

TAIWAN

Nanya PCB

15 January 2009

8046 TT **Neutral**

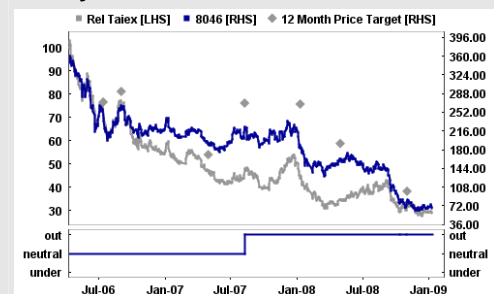
| | | |
|-----------------------------|------|-------------|
| Stock price as of 13 Jan 09 | NT\$ | 66.90 |
| 12-month target | NT\$ | 61.20 |
| Upside/downside | % | -8.5 |
| Valuation | NT\$ | 54.00-68.00 |
| - PER | | |

| | | | |
|------------------------|---------------------------------|--------|--|
| GICS sector | technology hardware & equipment | | |
| Market cap | NT\$m | 41,355 | |
| 30-day avg turnover | NT\$m | 119.8 | |
| Market cap | US\$m | 1,244 | |
| Number shares on issue | m | 618.2 | |

Investment fundamentals

| Year end 31 Dec | | 2007A | 2008E | 2009E | 2010E |
|------------------|------|--------|--------|--------|--------|
| Total revenue | m | 38,704 | 37,196 | 29,688 | 32,980 |
| Reported profit | m | 8,525 | 6,596 | 4,204 | 5,752 |
| Profit bonus exp | m | 8,525 | 6,596 | 4,204 | 5,752 |
| Bon exp/rep prof | % | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted profit | m | 8,525 | 6,564 | 4,204 | 5,752 |
| EPS rep | NT\$ | 13.53 | 10.67 | 6.80 | 9.30 |
| EPS rep growth | % | -16.9 | -21.1 | -36.3 | 36.8 |
| EPS bonus exp | NT\$ | 13.53 | 10.67 | 6.80 | 9.30 |
| EPS bonus growth | % | -16.9 | -21.1 | -36.3 | 36.8 |
| PE rep | x | 4.9 | 6.3 | 9.8 | 7.2 |
| PE bonus exp | x | 4.9 | 6.3 | 9.8 | 7.2 |
| Total DPS | NT\$ | 11.89 | 9.60 | 6.12 | 8.37 |
| Total div yield | % | 17.8 | 14.4 | 9.1 | 12.5 |
| ROA | % | 17.2 | 14.2 | 8.8 | 12.5 |
| ROE | % | 21.6 | 17.3 | 11.5 | 15.7 |
| EV/EBITDA | x | 3.4 | 3.8 | 6.4 | 4.8 |
| Net debt/equity | % | -16.3 | -12.8 | -5.5 | -7.8 |
| Price/book | x | 1.1 | 1.1 | 1.2 | 1.1 |

8046 TT rel Taiex performance, & rec history



Source: FactSet, Macquarie Research, January 2009 (all figures in NT\$ unless noted)

Analyst

| | |
|---------------------|----------------------------|
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Looking for a better valuation

Event

- We downgrade Nanya PCB (NYPCB) from Outperform to Neutral with a target price of NT\$61.2, and we cut our earnings forecasts due to muted demand and margin pressure. Coverage of this stock has been transferred to James Chiu.

Impact

- Worse-than-expected outlook.** We expect NYPCB's high-margined FC substrate utilization to drop significantly due to Intel's (INTC US, NR) downward revisions because Intel is the single-largest customer for NYPCB. We are also concerned that any potential rise in Intel inventory will further suppress the demand for IC substrates. Combined with the foreseeable ASP pressure, we expect NYPCB's 1Q09 revenue to decline by 39% QoQ and 48% YoY and FY09 sales to drop by 20% YoY.
- Margin under pressure.** Even with the larger-than-expected drop in revenue, we believe the effect on NYPCB's margin is more significant. In addition to pricing pressure, we expect its low utilization to further dampen the margin. We expect NYPCB's substrate utilization rate to drop to 40–50% in 1H09, compared with our estimate of 80% utilization in FY08. As a result, we expect the 1H09 OPM to decline to an historical low of 6%, compared with our estimate of 17% for FY08.
- Positioned to be a long-term winner.** We believe NYPCB is positioned to be a long-term winner due to its low-cost structure and ability to expand further from a strong balance sheet. We estimate that NYPCB's operating break-even point is 35–40% utilization, the lowest among the industry, due to its vertical integration and management execution. In addition, its strong balance sheet (net cash and positive FCF) should enable it to continue expanding market share through capacity expansions once demand improves.

Earnings revision

- We cut our 2009E EPS by 38% due to declining revenue and margin erosion.

Price catalyst

- 12-month price target: NT\$61.20 based on a PER methodology.
- Catalyst: Intel's worse-than-expected outlook and increasing pricing pressure.

Action and recommendation

- We do not believe NYPCB will be immune to the deteriorating FC demand and continuous pricing pressure from major customers. Despite the resulting earnings erosion, we believe NYPCB should survive the downturn. Also, we believe it is positioned to expand market share once FC demand improves with Intel's new platform launches. Compared with its regional peers, NYPCB is trading at a discount, with higher earnings quality and attractive dividend yields (9–14%). Our TP of NT\$61.2 (previously NT\$100) is derived from its trough valuation of 9x 2009E PER.

Please refer to the important disclosures and analyst certification on inside back cover of this document, or on our website www.macquarie.com.au/research/disclosures.

NGK relationship

NGK plays an important role in NYPCB's Intel CPU business because NGK outsources the front-end process to NYPCB. Due to continued losses at its FC division, NGK's strategy in its FC business will significantly affect NYPCB's outlook. Our NGK analyst, George Chang, believes that there are three options.

- ⇒ Embark on further expansions and hope for yield-rate improvement.
- ⇒ Stop expansion and return to its outsourcing strategy using NYPCB.
- ⇒ Sell the business to NYPCB.

Under the first option, we believe NYPCB's business momentum would be affected the most because NGK could reduce its outsourcing as a result.

NYPCB and NGK could maintain their existing relationship under the second option. The increasing outsourcing order would benefit NYPCB's business momentum.

As for the third option, NYPCB's management indicated that this option is open. Although it could be an express ticket to Intel's CPU business, managing a plant in Japan may not be the expertise of NYPCB. We believe a more-probable solution could be for NYPCB to purchase and move NGK's equipment to NYPCB's existing production site. We believe this would be most beneficial to NYPCB because the company would gain direct access to Intel's CPU orders while expanding its capacity.

Unless NGK opts for the first option, the other two options should benefit NYPCB.

Nehalem stimulates FC demand

We expect the new Nehalem platform, which Intel plans to launch in 4Q09, to act as a catalyst for NYPCB. In comparison to the existing platform, which uses three substrates (two FC and one PBGA), the new Nehalem platform will utilize two FC substrates. Although the new FC substrates incorporate more layers and consume more capacity, the finer pitch could also reduce the yield. As a result of platform migration, the technology advancement could consume more capacity and reduce the oversupply imbalance. We expect NYPCB to be a beneficiary because the company continues expanding its capacity, while most of its competitors are halting their plans due to macro headwinds.

Fig 1 Comparison of CPU new platform

| MonteVina | | | | Calpella (Nehalem Microarchitecture) | | | |
|--------------|-------|-------------------|---------|--------------------------------------|-------|---------------------|-------------------|
| Component | layer | area | pitch | Component | layer | area | pitch |
| CPU | 6 | 35mm ² | 15/16μm | FC. MCP | 4+4+4 | 37.5mm ² | 10/10μm |
| North bridge | 6 | 34mm ² | 14/14μm | FC. PCH | 6 | 25mm ² | 10/10 or 12/12 μm |
| South bridge | 4 | 31mm ² | 50/60μm | | | | |

Source: Macquarie Research, January 2009

Loans to affiliated companies: Not a big issue

We believe some investors are concerned about NYPCB's loans to its affiliated companies. NYPCB's management indicated that the loans are for short-term funding between group companies. The loan to Nanya Tech could be a concern, but management affirmed that the loan is secured.

Fig 2 Loans to affiliated companies

| Company | Ticker | Facility (NT\$m) | Outstanding (NT\$m) |
|-----------------|------------|------------------|---------------------|
| FCFC | 1326 TT | 1,000 | 797 |
| FPCC | 6505 TT | 1,000 | 756 |
| Nanya Tech | 2408 TT | 4,000 | 3,583 |
| Asia Investment | not listed | 3,400 | 2,808 |
| Pei Jen Co. | not listed | 100 | 100 |
| Total | | 9,500 | 8,044 |

Source: Macquarie Research, January 2009

Peer comparison

Compared with NYPCB's regional peers, it is evident that the FC substrate sector is suffering from a severe profit decline in FY09. In fact, our estimate of a 36% YoY drop in NYPCB's FY09 earnings is the smallest decline. In addition, the stock is trading at the lowest FY09E PER, while generating the highest ROE and dividend yield. Along with Ibiden and Shinko, NYPCB is running at net cash, as the company is debt-free. We expect companies with a strong balance sheet to continue funding capacity expansion and technology advancement, which should increase long-term competitiveness.

Fig 3 Valuation table – Flip chip makers

| Company | Ticker | Mkt Price Cap | | TP Rating | EPS | | Revenue growth % | | Profit growth % | | PE | | PB | | ROE % | | Dividend yield % | | Net debt / Equity | | |
|---------|-----------|---------------|----------|-----------|----------|-------|------------------|------|-----------------|-------|-------|------|------|------|-------|------|------------------|------|-------------------|-------|-------|
| | | US\$ m | Local \$ | | Local \$ | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| NYPCB | 8046 TT | 1,239 | 66.6 | 61.2 | N | 10.7 | 6.8 | -3.9 | -20.2 | -22.6 | -36.3 | 6.2 | 9.8 | 1.1 | 1.2 | 17.4 | 11.5 | 14.4 | 9.1 | -12.7 | -5.4 |
| PPT | 2446 TT | 169 | 7.8 | 6.5 | UP | 0.4 | 0.0 | 3.2 | -16.7 | -75.2 | -100 | 18.0 | nmf | 0.5 | 0.5 | 4.4 | 0.9 | 0.0 | 0.0 | 29.8 | 17.3 |
| Shinko | 6967 JP | 950 | 631 | 700 | OP | 83.9 | 20.8 | 4.4 | -18.5 | -36.5 | -77.1 | 7.5 | 30.4 | 0.6 | 0.6 | 8.7 | 4.0 | 4.8 | 3.0 | -13.8 | -24.6 |
| Ibiden | 4062 JP | 2,963 | 1,763 | 2,000 | OP | 307.5 | 110.1 | 3.7 | -15.9 | -4.8 | -64.1 | 5.7 | 16.0 | 0.9 | 0.9 | 16.9 | 6.5 | 3.3 | 3.6 | -8.7 | -8.6 |
| NGPSK | 5334 JP | 1,813 | 709 | 650 | UP | 96.5 | 30.6 | 0.2 | -1.8 | -34.1 | -68.1 | 7.3 | 23.2 | 0.6 | 0.6 | 7.9 | 2.6 | 3.8 | 3.8 | 6.0 | 1.3 |
| Semco | 009150 KS | 2,089 | 37,700 | 26,000 | UP | 858.0 | 687.9 | 22.2 | 5.1 | -46.1 | -19.8 | 43.9 | 54.8 | 1.4 | 1.4 | 3.3 | 2.6 | 1.4 | 2.7 | 39.8 | 36.6 |
| Avg | | | | | | | | | | | | 14.8 | 26.8 | 0.8 | 0.8 | 9.7 | 4.7 | 4.6 | 3.7 | 6.7 | 2.8 |

Source: Macquarie Research, January 2009

Fig 4 Earnings revisions

| | FY08 | | | FY09 | | |
|------------------|--------|--------|-------|--------|--------|--------|
| | New | Old | +/- | New | Old | +/- |
| Revenue | 37,196 | 39,231 | -5.2% | 29,688 | 35,526 | -16.4% |
| Gross Profit | 7,609 | 8,228 | -7.5% | 4,926 | 7,483 | -34.2% |
| Operating Profit | 6,300 | 6,832 | -7.8% | 3,786 | 5,850 | -35.3% |
| Pre-Tax Profit | 8,054 | 8,727 | -7.7% | 5,158 | 8,027 | -35.7% |
| Net Profit | 6,596 | 7,161 | -7.9% | 4,204 | 6,823 | -38.4% |
| Gross Margin | 20.5% | 21.0% | | 16.6% | 21.1% | |
| Operating Margin | 16.9% | 17.4% | | 12.8% | 16.5% | |
| Net Margin | 17.7% | 18.3% | | 14.2% | 19.2% | |

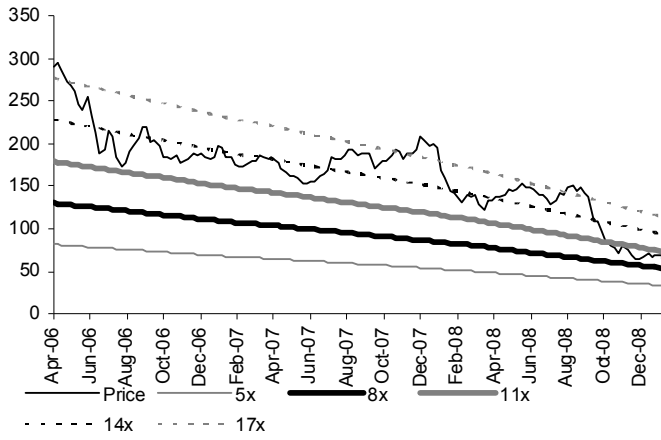
Source: Macquarie Research, January 2009

Fig 5 Consensus comparison

| | FY08 | | | FY09 | | |
|------------------|--------|--------|--------|--------|--------|--------|
| | Macq | IBES | +/- | Macq | IBES | +/- |
| Revenue | 37,196 | 38,403 | -3.1% | 29,688 | 33,826 | -12.2% |
| Operating Profit | 6,300 | 7,220 | -12.7% | 3,786 | 6,109 | -38.0% |
| Pre-Tax Profit | 8,054 | 8,369 | -3.8% | 5,158 | 6,226 | -17.1% |
| Net Profit | 6,596 | 6,814 | -3.2% | 4,204 | 5,343 | -21.3% |
| Operating Margin | 16.9% | 18.4% | | 12.8% | 17.2% | |
| Net Margin | 17.7% | 17.4% | | 14.2% | 15.0% | |

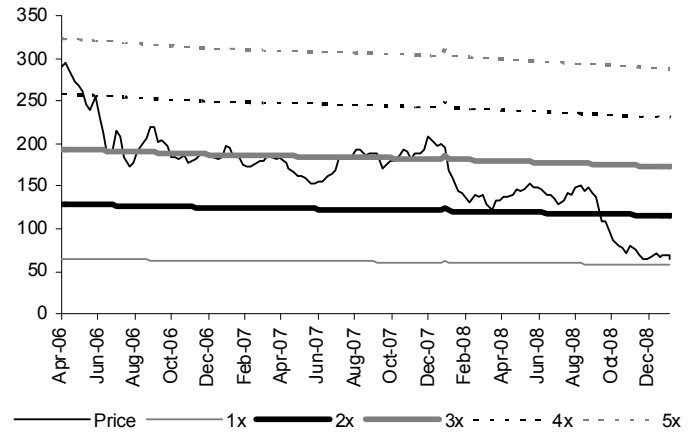
Source: Macquarie Research, January 2009

Fig 6 1-year forward PER



Source: Macquarie Research, January 2009

Fig 7 1-year forward P/BV



Source: Macquarie Research, January 2009

Nanya PCB (8046 TT, Neutral, Target price: NT\$61.20)

| Quarterly Results | | | | | | Profit & Loss | | | | | |
|--------------------------------|------|--------|--------|--------|--------|-----------------------------------|-------|---------------|---------------|---------------|---------------|
| | | 3Q/08A | 4Q/08E | 1Q/09E | 2Q/09E | | 2007A | 2008E | 2009E | 2010E | |
| Revenue | m | 10,626 | 7,779 | 4,756 | 6,624 | Revenue | m | 38,704 | 37,196 | 29,688 | 32,980 |
| Gross Profit | m | 2,424 | 1,337 | 362 | 846 | Gross Profit | m | 9,340 | 7,609 | 4,926 | 6,660 |
| Operating Expenses | m | -386 | -311 | -214 | -285 | Operating Expenses | m | -1,410 | -1,308 | -1,140 | -1,183 |
| Operating Income | m | 2,038 | 1,025 | 148 | 561 | Operating Income | m | 7,930 | 6,300 | 3,786 | 5,477 |
| Net Non-operating income | m | 1,023 | 352 | 233 | 296 | Net Non-operating income | m | 2,117 | 1,754 | 1,372 | 1,580 |
| Pre-Tax Income | m | 3,061 | 1,377 | 381 | 857 | Pre-Tax Income | m | 10,047 | 8,054 | 5,158 | 7,057 |
| Tax Expense | m | -571 | -255 | -70 | -159 | Tax Expense | m | -1,521 | -1,459 | -954 | -1,306 |
| Exceptionals | m | 4 | 0 | 0 | 0 | Exceptionals | m | 0 | 31 | 0 | 0 |
| Minority Interests | m | 0 | 0 | 0 | 0 | Minority Interests | m | 0 | 0 | 0 | 0 |
| Reported Earnings | m | 2,489 | 1,122 | 310 | 698 | Reported Earnings | m | 8,525 | 6,596 | 4,204 | 5,752 |
| Reported Earnings (bonus exp) | m | 2,489 | 1,122 | 310 | 698 | Reported Earnings (bonus exp) | m | 8,525 | 6,596 | 4,204 | 5,752 |
| Bonus exp / Reported Earnings | % | 0.0 | 0.0 | 0.0 | 0.0 | Bonus exp / Reported Earnings | % | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted Earnings | m | 2,485 | 1,122 | 310 | 698 | Adjusted Earnings | m | 8,525 | 6,564 | 4,204 | 5,752 |
| EBITDA | m | 2,717 | 1,325 | 446 | 858 | EBITDA | m | 10,685 | 8,664 | 5,000 | 6,753 |
| EPS (rep) | NT\$ | 4.03 | 1.82 | 0.50 | 1.13 | EPS (rep) | NT\$ | 13.53 | 10.67 | 6.80 | 9.30 |
| EPS pcg growth (rep) | % | 5.6 | -58.5 | -76.9 | -57.5 | EPS growth (rep) | % | -16.9 | -21.1 | -36.3 | 36.8 |
| EPS (rep bonus exp) | NT\$ | 4.03 | 1.82 | 0.50 | 1.13 | EPS (rep bonus exp) | NT\$ | 13.53 | 10.67 | 6.80 | 9.30 |
| EPS pcg growth (rep bonus exp) | % | 5.6 | -58.5 | -76.9 | -57.5 | EPS growth (rep bonus exp) | % | -16.9 | -21.1 | -36.3 | 36.8 |
| EPS (adj) | NT\$ | 4.02 | 1.82 | 0.50 | 1.13 | EPS (adj) | NT\$ | 13.55 | 10.62 | 6.80 | 9.30 |
| EPS pcg growth (adj) | % | 5.4 | -58.5 | -76.5 | -57.4 | EPS growth (adj) | % | -16.7 | -21.6 | -36.0 | 36.8 |
| Revenue pcg growth | % | 5.6 | -33.3 | -47.7 | -31.7 | PE (rep) | x | 4.9 | 6.3 | 9.8 | 7.2 |
| Operating Income pcg growth | % | -11.0 | -61.5 | -91.3 | -63.2 | PE (rep bonus adj) | x | 4.9 | 6.3 | 9.8 | 7.2 |
| Reported Earnings pcg growth | % | 2.9 | -58.5 | -76.9 | -57.5 | PE (adj) | x | 4.9 | 6.3 | 9.8 | 7.2 |
| Gross Profit Margin | % | 22.8 | 17.2 | 7.6 | 12.8 | Total DPS | NT\$ | 11.89 | 9.60 | 6.12 | 8.37 |
| Operating Income Margin | % | 19.2 | 13.2 | 3.1 | 8.5 | Total Div Yield | % | 17.8 | 14.4 | 9.1 | 12.5 |
| Reported Earnings Margin | % | 23.4 | 14.4 | 6.5 | 10.5 | Weighted Average Shares | m | 630.3 | 618.0 | 618.2 | 618.2 |
| EBITDA Margin | % | 25.6 | 17.0 | 9.4 | 13.0 | Period End Shares | m | 617.9 | 618.2 | 618.2 | 618.2 |
| Profit and Loss Ratios | | | | | | Cashflow Analysis | | | | | |
| | | 2007A | 2008E | 2009E | 2010E | | 2007A | 2008E | 2009E | 2010E | |
| Revenue Growth | % | 6.2 | -3.9 | -20.2 | 11.1 | Reported Earnings | m | 8,525 | 6,596 | 4,204 | 5,752 |
| Gross Profit Growth | % | -20.4 | -18.5 | -35.3 | 35.2 | Depreciation & Amortisation | m | 2,756 | 2,363 | 1,213 | 1,276 |
| Operating Income Growth | % | -25.0 | -20.5 | -39.9 | 44.7 | Chgs in Working Cap | m | -2,414 | 162 | -345 | 122 |
| Reported Earnings Growth | % | -16.8 | -22.6 | -36.3 | 36.8 | Other | m | -735 | -1,897 | -1,285 | -1,540 |
| EBITDA Growth | % | -18.5 | -18.9 | -42.3 | 35.1 | Operating Cashflow | m | 8,132 | 7,224 | 3,787 | 5,609 |
| Gross Profit Margin | % | 24.1 | 20.5 | 16.6 | 20.2 | Acquisitions | m | 0 | 0 | 0 | 0 |
| Operating Income Margin | % | 20.5 | 16.9 | 12.8 | 16.6 | Capex | m | -2,108 | -2,019 | -1,000 | -1,200 |
| Reported Earnings Margin | % | 22.0 | 17.7 | 14.2 | 17.4 | Asset Sales | m | -217 | 0 | 0 | 0 |
| EBITDA Margin | % | 27.6 | 23.3 | 16.8 | 20.5 | Other | m | 2,549 | 0 | 0 | 0 |
| Payout Ratio | % | 87.7 | 90.4 | 90.0 | 90.0 | Investing Cashflow | m | 224 | -2,019 | -1,000 | -1,200 |
| EV/EBITDA | x | 3.4 | 3.8 | 6.4 | 4.8 | Dividend (Ordinary) | m | -9,046 | -7,672 | -5,936 | -3,784 |
| EV/EBIT | x | 4.6 | 5.0 | 8.1 | 5.7 | Equity Raised | m | 0 | 0 | 0 | 0 |
| Balance Sheet Ratios | | | | | | Debt Movements | m | 0 | 606 | 300 | 360 |
| ROE | % | 21.6 | 17.3 | 11.5 | 15.7 | Other | m | -2,342 | 56 | -2 | -2 |
| ROA | % | 17.2 | 14.2 | 8.8 | 12.5 | Financing Cashflow | m | -11,388 | -7,010 | -5,638 | -3,426 |
| ROIC | % | 25.5 | 16.0 | 9.5 | 13.2 | Net Chg in Cash/Debt | m | -3,031 | -1,806 | -2,851 | 984 |
| Net Debt/Equity | % | -16.3 | -12.8 | -5.5 | -7.8 | Free Cashflow | m | 6,024 | 5,204 | 2,787 | 4,409 |
| Interest Cover | x | nmf | nmf | nmf | nmf | FCF per Share | NT\$ | 9.56 | 8.42 | 4.51 | 7.13 |
| Price/Book | x | 1.1 | 1.1 | 1.2 | 1.1 | P/FCF | x | 7.0 | 7.9 | 14.8 | 9.4 |
| Book Value per Share | NT\$ | 62.3 | 60.6 | 57.8 | 60.9 | Balance Sheet | | 2007A | 2008E | 2009E | 2010E |
| | | | | | | Cash | m | 6,264 | 5,204 | 2,564 | 3,772 |
| | | | | | | Receivables | m | 0 | 7,868 | 7,422 | 7,611 |
| | | | | | | Inventories | m | 2,872 | 3,577 | 3,996 | 3,805 |
| | | | | | | Investments | m | 16,504 | 10,188 | 10,928 | 11,844 |
| | | | | | | Fixed Assets | m | 9,736 | 9,521 | 9,372 | 9,373 |
| | | | | | | Intangibles | m | 0 | 0 | 0 | 0 |
| | | | | | | Other Assets | m | 9,302 | 7,775 | 8,129 | 8,554 |
| | | | | | | Total Assets | m | 44,677 | 44,132 | 42,412 | 44,959 |
| | | | | | | Payables | m | 3,310 | 2,276 | 1,905 | 2,025 |
| | | | | | | Short Term Debt | m | 0 | 202 | 302 | 422 |
| | | | | | | Long Term Debt | m | 0 | 202 | 302 | 422 |
| | | | | | | Provisions | m | 1,555 | 0 | 0 | 0 |
| | | | | | | Other Liabilities | m | 1,303 | 4,017 | 4,200 | 4,420 |
| | | | | | | Total Liabilities | m | 6,168 | 6,697 | 6,709 | 7,288 |
| | | | | | | Total S/H Equity | m | 38,509 | 37,435 | 35,703 | 37,671 |
| | | | | | | Total Liab & S/H Funds | m | 44,677 | 44,132 | 42,412 | 44,959 |

All figures in NT\$ unless noted.
Source: Macquarie Research, January 2009

Important disclosures:

| Recommendation definitions | Volatility index definition* | Financial definitions | | | | |
|--|---|---|------------|------------|-----------|------------|
| <p>Macquarie - Australia/New Zealand Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie – Asia/Europe Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie First South - South Africa Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie - Canada Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie - USA Outperform (Buy) – return >5% in excess of benchmark return Neutral (Hold) – return within 5% of benchmark return Underperform (Sell) – return >5% below benchmark return</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p> | <p>Volatility index definition* This is calculated from the volatility of historical price movements.</p> <p>Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 30–40% in a year.</p> <p>Low–medium – stock should be expected to move up or down at least 25–30% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year. * Applicable to Australian/NZ/Canada stocks only</p> | <p>Financial definitions All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / epowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p> | | | | |
| Recommendation proportions – For quarter ending 31 December 2008 | | | | | | |
| | AU/NZ | Asia | RSA | USA | CA | EUR |
| Outperform | 38.55% | 50.61% | 64.52% | 53.13% | 65.55% | 43.00% |
| Neutral | 41.82% | 15.92% | 25.81% | 40.63% | 27.73% | 48.00% |
| Underperform | 19.64% | 33.47% | 9.68% | 6.25% | 6.72% | 9.00% |

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