



140 BROADWAY NEW YORK, NY 10005

ROBERT J. CUMMINS, CFA  
(212) 651-0815

TRADING DESK  
(212) 320-3001

MARCH 4, 2008

## COMPANY SUMMARY

Tuesday, March 4, 2008

Speaker: Bob Cummins

Rating: Strong Buy

Food Industry Comment:

### Del Monte Foods (DLM-\$9.15)

	<u>F2007</u>	<u>F2008E</u>	<u>F2009E</u>	<u>Dividend/ Yield</u>	<u>Shares Out. (mil.)</u>	<u>12-Mo. Range</u>	<u>12-Mo. Target</u>
EPS (a)	\$0.72	\$0.76	\$0.90	\$0.16	199.5	\$13-\$7.6	\$12-\$13
P/E	-	12.0x	10.2x	1.7%			

(a) April fiscal years. Excludes nonrecurring gains and charges.

Del Monte last week reported better than expected earnings for F3Q (January), reflecting strong topline growth and success in passing on higher commodity costs, as well as lower interest expense and share buybacks. In response, the shares rallied 25% from their five-year low, although after giving back some of that gain they remain 30% below the recent high reached last July. Cost challenges remain, particularly in canned tuna and pet products, but we believe the recent quarter represents an important turning point, which would be confirmed if F4Q shows strong sales and earnings growth, as expected. Compared with management's EPS estimate of \$0.72-\$0.76 from operations for F2008, we calculate that based on the current sales levels and capitalization, a full recovery to past profit margins in both the Consumer Products and Pet Products segments would indicate potential recovery earning power in the area of \$1.10 per share, 45%-53% higher than this year's range. We are raising our F2009 estimate from \$0.86 to \$0.90, and maintaining our "1" (Strong Buy) rating, as well as our 12-month target price of \$12-\$13.

In contrast to the October quarter, when sales rose by a modest 5%, profit margins narrowed significantly, and net income and EPS declined 22%, results for the recent period presented a more positive picture. Sales increased 10%, reflecting increased volume as well as higher prices across a wide range of products. Gross profit nevertheless declined 2%, as margins remained

(Continued)

See page 10 for Analyst's Certification, pages 10-11 for Important Disclosures and pages 11-12 for Other Disclosures and Disclaimers

(Continued)

below last year, but SG&A expenses were down, and operating income rose 1%, versus a 17% decline in the previous quarter. Lower interest expense, higher other income, and a 1.5% decline in average shares outstanding due to buybacks led to an 8% rise in EPS, to \$0.28 from operations, versus \$0.26. That was the strongest quarterly earnings increase since the January 2007 period, which benefited from the initial inclusion of the Meow Mix and Milk-Bone acquisitions.

**Consumer Products** (62% of sales, 43% of profits for the year to date) fared better than Pet Products in the recent period, despite continued margin pressures for StarKist tuna due to scarce fish supplies. Sales increased 13%, while operating income rose 21%, in both cases reversing declines in the year-earlier period. The operating margin for the segment recovered to 10.5% of sales, versus 9.9% a year ago, and only 10 basis points below the F2006 quarter. The company achieved gains in market share in most of its key product areas. In addition to higher volume, revenues benefited from a 2%-3% price increase for tuna in September and 3% for tomato products in December, while vegetable prices were raised 9% in January, 2008. A 4.5% increase for fruits has already been announced, and will take effect at the end of April. Profit margins also are benefiting from the company's intensive cost reduction program. We expect another healthy profit increase for the Consumer segment in the April quarter, reflecting the recent price increases, pre-buying by customers in advance of the announced price increase for fruits, some recent easing of fish costs, and comparison with a weak quarter a year ago, when segment profits declined 28%.

As mentioned, results in **Pet Products** (38% of sales, 57% of profits) are improving, but have not yet shown the resiliency of the Consumer segment. Here also, the October quarter was particularly weak, with operating income down 23% despite a 5% sales increase. In the January period, the sales gain accelerated to nearly 6%, but profits were still 15% below a year ago, as the operating margin narrowed to 18.6% versus a healthy 23.1% a year ago. The margin pressure reflects the widely publicized inflationary trend in the prices of grains as well as fats and oils. The company took a 3% price increase for pet foods and snacks last May, and a further 4% hike for pet snacks on February 1, 2008.

DLM is the price leader in pet snacks, where it has a 35% market share, but is a follower in dry and wet dog and cat foods, with a combined market share of 15.5%, and thus must wait for Nestle and Mars to act. Management views both companies as rational with regard to pricing, and expects that if ingredient costs remain high, the full impact will ultimately be passed along. We expect a resumption of year-to-year earnings growth for the segment in F4Q.

(Continued)

(Continued)

Although earnings are well below where they should be, the company continues to generate a healthy amount of excess cash. For the nine months ended in January, cash generated by operations, net of capital expenditures and dividends, amounted to \$87.7 million, equal to \$0.44 per share, just \$0.01 less than DLM's reported EPS before nonrecurring items. Under its new \$200 million share repurchase program, which began in mid-October, the company thus far has spent \$50 million to repurchase 5.37 million shares, or 2.6% of the total outstanding, at an average cost of \$9.31 per share.

While the Pet Products acquisitions early in F2007 resulted in a considerable increase in DLM's debt, interest expense continues to be well covered. Operating income and noncash charges of \$355 million in the first nine months of F2008 were more than three times interest expense, which amounted to \$118 million. In the January quarter, interest expense was 8% lower than a year earlier, and we expect that the rate of debt repayment will accelerate as the company's profitability increases.

**Table 1: Del Monte Foods Company - Quarterly Data (millions except EPS) (a)**

	F2008	F2007 (d)	F2006 Cont. Ops. (c)	F2006	F2005	F2004
<b>July</b>						
Net Sales	\$753.5	\$674.1	\$616.6	\$671.1	\$626.0	\$611.3
Cost of Products Sold	568.0	505.1	466.7	509.3	476.3	455.5
Gross Profit	185.5	169.1	149.9	161.8	149.7	155.8
SG&A Expenses	135.5	122.1	108.1	114.4	100.6	97.3
Operating Income	50.0	47.8	41.8	47.4	49.1	58.5
Interest Expense	38.0	30.5	21.2	21.2	24.6	30.0
Other Expense (Income)	0.6	0.3	-	-	2.0	0.8
Total	38.6	30.8	21.2	21.2	26.6	30.8
Income Before Taxes	11.4	16.2	20.6	26.2	22.5	27.7
Income Taxes	4.4	4.3	7.8	9.9	8.6	9.8
Net Income	\$7.0	\$11.9	\$12.8	\$16.3	\$13.9	\$17.9
Diluted Shares	205.7	204.0	210.5	210.5	211.9	210.6
Earnings Per Share	\$0.03	\$0.06	\$0.06	\$0.08	\$0.06	\$0.09
Gross Margin	24.6%	25.1%	24.3%	24.1%	23.9%	25.5%
SG&A/Sales	18.0	18.1	17.5	17.0	16.1	15.8
Operating Margin	6.6	7.0	6.8	7.1	7.8	9.7
Effective Tax Rate	38.6%	26.7%	37.9%	37.8%	38.2%	35.4%
<b>October</b>						
Net Sales	\$938.1	\$893.5	\$793.2	\$882.3	\$846.6	\$791.6
Cost of Products Sold	703.8	644.9	580.6	650.8	622.8	578.0
Gross Profit	234.3	248.6	212.6	231.5	223.8	213.6
SG&A Expenses	149.4	146.2	129.0	139.1	125.9	114.4
Operating Income	84.9	102.4	83.6	92.4	97.9	99.2
Interest Expense	41.0	42.9	22.9	22.9	25.9	30.9
Other Expense (Income)	(1.7)	0.1	1.1	1.1	0.5	(2.4)
Total	39.3	43.0	24.0	24.0	26.4	28.5
Income Before Taxes	45.6	59.4	59.6	68.4	71.5	70.7
Income Taxes	16.9	22.8	22.3	25.7	27.1	25.0
Net Income	\$28.7	\$36.6	\$37.3	\$42.7	\$44.4	\$45.7
Diluted Shares	205.4	203.5	202.2	202.2	212.1	210.6
Earnings Per Share	\$0.14	\$0.18	\$0.18	\$0.21	\$0.21	\$0.21
Gross Margin	25.0%	27.8%	26.8%	26.2%	26.4%	27.0%
SG&A/Sales	15.9	16.4	16.3	15.7	14.8	14.5
Operating Margin	9.1	11.5	10.5	10.5	11.6	12.5
Effective Tax Rate	37.1%	38.4%	37.4%	37.6%	37.9%	35.4%

(Continued)

**Table 1: Continued (a)**

	F2008	F2007 (d)	F2006 Cont. Ops. (c)	F2005	F2004
<b>January</b>					
Net Sales	\$1,001.1	\$907.2	\$789.6	\$861.3	\$811.1
Cost of Products Sold	747.9	649.1	571.3	629.1	582.6
Gross Profit	253.2	258.1	218.3	232.2	228.5
SG&A Expenses	128.7	135.4	125.8	124.5	106.2
Operating Income	124.5	122.7	92.5	107.7	122.3
Interest Expense	38.8	42.2	22.7	25.9	31.4
Other Expense (Income)	(1.1)	(0.6)	(0.1)	0.1	(0.5)
Total	37.7	41.6	22.6	26.0	30.9
Income Before Taxes	86.8	81.1	69.9	81.4	91.4
Income Taxes	30.0	28.0	24.7	31.1	34.6
Net Income	\$56.8	\$53.1	\$45.2	\$50.6	\$56.8
Diluted Shares	201.4	204.4	201.9	212.7	211.5
Earnings Per Share	\$0.28	\$0.26	\$0.22	\$0.24	\$0.27
Gross Margin	25.3%	28.5%	27.6%	27.0%	28.2%
SG&A/Sales	12.9	15.0	15.9	14.5	13.1
Operating Margin	12.4	13.5	11.7	12.5	15.1
Effective Tax Rate	34.6%	34.5%	35.3%	38.0%	37.9%
<b>April</b>					
Net Sales		\$940.1	\$799.2	\$847.1	(b)
Cost of Products Sold		697.1	595.3	646.1	\$915.9
Gross Profit		243.0	203.9	200.9	663.1
SG&A Expenses		142.4	117.0	102.3	252.8
Operating Income		100.6	86.9	98.6	109.8
Interest Expense		39.0	21.4	21.0	143.0
Other Expense (Income)		0.6	0.1	0.2	36.7
Total		39.6	21.5	21.2	0.4
Income Before Taxes		61.0	65.4	77.4	37.1
Income Taxes		15.9	23.7	28.0	105.9
Net Income		\$45.1	\$41.7	\$49.4	37.8
Diluted Shares		205.0	202.9	212.9	\$68.1
Earnings Per Share	\$0.31E	\$0.22	\$0.21	\$0.23	212.0
Gross Margin		25.8%	25.5%	23.7%	(28)%
SG&A/Sales		15.1	14.6	12.1	27.6%
Operating Margin		10.7	10.9	11.6	12.0
Effective Tax Rate		26.1%	36.2%	36.2%	15.6
					35.7%

(a) Excludes nonrecurring gains and charges.

(b) 14 weeks. (c) Continuing operations. Reflects sale of soup and infant feeding businesses.

(d) Includes acquisitions of Meow Mix from May '19 and Milk-Bone from July 2, 2006. July quarter excludes \$10 million pretax gain on divestiture.

E - Implied high end of management guidance.

**Table 2: Del Monte Foods Company - Quarterly Segment Data (millions) (a)**

	F2008	F2007 (d)	F2006 Cont. Ops. (c)	F2006	F2005	F2004
<b>July</b>						
Net Sales:						
Consumer Products	\$444.6	\$420.6	\$422.2	\$476.7	\$447.0	\$449.1
Pet Products	308.9	253.5	194.4	194.4	179.0	162.2
Total	\$753.5	\$674.1	\$616.6	\$671.1	\$626.0	\$611.3
	+6%	+12%	+9%	+7%	+7%	+2%
	(10)%	(47)%	(11)%	(11)%	(37)	(12)
	+10	+12	+12	+36	(12)	-
	+5	(12.3)	(11.0)	-	(7.6)	(6.2)
	(12.0)	\$47.0	\$41.8	\$47.4	\$49.1	\$58.5
	+6%	+12%	+12%	(3)%	(16)%	(16)%
Operating Income:						
Consumer Products	\$14.2	\$15.8	\$30.0	\$34.9	\$39.4	\$37.4
Pet Products	47.8	43.5	22.8	23.5	17.3	27.3
Total	62.0	59.3	52.8	58.4	56.7	64.7
Corporate	(12.0)	(12.3)	(11.0)	(11.0)	(7.6)	(6.2)
Total Income	\$50.0	\$47.0	\$41.8	\$47.4	\$49.1	\$58.5
	+6%	+12%	+12%	(3)%	(16)%	(16)%
Operating Margin:						
Consumer Products	3.2%	3.8%	7.1%	7.3%	8.8%	8.3%
Pet Products	15.5	17.2	11.7	12.1	9.7	16.8
Total	8.2	8.8	8.6	8.7	9.1	10.6
Corporate	(1.6)	(1.8)	(1.8)	(1.6)	(1.3)	(1.0)
Total Income	6.6%	7.0%	6.8%	7.1%	7.8%	9.6%
	+5%	+5%	+13%	+7%	+4%	+7%
	(3)%	(3)%	(3)%	(4)	+13	+5%
	+5	+57	+57	(4)	217.5	192.2
	\$593.5	\$566.5	\$584.4	\$673.5	\$629.1	\$599.4
	344.6	327.0	208.8	208.8	217.5	192.2
	\$938.1	\$893.5	\$793.2	\$882.3	\$846.6	\$791.6
	+5%	+5%	+13%	+4%	+4%	+7%
Operating Income:						
Consumer Products	\$45.8	\$52.6	\$63.7	\$71.7	\$76.7	\$71.8
Pet Products	48.7	63.4	32.5	33.3	33.2	36.4
Total	94.5	116.0	96.2	105.0	109.9	108.2
Corporate	(9.6)	(13.6)	(12.6)	(12.6)	(12.0)	(9.0)
Total Income	\$84.9	\$102.4	\$83.6	\$92.4	\$97.9	\$99.2
	(17)%	+22%	+22%	(6)%	(1)%	(1)%
Operating Margin:						
Consumer Products	7.7%	9.3%	10.9%	10.6%	12.2%	12.0%
Pet Products	14.1	19.4	15.6	15.9	15.3	18.9
Total	10.1	13.0	12.1	11.9	13.0	13.7
Corporate	(1.0)	(1.5)	(1.6)	(1.4)	(1.4)	(1.2)
Total Income	9.1%	11.5%	10.5%	10.5%	11.6%	12.5%

(Continued)

**Table 2: Continued (a)**

	F2008	F2007 (d)	F2006	F2005	F2004
<b>January</b>					
Net Sales:					
Consumer Products	\$624.8	\$551.0	\$651.2	\$638.3	\$608.8
Pet Products	376.3	356.2	227.3	223.0	202.3
Total	\$1,001.1	\$907.2	\$878.5	\$861.3	\$811.1
	+13%	(2)%	+2%	+5%	
	+6	+57	+2	+10	
	+10%	+15%	+2%	+6%	
Operating Income:					
Consumer Products	\$65.5	\$54.3	\$70.2	\$74.2	\$83.6
Pet Products	69.9	82.3	46.3	41.1	45.2
Total	135.4	136.6	116.5	115.3	128.8
Corporate	(10.9)	(13.9)	(12.5)	(7.6)	(6.5)
Total Income	\$124.5	\$122.7	\$104.0	\$107.7	\$122.3
	+21%	(9)%	(5)%	(11)%	
	(15)	+81	+13	(9)	
	(1)	+30	+1	(10)	
	+1%	+33%	(3)%	(12)%	
Operating Margin:					
Consumer Products	10.5%	9.9%	10.8%	11.6%	13.7%
Pet Products	18.6	23.1	20.4	18.4	22.3
Total	13.5	15.1	13.3	13.4	15.9
Corporate	(1.1)	(1.5)	(1.5)	(0.9)	(0.8)
Total Income	12.4%	13.5%	11.8%	12.5%	15.1%
<b>April</b>					
Net Sales:					
Consumer Products	\$594.9	\$573.4	225.8	\$626.6	(b)
Pet Products	345.2	225.8	225.8	220.4	\$683.4
Total	\$940.1	\$799.2	225.8	\$847.0	\$915.9
	+4%	+4%	+2	(8)%	
	+53	+18%		(5)	
	+18%			(8)%	
Operating Income:					
Consumer Products	\$42.3	\$59.1	41.1	\$62.1	\$92.4
Pet Products	72.1	41.1	48.9	48.9	59.1
Total	114.4	100.2	111.0	111.0	151.5
Corporate	(13.8)	(13.3)	(12.4)	(12.4)	(8.5)
Total Income	\$100.6	\$86.9	\$98.6	\$98.6	\$143.0
	(28)%	(16)	(33)%	(17)	
	+75	(27)	(27)	(27)	
	+14	-	-	-	
	+16%	(31)%	(31)%	(31)%	
Operating Margin:					
Consumer Products	7.1%	10.3%	18.2	9.9%	13.5%
Pet Products	20.9	18.2	22.2	22.2	25.4
Total	12.2	12.5	13.1	13.1	16.5
Corporate	(1.6)	(1.6)	(1.5)	(1.5)	(0.9)
Total Income	10.7%	10.9%	11.6%	11.6%	15.6%

(a) Pro forma for Heinz acquisition. Excludes nonrecurring items. (b) 14 weeks.  
(c) Continuing operations. Reflects sale of soup and infant feeding businesses.  
(d) Includes acquisitions of Meow Mix from May 19 and Milk-Bone from July 2, 2006. July quarter excludes \$10 million pretax gain on divestiture.

**Table 3: Del Monte Foods Company - Quarterly Operating Profit Margins**

	F2008	F2007	F2006	F2006	F2006	F2005	F2004	F2004	F2004	F2003	F2002	F2001
				Cont. Ops. (a)				Cont. Ops.				
<b>July</b>												
Consumer Products	3.2%	(b)	7.1%		7.3%	8.8%	8.3%	8.3%	8.3%	12.6%	15.2%	-
Pet Products	15.5	3.8%	11.7		12.1	9.7	16.8	16.8	16.0	18.0	16.5	-
Total	8.2	8.8	8.6		8.7	9.1	10.6	10.6	10.5	14.1	15.6	17.0%
Corporate	(1.6)	(1.8)	(1.8)		(1.6)	(1.3)	(1.0)	(0.9)	(0.9)	(0.8)	(0.7)	(0.7)
Total	6.6%	7.0%	6.8%		7.1%	7.8%	9.6%	9.6%	9.6%	13.3%	14.9%	16.3%
<b>October</b>												
Consumer Products	7.7%	9.3%	10.9%		10.6%	12.2%	12.0%	12.0%	11.9%	10.3%	9.5%	-
Pet Products	14.1	19.4	15.6		15.9	15.2	19.0	19.0	16.4	20.2	19.0	-
Total	10.1	13.0	12.1		11.9	13.0	13.7	13.7	13.1	13.1	12.4	15.9%
Corporate	(1.0)	(1.5)	(1.6)		(1.4)	(1.4)	(1.2)	(1.2)	(0.9)	(0.9)	(1.1)	(0.6)
Total	9.1%	11.5%	10.5%		10.5%	11.6%	12.5%	12.5%	12.2%	12.2%	11.3%	15.3%
<b>January</b>												
Consumer Products	10.5%	9.9%	10.6%		10.8%	11.6%	13.7%	13.7%	13.7%	12.7%	12.6%	-
Pet Products	18.6	23.1	20.0		20.4	18.4	22.3	22.3	21.1	21.1	17.4	-
Total	13.5	15.1	13.3		13.3	13.4	15.9	15.9	14.9	14.9	13.9	15.0%
Corporate	(1.1)	(1.5)	(1.6)		(1.5)	(0.9)	(0.8)	(0.8)	(0.4)	(0.4)	(0.9)	(0.6)
Total	12.4%	13.5%	11.7%		11.8%	12.5%	15.1%	15.1%	14.5%	14.5%	13.0%	14.4%
<b>April</b>												
Consumer Products		7.1%	10.3%			9.9%	13.5%	13.5%		10.8%	9.2%	
Pet Products		20.9	18.2			22.2	25.4	25.4		19.5	19.8	
Total		12.2	12.5			13.1	16.5	16.5		13.1	12.4	
Corporate		(1.5)	(1.6)			(1.5)	(0.9)	(0.9)		(0.2)	(0.8)	
Total		10.7%	10.9%			11.6%	15.6%	15.6%		12.9%	11.6%	

(a) Reflects divestiture of soup and infant feeding businesses. (b) Includes acquisitions of Meow Mix on May 19 and Milk-Bone on July 2. July quarter excludes \$10 million pretax gain on divestiture.

**Table 4: Del Monte Foods Company - Annual Income Statements (a)**

	F2008E		F2007 (b)		F2006		F2005 (c)		F2005		F2004 (d)
Net Sales	\$3,707.7	+9%	\$3,414.9	+14%	\$2,998.6	+3%	\$2,899.3		\$3,180.9	+2%	\$3,129.9
Cost of Products Sold	2,767.7		2,500.8		2,213.9		2,155.5		2,378.6		2,281.3
Gross Profit	940.0	+3	914.1	+16	784.7	+5	743.8		802.3	(5)	848.6
SG&A Expenses	549.0		539.8		479.9		419.5		448.4		425.6
Operating Income	391.0	+4	374.3	+23	304.8	(6)	324.3		353.9	(16)	423.0
Interest Expense	153.7		154.6		88.2		97.4		97.4		129.0
Other Expense (Income)	(2.1)		0.4		1.1		2.8		2.8		(1.7)
Total	151.6		155.0		89.3		100.2		100.2		127.3
Income Before Taxes	239.5	+9	219.3	+2	215.5	(4)	224.1		253.7	(14)	295.7
Income Taxes	84.4		71.5		78.5		83.8		94.4		107.9
Net Income	\$155.1	+5%	\$147.8	+8%	\$137.0	(3)%	\$140.3		\$159.3	(15)%	\$187.8
Diluted Shares	203.6	-	203.8	-	204.2	(4)%	212.4		212.4	+1%	211.2
Earnings Per Share	\$0.76	+6%	\$0.72	+7%	\$0.67	+2	\$0.66		\$0.75	(16)	\$0.89
% of Sales:											
Gross Profit	25.3%		26.8%		26.2%		25.7%		25.2%		27.1%
SG&A Expense	14.8		15.8		16.0		14.5		14.1		13.6
Operating Income	10.5		11.0		10.2		11.2		11.1		13.5
Effective Tax Rate	35.2%		32.6%		36.4%		37.4%		37.2%		36.5%

(a) April fiscal years. Millions except EPS. Excludes nonrecurring gains and charges.  
(b) Includes acquisitions of Meow Mix on May 19 and Milk-Bone on July 2. Excludes \$10 million pretax gain on divestiture.  
(c) Continuing operations. Reflects sale of soup and infant feeding businesses.  
(d) 53 weeks. EPS based on 52 weeks estimated at \$0.87.

## Analyst's Certification

I Robert J. Cummins certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. Other Del Monte Foods reports issued by me are: 3/4/05 (\$11) – Strong Buy – Target \$13-\$14; 7/20/05 (\$11.20) – Strong Buy – Target \$13-\$14; 9/29/05 (\$10.70) – Strong Buy – Target \$13-\$14; 12/7/05 (\$10.20) – Strong Buy – Target \$13-\$14; 1/12/06 (\$10.4) – Strong Buy – Target \$13-\$14; 3/30/06 (\$11.90) – Strong Buy – Target \$14-\$15; 6/15/06 (\$11.30) – Strong Buy – Target \$14-\$15; 7/26/06 (\$10.50) – Strong Buy – Target \$14-\$15; 9/15/06 (\$10.20) – Strong Buy – Target \$14-\$15, 12/7/06 (\$11.25) – Strong Buy – Target \$14-\$15; 3/19/07 (\$11.15) – Strong Buy – Target \$14-\$15; 6/27/07 (\$12) – Strong Buy – Target \$15-\$16; 9/5/07 (\$10.60) – Strong Buy – Target \$14-\$15; 12/19/07 (\$8.80) – Strong Buy – Target \$12-\$13.

## Important Disclosures

### Guide to Investment Ratings and Target Prices:

**Strong Buy ("1").** The stock's total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.

**Buy ("2").** The stock's total return is expected to exceed the average total return of the analyst's industry coverage universe over the next 12 months.

**Hold (Neutral) ("3").** The stock's total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.

**Sell ("4").** The stock's total return is expected to be below the average total return of the analyst's industry coverage universe over the next 12 months.

### Analyst's Ratings Distribution

		% Investment Banking
Buy*	71%	0%
Hold	29%	0%
Sell	0%	0%

\*Includes companies rated "Strong Buy" and "Buy."

Unless otherwise specified, the time frame for price targets included in this report is 12 months.

Our target prices are based on projected earnings for the following calendar year, and an assumed price/earnings ratio in line with the company's historical valuation or those of other companies with similar businesses and prospects.

The principal risks to the achievement of our price targets, in addition to general market trends, are disappointing earnings and a lower than expected price/earnings ratio.

## Important Disclosures, continued



The analyst and his household members hold positions in the common shares of the subject company in various accounts.

Capital Management Associates holds positions in the common shares of the subject company in managed accounts.

Neither Shields nor a director, officer or the research analyst has received any compensation for products or services from the subject company in the past 12 months.

## Other Disclosures and Disclaimers

This research report and recommendations agree with the personal opinion of the analyst who prepared this report.

Any financial interest that the research analyst or member of the analyst's household or any other individual directly involved with the preparation of this report has in the subject company, has been disclosed in the Important Disclosures section.

Investing is a risky activity and can lead to substantial losses. This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Shields & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

## **Other Disclosures and Disclaimers, continued**

This report is not an offer to buy or sell any security or to participate in any trading strategy. Shields & Company and/or its employees not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Shields & Company or associated persons. The firm does not make a market in the shares of the companies mentioned, has no relationship with them, and has not received any compensation from them.

Shields & Company makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

Reports prepared by Shields & Company and its research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other business areas.

Shields & Company research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses from such visits.