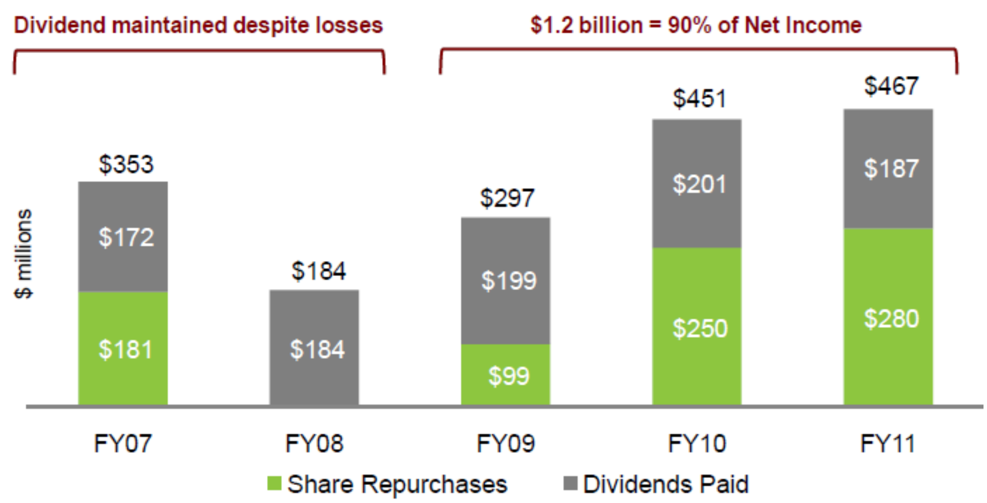


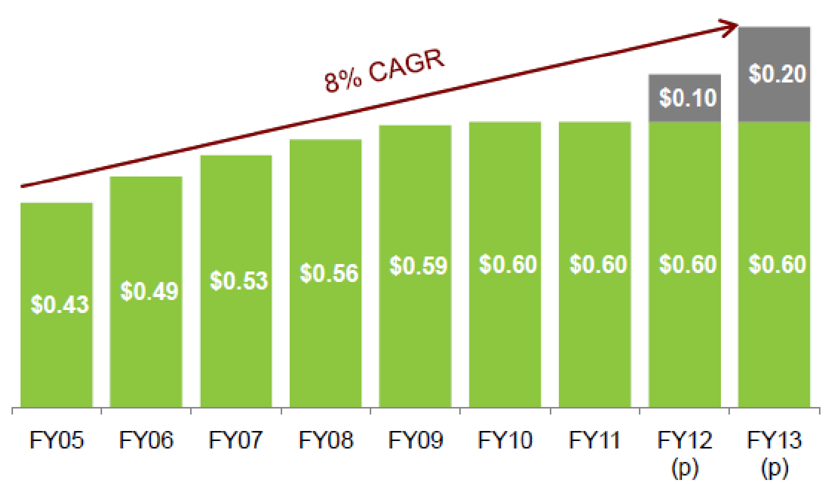


Effective cost control delivers margin expansion



Returning capital to shareholders is a top priority

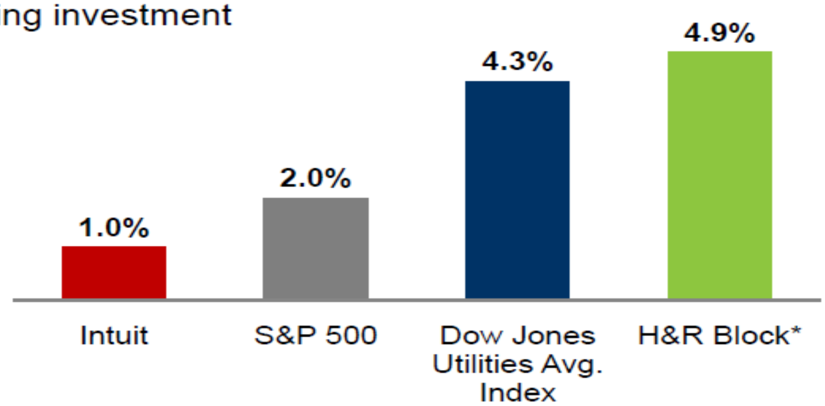


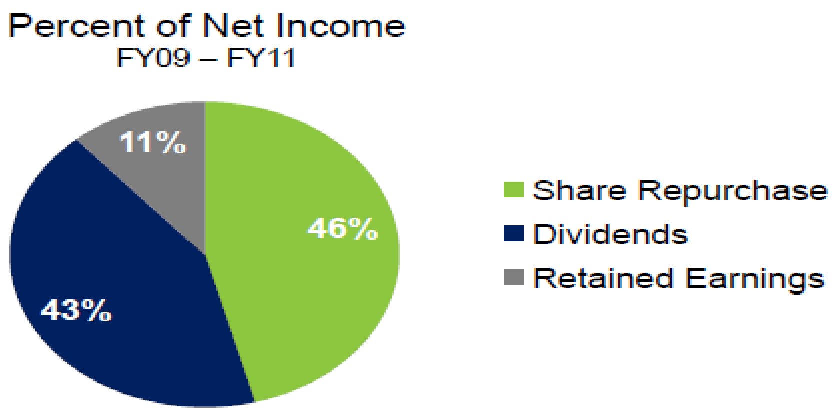


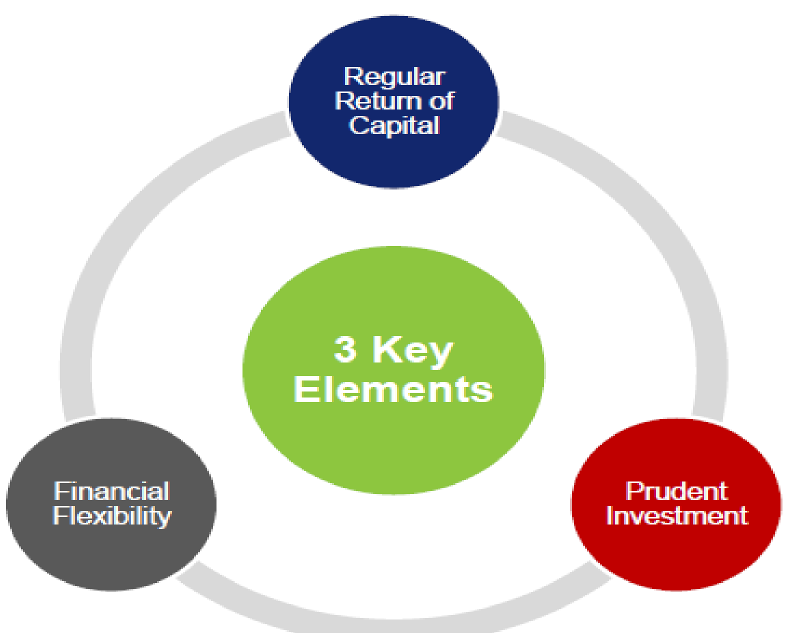
Note: Represents cash dividends paid.

Dividend Yield

33% increase a bold move for HRB
Superior yield to investors
Confident in business and future
Compelling investment

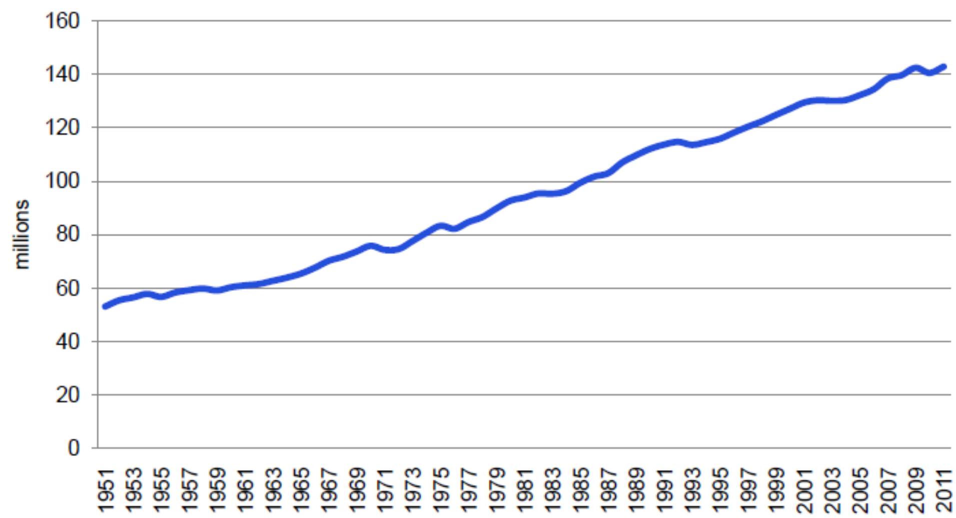


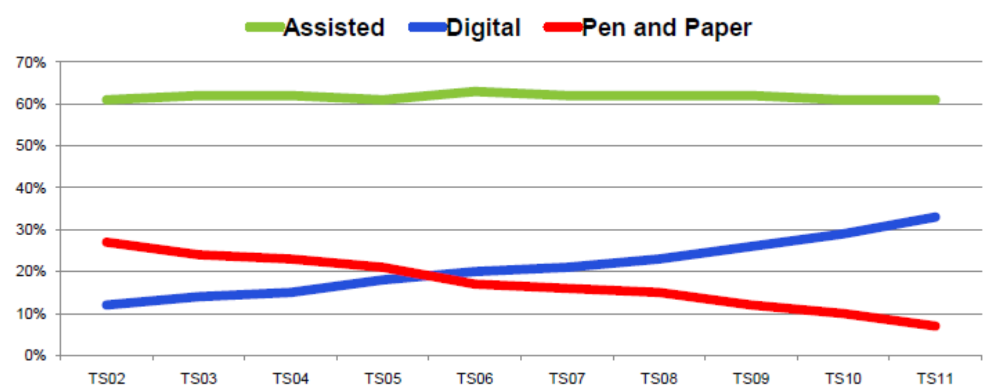




IRS Filings

- Total IRS filings have historically grown 1 to 2% annually*
- 2011 IRS filings up 1.7%
- Non-farm employment typically best indicator for IRS growth (+1.3%)**





Source: Bloomberg

Income Statement ($ million)	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	FY04/13E	FY04/14E	FY04/15E	FY04/16E	FY04/17E	CAGR (11-17)
Revenue	3,935.1	3,929.1	2,896.5	2,811.3	2,794.0	**2,936.5**	**3,071.5**	**3,212.8**	**3,376.7**	**3,552.3**	5%
y/y		*-0.2%*	*-26.3%*	*-2.9%*	*-0.6%*	*5.1%*	*4.6%*	*4.6%*	*5.1%*	*5.2%*	
Cost of Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Gross Profit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	
Gross margin (%)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Other Operating Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
as a % of sales	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Selling, General & Admin Expense	-788.9	-648.5	-480.6	-529.2	-618.4	-622.5	-657.3	-694.0	-726.0	-763.7	
as a % of sales	*20.0%*	*16.5%*	*16.6%*	*18.8%*	*22.1%*	*21.2%*	*21.4%*	*21.6%*	*21.5%*	*21.5%*	
Other Operating expenses	-2,118.2	-2,126.2	-1,340.9	-1,289.7	-1,279.3	*-1,297.9*	*-1,357.6*	*-1,413.6*	*-1,489.1*	*-1,570.1*	
as a % of sales	*53.8%*	*54.1%*	*46.3%*	*45.9%*	*45.8%*	*44.2%*	*44.2%*	*44.0%*	*44.1%*	*44.2%*	
Operating Income	**1,028.0**	**1,154.4**	**1,075.0**	**992.5**	**896.3**	**1,016.0**	**1,056.6**	**1,105.2**	**1,161.6**	**1,218.4**	6%
y/y		*12.3%*	*-6.9%*	*-7.7%*	*-9.7%*	*13.4%*	*4.0%*	*4.6%*	*5.1%*	*4.9%*	
Operating margin (%)	*26.1%*	*29.4%*	*37.1%*	*35.3%*	*32.1%*	*34.6%*	*34.4%*	*34.4%*	*34.4%*	*34.3%*	
Interest Expense	-90.0	-90.0	-89.8	-94.2	-92.1	-83.2	-83.2	-83.2	-83.2	-83.2	
Interest income	151.6	154.5	118.4	133.7	99.8	99.6	64.6	61.8	51.1	41.4	
Equity in (losses)income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	-354.5	-379.5	-380.1	-381.6	-320.5	-327.0	-310.0	-310.0	-316.2	-330.0	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0						
Goodwill impairment	0.0	0.0	0.0	-22.7	-7.4						
Other non recurring (expenses) income	0.0	0.0	0.0	0.0	0.0						
Pretax Income (reported)	**735.1**	**839.4**	**723.4**	**627.7**	**576.1**	**705.4**	**727.9**	**773.8**	**813.3**	**846.6**	8%
y/y		*14.2%*	*-13.8%*	*-13.2%*	*-8.2%*	*22.5%*	*3.2%*	*6.3%*	*5.1%*	*4.1%*	
Pretax Income (adjusted)	***735.1***	***839.4***	***723.4***	***650.4***	***583.5***	***705.4***	***727.9***	***773.8***	***813.3***	***846.6***	8%
y/y		*14.2%*	*-13.8%*	*-10.1%*	*-10.3%*	*20.9%*	*3.2%*	*6.3%*	*5.1%*	*4.1%*	
- Income Tax Expense	-289.1	-326.3	-268.3	-235.2	-230.1	-282.2	-291.2	-309.5	-325.3	-338.7	
effective tax rate (%)	*39.3%*	*38.9%*	*37.1%*	*37.5%*	*39.9%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	
- Minority Interests	0	0	0	0	0	0	0	0	0	0	
Income Before XO Items	**445.9**	**513.1**	**455.1**	**392.5**	**346.0**	**423.3**	**436.7**	**464.3**	**488.0**	**508.0**	8%
y/y		*15.0%*	*-11.3%*	*-13.7%*	*-11.9%*	*22.3%*	*3.2%*	*6.3%*	*5.1%*	*4.1%*	
- Extraordinary Loss Net of Tax	-754.6	-27.4	24.1	13.6	-80.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	**-308.6**	**485.7**	**479.2**	**406.1**	**265.9**	**423.3**	**436.7**	**464.3**	**488.0**	**508.0**	14%
y/y		*-257.4%*	*-1.3%*	*-15.3%*	*-34.5%*	*59.2%*	*3.2%*	*6.3%*	*5.1%*	*4.1%*	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00						
Net Income (adjusted)	**445.9**	**513.1**	**455.1**	**415.2**	**353.4**	**423.3**	**436.7**	**464.3**	**488.0**	**508.0**	8%
y/y		*15.0%*	*-11.3%*	*-8.8%*	*-14.9%*	*19.8%*	*3.2%*	*6.3%*	*5.1%*	*4.1%*	
Basic EPS (reported)	-1.0	1.5	1.44	1.31	0.89	1.65	1.85	2.07	2.27	2.47	
Basic EPS (adjusted)	1.4	1.5	1.37	1.34	1.19	1.65	1.85	2.07	2.27	2.47	
Basic Weighted Avg Shares	324.81	332.79	333.24	309.78	297.86	256.16	235.67	224.67	214.67	205.67	
Diluted EPS (reported)	**-0.92**	**1.46**	**1.44**	**1.31**	**0.89**	**1.65**	**1.85**	**2.06**	**2.27**	**2.46**	23%
y/y		*-258.0%*	*-1.3%*	*-8.8%*	*-32.1%*	*85.1%*	*12.2%*	*11.5%*	*10.0%*	*8.6%*	
Diluted EPS (adjusted)	**1.33**	**1.54**	**1.37**	**1.34**	**1.18**	**1.65**	**1.85**	**2.06**	**2.27**	**2.46**	16%
y/y		*15.5%*	*-11.3%*	*-1.9%*	*-11.7%*	*39.3%*	*12.2%*	*11.5%*	*10.0%*	*8.6%*	
Diluted Weighted Avg Shares	334.54	333.24	333.24	309.78	298.60	256.80	236.25	225.25	215.25	206.25	

Reference Items	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	FY04/13E	FY04/14E	FY04/15E	FY04/16E	FY04/17E
EBITDA	1147.5	1278.0	1201.9	1114.1	999.9	1118.8	1164.1	1217.7	1279.8	1342.8
Dividends per Share	0.57	0.60	0.60	0.60	0.75	0.80	0.86	0.93	1.01	1.09
Dividend payout ratio	42.8%	39.0%	43.9%	44.8%	63.4%	48.5%	46.7%	45.3%	44.5%	44.2%
Dep & Amor.	119.5	123.6	126.9	121.6	103.6	102.8	107.5	112.4	118.2	124.3
as a % of sales	*3.0%*	*3.1%*	*4.4%*	*4.3%*	*3.7%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*

Balance Sheet ($ million)	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	FY04/13E	FY04/14E	FY04/15E	FY04/16E	FY04/17E
Assets										
+ Cash & Near Cash Items	664.9	1,706.3	1,838.4	1,726.2	1,992.4	1,613.8	1,236.3	1,277.9	1,381.6	1,499.6
+ Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	534.2	512.8	518.0	230.2	193.9	241.4	294.5	352.1	370.0	389.3
+ Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Current Assets	1,415.4	351.9	292.7	1,091.7	314.7	314.7	314.7	314.7	314.7	314.7
Total Current Assets	**2,614.5**	**2,571.1**	**2,649.0**	**3,048.1**	**2,501.0**	**2,169.8**	**1,845.5**	**1,944.7**	**2,066.3**	**2,203.6**
+ Long-Term Investments	966.3	0.0	0.0	163.8	371.3	371.3	371.3	371.3	371.3	371.3
+ Gross Fixed Assets	984.1	993.4	1,002.5	834.0	875.3	963.4	1,055.5	1,151.9	1,253.2	1,359.8
- Accumulated Depreciation	-620.5	-625.1	-657.0	-578.7	-622.3	-725.1	-832.6	-945.0	-1,063.2	-1,187.6
+ Net Fixed Assets	363.7	368.3	345.5	255.3	253.0	238.3	222.9	206.9	190.0	172.2
+ Other Long-Term Assets	1,679.0	2,420.4	2,239.8	1,822.2	1,524.3	1,524.3	1,524.3	1,524.3	1,524.3	1,524.3
Total Long-Term Assets	**3,008.9**	**2,788.6**	**2,585.3**	**2,241.4**	**2,148.6**	**2,133.9**	**2,118.5**	**2,102.5**	**2,085.6**	**2,067.8**
Total Assets	**5,623.4**	**5,359.7**	**5,234.3**	**5,289.5**	**4,649.6**	**4,303.7**	**3,964.1**	**4,047.2**	**4,151.9**	**4,271.5**
Liabilities & Shareholders' Equity										
+ Accounts Payable	739.9	705.9	756.6	551.0	567.1	603.4	631.1	660.2	693.8	729.9
+ Short-Term Borrowings	136.3	33.8	53.7	25.6	631.4	631.4	631.4	631.4	631.4	631.4
+ Other Short-Term Liabilities	2,235.2	1,658.6	1,511.2	1,761.4	1,327.9	1,327.9	1,327.9	1,327.9	1,327.9	1,327.9
Total Current Liabilities	**3,111.3**	**2,398.3**	**2,321.5**	**2,338.0**	**2,526.4**	**2,562.7**	**2,590.5**	**2,619.5**	**2,653.2**	**2,689.3**
+ Long-Term Borrowings	1,031.8	1,107.1	1,060.1	1,039.5	409.1	409.1	409.1	409.1	409.1	409.1
+ Other Long-Term Liabilities	492.5	448.5	412.1	462.4	388.1	388.1	388.1	388.1	388.1	388.1
Total Liabilities	**4,635.6**	**3,953.9**	**3,793.7**	**3,839.9**	**3,323.7**	**3,360.0**	**3,387.7**	**3,416.8**	**3,450.4**	**3,486.5**
+ Treasury shares	-2,100.0	-2,094.9	-2,056.6	-2,036.6	-2,011.0	-2,611.0	-3,211.0	-3,411.0	-3,611.0	-3,811.0
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	700.3	840.9	836.9	816.8	800.8	800.8	800.8	800.8	800.8	800.8
+ Retained Earnings & Other Equity	2,387.5	2,659.8	2,660.3	2,669.3	2,536.1	2,754.0	2,986.6	3,240.7	3,511.7	3,795.2
Total Shareholders' Equity	**987.8**	**1,405.9**	**1,440.6**	**1,449.6**	**1,325.9**	**943.7**	**576.3**	**630.4**	**701.5**	**784.9**
Total Liabilities & Equity	**5,623.4**	**5,359.7**	**5,234.3**	**5,289.5**	**4,649.6**	**4,303.7**	**3,964.1**	**4,047.2**	**4,151.9**	**4,271.5**

Cash Flow ($ million)	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	FY04/13E	FY04/14E	FY04/15E	FY04/16E	FY04/17E
+ Net Income	-308.7	485.7	479.2	406.1	265.9	423.3	436.7	464.3	488.0	508.0
+ Depreciation & Amortization	119.5	123.6	126.9	121.6	103.6	102.8	107.5	112.4	118.2	124.3
+ Other Non-Cash Adjustments	274.6	448.1	206.2	192.2	141.3	0.0	0.0	0.0	0.0	0.0
+ Changes in Non-Cash Capital	173.3	-33.0	-207.4	-207.4	-148.8	-11.2	-25.4	-28.5	15.7	16.8
Cash From Operating Activities	**258.8**	**1,024.4**	**605.0**	**512.5**	**362.1**	**514.8**	**518.8**	**548.2**	**621.8**	**649.1**
+ Disposal of Fixed Assets	0.0	0.0	0.0	0.0	0.0					
+ Capital Expenditures	-101.6	-97.9	-90.5	-63.0	-82.5	-88.1	-92.1	-96.4	-101.3	-106.6
+ Increase in Investments	0.0	0.0	-5.4	-138.8	-256.2	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	207.6	91.3	88.6	75.3	115.5					
+ Other Investing Activities	1,041.2	12.1	38.6	16.4	575.0					
Cash From Investing Activities	**1,147.3**	**5.6**	**31.3**	**-110.2**	**351.9**	**-88.1**	**-92.1**	**-96.4**	**-101.3**	**-106.6**
+ Dividends Paid	-183.6	-198.7	-200.9	-186.8	-208.8	-205.4	-204.1	-210.2	-216.9	-224.5
+ Change in Short-Term Borrowings	-1,542.1	-29.0	-25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	599.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	0.0	0.0	-50.0	-25.0					
+ Increase in Capital Stocks	23.3	213.0	16.7	0.4	12.3					
+ Decrease in Capital Stocks	-7.3	-106.2	-254.3	-283.5	-180.6	-600.0	-600.0	-200.0	-200.0	-200.0
+ Other Financing Activities	-447.8	80.6	-23.5	-8.6	-45.3					
Cash from Financing Activities	**-1,558.1**	**-40.2**	**-487.0**	**-528.6**	**-447.4**	**-805.4**	**-804.1**	**-410.2**	**-416.9**	**-424.5**
Net Changes in Cash	**-152.0**	**989.8**	**149.4**	**-126.2**	**266.5**	**-378.7**	**-377.4**	**41.6**	**103.6**	**118.1**

Ratio Analysis	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	FY04/13E	FY04/14E	FY04/15E	FY04/16E	FY04/17E
Per Share Data ($)										
Basic EPS (adjusted)	1.37	1.54	1.37	1.34	1.19	1.65	1.85	2.07	2.27	2.47
Diluted EPS (adjusted)	1.33	1.54	1.37	1.34	1.18	1.65	1.85	2.06	2.27	2.46
Dividend per share (DPS)	0.57	0.60	0.60	0.60	0.75	0.80	0.86	0.93	1.01	1.09
Tangible Book Value per share (BVPS)	-0.74	0.51	0.72	2.39	2.12	0.98	-0.49	-0.27	0.04	0.45
Stated Book Value per share	2.95	4.22	4.32	4.68	4.44	3.67	2.44	2.80	3.26	3.81
Margins (%)										
Gross Margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Margin	26.1%	29.4%	37.1%	35.3%	32.1%	34.6%	34.4%	34.4%	34.4%	34.3%
EBITDA Margin	29.2%	32.5%	41.5%	39.6%	35.8%	38.1%	37.9%	37.9%	37.9%	37.8%
Pre-Tax Margin (adjusted)	18.7%	21.4%	25.0%	23.1%	20.9%	24.0%	23.7%	24.1%	24.1%	23.8%
Net Income Margin (adjusted)	11.3%	13.1%	15.7%	14.8%	12.6%	14.4%	14.2%	14.5%	14.5%	14.3%
Growth (%)										
Sales growth	0.0%	-0.2%	-26.3%	-2.9%	-0.6%	5.1%	4.6%	4.6%	5.1%	5.2%
EBIT growth	0.0%	12.3%	-6.9%	-7.7%	-9.7%	13.4%	4.0%	4.6%	5.1%	4.9%
Net Income (adjusted) growth	0.0%	15.0%	-11.3%	-8.8%	-14.9%	19.8%	3.2%	6.3%	5.1%	4.1%
EPS (adjusted) growth	0.0%	15.5%	-11.3%	-1.9%	-11.7%	39.3%	12.2%	11.5%	10.0%	8.6%
Dupont ROE (%)	**45.1%**	**36.5%**	**31.6%**	**28.6%**	**26.7%**	**44.9%**	**75.8%**	**73.6%**	**69.6%**	**64.7%**
Margin (%)	11.3%	13.1%	15.7%	14.8%	12.6%	14.4%	14.2%	14.5%	14.5%	14.3%
Turnover (x)	0.7	0.7	0.6	0.5	0.6	0.7	0.8	0.8	0.8	0.8
Leverage (x)	5.7	3.8	3.6	3.6	3.5	4.6	6.9	6.4	5.9	5.4
ROA	7.9%	9.6%	8.7%	7.9%	7.6%	9.8%	11.0%	11.5%	11.8%	11.9%
Net cash / equity	-123.3%	-20.5%	-9.0%	-1.9%	37.4%	12.5%	-45.1%	-34.6%	-16.3%	0.4%

FCF Calculation	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	FY04/13E	FY04/14E	FY04/15E	FY04/16E	FY04/17E
Op. cash	258.8	1,024.4	605.0	512.5	362.1	514.8	518.8	548.2	621.8	649.1
capex	-101.6	-97.9	-90.5	-63.0	-82.5	-88.1	-92.1	-96.4	-101.3	-106.6
FCF ($ million)	157.2	926.6	514.5	449.5	279.6	426.8	426.7	451.8	520.5	542.6
FCF margin (%)	4.0%	23.6%	17.8%	16.0%	10.0%	14.5%	13.9%	14.1%	15.4%	15.3%
FCF per share	0.47	2.78	1.54	1.45	0.94	1.66	1.81	2.01	2.42	2.63
Price/FCF per share	46.54	5.45	11.86	11.10	17.21	9.69	8.92	8.03	6.66	6.12
Net Cash calculation										
Cash + short term investments	1,631.2	1,706.3	1,838.4	1,890.1	2,363.7	1,985.1	1,607.6	1,649.2	1,752.9	1,871.0
Less: long term debt	-2,849.1	-1,994.9	-1,967.8	-1,917.1	-1,867.5	-1,867.5	-1,867.5	-1,867.5	-1,867.5	-1,867.5
Net Cash	**-1,217.9**	**-288.6**	**-129.4**	**-27.0**	**496.2**	**117.5**	**-259.9**	**-218.3**	**-114.7**	**3.4**
Net cash per share	-3.6	-0.9	-0.4	-0.1	1.7	0.5	-1.1	-1.0	-0.5	0.0
Valuation ratio's										
P/B	-29.48	29.70	25.36	7.24	6.92	16.44	-32.91	-58.94	366.79	35.75
P/E	16.41	9.83	13.41	12.90	12.42	9.77	8.71	7.82	7.11	6.54
P/S	1.86	1.28	2.11	1.91	1.57	1.41	1.35	1.29	1.23	1.16
EV/sales	1.96	1.36	2.15	1.92	1.39	1.37	1.31	1.25	1.19	1.13
EV/EBITDA	6.72	4.17	5.18	4.83	3.89	3.59	3.45	3.30	3.14	2.99
EV/EBIT	7.50	4.62	5.80	5.43	4.34	3.96	3.80	3.64	3.46	3.30
EV/FCF	49.03	5.76	12.11	11.98	13.92	9.42	9.42	8.90	7.72	7.41
Dividend Yield (%)	2.61%	3.96%	3.28%	3.72%	4.66%	4.97%	5.36%	5.79%	6.26%	6.76%
Receivable days	50	48	65	30	25	30	35	40	40	40
Inventory days	0	0	0	0	0	0	0	0	0	0
payables days	69	66	95	72	74	75	75	75	75	75
Current ratio	0.8	1.1	1.1	1.3	1.0	0.8	0.7	0.7	0.8	0.8

Enterprise Value Calculation	FY04/08	FY04/09	FY04/10	FY04/11	FY04/12	Current
Market Cap.	7,316	5,045	6,102	5,356	4,389	4,137
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
+Total Debt (ST & LT Debt)	2,022.1	1,994.9	1,967.8	1,919.1	1,867.5	1,867.5
- Cash & Equivalents	1,631	1,706	1,838	1,890	2,364	1,985
Enterprise Value	**7,707**	**5,334**	**6,231**	**5,385**	**3,893**	**4,019**

DCF model	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
(in $ million)																	
EBIT		0	1,028	1,154	1,075	992	896	1,016	1,057	1,105	1,162	1,218	1,098	1,131	1,164	1,119	1,153
% growth			*0%*	*12%*	*-7%*	*-8%*	*-10%*	*13%*	*4%*	*5%*	*5%*	*5%*	*-10%*	*3%*	*3%*	*-4%*	*3%*
Taxes @		0.0%	39.3%	38.9%	37.1%	37.5%	39.9%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
EBIAT		0	624	706	676	621	538	610	634	663	697	731	659	678	699	672	692
% growth			*0%*	*13%*	*-4%*	*-8%*	*-13%*	*13%*	*4%*	*5%*	*5%*	*5%*	*-10%*	*3%*	*3%*	*-4%*	*3%*
+ D&A		0	120	124	127	122	104	103	108	112	118	124	128	113	78	40	41
- Capital expenditures		0	-102	-98	-91	-63	-82	-88	-92	-96	-101	-107	-110	-113	-78	-40	-41
- Change in net WC		0	173	-33	-207	-207	-149	-11	-25	-29	16	17	110	82	85	129	115
Free Cash Flow to Firm		0	815	698	505	472	411	613	624	651	730	766	787	760	784	801	806
FCY y/y growth			*#DIV/0!*	*-14%*	*-28%*	*-7%*	*-13%*	*49%*	*2%*	*4%*	*12%*	*5%*	*3%*	*-3%*	*3%*	*2%*	*1%*

Value per Share

	Cost of capital				
Terminal Growth	**7.7%**	**8.7%**	**9.7%**	**10.7%**	**11.7%**
-0.5%	30.2	26.6	23.6	21.2	19.2
-0.2%	30.9	27.0	24.0	21.5	19.4
0.0%	31.3	27.4	**24.2**	21.7	19.6
0.3%	32.1	27.9	24.6	22.0	19.8
0.5%	32.6	28.2	24.9	22.2	19.9

WACC	***9.7%***
PV of Free Cash Flow	4,443
PV of Terminal Value	3,285
Add: Net Cash	-496
Total Equity Value	7,231
Shares outstanding	298.60
DCF value	**24.22**

IMPORTANT GLOBAL DISCLAIMER, DISCLOSURES & RISK FACTORS

Value Investment Principals, VIP Global Research, and its affiliates, employees, principals, ("VIP") operates this website solely to provide general information to vendors, our commercial partners and current clients, and to assist the pursuit of qualified employment candidates. This website is not an offer to, or solicitation of, any potential clients or investors for the provision by VIP or its affiliates of investment management or investment advisory services, or any other related services. No material listed on this website is or should be construed as investment advice. Nothing on this website should be construed as an offer to sell, or a solicitation of an offer to buy, any security or other investment product or instrument. It is not guaranteed as to accuracy, nor is it a complete statement, of the financial products or markets referred to. Opinions are subject to change without notice. To the extent permitted by law, VIP does not accept any liability arising from the use of information on this website. Investments involve many risks and investors may lose money. Past performance does not guarantee future results. Investment products are not suitable for most investors. VIP research reports are for distribution only under such circumstances as may be permitted by applicable law. Nothing in VIP research reports report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. Any information in this website or any VIP research reports is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning VIP, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. VIP does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The opinions and recommendations herein do not take into account individual client circumstances, objective, needs, risk tolerance or risk parameters and not intended as recommendations of particular securities, financial instruments or strategies to particular clients. VIP research reports and Global Deep Value Report are periodic newsletter publications with general, non-specific materials.

Any information on this website or any VIP research report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this website or any VIP research report are subject to change without notice and may differ or be contrary to opinions expressed by other VIP research reports as a result of using different assumptions and criteria. Research will initiate, update and cease coverage solely at the discretion of VIP management. The analysis contained in this website or in any VIP research report is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. VIP is under no obligation to update or keep current the information contained herein. The compensation of the analyst who prepares any VIP research report is determined exclusively by research management and senior management.
The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in any VIP research report. Neither VIP nor any of its affiliates, nor any of VIP's or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Any prices stated in this website or any VIP research reports are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect VIP's internal books and records and track record or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by VIP or any other source may yield substantially different results. From time to time, VIP, its employees and principals, Mr. Sandy Mehta, and other affiliates, may take long and short stakes in any of the stocks or securities written about in this website or any research reports. VIP and its employees, principals [VIP has been founded and majority owned by R.R. Nandwani] and affiliates do not make any representation or warranty with regard hereto, including, but not limited to, those of accuracy, completeness, reli-ability, timeliness, risk and/or infringement of rights of third parties. Additional information is available upon request. The information contained herein has been derived from information considered reliable but no independent verification has been made and can be made as to its accuracy or completeness. It does not constitute an offer or recommendation to buy or sell any security directly or indirectly mentioned herein. Opinions expressed are subject to change without notice. No part of this report may be reproduced without the prior written consent of VIP.

Value Investment Principals Ltd.

Peninsula Centre – Suite 804-805
67 Mody St,
TST - Kowloon
Hong Kong
www.vipglogalresearch.com

Sandy Mehta, CFA
sandy@vipglobalresearch.com
USA: (1) 617-848-8279
HK: (852) 64788613

Devina Bafna
devina@vipglobalresearch.com
Phone: (1) 617-996-9260

I, Sandy Mehta, CFA, certify that the opinions expressed in this report accurately reflect my personal views about the subject and its underlying securities. I further certify that the performance of stocks or securities in this report is not directly tied to my compensation, though my compensation is based on firm profitability, including the investment research and management performance of Value Investment Principals Ltd. (VIP).