

On track for strong 2H

Inline quarter; on track to exceed guidance in Smart Class

Post 2Q we cut FY11 to FY13 earnings est by 3-5% and cut PO to Rs810 to factor subdued growth in ICT (government) business, given mgt stance of likely selective participation in low margin ICT deals going forward and higher than expected interest charges in K-12 subsidiary. We believe the company is on track to exceed its guidance in Smart Class given inline class room additions during seasonally weak 1H. Recent progress in securing limited recourse securitization funding for Smart Class, and reduction in debtor days should help rerate the stock. Forecast earnings CAGR of 24% over FY11-13E. Retain Buy.

Smart Class : Likely strong 2H

During 2Q Educomp reported 5300 Smart Class room implementation vs. our expectation of 5200. As 1H contributes nearly ~40% to full year Smart Class adds and given recent increase of over 50% to Smart Class sales team, we believe the company is on track to exceed its annual guidance of 25000-30000 class rooms. We have assumed 32000 class room additions in our ests. Though pricing was up 4% QoQ, management indicated that pricing likely to be stable going forward.

Secures limited recourse funding; Debtors days improve

Educomp closed Smart Class securitization funding of Rs3bn with corporate guarantee of 20% vs. 100% earlier. It now hopes to secure all further funding with reduced corporate guarantee. While quarter end debtor's day was high at 249 vs 193 in 1Q, management clarified that post receipt of recent securitization funds, DSO has reduced to 149 days now.

Significant investment in K-12, execution is key

It currently has 46 schools operational with visibility for additional 33 schools. With capex spend of ~Rs7bn over last 18 months, project execution remains key. Given 2-3 years taken for school ramp, the current base of 46 schools should help double profits in K-12 over next 2-3 years.

Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	1,345	2,779	3,801	4,655	5,828
EPS	14.14	29.21	37.17	45.53	56.99
EPS Change (YoY)	90.3%	106.6%	27.3%	22.5%	25.2%
Dividend / Share	0.618	2.24	2.24	2.50	2.50
Free Cash Flow / Share	(44.80)	(48.97)	23.30	15.79	27.94

Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	36.23x	17.53x	13.78x	11.25x	8.99x
Dividend Yield	0.121%	0.438%	0.438%	0.488%	0.488%
EV / EBITDA*	16.39x	10.35x	7.86x	6.59x	5.18x
Free Cash Flow Yield*	-7.39%	-8.90%	4.55%	3.08%	5.45%

* For full definitions of *iQmethod*SM measures, see page 10.

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Stock Data

Price	Rs512.20
Price Objective	Rs810.00
Date Established	15-Nov-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs440.30-Rs876.05
Mrkt Val / Shares Out (mn)	US\$1,171 / 102.3
Average Daily Volume	787,505
BofAML Ticker / Exchange	EUSOF / BSE
Bloomberg / Reuters	EDSL IN / EDSO.BO
ROE (2011E)	17.5%
Net Dbt to Eqty (Mar-2010A)	-4.4%
Est. 5-Yr EPS / DPS Growth	20.0% / 20.0%
Free Float	35.0%

Key Changes

(Rs)	Previous	Current
Price Obj.	850.00	810.00
2011E EPS	38.17	37.17
2012E EPS	47.50	45.53
2013E EPS	59.87	56.99
2011E EBITDA (m)	6,392.9	6,388.0
2012E EBITDA (m)	7,723.9	7,612.2
2013E EBITDA (m)	9,758.5	9,694.1

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Refer to important disclosures on page 11 to 13. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9. Link to Definitions on page 9.10994061

15 November 2010

iQprofileSM Educomp Solutions Ltd.

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
(Rs Millions)					
Sales	6,371	10,395	14,604	16,663	20,654
Gross Profit	4,105	6,999	9,204	10,393	12,556
Sell General & Admin Expense	(1,043)	(2,138)	(2,116)	(2,031)	(2,060)
Operating Profit	2,248	3,704	5,581	6,941	8,978
Net Interest & Other Income	(61)	717	(265)	(153)	(189)
Associates	NA	NA	NA	NA	NA
Pretax Income	2,186	4,421	5,315	6,788	8,789
Tax (expense) / Benefit	(773)	(1,584)	(1,453)	(2,072)	(2,900)
Net Income (Adjusted)	1,345	2,779	3,801	4,655	5,828
Average Fully Diluted Shares Outstanding	95	95	102	102	102

Key Cash Flow Statement Data

Net Income	1,345	2,779	3,801	4,655	5,828
Depreciation & Amortization	814	1,142	807	671	716
Change in Working Capital	(1,023)	(1,910)	1,379	(172)	(1,132)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	777	184	863	846	1,039
Cash Flow from Operations	1,914	2,195	6,850	6,000	6,451
Capital Expenditure	(5,786)	(6,855)	(4,468)	(4,386)	(3,594)
(Acquisition) / Disposal of Investments	(367)	1,145	0	0	0
Other Cash Inflow / (Outflow)	150	2,308	0	0	0
Cash Flow from Investing	(6,003)	(3,402)	(4,468)	(4,386)	(3,594)
Shares Issue / (Repurchase)	(18)	6,000	3	4	5
Cost of Dividends Paid	(58)	(166)	(229)	(256)	(256)
Cash Flow from Financing	3,826	7,515	1,043	658	163
Free Cash Flow	(3,872)	(4,660)	2,382	1,614	2,857
Net Debt	6,786	(959)	(2,273)	(2,736)	(4,248)
Change in Net Debt	4,263	(4,454)	(1,314)	(463)	(1,512)

Key Balance Sheet Data

Property, Plant & Equipment	8,126	10,656	14,317	18,031	20,909
Other Non-Current Assets	1,966	6,385	6,385	6,385	6,385
Trade Receivables	2,765	5,530	4,179	4,296	5,341
Cash & Equivalents	1,902	7,887	11,311	13,583	16,602
Other Current Assets	1,833	2,399	2,601	2,813	3,057
Total Assets	16,592	32,857	38,793	45,109	52,295
Long-Term Debt	8,688	6,928	9,038	10,847	12,355
Other Non-Current Liabilities	639	22	22	22	22
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	2,214	3,956	4,143	4,250	4,357
Total Liabilities	11,542	10,906	13,204	15,120	16,734
Total Equity	5,007	21,797	25,444	29,843	35,415
Total Equity & Liabilities	16,550	32,703	38,648	44,963	52,150

iQmethodSM - Bus Performance*

Return On Capital Employed	16.0%	17.7%	17.4%	16.8%	17.3%
Return On Equity	38.0%	23.1%	17.5%	18.1%	19.0%
Operating Margin	35.3%	35.6%	38.2%	41.7%	43.5%
EBITDA Margin	48.1%	46.6%	43.7%	45.7%	46.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.4x	0.8x	1.8x	1.3x	1.1x
Asset Replacement Ratio	7.1x	6.0x	5.5x	6.5x	5.0x
Tax Rate (Reported)	35.4%	35.8%	27.3%	30.5%	33.0%
Net Debt-to-Equity Ratio	135.5%	-4.4%	-8.9%	-9.2%	-12.0%
Interest Cover	7.8x	6.9x	6.6x	7.7x	8.2x

Key Metrics

* For full definitions of iQmethodSM measures, see page 10.

Company Description

Set up in 1994, Educomp is India's largest provider of technology driven education solutions. It provides end to end solutions for K12 through licensing of digital content to enhance the teaching process. It aims to be a comprehensive provider of solutions in India's school education economy and has expanded its offerings to cater to pre schools, online tutoring, professional development for teachers etc.

Investment Thesis

We expect Educomp to be one of the fastest growing companies in our universe. Key positives include growing adoption of technology-based education in K-12 (Kindergarten to Class12) private schools, low market penetration of under 5% among private schools in India and increased spending by state governments on technology adoption in public schools. Moreover, revenue visibility will be enhanced as the company enters into five-year contracts with private schools.

Stock Data

Price to Book Value 2.2x

On track for strong 2H

Post 2Q we cut FY11 to FY13 earnings est by 3-5% and cut PO to Rs810 to factor likely subdued growth in ICT (government) business, given mgt view of likely selective participation in low margin ICT deals and higher than expected interest charges in K-12 subsidiary. We believe the company is on track to exceed its guidance in Smart Class given inline additions during seasonally weak 1H. Recent progress in securing non recourse securitization funding for Smart Class, and likely reduction in Debtor should help rerate the stock. Forecast earnings CAGR of 24% over FY11-13E. Retain Buy.

Smart Class: on track to exceed guidance

During 2Q Educomp implemented Smart Class in 5309 class rooms in line with our estimate of 5200 class rooms. For 1H implementation now stands at 12059. Given 1H generally contributes 30-40% to full year implementations, we believe management is on track to exceed its guidance of 25000-30000 class rooms for the year. We currently have 32000 class room additions in our estimates.

Table 1: Smart Class additions trend

	1H FY10	1Q FY11	2Q FY11	FY11 Guidance
No of Schools Implemented	482	844	664	
Smart Class rooms implemented (nos)	na	6750	5309	25000-30000
Contract value/ Class room (Rs)	390000	390000	404819	

Source: Company

Smart Class adjusted revs up 47% yoy

During 2Q Smart class revenues stood at Rs1.5bn up 10% yoy, and reported EBIT margins of 48% on stand alone basis. Given shift in business model, we believe yoy growth rates are not comparable. Adjusted for the model change, we believe Smart Class revenues would have grown by ~47% yoy.

Table 2: Adjusted Smart Class revenues

Smart Class	2QFY10	2Q FY11	comments
Reported revenues	1369	1501	
YoY		10%	
Adj Revenues*	1019	1498	*Assuming continuation of BOOT model for 90% of wins and upfront H/W sale for 10% of wins
YoY		47%	

Source: BofA Merrill Lynch Global Research Estimates

3Q/4Q likely to see strong growth

We expect contribution of Smart Class to increase substantially during 3Q/ 4Q given

- 1) Likely strong Smart Class additions during 2H in line with historical trends. Also Educomp recently expanded its sales team by over 50% to ~380 which should also help exceed its targets.
- 2) Revenue recognitions from transfer of contracts to the new model last year and recognition of 2nd year revenues from contracts signed under Edu Smart model last year.
- 3) While pricing during the quarter increased by 4% QoQ to 0.4mn/ class room, we have not assumed any price increases in our model.

Table 3: Smart Class.. significant jump in revenues likely in 2H

key expectations for 2H	Revs (Rs.mn)	Comments
Revenues from new sign up in Smart Class	4082	Assumed ~20000 additions during 2H. 1H traditionally contributes ~40% to Smart Class additions
Transfer of contracts	2526	Revenues from transfer of contracts done last year. High margin revenues
EduSmart model	501	2nd year Revenues from contracts booked under Edu Smart last year. High margin revenues
a)Likely revenues in 2H	7109	
b)Revenues reported in 1H	2887	
Total FY11 Smart Class revs (a+b)	9996	

Source: BofA Merrill Lynch Global Research Estimates

Corporate guarantee likely to reduce, DSO days addressed

Management highlighted that it now has secured securitization contracts worth Rs3bn at 20% corporate guarantee vs. 100% provided earlier. While this contract is with one of the consortium banks, management is hopeful that it will succeed in securing such contracts from other banks as well. We believe this was one of the key concerns for the stock.

Also while DSO days for the quarter went up to 249 days for the quarter it was largely driven by delay in securitization process. As on 5th Oct, DSO days has stands reduced to 149 vs. 190 in previous quarter.

ICT - contribution likely to decrease

Educomp did not sign any new contracts in its government school business during the quarter. Management highlighted that it now intends to prioritize capital deployment in the business and unlikely to bid for low margin businesses in ICT.

Consequently we have scaled down our projections in ICT business. We now expects share of ICT business in revenues to reduce to 10% from ~15% earlier.

K-12: Execution is key, capital deployment on the rise

K-12 revenues stood at Rs212mn up 67% yoy, with EBITDA of 74% for the quarter. Three more schools went live during the quarter with number of live schools now reaching 46 vs 43 in previous quarter. Management highlighted that it now has visibility of 33 more schools vs 30 in previous quarter.

It also launched "le Mont High" its first international curriculum school brand in JV with Lavasa

Table 4: K-12 Snapshot

	1Q FY11	2Q FY11	Capex
No of Live Schools	43	46	FY10 - ~5 bn
Landsite acquired/ under construction	30	33	1H FY11 ~2.5-3bn
Revenues	205	211.6	
EBITDA %	75	74	
PAT %	25	17	

Source: Company

Other Key highlights

- In Pre school- it signed 34 new franchisees during the quarter including 30 in Euro Kids and 4 in Roots to Wings. The company currently operates 735 pre schools in India with student base of ~40000.
- Its JV with Raffles is operating as per plan. It currently has 7 Raffles Millennium colleges operational across the country.
- It also recently got AICTE approval to launch Engineering and PGDM programs in 2011 in greater Noida. Admissions likely to commence from 4Q FY10

Table 5: 2Q Quarter

Rs m	2Q FY11	2Q FY10	YoY %	2Q FY11(BofAMLe)	Variance
Net Sales	2768	2535	9%	2617	6%
Total Expenditure	1730	1487	16%	1510	15%
EBITDA	1038	1048	-1%	1106	-6%
Depreciation & Ammortisation	208	306	-32%	220	-6%
EBIT	830	742	12%	886	-6%
Other Income	84	850	-90%	100	-16%
Forex Losses	21	-33	-165%	0	#DIV/0!
Interest	212	120	77%	161	31%
PBT	723	1440	-50%	825	-12%
Tax	141	270	-48%	272	-48%
PAT	578	1155	-50%	553	5%
Recurring PAT	578	409	41%	553	5%
EBITDA margin	37%	41%	-385	42%	-479 bps
EBIT margin	30%	29%	72	34%	-389 bps
PAT margin	21%	46%	-2467	21%	-24 bps

Source: Company, BofA Merrill Lynch Global Research Estimates

Financials

Table 6: Key Segmental Assumptions

	FY09	FY10	FY11E	FY12E	FY13E
Revenues (Rs.mn)					
Higher Learning solutions	310	265	505	658	876
School Learning solutions	4322	8068	11491	12728	15823
K-12 Schools	621	997	1341	1891	2527
Online & Retail	1118	1066	1268	1386	1427
Total	6371	10395	14604	16663	20654
PBIT					
Higher Learning solutions	92	-111	-435	-33	245
School Learning solutions	2102	4503	6637	7049	8645
K-12 Schools	274	322	668	1093	1544
Online & Retail	204	-157	-477	-300	-534
Unallocable Cost	-424	-853	-809	-869	-921
Total PBIT	2248	3704	5584	6941	8978
PAT	1330	2759	3805	4655	5828
EPS (Rs)	13	27	37	46	57
PBIT %					
Higher Learning solutions	30%	-42%	-86%	-5%	28%
School Learning solutions	49%	56%	58%	55%	55%
K-12 Schools	44%	32%	50%	58%	61%
Online & Retail	18%	-15%	-38%	-22%	-37%

Source: Company, BofA Merrill Lynch Global Research Estimates

Table 7: Profit and Loss

Rs mn (year-end March)	FY09	FY10	FY11E	FY12 E	FY13 E
Sales	6371	10395	14604	16663	20654
Other income	227	1255	576	747	906
Total Income	6598	11650	15180	17409	21559
Cost of goods sold	1110	1603	3488	4213	5315
Personnel expenses	1155	1793	1912	2056	2782
Administration and other expenses	1043	2138	2116	2031	2060
Total Expenditure	3308	5548	8216	9050	10960
EBITDA	3062	4847	6388	7612	9694
Depreciation	814	1142	807	671	716
EBIT	2248	3704	5581	6941	8978
Finance charges	289	539	841	900	1094
EBT	1959	3166	4739	6041	7883
PBT	2186	4421	5315	6788	8789
Total Taxes	773	1584	1453	2072	2900
PAT	1414	2837	3862	4716	5889

Source: Company, BofA Merrill Lynch Global Research Estimates

15 November 2010

Table 8: Balance Sheet

	FY09	FY10	FY11E	FY12 E	FY13 E
Shareholders' funds					
Share capital	173	190	205	205	205
Reserves and surplus	3886	16138	19709	24109	29681
Net worth	4203	20029	23615	28014	33586
Minority Interest	804	1915	1976	1976	1976
Loan funds					
Secured Loans	4689	6928	9038	10847	12355
Total Sources of funds	14342	28894	34651	40860	47939
Goodwill	1225	6031	6031	6031	6031
Fixed assets					
Gross Block	6499	8967	13435	17821	21415
Net Block	5164	7917	11577	15292	18170
Capital Work in Progress	2962	2739	2739	2739	2739
Total	8126	10656	14317	18031	20909
Investments	729	354	354	354	354
Current assets, loans and advances					
Inventories	316	368	418	468	518
Sundry debtors	2765	5530	4179	4296	5341
Cash	1902	7887	11311	13583	16602
Loans and Advances	1138	1810	1912	2024	2168
	6153	15816	18091	20692	25001
Less current liabilities and provisions	2251	3963	4143	4250	4357
Net current assets	3903	11853	13948	16442	20644
Total Applications	14342	28894	34650	40858	47938

Source: Company, BofA Merrill Lynch Global Research Estimates

Table 9: Cash Flow Statement

	FY09	FY10	FY11E	FY12 E	FY13 E
Cash flows from operating activities					
Net profit before taxation and after prior period items as per P&L	2108	4392	5315	6788	8789
Depreciation	814	1142	807	671	716
interest exps	289	411	841	900	1094
Operating profit before working capital changes	3278	5044	6924	8244	10484
Trade & other receivables	-1603	-1680	1351	-117	-1045
inventory	-298	-34	-50	-50	-50
loans & advances	-613	-473	-102	-112	-144
Trade & other payables	1491	277	181	107	107
Cash Generated from operations	2255	3133	8303	8072	9351
Taxes paid (Net of TDS)	-329	-909	-1453	-2072	-2900
Net cash from operating activities	1914	2195	6850	6000	6451
Cash flows from investing activities					
Purchases of fixed assets	-5786	-6855	-4468	-4386	-3594
Net cash used in investing activities	-6751	-3722	-4468	-4386	-3594
cash flows from financing activities					
Proceeds/ repayment of long term borrowings	4000	1854	2111	1809	1508
interest on borrowings	-289	-411	-841	-900	-1094
Dividend paid	-58	-166	-229	-256	-256
Net Cash from financing activities	3826	7462	1043	658	163
Net increase in cash and cash equivalents	-1011	5936	3425	2272	3019
Closing cash and cash equivalents	1901	7886	11311	13583	16602

Source: Company, BofA Merrill Lynch Global Research Estimates

15 November 2010

Table 10: Ratios

Year Mar 31 (Rs mn)	FY09	FY10E	FY11E	FY12E	FY13E
Valuation ratios					
P/E (x)	47.8	23.0	16.7	13.6	10.9
P/CEPS	25	17	14	12	10
P/BV (x)	13	3	3	2	2
EV/EBITDA (x)	16	10	8	6	5
EV/EBIT (x)	22	13	9	7	5
EV/ Revenues	8	5	3	3	2
Growth %					
Revenue	123	63	40	14	24
EBITDA	142	58	32	19	27
EBIT	140	65	51	24	29
Net Profit	88	108	38	22	25
Profitability %					
EBITDA	48	47	44	46	47
EBIT	35	36	38	42	43
Net Profit	21	22	26	28	28
Return %					
RONW	37.4	19.2	17.4	18.0	18.9
ROCE	21.0	17.1	17.6	18.4	20.2
Per Share Data (Rs.)					
CEPS	25	36	45	52	64
BVPS	49	211	231	274	328
DPS	1	2	2	3	3
FCF/Share	-47	-15	23	16	28
Div Yield (%)	0	0	0	0	0
DSO	112	146	121	93	85

Source: Company, BofA Merrill Lynch Global Research Estimates

Price objective basis & risk

Educomp Solu (EUSOF)

Our PO of Rs810 is based on a 2-year PEG of 0.9x and implies a target multiple of 18x FY12e. Our PO reflects potential de-rating given that the Smart Class revenue stream is now likely to be volatile. We retain our Buy given the strong 24% CAGR in earnings FY11-13E, and the turnaround in FCF on shift to new business model. Besides Educomp remains the only listed education service provider with offerings in K-12 and is an emerging player in vocational/ supplemental education.

Risks to our valuation are higher losses in new initiatives, higher-than-anticipated cut in Smart Class pricing, acquisition-related risks and managing multiple growth initiatives.

Link to Definitions

Industrials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Pratih Krishnan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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India - Software & IT Services Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	D.B.Corp Ltd	XDDCF	DBCL IN	Pratish Krishnan
	Educomp Solu	EUSOF	EDSL IN	Pratish Krishnan
	Firstsource	FSSOF	FSOL IN	Mitali Ghosh
	HCL	XHCLF	HCLT IN	Mitali Ghosh
	Hexaware Tech	XFTCF	HEXW IN	Pratish Krishnan
	Jagran Prakashan Ltd	JGRPF	JAGP IN	Pratish Krishnan
	Rolta India	RLTAF	RLTA IN	Pratish Krishnan
	Rolta India-GDR	XLROF	RTI LI	Pratish Krishnan
	Sun TV Network Ltd	SUTVF	SUNTV IN	Pratish Krishnan
	Tata Consultancy	TACSF	TCS IN	Mitali Ghosh
	Wipro	WIPRF	WPRO IN	Mitali Ghosh
	Wipro	WIT	WIT US	Mitali Ghosh
	Zee Entertainment	XZETF	Z IN	Pratish Krishnan
NEUTRAL				
	ExlService Holdi	EXLS	EXLS US	Mitali Ghosh
	Infosys Tech	INFYF	INFO IN	Mitali Ghosh
	Infosys Tech - A	INFY	INFY US	Mitali Ghosh
	Patni	PATIF	PATNI IN	Mitali Ghosh
	Patni Computer	PTI	PTI US	Mitali Ghosh
UNDERPERFORM				
	Genpact Ltd	G	G US	Mitali Ghosh
	Infotech Enterprises Ltd	IFKFF	INFTEC IN	Pratish Krishnan
	Mastek	MSKDF	MAST IN	Pratish Krishnan
	MphasiS Ltd	MPSSF	MPHL IN	Pratish Krishnan
	Tech Mahindra	TMHAF	TECHM IN	Pratish Krishnan
	WNS (Holdings) L	WNS	WNS US	Mitali Ghosh

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	$\text{Net Debt} = \text{Total Debt, Less Cash \& Equivalents}$	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	$\text{Market Cap.} = \text{Current Share Price} * \text{Current Basic Shares}$
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

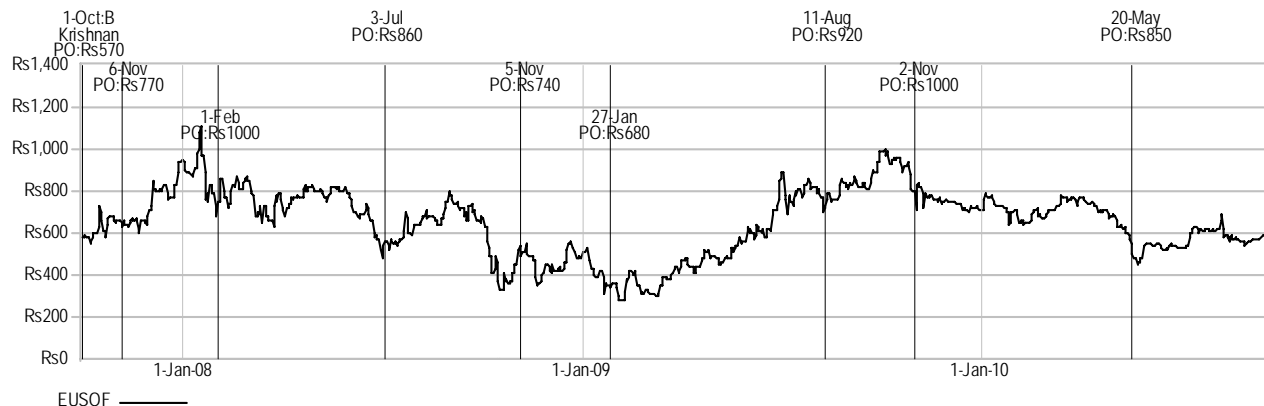
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EUSOF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of October 31, 2010 or such later date as indicated. BofA Merrill Lynch price charts do not reflect analysts' coverage of the stock at prior firms.

Investment Rating Distribution: Education & Training Services Group (as of 01 Oct 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	10	50.00%	Buy	5	50.00%
Neutral	7	35.00%	Neutral	2	28.57%
Sell	3	15.00%	Sell	2	66.67%

Investment Rating Distribution: Global Group (as of 01 Oct 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1948	54.31%	Buy	821	46.73%
Neutral	891	24.84%	Neutral	397	49.07%
Sell	748	20.85%	Sell	259	37.16%

* Companies in respect of which MLPF&S or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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