

May 18, 2011

CONSUMER & BUSINESS SERVICES/CONSUMER, HOUSEHOLD &  
PERSONAL CARE PRODUCTS

**Stock Rating:**

**OUTPERFORM**

12-18 mo. Price Target	\$60.00
SODA - NASDAQ	\$53.99

3-5 Yr. EPS Gr. Rate	30%
52-Wk Range	\$48.64-\$20.00
Shares Outstanding	20.6M
Float	13.0M
Market Capitalization	\$870.4M
Avg. Daily Trading Volume	531,035
Dividend/Div Yield	NA/NM
Fiscal Year Ends	Dec
Book Value	\$10.83
2011E ROE	84.0%
LT Debt	\$0.4M
Preferred	NA
Common Equity	\$223M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2010A	0.22	0.20	0.42	0.33	1.22	44.3x
2011E	0.38A	0.27	0.37	0.47	1.50	36.0x
Prior (E)	0.24	0.28	0.41	--	1.40	38.6x
2012E	0.41	0.40	0.51	0.67	2.00	27.0x
Prior (E)	0.34	0.44	0.57	0.66	--	27.0x

Reflects adjusted EPS for 2010. EPS estimates for 2011 and 2012 are adjusted to exclude IPO-related share-based compensation expense.

## SodaStream

### 1Q Results Well Ahead of Expectations on Strong Sales

#### SUMMARY

SodaStream reported better than expected 1Q results Wednesday morning, with sales up 50% and US\$ EPS up 66%, both well ahead of our estimates. As expected, broad-based sales growth was led by the Americas, where sales improved by 153%, driven by continued increases in US awareness and distribution. Importantly, the company also raised its 2011 guidance, implying US\$ EPS of around \$1.32, although we view this as conservative. We remain bullish on the shares and continue to believe that valuation does not fully reflect SODA's meaningful US growth opportunities, and so we are reiterating our Outperform rating and raising our DCF-derived price target to \$60 from \$50 prior.

#### KEY POINTS

- SODA reported better than expected 1Q results Wednesday, including adjusted EPS of €0.27 (up 59% y/y) compared with our €0.17 estimate. US\$ EPS were \$0.38, ahead of our estimate of \$0.24 and consensus of \$0.21, largely driven by stronger than expected sales of €45M, up 50%, vs. our estimate of €43M.
- While growth was broad-based, the Americas was once again the standout, with sales up 153% vs. our estimate of +130%. The quarter benefited from increased consumer awareness as well as distribution at retail, with SODA'S products now sold in 5,600 doors, up from 4,000 at the end of 2010.
- 1Q gross margin declined 40 bps, to 53.5%, although was ahead of our 53.0% estimate. This was due to negative product mix, with greater sales of lower margin soda maker starter kits vs. consumables, as SODA builds household penetration. Operating margin of 13.8% was ahead of our 9.5% estimate.
- SODA also raised its 2011 guidance, with revenue growth now expected at 30%, to ~€209M, up from +25% prior, with particular strength in the Americas. Further, adjusted net income is now expected at €19M, up from €17M prior, implying EPS of €0.92, or \$1.32 given the current USD/euro rate.
- We continue to view the shares as attractive and reiterate our Outperform rating, despite their premium valuation multiples. Importantly, we believe these multiples are warranted given our expectations for rapid top- and bottom-line growth for the foreseeable future, as well as SODA's strong balance sheet.

#### Stock Price Performance



#### Company Description

SodaStream is the world's leading manufacturer of home beverage carbonation systems, which enable consumers to convert ordinary tap water into carbonated soft drinks and sparkling water.

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## Review of 1Q Results

### Quarter Well Ahead of Expectations on Strong Sales Growth

SodaStream reported better than expected 1Q results Wednesday before the open, including adjusted EPS of €0.27 which were up 59% year-over-year and well ahead of our €0.17 estimate. Adjusted EPS in US dollar terms were \$0.38, up 66% and also well ahead of our estimate of \$0.24 and consensus of \$0.21. These results were largely driven by stronger than expected sales of €45 million, up 50%, that easily exceeded our estimate of €43 million, or 42% growth. The top-line strength was broad-based across each of SODA's four geographic segments, particularly the Americas—including the US—owing to increased consumer awareness and expanded retail distribution. From a product standpoint, consolidated soda maker unit sales increased 99%, to 592,000, while sales of CO2 refills increased 21% and flavor unit sales increased 26%.

Among the segments, as noted above, sales growth in the Americas was the standout, up 153%, to €10.2 million, compared with our estimate of up 130%. This was primarily driven by the US, which benefited from increased consumer awareness owing to investments in marketing, as well as increased distribution at retail and consumer adoption. In fact, the company's products are now sold in 5,600 doors in the US, up from 4,000 at the end of 2010, and are now accessible to 90% of the company's target consumer audience. Soda maker unit sales in the Americas increased 271%, while consumables sales increased 216%. Western European sales increased 23%, to €23.5 million, and were generally consistent with our estimate. Sales in Central and Eastern Europe, Middle East and Africa (CEMEA) grew by 70%, to €7.7 million, and were ahead of our estimate of up 40%. Finally, sales in Asia-Pacific increased by 52%, to €3.7 million, also ahead of our estimate of up 40%, with distribution in Japan expected to begin in 4Q.

In terms of profitability, 1Q gross margin was down 40 bps, to 53.5%, although this was ahead of our estimate of 53.0%. The modest gross margin decline stemmed largely from the impact of negative product mix that included greater sales of lower margin soda maker starter kits as part of SODA's strategy to increase penetration. While the company has experienced cost increases for aluminum (up 9% year-over-year), plastics (up 19%) and sugar (up 14%), it has been able to partially offset this with price increases. Sales and marketing expenses totaled €13.2 million, modestly below our estimate of €13.7 million, although up from €9.8 million a year ago. As a percentage of revenue, sales and marketing expenses declined 320 bps, to 29.3%, below our estimate of 32.0%, although this is largely related to the timing of advertising and promotion activity, with S&M expected at roughly 32% of revenue for the year. Adjusted general and administrative expenses, which excludes share-based compensation and discontinued management fees, totaled €4.7 million, or 10.5% of revenue, and was also modestly below our estimate of €4.9 million. As a result of these factors, adjusted operating income totaled €6.2 million, up 124% year-over-year and above our estimate of €4.1 million, while operating margin of 13.8% was up 480 bps and also well ahead of our 9.5% estimate.

### 2011 Guidance Raised

SODA also raised its 2011 guidance, which now includes revenue growth of 30%, to roughly €209 million, up from 25% prior. In addition, the company now expects reported net income to increase by approximately 60% over its 2010 net income of €9.7 million, up from its previous expectation of 40% growth. On an adjusted basis, excluding the share-based payment expense of €3.7 million, fiscal 2011 net income is expected to total approximately €19 million, implying an increase of 46% year-over-year and up from prior guidance of €17 million. Assuming a weighted average diluted share count of 20.6 million included in guidance, this would imply adjusted EPS of €0.92 per share. Further, if we apply the current euro-US dollar exchange rate of \$1.43, this would imply adjusted 2011 EPS of roughly \$1.32, up 8% year-over-year on a much higher share count, compared with our prior estimate of \$1.40 and consensus of \$1.22. As expected, while sales growth is expected to remain broad-based, management indicated on Wednesday's conference call that the Americas are expected to once again lead the way, as SODA continues to increase its consumer awareness and points of distribution. The company plans to test its products at several new US retailers this year, including one big-box retailer, and plans to expand its use of Home Shopping Network to reach consumers.

### **Raising Estimates and Price Target—We Remain Bullish**

Based on these results and revised guidance, we are raising our EPS estimate for 2011 to \$1.50 from \$1.40 prior, while our 2012 estimate is unchanged at \$2.00, representing growth of 23% and 33%, respectively. We should point out that our estimates exclude the IPO-related stock-based compensation expense noted above, and are based on a US\$/euro foreign exchange rate of \$1.43 vs. \$1.46 prior, with sales growth of 35% expected this year and 21% next. In addition, we are taking this opportunity to reiterate our Outperform rating on SODA, while raising our DCF-derived price target to \$60 from \$50 prior. As for valuation, the shares are currently trading at 36x and 27x our 2011 and 2012 EPS estimates, respectively, among the highest multiples in our Household & Personal Care Products universe. That said, while our 2011 EPS estimate implies "only" 23% growth off of last year's adjusted EPS of \$1.22, this is due to the significant increase in share count related to the IPO and follow-on offering, with average diluted shares outstanding expected to increase from 14.7 million last year to 20.6 million this year. Applying the higher share count to 2010 results implies adjusted EPS of roughly \$0.84 last year, with our 2011 EPS estimate of \$1.50 up 79% off this adjusted base, with 33% growth expected in 2012. When it is looked at in this context, and considering the company's very strong balance sheet and meaningful growth opportunities in the US, we believe the stock continues to offer value to investors.

## SodaStream 1Q Results, Actual vs. Expected

(In Euro millions, except per share data)

Income Statement	Mar10A	Mar11A	Mar11E
Western Europe	19.2	23.5	24.0
Y/Y Change (%)	23%	23%	25%
CEMEA	4.5	7.7	6.3
Y/Y Change (%)	54%	70%	40%
Americas	4.0	10.2	9.2
Y/Y Change (%)	98%	153%	130%
Asia-Pacific	2.4	3.7	3.4
Y/Y Change (%)	161%	52%	40%
<b>Net Sales</b>	<b>30.2</b>	<b>45.1</b>	<b>42.9</b>
Y/Y Change (%)	40%	50%	42%
Cost of Sales	13.9	21.0	20.1
<b>Gross Profit</b>	<b>16.3</b>	<b>24.1</b>	<b>22.7</b>
Y/Y Change (%)	37%	48%	40%
<b>Gross Margin</b>	<b>53.9%</b>	<b>53.5%</b>	<b>53.0%</b>
Y/Y Change (bps)	(150)	(40)	(90)
Other (Income), Net	(0.0)	(0.0)	-
General & Administrative (Reported)	3.7	4.7	4.9
% of Net Sales	12.3%	10.5%	11.5%
Sales & Marketing	9.8	13.2	13.7
% of Net Sales	32.5%	29.3%	32.0%
<b>Operating Income (Adjusted)</b>	<b>2.8</b>	<b>6.2</b>	<b>4.1</b>
Y/Y Change (%)	116%	124%	49%
<b>Operating Margin (Adjusted)</b>	<b>9.2%</b>	<b>13.8%</b>	<b>9.5%</b>
Y/Y Change (bps)	320	460	40
Management Fee/Other	0.2	1.1	0.9
Operating Income (Reported)	2.6	5.2	3.1
Interest Expense, Net	0.3	(0.1)	0.2
Other Financial Expenses	(0.0)	0.3	-
Pre-Tax Income (Reported)	2.3	5.0	2.9
Income Tax	0.3	0.8	0.5
Tax Rate	12.2%	15.6%	18.0%
Net Income (Reported)	2.0	4.2	2.4
Y/Y Change (%)	604%	107%	18%
Adjustments (Net of Tax)	0.2	1.1	0.9
<b>Net Income (Adjusted)</b>	<b>2.2</b>	<b>5.3</b>	<b>3.3</b>
Y/Y Change (%)	658%	141%	56%
Shares Outstanding (Diluted)	13.4	19.6	19.5
Diluted EPS (Reported)	€ 0.16	€ 0.22	€ 0.12
Adjustments	€ 0.01	€ 0.05	€ 0.05
<b>Diluted EPS (Adjusted)</b>	<b>€ 0.17</b>	<b>€ 0.27</b>	<b>€ 0.17</b>
Y/Y Change (%)		59%	6%
EBITDA (Reported)	3.1	5.7	3.8
Adj. For Discontinued & Exceptional Exp	-	-	-
Mgmt Fees/Other	0.2	1.1	0.9
Debt Conversion to Grant	-	-	-
<b>EBITDA (Adjusted)</b>	<b>3.3</b>	<b>6.8</b>	<b>4.7</b>
Y/Y Change	56%	107%	45%
<b>EBITDA Margin</b>	<b>10.8%</b>	<b>15.0%</b>	<b>10.9%</b>
Y/Y Change	100	420	20
Exchange Rate (\$/Euro)	\$1.35	\$1.42	\$1.42
<b>(In \$ millions)</b>			
<b>Net Sales</b>	<b>\$40.8</b>	<b>\$64.0</b>	<b>\$60.8</b>
Y/Y Change (%)		57%	49%
Gross Profit	\$22.0	\$34.2	\$32.2
Operating Income (Adjusted)	\$3.8	\$8.8	\$5.8
<b>EBITDA (Adjusted)</b>	<b>\$4.4</b>	<b>\$9.6</b>	<b>\$6.6</b>
Y/Y Change (%)		117%	52%
Net Income (Adjusted)	\$3.0	\$7.5	\$4.7
<b>EPS (Adjusted)</b>	<b>\$0.23</b>	<b>\$0.38</b>	<b>\$0.24</b>
Y/Y Change (%)		66%	11%
Free Cash Flow	\$0.0	(\$5.7)	\$2.1
Modified Free Cash Flow	\$3.0	\$6.0	\$2.0

Source: company reports and Oppenheimer &amp; Co. estimates

(In Euro millions, except per share data)

Income Statement	2010A	Mar11A	Jun11E	Sep11E	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
Western Europe	99.7	23.5	30.1	32.7	29.2	115.6	25.9	32.8	35.4	31.3	125.3
Y/Y Change (%)	34%	23%	10%	18%	15%	16%	10%	9%	8%	7%	8%
CEMEA	19.5	7.7	6.6	5.9	7.3	27.5	9.2	7.8	6.8	8.2	32.0
Y/Y Change (%)	43%	70%	40%	35%	25%	41%	20%	18%	15%	12%	16%
Americas	31.6	10.2	9.6	15.7	24.6	60.1	16.4	14.4	22.7	34.5	87.9
Y/Y Change (%)	189%	153%	100%	90%	70%	90%	60%	50%	45%	40%	46%
Asia-Pacific	9.9	3.7	2.1	2.0	5.1	12.9	4.6	2.7	2.5	6.4	16.1
Y/Y Change (%)	63%	52%	30%	25%	20%	30%	25%	25%	25%	25%	25%
<b>Net Sales</b>	<b>160.7</b>	<b>45.1</b>	<b>48.4</b>	<b>56.3</b>	<b>66.3</b>	<b>216.1</b>	<b>56.0</b>	<b>57.6</b>	<b>67.4</b>	<b>80.3</b>	<b>261.4</b>
Y/Y Change (%)	53%	50%	26%	34%	33%	35%	24%	19%	20%	21%	21%
Cost of Sales	74.1	21.0	23.0	26.8	31.5	102.2	25.8	27.1	31.7	37.7	122.3
<b>Gross Profit</b>	<b>86.6</b>	<b>24.1</b>	<b>25.4</b>	<b>29.6</b>	<b>34.8</b>	<b>113.9</b>	<b>30.3</b>	<b>30.5</b>	<b>35.7</b>	<b>42.6</b>	<b>139.1</b>
Y/Y Change (%)	48%	48%	30%	25%	28%	32%	25%	20%	21%	22%	22%
<b>Gross Margin</b>	<b>53.9%</b>	<b>53.5%</b>	<b>52.5%</b>	<b>52.5%</b>	<b>52.5%</b>	<b>52.7%</b>	<b>54.0%</b>	<b>53.0%</b>	<b>53.0%</b>	<b>53.0%</b>	<b>53.2%</b>
Y/Y Change (bps)	(170)	(40)	180	(380)	(180)	(120)	50	50	50	50	50
Other (Income), Net	(0.2)	(0.0)	-	-	-	(0.0)	-	-	-	-	-
General & Administrative (Reported)	15.2	4.7	4.8	4.9	5.0	19.4	5.9	5.8	5.9	6.0	23.5
% of Net Sales	9.5%	10.5%	10.0%	8.7%	7.5%	9.0%	10.5%	10.0%	8.7%	7.5%	9.0%
Sales & Marketing	57.1	13.2	16.0	18.6	21.9	69.6	17.4	17.9	20.9	24.9	81.0
% of Net Sales	35.5%	29.3%	33.0%	33.0%	33.0%	32.2%	31.0%	31.0%	31.0%	31.0%	31.0%
<b>Operating Income (Adjusted)</b>	<b>14.5</b>	<b>6.2</b>	<b>4.6</b>	<b>6.1</b>	<b>8.0</b>	<b>24.8</b>	<b>7.0</b>	<b>6.9</b>	<b>9.0</b>	<b>11.6</b>	<b>34.5</b>
Y/Y Change (%)	28%	124%	192%	12%	78%	71%	13%	50%	47%	46%	39%
<b>Operating Margin (Adjusted)</b>	<b>9.0%</b>	<b>13.8%</b>	<b>9.5%</b>	<b>10.8%</b>	<b>12.0%</b>	<b>11.5%</b>	<b>12.5%</b>	<b>12.0%</b>	<b>13.3%</b>	<b>14.5%</b>	<b>13.2%</b>
Y/Y Change (bps)	(180)	460	540	(210)	310	250	(130)	250	250	250	170
Management Fee/Other	3.3	1.1	0.9	0.9	0.9	3.7	0.4	0.4	0.4	0.4	1.6
Operating Income (Reported)	11.2	5.2	3.7	5.2	7.1	21.1	6.6	6.5	8.6	11.2	32.9
Interest Expense, Net	1.5	(0.1)	0.1	(0.1)	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)
Other Financial Expenses	(1.8)	0.3	-	-	-	0.3	-	-	-	-	-
Pre-Tax Income (Reported)	11.5	5.0	3.6	5.3	7.3	21.2	6.8	6.7	8.8	11.5	33.8
Income Tax	1.8	0.8	0.6	0.8	1.1	3.3	1.2	1.1	1.5	1.9	5.7
Tax Rate	15.4%	15.6%	15.6%	15.6%	15.6%	15.6%	17.0%	17.0%	17.0%	17.0%	17.0%
Net Income (Reported)	9.7	4.2	3.1	4.5	6.1	17.9	5.7	5.6	7.3	9.5	28.1
Y/Y Change (%)	36%	107%	43%	116%	76%	84%	34%	83%	63%	55%	57%
Adjustments (Net of Tax)	3.3	1.1	0.9	0.9	0.9	3.7	0.4	0.4	0.4	0.4	1.6
<b>Net Income (Adjusted)</b>	<b>13.0</b>	<b>5.3</b>	<b>3.9</b>	<b>5.4</b>	<b>7.0</b>	<b>21.6</b>	<b>6.1</b>	<b>6.0</b>	<b>7.7</b>	<b>9.9</b>	<b>29.7</b>
Y/Y Change (%)	69%	141%	79%	36%	65%	66%	15%	52%	44%	41%	37%
Shares Outstanding (Diluted)	14.7	19.6	20.8	20.9	21.0	20.6	21.1	21.1	21.2	21.2	21.1
Diluted EPS (Reported)	€ 0.69	€ 0.22	€ 0.15	€ 0.21	€ 0.29	€ 0.87	€ 0.27	€ 0.26	€ 0.34	€ 0.45	€ 1.33
Adjustments	€ 0.23	€ 0.05	€ 0.04	€ 0.05	€ 0.04	€ 0.18	€ 0.02	€ 0.02	€ 0.02	€ 0.02	€ 0.07
<b>Diluted EPS (Adjusted)</b>	<b>€ 0.92</b>	<b>€ 0.27</b>	<b>€ 0.19</b>	<b>€ 0.26</b>	<b>€ 0.33</b>	<b>€ 1.05</b>	<b>€ 0.29</b>	<b>€ 0.28</b>	<b>€ 0.36</b>	<b>€ 0.47</b>	<b>€ 1.40</b>
Y/Y Change (%)	48%	59%	19%	-16%	32%	14%	7%	47%	38%	42%	33%
EBITDA (Reported)	15.5	5.7	4.3	5.8	7.8	23.6	7.5	7.4	9.6	12.5	37.0
Adj. For Discontinued & Exceptional Exp	-	-	-	-	-	-	-	-	-	-	-
Mgmt Fees/Other	3.3	1.1	0.9	0.9	0.9	3.7	0.4	0.4	0.4	0.4	1.6
Debt Conversion to Grant	-	-	-	-	-	-	-	-	-	-	-
<b>EBITDA (Adjusted)</b>	<b>18.8</b>	<b>6.8</b>	<b>5.2</b>	<b>6.7</b>	<b>8.7</b>	<b>27.3</b>	<b>7.9</b>	<b>7.8</b>	<b>10.0</b>	<b>12.9</b>	<b>38.6</b>
Y/Y Change	42%	107%	45%	21%	41%	45%	16%	51%	50%	49%	41%
<b>EBITDA Margin</b>	<b>11.7%</b>	<b>15.0%</b>	<b>10.7%</b>	<b>11.9%</b>	<b>13.1%</b>	<b>12.6%</b>	<b>14.1%</b>	<b>13.6%</b>	<b>14.9%</b>	<b>16.0%</b>	<b>14.8%</b>
Y/Y Change	(90)	420	150	(130)	80	90	(90)	290	300	290	220
Exchange Rate (\$/Euro)	\$1.33	\$1.42	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43
<b>(In \$ millions)</b>											
<b>Net Sales</b>	<b>\$213.2</b>	<b>\$64.0</b>	<b>\$69.2</b>	<b>\$80.5</b>	<b>\$94.8</b>	<b>\$309.0</b>	<b>\$80.1</b>	<b>\$82.4</b>	<b>\$96.4</b>	<b>\$114.9</b>	<b>\$373.8</b>
Y/Y Change (%)	49%	57%	47%	41%	43%	45%	25%	19%	20%	21%	21%
Gross Profit	\$114.9	\$34.2	\$36.4	\$42.3	\$49.7	\$162.9	\$43.3	\$43.7	\$51.1	\$60.9	\$198.9
Operating Income (Adjusted)	\$19.2	\$8.8	\$6.6	\$8.7	\$11.4	\$35.5	\$10.0	\$9.9	\$12.8	\$16.7	\$49.4
<b>EBITDA (Adjusted)</b>	<b>\$20.6</b>	<b>\$9.6</b>	<b>\$7.4</b>	<b>\$9.6</b>	<b>\$12.4</b>	<b>\$33.7</b>	<b>\$11.3</b>	<b>\$11.2</b>	<b>\$14.3</b>	<b>\$18.4</b>	<b>\$52.9</b>
Y/Y Change (%)	20%	117%	70%	27%	52%	64%	17%	51%	50%	49%	57%
Net Income (Adjusted)	\$17.3	\$7.5	\$5.6	\$7.7	\$10.0	\$30.9	\$8.7	\$8.6	\$11.0	\$14.2	\$42.4
<b>EPS (Adjusted)</b>	<b>\$1.22</b>	<b>\$0.38</b>	<b>\$0.27</b>	<b>\$0.37</b>	<b>\$0.47</b>	<b>\$1.50</b>	<b>\$0.41</b>	<b>\$0.40</b>	<b>\$0.51</b>	<b>\$0.67</b>	<b>\$2.00</b>
Y/Y Change (%)	57%	66%	39%	-12%	42%	23%	8%	47%	38%	42%	33%
Free Cash Flow	(\$17.1)	(\$5.7)	\$7.1	(\$7.9)	(\$1.1)	(\$7.7)	(\$12.1)	\$17.1	(\$3.8)	\$4.4	\$5.6
Modified Free Cash Flow	\$14.4	\$6.0	\$1.6	\$2.1	\$2.5	\$12.2	\$2.7	\$2.4	\$3.8	\$5.6	\$14.6

Source: company reports and Oppenheimer &amp; Co. estimates

(In Euro millions, except per share data)

Cash Flow Statement	2010A	Mar11A	Jun11E	Sep11E	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
Net Income (Loss)	9.7	4.2	3.9	5.4	7.0	20.5	6.1	6.0	7.7	9.9	29.7
Amortization of Intangibles	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Change in Fair Value of Derivatives	(0.1)	0.3	-	-	-	0.3	-	-	-	-	-
Depreciation of PP&E	2.4	0.8	0.5	0.6	0.7	2.6	0.8	0.9	1.0	1.2	3.9
% of Sales	1.5%	1.8%	1.1%	1.0%	1.0%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%
Loss (Gain) on Sale of PP&E	(0.1)	-	-	-	-	-	-	-	-	-	-
Share Based Payment	1.0	1.1	-	-	-	1.1	-	-	-	-	-
Interest Expense, Net	1.5	(0.1)	0.1	(0.1)	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)
Income Tax Expense	1.8	0.8	0.6	0.8	1.1	3.3	1.2	1.1	1.5	1.9	5.7
Non-Cash Adjustments to Net Income	6.6	2.9	1.2	1.3	1.6	7.1	1.8	1.8	2.3	3.0	8.9
Inventories	(18.3)	(3.7)	0.4	(6.2)	(2.7)	(12.1)	(3.6)	1.4	(6.1)	(2.0)	(10.4)
Receivables	(19.0)	2.7	(7.3)	(4.3)	(3.8)	(12.8)	0.8	(4.4)	(2.5)	(3.2)	(9.3)
Payables	12.4	(5.1)	10.1	2.7	3.1	10.7	(8.5)	12.3	2.1	2.7	8.6
Employee Benefits	0.7	(0.0)	-	-	-	(0.0)	-	-	-	-	-
Other Assets and Liabilities	4.6	(2.5)	-	-	-	(2.5)	-	-	-	-	-
Changes in Assets & Liabilities	(19.6)	(8.6)	3.2	(7.7)	(3.5)	(16.6)	(11.3)	9.3	(6.6)	(2.6)	(11.1)
Interest Paid	(1.1)	(0.1)	-	-	-	(0.1)	-	-	-	-	-
Income Tax Received (Paid)	(3.8)	(0.5)	-	-	-	(0.5)	-	-	-	-	-
<b>Operating Cash Flow</b>	<b>(8.2)</b>	<b>(2.1)</b>	<b>8.3</b>	<b>(1.0)</b>	<b>5.2</b>	<b>10.4</b>	<b>(3.4)</b>	<b>17.1</b>	<b>3.4</b>	<b>10.3</b>	<b>27.4</b>
Capital Expenditures	(4.7)	(1.9)	(3.4)	(4.5)	(6.0)	(15.8)	(5.0)	(5.2)	(6.1)	(7.2)	(23.5)
% of Net Sales	2.9%	4.3%	7.0%	8.0%	9.0%	7.3%	9.0%	9.0%	9.0%	9.0%	9.0%
<b>Free Cash Flow</b>	<b>(12.9)</b>	<b>(4.0)</b>	<b>5.0</b>	<b>(5.6)</b>	<b>(0.8)</b>	<b>(5.4)</b>	<b>(8.5)</b>	<b>11.9</b>	<b>(2.6)</b>	<b>3.1</b>	<b>3.9</b>
Balance Sheet	2010A	Mar11A	Jun11E	Sep11E	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
Cash & Equivalents	52.9	42.5	46.6	40.3	38.6	38.6	29.1	40.2	36.2	37.6	37.6
% of Sales (LTM)	32.9%	24.2%	25.1%	20.2%	17.8%	17.8%	12.8%	17.0%	14.7%	14.4%	14.4%
Inventories	38.5	41.2	40.8	47.0	49.7	49.7	53.3	52.0	58.1	60.1	60.1
% of Sales (LTM)	24.0%	23.5%	22.0%	23.5%	23.0%	23.0%	23.5%	22.0%	23.5%	23.0%	23.0%
Trade & Other Receivables	38.8	35.3	42.7	47.0	50.8	50.8	50.0	54.3	56.9	60.1	60.1
% of Sales (LTM)	24.2%	20.1%	23.0%	23.5%	23.5%	23.5%	22.0%	23.0%	23.0%	23.0%	23.0%
Derivative Financial Instruments & Other	0.8	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Assets Available For Sale	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Current Assets	131.7	120.0	130.9	135.1	139.9	139.9	133.3	147.3	152.1	158.7	158.7
Property, Plant & Equipment, Net	21.5	22.5	25.4	29.3	34.6	34.6	38.8	43.1	48.2	54.2	54.2
Intangible Assets	13.4	13.4	13.4	13.4	13.3	13.3	13.3	13.3	13.2	13.2	13.2
Deferred Tax Assets	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other Receivables	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total Assets</b>	<b>168.1</b>	<b>157.3</b>	<b>171.0</b>	<b>179.1</b>	<b>189.2</b>	<b>189.2</b>	<b>186.8</b>	<b>205.1</b>	<b>214.9</b>	<b>227.5</b>	<b>227.5</b>
Derivative Financial Instruments	0.4	0.2	0.2	0.2	0.2	0.2	0.201	0.201	0.201	0.201	0.2
Trade Payables	30.4	25.2	35.2	38.0	41.1	41.1	32.5	44.9	47.0	49.7	49.7
% of Sales (LTM)	18.9%	14.3%	19.0%	19.0%	19.0%	19.0%	14.3%	19.0%	19.0%	19.0%	19.0%
Income Tax Payable	6.4	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Provisions	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other Current Liabilities	13.9	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Non-Interest Bearing Current Liabilities	51.6	44.0	54.1	56.8	59.9	59.9	51.4	63.7	65.8	68.5	68.5
Total Debt	6.8	0.3	-	-	-	-	-	-	-	-	-
Employee Benefits	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Provisions	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Deferred Tax Liabilities & Other	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Shareholder Equity	108.1	111.5	115.4	120.8	127.8	128.7	133.9	139.9	147.5	157.5	158.3
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>168.1</b>	<b>157.3</b>	<b>171.0</b>	<b>179.1</b>	<b>189.2</b>	<b>190.1</b>	<b>186.8</b>	<b>205.1</b>	<b>214.9</b>	<b>227.5</b>	<b>228.3</b>

Source: company reports and Oppenheimer &amp; Co. estimates

(In Euro millions, except per share data)

<b>SODA Ratio Analysis, Part 1</b>	<b>2010E</b>	<b>Mar11A</b>	<b>Jun11E</b>	<b>Sep11E</b>	<b>Dec11E</b>	<b>2011E</b>	<b>Mar12E</b>	<b>Jun12E</b>	<b>Sep12E</b>	<b>Dec12E</b>	<b>2012E</b>
<b>ASSET UTILIZATION</b>											
Net Sales (LTM) / Accounts Receivable (5-Point Average)	160.7 29.2	175.6 32.4	185.5 36.0	199.8 39.4	216.1 42.9	216.1 42.9	227.0 45.1	236.3 48.9	247.3 51.8	261.4 54.4	261.4 54.4
<b>Accounts Receivable Turnover</b>	<b>5.5x</b>	<b>5.4x</b>	<b>5.2x</b>	<b>5.1x</b>	<b>5.0x</b>	<b>5.0x</b>	<b>5.0x</b>	<b>4.8x</b>	<b>4.8x</b>	<b>4.8x</b>	<b>4.8x</b>
Cost of Goods Sold (LTM) / Inventories (5-Point Average)	74.1 29.1	81.1 33.3	85.1 36.3	93.6 40.3	102.2 43.4	102.2 43.4	107.0 46.4	111.1 48.6	116.0 52.0	122.3 54.6	122.3 54.6
<b>Inventory Turnover</b>	<b>2.5x</b>	<b>2.4x</b>	<b>2.3x</b>	<b>2.3x</b>	<b>2.4x</b>	<b>2.4x</b>	<b>2.3x</b>	<b>2.3x</b>	<b>2.2x</b>	<b>2.2x</b>	<b>2.2x</b>
Purchases (LTM) / Accounts Payable (5-Point Average)	107.2 23.9	96.4 25.4	95.2 28.4	106.7 31.2	117.3 34.0	117.3 34.0	119.1 34.4	115.4 38.3	127.2 40.7	137.5 43.0	137.5 43.0
<b>Accounts Payable Turnover</b>	<b>4.5x</b>	<b>3.8x</b>	<b>3.4x</b>	<b>3.4x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>3.0x</b>	<b>3.1x</b>	<b>3.2x</b>	<b>3.2x</b>
Net Sales (LTM) / Working Capital (5-Point Average)	160.7 35.5	175.6 43.6	185.5 54.8	199.8 66.9	216.1 78.2	216.1 78.2	227.0 78.6	236.3 80.1	247.3 82.0	261.4 84.4	261.4 84.4
<b>Working Capital Turnover</b>	<b>4.5x</b>	<b>4.0x</b>	<b>3.4x</b>	<b>3.0x</b>	<b>2.8x</b>	<b>2.8x</b>	<b>2.9x</b>	<b>2.9x</b>	<b>3.0x</b>	<b>3.1x</b>	<b>3.1x</b>
Net Sales (LTM) / Net PP&E (5-Point Average)	160.7 21.4	175.6 22.3	185.5 22.9	199.8 24.1	216.1 26.7	216.1 26.7	227.0 30.1	236.3 34.2	247.3 38.8	261.4 43.8	261.4 43.8
<b>Fixed Asset Turnover</b>	<b>7.5x</b>	<b>7.9x</b>	<b>8.1x</b>	<b>8.3x</b>	<b>8.1x</b>	<b>8.1x</b>	<b>7.5x</b>	<b>6.9x</b>	<b>6.4x</b>	<b>6.0x</b>	<b>6.0x</b>
Net Sales (LTM) / Total Assets (5-Point Average)	160.7 102.9	175.6 118.8	185.5 141.2	199.8 156.8	216.1 172.9	216.1 172.9	227.0 176.7	236.3 186.2	247.3 195.0	261.4 204.7	261.4 204.7
<b>Asset Turnover</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.3x</b>
Days Sales Outstanding + Days of Inventory on Hand	66 144	67 150	71 156	72 157	72 155	72 155	73 158	76 160	76 164	76 163	76 163
<b>Operating Period</b>	<b>210</b>	<b>217</b>	<b>226</b>	<b>229</b>	<b>228</b>	<b>228</b>	<b>231</b>	<b>235</b>	<b>240</b>	<b>239</b>	<b>239</b>
- Days Payables Outstanding	81	96	109	107	106	106	105	121	117	114	114
<b>Cash Conversion Period</b>	<b>129</b>	<b>121</b>	<b>117</b>	<b>123</b>	<b>122</b>	<b>122</b>	<b>125</b>	<b>114</b>	<b>123</b>	<b>125</b>	<b>125</b>
<b>LIQUIDITY</b>											
Current Assets (End of Period) / Non-Interest Bearing Current Liabilities (EoP)	132 52	120 44	131 54	135 57	140 60	140 60	133 51	147 64	152 66	159 68	159 68
<b>Current Ratio</b>	<b>2.6x</b>	<b>2.7x</b>	<b>2.4x</b>	<b>2.4x</b>	<b>2.3x</b>	<b>2.3x</b>	<b>2.6x</b>	<b>2.3x</b>	<b>2.3x</b>	<b>2.3x</b>	<b>2.3x</b>
Current Assets - Inventories (End of Period) / Non-Interest Bearing Current Liabilities (EoP)	93 52	79 44	90 54	88 57	90 60	90 60	80 51	95 64	94 66	99 68	99 68
<b>Quick Ratio</b>	<b>1.8x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.5x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>1.4x</b>
Cash (End of Period) / Non-Interest Bearing Current Liabilities (EoP)	53 52	43 44	47 54	40 57	39 60	39 60	29 51	40 64	36 66	38 68	38 68
<b>Cash Ratio</b>	<b>1.0x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>

Source: company reports and Oppenheimer &amp; Co. estimates

(In Euro millions, except per share data)

SODA Ratio Analysis, Part 2	2010E	Mar11A	Jun11E	Sep11E	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
<b>PROFITABILITY</b>											
Net Income (LTM)	13	16	17	19	22	22	22	24	27	30	30
/ Net Sales (LTM)	161	176	185	200	216	216	227	236	247	261	261
<b>Return on Sales</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>
Return on Sales	8.1%	8.9%	9.4%	9.4%	10.0%	10.0%	9.9%	10.3%	10.8%	11.3%	11.3%
x Asset Turnover	1.6x	1.5x	1.3x	1.3x	1.2x	1.2x	1.3x	1.3x	1.3x	1.3x	1.3x
<b>Return on Assets</b>	<b>12.7%</b>	<b>13.2%</b>	<b>12.3%</b>	<b>12.0%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.7%</b>	<b>13.1%</b>	<b>13.7%</b>	<b>14.5%</b>	<b>14.5%</b>
Total Assets (5-Point Average)	103	119	141	157	173	173	177	186	195	205	205
/ Common Equity (5-Point Average)	38	57	76	96	117	117	122	128	134	141	141
<b>Equity Multiplier</b>	<b>2.7x</b>	<b>2.1x</b>	<b>1.9x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>1.5x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>1.4x</b>
Return on Sales	8.1%	8.9%	9.4%	9.4%	10.0%	10.0%	9.9%	10.3%	10.8%	11.3%	11.3%
x Asset Turnover	1.6x	1.5x	1.3x	1.3x	1.2x	1.2x	1.3x	1.3x	1.3x	1.3x	1.3x
x Equity Multiplier	2.7x	2.1x	1.9x	1.6x	1.5x	1.5x	1.4x	1.5x	1.5x	1.4x	1.4x
<b>Return on Common Equity</b>	<b>57.3%</b>	<b>70.6%</b>	<b>70.6%</b>	<b>77.8%</b>	<b>84.3%</b>	<b>84.3%</b>	<b>88.6%</b>	<b>86.9%</b>	<b>87.1%</b>	<b>88.1%</b>	<b>88.1%</b>
EBIT (LTM)	14	18	21	21	25	25	26	28	31	35	35
+ Intangibles Amortization (LTM)	0	0	0	0	0	0	0	0	0	0	0
EBITA	15	18	21	22	25	25	26	28	31	35	35
- Tax on EBITA	(2)	(3)	(3)	(3)	(4)	(4)	(4)	(5)	(5)	(6)	(6)
Weighted Average Tax Rate (LTM)	15.4%	16.0%	16.4%	16.0%	16%	16%	16.0%	16.3%	16.7%	17.0%	17.0%
<b>Net Operating Profit After Tax (LTM)</b>	<b>12.4</b>	<b>15.0</b>	<b>17.4</b>	<b>18.1</b>	<b>21.1</b>	<b>21.1</b>	<b>21.7</b>	<b>23.5</b>	<b>25.8</b>	<b>28.8</b>	<b>28.8</b>
Total Assets (5-Point Average)	103	119	141	157	173	173	177	186	195	205	205
- Excess Cash (>2% of Net Sales) (5-Point Avg)	(12)	(19)	(26)	(33)	(40)	(40)	(35)	(34)	(32)	(31)	(31)
- Non-Interest Bearing Current Liabs (5-Point Avg)	44	46	49	51	53	53	53	57	60	62	62
<b>Invested Capital (5-Point Average)</b>	<b>70.5</b>	<b>92.0</b>	<b>118.8</b>	<b>139.1</b>	<b>159.5</b>	<b>159.5</b>	<b>158.3</b>	<b>163.3</b>	<b>167.4</b>	<b>173.9</b>	<b>173.9</b>
NOPAT (LTM)	12	15	17	18	21	21	22	24	26	29	29
/ Invested Capital (5-Point Average)	70	92	119	139	159	159	158	163	167	174	174
<b>Return on Invested Capital</b>	<b>17.5%</b>	<b>16.3%</b>	<b>14.7%</b>	<b>13.0%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.7%</b>	<b>14.4%</b>	<b>15.4%</b>	<b>16.5%</b>	<b>16.5%</b>
<b>FINANCIAL LEVERAGE</b>											
Net Debt (End of Period)	(46)	(42)	(47)	(40)	(39)	(39)	(29)	(40)	(36)	(38)	(38)
/ EBITDA (LTM)	16	18	19	21	24	24	25	28	32	37	37
<b>Leverage Ratio</b>	<b>-3.0x</b>	<b>-2.3x</b>	<b>-2.5x</b>	<b>-1.9x</b>	<b>-1.6x</b>	<b>-1.6x</b>	<b>-1.2x</b>	<b>-1.4x</b>	<b>-1.1x</b>	<b>-1.0x</b>	<b>-1.0x</b>
EBIT (LTM)	14	18	21	21	25	25	26	28	31	35	35
/ Net Interest Expense (LTM)	(1.5)	(1)	(1)	(0)	0.3	0.3	0	1	1	0.9	0.9
<b>Interest Coverage Ratio</b>	<b>9.9x</b>	<b>17.1x</b>	<b>33.2x</b>	<b>82.4x</b>	<b>-73.1x</b>	<b>-73.1x</b>	<b>-61.0x</b>	<b>-37.8x</b>	<b>-35.8x</b>	<b>-39.2x</b>	<b>-39.2x</b>
EBITDA (LTM)	16	18	19	21	24	24	25	28	32	37	37
/ Net Interest Expense (LTM)	(1.5)	(1)	(1)	(0)	0	0	0	1	1	1	1
<b>Cash Coverage Ratio</b>	<b>10.6x</b>	<b>17.5x</b>	<b>30.4x</b>	<b>81.9x</b>	<b>-69.4x</b>	<b>-69.4x</b>	<b>-60.3x</b>	<b>-38.5x</b>	<b>-37.5x</b>	<b>-42.0x</b>	<b>-42.0x</b>
Total Debt (End of Period)	7	0	-	-	-	-	-	-	-	-	-
/ Debt + Equity (End of Period)	115	112	115	121	128	129	134	140	148	157	158
<b>Debt/Capital Ratio</b>	<b>6%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

Source: company reports and Oppenheimer &amp; Co. estimates



(In €uro millions, except per share data)

<b>SODA DCF Model</b>						<b>Assumptions</b>																																																		
	2011E	2012E	2013E	2014E	2015E																																																			
Net Income	21	30	39	51	61	Risk-Free Rate	5.00%																																																	
Plus: Interest Expense (After-Tax)	(0)	(1)	(1)	(1)	(1)	Beta	1.25																																																	
Plus: Depreciation & Amortization	3	4	5	5	6	Market Risk Premium	6.00%																																																	
Less: Capital Expenditures	(16)	(24)	(6)	(7)	(8)	<b>Cost of Equity</b>	<b>12.50%</b>																																																	
Plus/Less: Changes in W/C & Other	(10)	(2)	2	6	28	Tax Rate (Statutory)	18.00%																																																	
<b>Unlevered Free Cash Flow</b>	<b>(2)</b>	<b>7</b>	<b>39</b>	<b>54</b>	<b>87</b>	Cost of Debt (Pre-Tax)	5.50%																																																	
<b>PV of Unlevered Free Cash Flow</b>	<b>(2)</b>	<b>6</b>	<b>29</b>	<b>36</b>	<b>52</b>	Cost of Debt (After-Tax)	4.51%																																																	
PV of Free Cash Flow	120					Cost of Preferred	0.00%																																																	
PV of Residual Value	673					Shares Outstanding	19.9																																																	
Enterprise Value	792					Price	\$54																																																	
Less: Total Debt/Preferred	-					Market Cap	1,077																																																	
Equity Value	792					Total Debt	-																																																	
Mid-Year Adjustment Factor	1.05					Preferred	-																																																	
Equity Value (Adjusted)	834					Total Capitalization	1,077																																																	
Shares Outstanding	20					Capitalization	Current Target																																																	
<b>Value Per Share (€)</b>	<b>€ 42</b>					Equity	100% 80%																																																	
<table border="1"> <thead> <tr> <th colspan="6"><b>Terminal Free Cash Flow Growth Rate</b></th> </tr> <tr> <th></th> <th>2.0%</th> <th>2.5%</th> <th>3.0%</th> <th>3.5%</th> <th>4.0%</th> </tr> </thead> <tbody> <tr> <td rowspan="6"><b>W A C C</b></td> <td>9.9%</td> <td>€ 43</td> <td>€ 46</td> <td>€ 49</td> <td>€ 53</td> <td>€ 57</td> </tr> <tr> <td>10.4%</td> <td>€ 40</td> <td>€ 43</td> <td>€ 45</td> <td>€ 48</td> <td>€ 52</td> </tr> <tr> <td>10.9%</td> <td>€ 38</td> <td>€ 40</td> <td><b>€ 42</b></td> <td>€ 44</td> <td>€ 47</td> </tr> <tr> <td>11.4%</td> <td>€ 35</td> <td>€ 37</td> <td>€ 39</td> <td>€ 41</td> <td>€ 44</td> </tr> <tr> <td>11.9%</td> <td>€ 33</td> <td>€ 34</td> <td>€ 36</td> <td>€ 38</td> <td>€ 40</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						<b>Terminal Free Cash Flow Growth Rate</b>							2.0%	2.5%	3.0%	3.5%	4.0%	<b>W A C C</b>	9.9%	€ 43	€ 46	€ 49	€ 53	€ 57	10.4%	€ 40	€ 43	€ 45	€ 48	€ 52	10.9%	€ 38	€ 40	<b>€ 42</b>	€ 44	€ 47	11.4%	€ 35	€ 37	€ 39	€ 41	€ 44	11.9%	€ 33	€ 34	€ 36	€ 38	€ 40							Debt	0% 20%
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<b>\$/Euro Exchange Rate</b>	<b>\$1.43</b>																																																							
<b>USD Price Target</b>	<b>\$60</b>																																																							

Source: company reports and Oppenheimer &amp; Co. estimates

## Investment Thesis

Our Outperform rating on the shares is based on our view that SODA's position as the leader in the burgeoning home beverage carbonation market should afford it significant growth opportunities in the coming years, particularly in the US, the world's largest soft drink market and one in which SODA is meaningfully underpenetrated. In addition, we believe the premium valuation for the shares is justified by this growth opportunity, while on a price-to-earnings-growth (PEG) basis the shares appear reasonably priced.

## Price Target Calculation

We derive our new 12- to 18-month price target of \$60 through our five-year discounted cash flow valuation, using a weighted average cost of capital (WACC) of 10.9% and a 3.00% residual growth rate of our terminal (2015) unlevered free cash flow estimate of €87 million, while employing a euro-US dollar exchange rate of \$1.43. The increase from our prior \$50 target stems largely from more robust free cash flow assumptions.

## Key Risks to Price Target

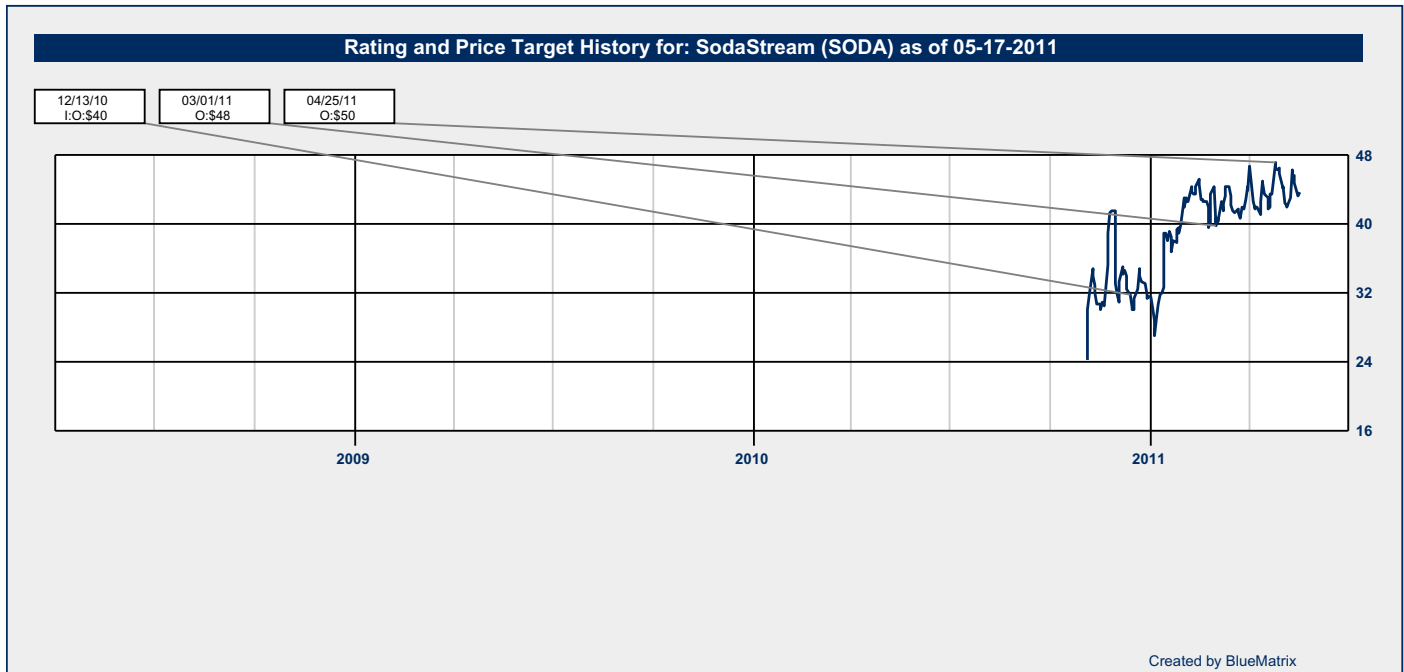
The greatest risk to the SODA story, in our view, is the company's ability to successfully penetrate the US market, which will require a change in behavior on the part of consumers, as well as significant investments in marketing and infrastructure. Even if SODA is successful in executing its US growth strategy, however, this is likely to attract competitors, which could mitigate growth.

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All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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**Neutral** - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

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## Distribution of Ratings/IB Services Firmwide

Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
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PERFORM [P]	248	44.00	81	32.66
UNDERPERFORM [U]	9	1.60	1	11.11

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