

TAIWAN

# MediaTek Inc.

9 February 2009

**2454 TT** **Outperform**

Stock price as of 06 Feb 09	NT\$	255.50
12-month target	NT\$	320.00
Upside/downside	%	+25.2
Valuation	NT\$	320.00
- PER		

GICS sector	semiconductors & semiconductor equipment	
Market cap	NT\$m	274,190
30-day avg turnover	NT\$m	2,356.8
Market cap	US\$m	8,150
Number shares on issue	m	1,073

## Investment fundamentals

Year end 31 Dec		2007A	2008E	2009E	2010E
Total revenue	bn	80.4	90.4	89.3	101.0
Reported profit	bn	33.6	19.2	22.3	26.6
Profit bonus exp	bn	22.2	19.2	22.3	26.6
Bon exp/rep prof	%	33.9	0.0	0.0	0.0
Adjusted profit	bn	22.2	19.2	22.3	26.6
EPS rep	NT\$	32.64	17.88	20.82	24.74
EPS rep growth	%	45.7	-45.2	16.4	18.8
EPS bonus exp	NT\$	21.58	17.88	20.82	24.74
EPS bonus growth	%	40.9	-17.1	16.4	18.8
PE rep	x	7.8	14.3	12.3	10.3
PE bonus exp	x	11.8	14.3	12.3	10.3
Total DPS	NT\$	19.02	13.71	16.16	19.59
Total div yield	%	7.4	5.4	6.3	7.7
ROA	%	36.5	22.6	22.0	24.8
ROE	%	28.9	22.9	26.9	30.7
EV/EBITDA	x	6.3	10.0	9.6	8.1
Net debt/equity	%	-58.8	-64.9	-61.4	-63.3
Price/book	x	3.1	3.4	3.2	3.1

## 2454 TT rel Taix performance, & rec history



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

## Analysts

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## Underdog delivers

### Event

- Given the better-than-expected 1Q09 guidance, we maintain our Outperform on MediaTek (MTK) and raise our TP from NT\$300 to NT\$320, still based on 15x our 2009E EPS.

### Impact

- Continuous market-share gains in the handset market.** Based on guidance, we forecast that MTK's handset IC sales and shipments will rise by 10%+ YoY, compared with our -15% YoY global handset shipments expectation for 1Q09. The strong YoY handset growth echoes our view that MTK is expanding its market share at the expense of its global IDM peers (Figure 3). We expect MTK's customers to continue to gain market share in both China and emerging markets and MTK to post YoY growth in its handset ICs vs a 10% YoY decline in global handsets forecast for 2009.
- Upside surprise to 1Q09 outlook.** The 8–16% QoQ sales decline guidance and flat GM were both slightly better than our and consensus estimates due to the healthy China handset sell-through during the CNY and MTK's continuous cost-down. MTK indicated that IC inventory in China remains very low, and its handset ICs should show the mildest QoQ decline among all products. OPEX (excluding employee bonuses) may drop significantly to NT\$4.5–4.7bn in 1Q09 from NT\$5.7bn in 4Q08. Inventory days (DOIs) dropped to 71 days (NT\$5.5bn) vs our/Street expectations of 90–100 days due to its early reduction of wafer/back-end orders. MTK expects inventory value to be similar exiting 1Q09. We see moderate upside to our previous forecast.
- Product roadmap on track.** MTK expects its W-CDMA ICs and smart-phone ICs to enter mass production in 2H09, in line with the schedule. TD-SCDMA ICs are shipped along with Datang's software. Our telecom team expects new subs for TD-SCDMA to reach 10m in 2009. For Blu-ray (BD) ICs, both PC-BD and BD player ICs are shipped to tier-one clients.
- 4Q08 OP profit broadly in line.** 4Q08 EPS of NT\$2.7 (-60% QoQ and -31% YoY) was 12% below our estimate due largely to an investment impairment loss, which we highlighted in early-December. GM of 54.5% and OPM of 22.9% were both broadly in line. Handset ICs accounted for 60–65% of total sales, followed by 15–20% for PC OSDs and 10–20% for DVD players and D-TVs, respectively. 2008 net profit was NT\$19.2bn (EPS NT\$17.9), -14% YoY.

### Earnings revision

- We raise our 2009/10E EPS by 5% and 5%, respectively (Figure 5).

### Price catalyst

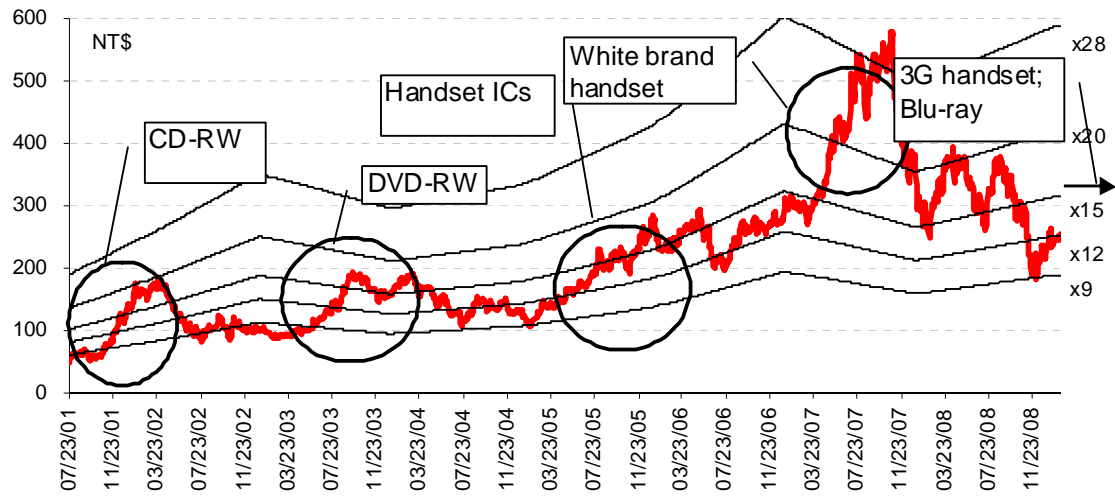
- 12-month price target: NT\$320.00 based on a PER methodology.
- Catalyst: Stronger-than-expected sales/GM outlook and new products roll-out.

### Action and recommendation

- MediaTek should continue to gain market shares globally, and its 1Q09 guidance remains higher than that of its major competitors. Structurally, MTK should benefit from the China 3G roll-out, and its market-share gains should support its stock to re-rate. Financially, MTK is also better off than its global handset IC IDM peers. MediaTek is our top pick in the regional semi space.

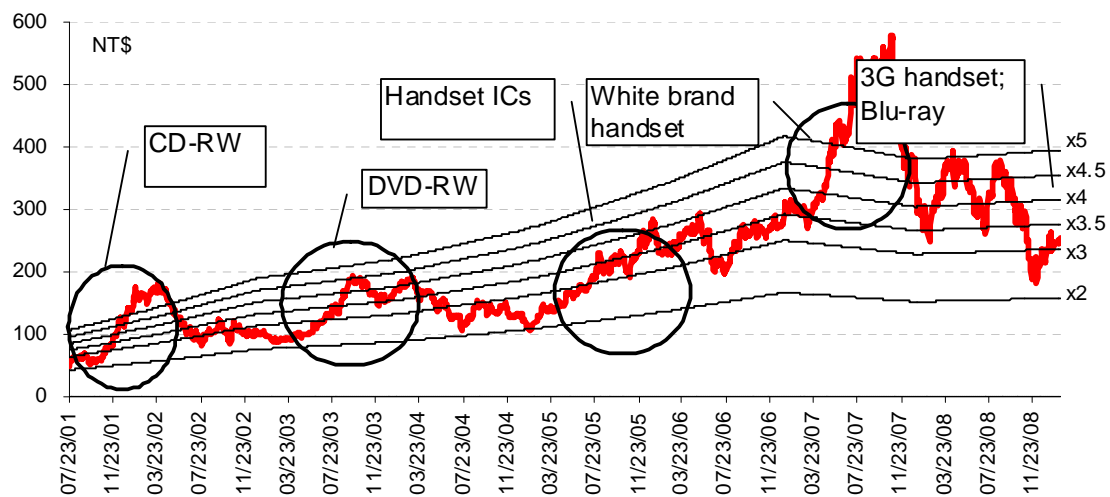
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**Fig 1 MediaTek's PER**



Source: TEJ, Macquarie Research, February 2009

**Fig 2 MediaTek's P/BV**



Source: TEJ, Macquarie Research, February 2009

**Fig 3 1Q09 guidance comparison of MediaTek and its handset peers**

Ticker	Company	1Q09 - QoQ	1Q09 - YoY
2454 TT	MediaTek - handset*	-12%	12%
QCOM	Qualcomm	-7%	-10%
TXN	TI	-25%	-42%
BRCM	Broadcom	-25%	-20%
IFX	Infineon	-10%	-29%

MediaTek figures are based on MACQ forecast, all others are mid-point of the companies' guidance. Qualcomm, TI, Broadcom, and Infineon did not provide guidance breakdown by end-application.

Source: Company data, Macquarie Research, February 2009

Fig 4 Financial comparison of MTK and global IDM peers

			3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
MediaTek	net cash	NT\$m	53,604.0	60,506.0	51,744.5	58,198.5	48,484.6	57,594.0
2454 TT	Current ratio	%	519.3	629.7	563.4	211.2	327.7	404.1
	Quick ratio	%	449.4	546.0	486.0	180.8	285.6	371.9
	Net cash (debt) / equity	%	67.7	70.3	58.2	82.5	61.9	70.4
			3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Infineon	net cash	EUR m	663.0	-92.0	-529.0	-407.0	-287.0	-293.0
IFX US	Current ratio	%	182.6	167.5	184.6	160.3	126.5	123.8
	Quick ratio	%	140.3	129.6	165.5	140.3	108.4	103.8
	Net cash (debt) / equity	%	11.0	-1.7	-14.0	-13.1	-13.3	-15.7
			3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Freescale	net cash	US\$m	-8,711.0	-8,722.0	-8,197.0	-8,171.0	-8,061.0	-8,379.0
FSL US	Current ratio	%	197.1	264.6	223.2	237.9	256.4	298.0
	Quick ratio	%	129.7	190.6	172.6	181.6	199.1	223.0
	Net cash (debt) / equity	%	-238.4	-273.4	-275.5	-291.8	nmf	nmf
			3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
TI	net cash	US\$m	3,669.0	2,924.0	1,876.0	1,648.0	1,993.0	2,450.0
TXN US	Current ratio	%	396.5	341.6	323.3	341.5	357.4	378.0
	Quick ratio	%	325.1	271.6	237.9	247.7	266.8	288.0
	Net cash (debt) / equity	%	32.9	29.3	19.0	16.5	19.7	27.0

Note 1: MediaTek is substantially better than its global IDM peers in terms of financial health, including current ratio, quick ratio, and net debt / equity.

Note 2: net debt / equity for Freescale at 3Q-4Q08 was not meaningful as its owners' equity was also negative.

Source: Company data, Macquarie Research, February 2009

Fig 5 MACQ's earnings revision for MediaTek

		2008			2009			2010		
		Current	Previous	Var.	Current	Previous	Var.	Current	Previous	Var.
Sales	NT\$bn	90.4	90.2	0.2	89.3	84.6	5.6	101.0	96.2	5.0
GP	NT\$bn	48.6	48.6	-0.1	49.1	46.7	5.2	55.9	53.3	4.9
OP profit	NT\$bn	22.3	22.4	-0.2	22.3	21.0	6.3	26.5	25.2	5.3
Net profit	NT\$bn	19.2	19.6	-2.2	22.3	21.4	4.5	26.6	25.2	5.3
EPS	NT\$	17.88	18.28	-2.2	20.82	19.93	4.5	24.74	23.49	5.3
GM	%	53.7	53.9	-0.2	55.0	55.2	-0.2	55.3	55.4	-0.1
OP margin	%	24.7	24.8	-0.1	25.0	24.8	0.2	26.2	26.1	0.1
Net margin	%	21.2	21.7	-0.5	25.0	25.3	-0.3	26.3	26.2	0.1

Source: Company data, Macquarie Research, February 2009

Fig 6 MACQ's earnings model for MTK

Assumptions	1Q07A	2Q07A	3Q07A	4Q07A	1Q08A	2Q08A	3Q08A	4Q08A	1Q09E	2Q09E	3Q09E	4Q09E	2007A	2008E	2009E	2010E
<b>Shipments (m units)</b>																
PC-OSDs	25.7	27.6	35.8	29.5	27.9	32.9	37.1	24.8	20.9	24.0	28.4	27.5	118.7	122.7	100.8	112.8
Consumer OSDs	13.9	17.7	22.3	17.7	15.8	18.9	20.0	13.1	11.4	13.1	15.1	13.6	71.6	67.8	53.2	53.3
Handsets - total	21.0	30.0	54.0	40.5	44.9	55.1	72.2	58.1	50.8	57.2	71.3	66.0	145.5	230.3	245.4	284.6
D-TV	1.7	2.5	4.8	5.4	5.2	5.9	6.3	2.9	2.4	2.8	4.2	5.0	14.3	20.3	14.4	21.4
<b>Sales (%)</b>																
PC-OSDs	26.3	23.0	20.2	20.6	19.9	19.5	17.6	16.0	16.4	17.3	17.2	17.8	22.1	18.2	17.2	17.5
Consumer OSDs	13.8	14.2	11.9	11.7	10.5	10.4	9.0	8.0	7.8	7.9	7.0	6.3	12.8	9.5	7.2	5.6
Handsets	51.3	51.3	55.4	54.3	52.7	54.0	57.4	63.2	63.1	62.7	62.8	61.2	53.5	56.9	62.4	62.6
Handsets - ADI	0.0	0.0	0.0	0.0	5.3	5.2	5.3	5.3	5.3	4.9	4.6	4.6	0.0	5.2	4.8	4.6
D-TV	8.6	11.2	11.4	12.7	10.6	9.1	8.3	5.0	4.8	4.8	5.5	6.6	11.2	8.2	5.5	6.4
Others	0.0	0.2	1.0	0.7	1.0	1.8	2.5	2.5	2.5	2.5	2.8	3.5	0.5	2.0	2.9	3.3
Forex	32.9	33.1	33.0	32.2	31.5	30.5	31.7	32.8	33.5	33.5	33.5	33.5	32.8	31.6	33.5	32.5
<b>P&amp;L (NT\$bn)</b>																
Revenue	14.9	18.4	26.7	20.4	19.4	22.3	28.1	20.7	18.1	20.4	25.7	25.0	80.4	90.4	89.3	101.0
COGS	6.4	8.1	11.5	9.2	9.3	10.3	12.8	9.4	8.2	9.1	11.5	11.3	35.2	41.8	40.2	45.1
Gross profit	8.6	10.3	15.2	11.1	10.1	12.0	15.2	11.3	9.9	11.3	14.2	13.7	45.2	48.6	49.1	55.9
OPN expense	5.0	5.4	7.3	6.8	6.0	6.2	7.6	6.5	6.0	6.3	7.3	7.2	24.6	26.3	26.8	29.4
OPN profit	3.5	4.9	7.9	4.3	4.1	5.8	7.6	4.7	3.9	5.0	6.9	6.5	20.6	22.3	22.3	26.5
PBT	5.1	5.8	8.1	4.6	4.3	6.2	7.6	3.1	4.2	5.4	7.3	6.9	23.7	21.1	23.9	28.4
Net income	5.2	5.0	7.8	4.2	4.0	5.1	7.2	2.9	4.0	4.7	7.0	6.6	22.2	19.2	22.3	26.6
EPS (NT\$)	5.03	4.88	7.61	4.06	3.76	4.75	6.69	2.68	3.76	4.42	6.49	6.15	21.58	17.88	20.82	24.74
<b>Profitability</b>																
Gross margin	57.3%	55.9%	57.1%	54.7%	52.1%	53.8%	54.3%	54.5%	54.7%	55.3%	55.2%	54.7%	56.2%	53.7%	55.0%	55.3%
OP margin	23.5%	26.6%	29.5%	21.2%	21.2%	26.1%	27.2%	22.9%	21.5%	24.5%	26.8%	26.1%	25.6%	24.7%	25.0%	26.2%
PBT margin	34.4%	31.5%	30.4%	22.7%	22.1%	27.6%	27.0%	15.0%	23.4%	26.3%	28.5%	27.8%	29.4%	23.4%	26.8%	28.1%
Net margin	34.7%	27.3%	29.4%	20.5%	20.8%	22.8%	25.6%	13.9%	22.2%	23.2%	27.1%	26.4%	27.6%	21.2%	25.0%	26.3%
<b>QoQ chg.</b>																
Revenue	-1%	23%	45%	-24%	-5%	15%	26%	-26%	-12%	13%	26%	-3%	-	-	-	-
Gross profit	-2%	20%	48%	-27%	-9%	19%	27%	-26%	-12%	14%	26%	-4%	-	-	-	-
OP profit	-17%	40%	61%	-45%	-4.8%	42%	31%	-38%	-18%	29%	38%	-5%	-	-	-	-
PBT profit	12%	13%	40%	-43%	-7.2%	44%	23%	-59%	37%	27%	36%	-5%	-	-	-	-
Net profit	13%	-3%	56%	-47%	-3.5%	26%	41%	-60%	40%	18%	47%	-5%	-	-	-	-
<b>YoY chg.</b>																
Revenue	35%	57%	77%	35%	30%	21%	5%	1%	-6%	-8%	-8%	21%	52%	12%	-1%	13%
Gross profit	32%	52%	75%	28%	18%	17%	0%	1%	-2%	-6%	-7%	22%	47%	7%	1%	14%
OP profit	1%	24%	70%	2%	17.2%	19%	-3%	10%	-5%	-14%	-10%	38%	26%	8%	0%	19%
PBT profit	51%	38%	62%	0%	-16.6%	6%	-7%	-33%	-1%	-13%	-3%	124%	37%	-11%	13%	19%
Net profit	47%	73%	76%	-9%	-22.2%	1%	-8%	-31%	0%	-7%	-3%	129%	44%	-14%	16%	19%

Source: Company data, Macquarie Research, February 2009; all figures are on bonus-expensed basis

**MediaTek Inc. (2454 TT, Outperform, Target price: NT\$320.00)**

Quarterly Results					Profit & Loss						
		3Q/08A	4Q/08E	1Q/09E	2Q/09E		2007A	2008E	2009E	2010E	
<b>Revenue</b>	m	28,052	20,654	18,142	20,423	<b>Revenue</b>	m	80,409	90,402	89,306	101,034
<b>Gross Profit</b>	m	15,219	11,253	9,931	11,301	<b>Gross Profit</b>	m	45,222	48,584	49,124	55,916
Operating Expenses	m	-7,580	-6,522	-6,035	-6,293	Operating Expenses	m	-13,230	-26,276	-26,801	-29,420
<b>Operating Income</b>	m	7,639	4,731	3,896	5,008	<b>Operating Income</b>	m	31,992	22,308	22,322	26,496
Net Non-operating income	m	-72	-1,629	345	368	Net Non-operating income	m	3,068	-1,193	1,575	1,934
<b>Pre-Tax Income</b>	m	7,567	3,102	4,241	5,376	<b>Pre-Tax Income</b>	m	35,060	21,114	23,897	28,429
Tax Expense	m	-385	-222	-211	-630	Tax Expense	m	-1,467	-1,925	-1,551	-1,876
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Minority Interests	m	0	0	0	0	Minority Interests	m	0	0	0	0
<b>Reported Earnings</b>	m	7,182	2,881	4,030	4,745	<b>Reported Earnings</b>	m	33,593	19,190	22,346	26,553
Reported Earnings (bonus exp)	m	7,182	2,881	4,030	4,745	Reported Earnings (bonus exp)	m	22,214	19,190	22,346	26,553
Bonus exp / Reported Earnings	%	0.0	0.0	0.0	0.0	Bonus exp / Reported Earnings	%	33.9	0.0	0.0	0.0
<b>Adjusted Earnings</b>	m	7,182	2,881	4,030	4,745	<b>Adjusted Earnings</b>	m	22,214	19,190	22,346	26,553
<b>EBITDA</b>	m	8,228	5,123	4,404	5,498	<b>EBITDA</b>	m	33,879	24,348	24,310	28,757
EPS (rep)	NT\$	6.69	2.68	3.76	4.42	EPS (rep)	NT\$	32.64	17.88	20.82	24.74
EPS pcg growth (rep)	%	-41.9	-56.2	-0.0	-6.9	EPS growth (rep)	%	45.7	-45.2	16.4	18.8
EPS (rep bonus exp)	NT\$	6.69	2.68	3.76	4.42	EPS (rep bonus exp)	NT\$	21.58	17.88	20.82	24.74
EPS pcg growth (rep bonus exp)	%	-12.1	-33.8	-0.0	-6.9	EPS growth (rep bonus exp)	%	40.9	-17.1	16.4	18.8
EPS (adj)	NT\$	6.69	2.68	3.76	4.42	EPS (adj)	NT\$	21.58	17.88	20.82	24.74
EPS pcg growth (adj)	%	-12.1	-33.8	-0.0	-6.9	EPS growth (adj)	%	40.9	-17.1	16.4	18.8
Revenue pcg growth	%	5.1	1.3	-6.4	-8.5	PE (rep)	x	7.8	14.3	12.3	10.3
Operating Income pcg growth	%	-35.8	-26.7	-5.2	-14.0	PE (rep bonus adj)	x	11.8	14.3	12.3	10.3
Reported Earnings pcg growth	%	-39.4	-54.4	0.0	-6.9	PE (adj)	x	11.8	14.3	12.3	10.3
Gross Profit Margin	%	54.3	54.5	54.7	55.3	Total DPS	NT\$	19.02	13.71	16.16	19.59
Operating Income Margin	%	27.2	22.9	21.5	24.5	Total Div Yield	%	7.4	5.4	6.3	7.7
Reported Earnings Margin	%	25.6	13.9	22.2	23.2	Weighted Average Shares	m	1,029	1,073	1,073	1,073
EBITDA Margin	%	29.3	24.8	24.3	26.9	Period End Shares	m	1,029	1,073	1,073	1,073
<b>Profit and Loss Ratios</b>		<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	<b>Cashflow Analysis</b>		<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>
Revenue Growth	%	51.7	12.4	-1.2	13.1	<b>Reported Earnings</b>	m	33,593	19,190	22,346	26,553
Gross Profit Growth	%	47.2	7.4	1.1	13.8	Depreciation & Amortisation	m	1,888	2,040	1,988	2,262
Operating Income Growth	%	36.5	-30.3	0.1	18.7	Chgs in Working Cap	m	-7,158	4,155	-5,408	-849
Reported Earnings Growth	%	48.8	-42.9	16.4	18.8	Other	m	-1,369	10,451	5,114	4,288
EBITDA Growth	%	36.2	-28.1	-0.2	18.3	<b>Operating Cashflow</b>	m	26,954	35,836	24,040	32,254
Gross Profit Margin	%	56.2	53.7	55.0	55.3	Acquisitions	m	-3,798	4,003	-1,725	-1,998
Operating Income Margin	%	39.8	24.7	25.0	26.2	Capex	m	-1,612	-619	-916	-1,031
Reported Earnings Margin	%	41.8	21.2	25.0	26.3	Asset Sales	m	0	0	0	0
EBITDA Margin	%	42.1	26.9	27.2	28.5	Other	m	-3,541	-14,077	0	0
Payout Ratio	%	88.1	76.7	77.6	79.2	<b>Investing Cashflow</b>	m	-8,951	-10,694	-2,641	-3,029
EV/EBITDA	x	6.3	10.0	9.6	8.1	Dividend (Ordinary)	m	-14,525	-19,776	-14,718	-17,346
EV/EBIT	x	6.7	11.0	10.4	8.8	Equity Raised	m	0	0	0	0
<b>Balance Sheet Ratios</b>						Debt Movements	m	0	0	0	0
ROE	%	28.9	22.9	26.9	30.7	Other	m	187	-3,108	-7,735	-7,741
ROA	%	36.5	22.6	22.0	24.8	<b>Financing Cashflow</b>	m	-14,338	-22,884	-22,453	-25,087
ROIC	%	148.2	57.2	72.6	75.9	<b>Net Chg in Cash/Debt</b>	m	3,750	2,434	-1,054	4,138
Net Debt/Equity	%	-58.8	-64.9	-61.4	-63.3	Free Cashflow	m	25,342	35,217	23,124	31,223
Interest Cover	x	nfm	nfm	nfm	nfm	FCF per Share	NT\$	24.62	32.82	21.55	29.09
Price/Book	x	3.1	3.4	3.2	3.1	P/FCF	x	10.4	7.8	11.9	8.8
Book Value per Share	NT\$	83.6	76.2	78.8	82.6	<b>Balance Sheet</b>		<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>
						Cash	m	50,588	53,022	51,968	56,106
						Receivables	m	7,192	5,429	8,157	8,806
						Inventories	m	10,540	5,547	9,230	9,784
						Investments	m	9,918	4,572	5,557	6,755
						Fixed Assets	m	6,680	7,300	8,216	9,247
						Intangibles	m	1,723	12,029	8,431	4,855
						Other Assets	m	12,080	11,175	12,485	14,101
						<b>Total Assets</b>	m	98,721	99,074	104,043	109,654
						Payables	m	7,508	4,907	5,910	6,264
						Short Term Debt	m	0	0	0	0
						Long Term Debt	m	0	0	0	0
						Provisions	m	0	0	0	0
						Other Liabilities	m	5,164	12,408	13,541	14,786
						<b>Total Liabilities</b>	m	12,672	17,315	19,450	21,050
						<b>Total S/H Equity</b>	m	86,049	81,759	84,593	88,604
						<b>Total Liab &amp; S/H Funds</b>	m	98,721	99,074	104,043	109,654

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

## Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions				
<p><b>Macquarie - Australia/New Zealand</b>            Outperform – return &gt;5% in excess of benchmark return            Neutral – return within 5% of benchmark return            Underperform – return &gt;5% below benchmark return</p> <p><b>Macquarie – Asia/Europe</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie First South - South Africa</b>            Outperform – expected return &gt;+10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie - Canada</b>            Outperform – return &gt;5% in excess of benchmark return            Neutral – return within 5% of benchmark return            Underperform – return &gt;5% below benchmark return</p> <p><b>Macquarie - USA</b>            Outperform (Buy) – return &gt;5% in excess of benchmark return            Neutral (Hold) – return within 5% of benchmark return            Underperform (Sell)– return &gt;5% below benchmark return</p> <p><b>Recommendations – 12 months</b>  <b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p><b>Volatility index definition*</b>            This is calculated from the volatility of historical price movements.</p> <p><b>Very high–highest risk</b> – 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><b>High</b> – 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><b>Medium</b> – stock should be expected to move up or down at least 30–40% in a year.</p> <p><b>Low–medium</b> – stock should be expected to move up or down at least 25–30% in a year.</p> <p><b>Low</b> – 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><b>Financial definitions</b>            All "Adjusted" data items have had the following adjustments made:            Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense            Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / efpowa*  <b>ROA</b> = adjusted ebit / average total assets  <b>ROA Banks/Insurance</b> = adjusted net profit / average total assets  <b>ROE</b> = adjusted net profit / average shareholders funds  <b>Gross cashflow</b> = 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>				
<b>Recommendation proportions – For quarter ending 31 December 2008</b>						
	<b>AU/NZ</b>	<b>Asia</b>	<b>RSA</b>	<b>USA</b>	<b>CA</b>	<b>EUR</b>
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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