

Strong Smart class adoption

Strong Smart Class adoption; Retain Buy

While we cut earnings by 5% for FY11 & FY12 and lower our PO to Rs760 to factor higher interest costs & cut in Smart Class room adds assumptions for the year (30500 vs. 31900 earlier), we retain our Buy recommendation given our view that adoption levels for Smart Class offerings across schools remain strong as reflected by 3x jump yoy in wins during the quarter. Addition of second outsourcing vendor, further reduction in debtors & recent success in securing limited recourse funding should help re rate the stock. Forecast EPS CAGR of 27% (FY11-13e).

In line profits, revenues lower than expected

While 3Q PAT increased 60% yoy and was in line with our estimates, revenues came in ~10% lower BofAMLe, driven by 8% miss in Smart Class & ~38% miss in ICT given lack of deal closures in government school business. EBIT margins at 40% were in line with our estimate. Smart Class revs grew by 50% yoy.

Lower avg classroom adds; likely to trend up

While average class rooms signed in Smart Class slipped marginally during the quarter from 8 to 7.5, it added nearly 950 schools (vs. 355 last year) indicating strong adoption of its product. Given scope to increase penetration levels with existing schools, we believe average class room adds will trend up in FY12/13.

3Q : progress on multiple fronts

As highlighted by management earlier, it has added an additional 3rd party vendor for hardware implementation in Smart Class. It also plans to launch 3D content for schools, further differentiating its offering & securing leadership position in content. During the quarter Educomp also set up an advisory board comprising eminent individuals such as Gurcharan das (Ex P&G CEO) & Dr Naresh Trehan (founder Medanta Medicity).

Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	1,345	2,779	3,631	4,438	5,813
EPS	14.14	29.21	35.51	43.40	56.85
EPS Change (YoY)	90.3%	106.6%	21.6%	22.2%	31.0%
Dividend / Share	0.618	2.24	2.24	2.50	2.50
Free Cash Flow / Share	(44.80)	(48.97)	16.78	13.76	28.46

Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	30.88x	14.94x	12.29x	10.06x	7.68x
Dividend Yield	0.142%	0.514%	0.514%	0.573%	0.573%
EV / EBITDA*	14.11x	8.91x	6.90x	5.82x	4.41x
Free Cash Flow Yield*	-8.68%	-10.44%	3.85%	3.15%	6.52%

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

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Stock Data

Price	Rs436.45
Price Objective	Rs760.00
Date Established	14-Feb-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs386.00-Rs790.70
Mrkt Val / Shares Out (mn)	US\$977 / 102.3
Average Daily Volume	925,020
BofAML Ticker / Exchange	EUSOF / BSE
Bloomberg / Reuters	EDSL IN / EDSO.BO
ROE (2011E)	16.8%
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.	810.00	760.00
2011E EPS	37.17	35.51
2012E EPS	45.53	43.40
2013E EPS	56.99	56.85
2011E EBITDA (m)	6,388.0	6,266.1
2012E EBITDA (m)	7,612.2	7,428.1
2013E EBITDA (m)	9,694.1	9,801.5

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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 9.11020092

14 February 2011

iQprofileSM Educomp Solutions Ltd.

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
(Rs Millions)					
Sales	6,371	10,395	14,316	16,345	20,885
Gross Profit	4,105	6,999	9,082	10,209	12,664
Sell General & Admin Expense	(1,043)	(2,138)	(2,116)	(2,031)	(2,060)
Operating Profit	2,248	3,704	5,459	6,757	9,085
Net Interest & Other Income	(61)	717	(388)	(288)	(318)
Associates	NA	NA	NA	NA	NA
Pretax Income	2,186	4,421	5,070	6,469	8,768
Tax (expense) / Benefit	(773)	(1,584)	(1,378)	(1,970)	(2,893)
Net Income (Adjusted)	1,345	2,779	3,631	4,438	5,813
Average Fully Diluted Shares Outstanding	95	95	102	102	102

Key Cash Flow Statement Data

Net Income	1,345	2,779	3,631	4,438	5,813
Depreciation & Amortization	814	1,142	807	671	716
Change in Working Capital	(1,023)	(1,910)	783	(243)	(1,129)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	777	184	963	926	1,105
Cash Flow from Operations	1,914	2,195	6,184	5,793	6,505
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	943	577	97
Free Cash Flow	(3,872)	(4,660)	1,716	1,407	2,911
Net Debt	6,786	(959)	(1,507)	(1,682)	(3,182)
Change in Net Debt	4,263	(4,454)	(548)	(175)	(1,500)

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	5,213	5,839	7,119
Cash & Equivalents	1,902	7,887	10,545	12,529	15,537
Other Current Assets	1,833	2,399	2,601	2,813	3,057
Total Assets	16,592	32,857	39,061	45,597	53,008
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	4,581	5,126	5,471
Total Liabilities	11,542	10,906	13,642	15,996	17,848
Total Equity	5,007	21,797	25,274	29,456	35,014
Total Equity & Liabilities	16,550	32,703	38,915	45,452	52,862

iQmethodSM - Bus Performance*

Return On Capital Employed	16.0%	17.7%	17.1%	16.5%	17.5%
Return On Equity	38.0%	23.1%	16.8%	17.5%	19.2%
Operating Margin	35.3%	35.6%	38.1%	41.3%	43.5%
EBITDA Margin	48.1%	46.6%	43.8%	45.4%	46.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.4x	0.8x	1.7x	1.3x	1.1x
Asset Replacement Ratio	7.1x	6.0x	5.5x	6.5x	5.0x
Tax Rate (Reported)	35.4%	35.8%	27.2%	30.5%	33.0%
Net Debt-to-Equity Ratio	135.5%	-4.4%	-6.0%	-5.7%	-9.1%
Interest Cover	7.8x	6.9x	5.8x	6.9x	7.8x

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 1.9x

Progress on multiple fronts; Buy

While we cut earnings by 5% for FY11 & FY12 and lower our PO to Rs760 to factor higher interest costs & cut in Smart Class rooms adds for the year (30500 vs. 31900 earlier), we retain our Buy recommendation given our view that adoption levels across schools remain strong as reflected by 3x jump yoy in school wins during the quarter.

Success in securing limited recourse funding for Smart Class, reduction in debtors & addition of second outsourcing vendor should help re rate the stock. Forecast EPS CAGR of 27% (FY11-13e).

Strong adoption levels in Smart Class....

During the quarter Educomp added 7085 Smart Class rooms vs our expectation of 7800. While number of Smart Class rooms added fell short of our expectation, number of schools signed at 949 jumped 3x as compared to last year, indicating strong acceptance of the product across the country. We have now factored 30500 Smart Class room additions for the year vs. 31900 earlier. Management retained its guidance to add 25000-30000 class rooms for the full year.

Table 1: Strong adoption levels in Smart Class

	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Smart Class							
No of School signed	173	309	355	503	844	664	949
No of Class rooms signed	NA	NA	NA	4038	6750	5309	7085
Avg class rooms	NA	NA	NA	8.0	8.0	8.0	7.5

Source: Company, BofA Merrill Lynch Global Research

...expect avg class adds to trend up

Though avg class rooms implemented at 7.5 was lower than 8 in previous quarters we note that scope to increase penetration levels with in each school remains and we expect average class room adds to trend up next year.

Larger investor concerns getting addressed

Over last two quarters Educomp reported significant progress in Smart Class operations. Key improvements include:

- 1) It roped in additional 3rd party vendor for hardware implementation in Smart Class. The new vendor would be operational from 1st April 2011. Management highlighted that it intends to create an eco system of vendors where multiple vendors would be roped in over next few years.
- 2) Deals with banks for limited recourse funding for securitization in Smart Class. It now provides for 20% corporate guarantee as against 100% earlier.
- 3) DSO days further improved during the quarter. DSO days improved from 149 days in 2Q FY11 to 141 currently.

ICT .. deals wins yet to materialise

Management remains cautious on ICT business. While it has participated in 20000 school tenders, deal closures are yet to happen. ICT revenues came in much lower than anticipated during 3Q and consequently we have cut our revenue assumptions for ICT.

Table 2: Public School Business.. key trends

ICT	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
No of School signed	1780	671	363	600	NIL	NIL	NIL
Cumulative no of schools covered	13792	14463	14826	15426	15426	13814	10550

Source: Company, BofA Merrill Lynch Global Research

Table 3: Break up of Greenfield

Break up of Greenfield	Dec-10
No of K-12 schools in 0th year	5
No of K-12 schools in 1st year	8
No of K-12 schools in 2nd year	12
No K-12 schools in 3rd year and above	5

Source: Company

K-12 : execution on track

It now has 50 operational schools vs. 46 in 2Q and has visibility for additional 31 schools. With nearly 25 of 30 schools under two years of operation, student growth likely to remain strong in existing schools. We expect over 40% yoy growth in K-12 revenues during FY12.

Table 4: K-12 – execution on track

K-12	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Total Operational Schools	35	36	36	43	43	46	50
Green Field	23	22	22	29	29	25	30
JV/ Dry Mgt	12	14	14	14	14	21	20
Revenues	120	126	156	149	205	212	224
EBITDA	94	74	117	86	153	156	156

Source: Company, BofA Merrill Lynch Global Research

3Q results

Table 5: 3Q results

Rs m				BoFAMLe	
	3Q FY11	3Q FY10	YoY %	3Q FY11	Variance
Net Sales	3575	2601	37%	3984	-10%
Total Expenditure	1944	1239	57%	2189	-11%
EBITDA	1632	1362	20%	1796	-9%
Depreciation & Ammortisation	201	338	-41%	202	-1%
EBIT	1431	1025	40%	1594	-10%
Other Income	87	158	-45%	84	3%
Forex Losses	19	-28	-167%	0	NA
Interest	279	139	101%	212	32%
PBT	1257	1016	24%	1466	-14%
Tax	253	375	-32%	469	-46%
PAT	967	610	59%	997	-3%
EBITDA margin	46%	52%	-674	45%	57 bps
EBIT margin	40%	39%	63	40%	02 bps
PAT margin	27%	23%	359	25%	204 bps

Segment accounts

Revenues (Rs.mn)		3Q FY11	3Q FY10	YoY %	3Q FY11	Variance
	Smart Class (SC)	2501	1672	50%	2719	-8%
	ICT	293	315	-7%	473	-38%
	School Learning Solutions (SC+ICT)	2794	1987	41%	3192	-12%
	Higher Learning	146	78	87%	137	7%
	K-12 Schools	304	251	21%	338	-10%
	Online Supplemental & Global	331	285	16%	317	5%
Total		3575	2601	37%	3984	-10%
PBIT						
	School Learning Solutions	1709	1216	41%	1850	-8%
	Higher Learning	-60	-41	47%	-150	-60%
	K-12 Schools	107	103	3%	152	-30%
	Online Supplemental & Global	-44	-47	-6%	-29	56%
Total (exc unallocated costs)		1711	1231	39%	1824	-6%
PBIT %						
	School Learning Solutions	61%	61%		58%	320 bps
	Higher Learning	-41%	-53%		-109%	6809 bps
	K-12 Schools	35%	41%		45%	-991 bps
	Online Supplemental & Global	-13%	-17%		-9%	-440 bps

Source: Company, BofA Merrill Lynch Global Research

Inline profits, revenues lower than expected

While 3Q PAT was line with our estimates, revenues came in ~10% lower than expected, driven by 8% miss in Smart Class & ~38% miss in ICT given lack of deal closures in government school business. EBIT margins at 40% were in line with our estimate.

Other key highlights

- During the quarter Educomp also set up an advisory board comprising eminent individuals such as Gurcharan das (Ex P&G CEO), Ms Indu Shahani (Sheriff Mumbai), Madhur Bhandarkar (Film director), Dr Naresh Trehan (founder Medanta) Rajita Kulkarni (Banker) to name a few.

Key operational metrics

Table 6: Key Metrics

	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Pre School							
No of Pre school	643	628	779	775	730	763	799
Revenues (Rs. mn)	79	67	69	125	86	90.7	91
EBITDA (Rs.mn)	7	0	3	32	6	10.9	5
Higher Education							
Raffles JV (no of colleges)	2	2	2	3	7	7	7
Pearson JV (point of presence)	10	105	122	220	251	277	279
Online & Supplemental							
Online users							
No of registered users added	0.16	0.18	0.18	0.22	0.41	0.34	0.34
cumulative registered users	0.8	1	1.2	1.4	1.8	2.1	1.5
Vidyamandir / Leap							
No of VMC & Leap centers	5	5	5	5	17	17	17
No of students enrolled	1100	1100	1100	1100	1150	1150	3170

Source: Company, BofA Merrill Lynch Global Research

Financials

Table 7: Profit & Loss Statement

Rs mn (year-end March)	FY09	FY10	FY11E	FY12 E	FY13 E
Sales	6371	10395	14316	16345	20885
Other income	227	1255	553	692	842
Total Income	6598	11650	14869	17037	21727
Cost of goods sold	1110	1603	3341	4103	5423
Personnel expenses	1155	1793	1892	2033	2799
Administration and other expenses	1043	2138	2116	2031	2060
Total Expenditure	3308	5548	8050	8917	11084
EBITDA	3062	4847	6266	7428	9802
Depreciation	814	1142	807	671	716
EBIT	2248	3704	5459	6757	9085
Finance charges	289	539	941	980	1160
EBT	1959	3166	4517	5777	7926
PBT	2186	4421	5070	6469	8768
Total Taxes	773	1584	1378	1970	2893
PAT	1414	2837	3692	4499	5874
Profit after tax, minority interest & pre-acquisition profits	1325	2759	3631	4438	5813

Source: Company, BofA Merrill Lynch Global Research

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	19539	23722	29279
Net worth	4203	20029	23445	27627	33185
Minority Interest	804	1915	1976	1976	1976
Loan funds					
Secured Loans	4689	6928	9038	10847	12355
Term Loan from Bank	4315	6287	8397	10206	11714
Deferred tax Liability	439	22	22	22	22
Total Sources of funds	14342	28894	34481	40472	47538
Goodwill	1225	6031	6031	6031	6031
Fixed assets					
Gross Block	6499	8967	13435	17821	21415
Less: Accumulated Depreciation	1335	1050	1858	2529	3245
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	5213	5839	7119
Cash	1902	7887	10545	12529	15537
Loans and Advances	1138	1810	1912	2024	2168
	6153	15816	18359	21181	25713
Less current liabilities and provisions	2251	3963	4581	5126	5471
Net current assets	3903	11853	13778	16055	20242
Total Applications	14342	28894	34480	40471	47536

Source: Company, BofA Merrill Lynch Global Research

Table 9: Cash Flow Statement

Cash flows from operating activities	FY09	FY10	FY11E	FY12 E	FY13 E
Net profit before taxation and after prior period items as per P&L	2108	4392	5070	6469	8768
Depreciation	814	1142	807	671	716
interest exps	289	411	941	980	1160
loss/ (profit) on sale of fixed assets	0	-790	-40	-115	-116
Operating profit before working capital changes	3278	5044	6779	8005	10528
Adjusted for :					
Trade & other receivables	-1603	-1680	317	-626	-1280
inventory	-298	-34	-50	-50	-50
loans & advances	-613	-473	-102	-112	-144
Trade & other payables	1491	277	619	545	345
Cash Generated from operations	2255	3133	7563	7763	9398
Taxes paid (Net of TDS)	-329	-909	-1378	-1970	-2893
Net cash from operating activities	1914	2195	6184	5793	6505
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					
Net proceeds from fresh issue of capital through IPO	-18	6000	3	4	5
Proceeds/ repayment of long term borrowings	4000	1854	2111	1809	1508
interest on borrowings	-289	-411	-941	-980	-1160
Dividend paid	-58	-166	-229	-256	-256
Net Cash from financing activities	3826	7462	943	577	97
Net increase in cash and cash equivalents	-1011	5936	2659	1984	3008
Closing cash and cash equivalents	1901	7886	10545	12529	15537

Source: Company, BofA Merrill Lynch Global Research

Table 10: Ratios

Year Mar 31 (Rs mn)	FY09	FY10E	FY11E	FY12E	FY13E
Valuation ratios					
P/CEPS	22	15	13	11	9
P/BV (x)	11	3	2	2	2
EV/EBIT (x)	19	12	8	6	5
EV/ Revenues	7	4	3	3	2
Growth %					
Revenue	123	63	38	14	28
EBITDA	142	58	29	19	32
EBIT	140	65	47	24	34
Net Profit	88	108	32	22	31
Profitability %					
EBIT	35	36	38	41	44
Net Profit	21	22	25	27	28
Return %					
RONW	37.4	19.2	16.7	17.4	19.2
ROCE	21.0	17.1	17.2	18.0	20.6
Per Share Data (Rs.)					
CEPS	25	36	43	50	64
BVPS	49	211	229	270	325
DPS	1	2	2	3	3
DSO	112	146	137	123	113

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

Educomp Solu (EUSOF)

Our PO of Rs760 is based on a 2-year PEG of 0.8x 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 27% 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, Pratish 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	BofA Merrill Lynch 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
	Infosys Tech	INFYF	INFO IN	Mitali Ghosh
	Infosys Tech - A	INFY	INFY US	Mitali Ghosh
	Jagran Prakashan Ltd	JGRPF	JAGP IN	Pratish Krishnan
	Persistent Systems	XPSYF	PSYS IN	Kunal Tayal
	Rollta India	RLTAF	RLTA IN	Pratish Krishnan
	Rollta India-GDR	XLROF	RTI LI	Pratish Krishnan
	Sun TV Network Ltd	SUTVF	SUNTV IN	Pratish Krishnan
	Tata Consultancy	TACSF	TCS IN	Mitali Ghosh
	Zee Entertainment	XZETF	Z IN	Pratish Krishnan
NEUTRAL				
	ExlService Holdi	EXLS	EXLS US	Mitali Ghosh
	Infotech Enterprises Ltd	IFKFF	INFTC IN	Pratish Krishnan
	Wipro	WIPRF	WPRO IN	Mitali Ghosh
	Wipro	WIT	WIT US	Mitali Ghosh
UNDERPERFORM				
	Genpact Ltd	G	G US	Mitali Ghosh
	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

*iQmethod*SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + 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	Net Debt = 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	Market Cap. = Current Share Price * 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

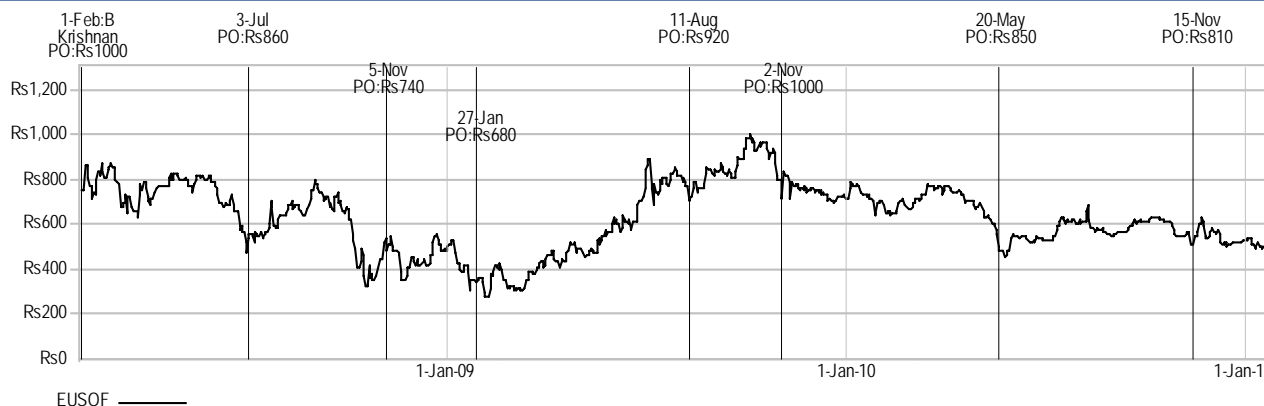
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EUSOF Price Chart



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 January 31, 2011 or such later date as indicated.

Investment Rating Distribution: Education & Training Services Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	11	47.83%	Buy	6	54.55%
Neutral	7	30.43%	Neutral	2	28.57%
Sell	5	21.74%	Sell	2	40.00%

Investment Rating Distribution: Global Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2011	53.86%	Buy	874	48.31%
Neutral	925	24.77%	Neutral	444	52.30%
Sell	798	21.37%	Sell	276	36.75%

* Companies in respect of which BofA Merrill Lynch 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 BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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