

February 29, 2012

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

Stock Rating:

**OUTPERFORM**

12-18 mo. Price Target	\$55.00
SODA - NASDAQ	\$40.75

3-5 Yr. EPS Gr. Rate	30%
52-Wk Range	\$79.72-\$27.60
Shares Outstanding	19.9M
Float	13.0M
Market Capitalization	\$811.1M
Avg. Daily Trading Volume	1,233,915
Dividend/Div Yield	NA/NM
Fiscal Year Ends	Dec
Book Value	\$10.90
2012E ROE	79.9%
LT Debt	\$0.0M
Preferred	NA
Common Equity	\$218M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2011A	0.35	0.38	0.54	0.32	1.60	25.5x
Prior (E)	--	--	--	0.31	1.65	24.7x
2012E	0.48	0.51	0.70	0.47	2.15	19.0x
Prior (E)	0.43	0.46	0.60	0.61	2.10	19.4x
2013E	0.62	0.64	0.90	0.65	2.80	14.6x

Reflects adjusted EPS for 2011. EPS estimates for 2012 and 2013 are adjusted to exclude IPO-related share-based compensation expense.

## SodaStream

### Generally Ahead of Expectations, Despite Some Seemingly Worrisome Data Points

#### SUMMARY

Despite better than expected 4Q results and encouraging 2012 guidance, shares of SODA sold off Wednesday due primarily to a slowdown in soda maker unit sales growth. That said, we would caution against making too much of this, as we believe it pertains largely to the timing of shipments rather than a drop-off in consumer demand. Further, our bullish thesis on SODA remains intact, and we would continue to be buyers.

#### KEY POINTS

- SODA reported generally better than expected 4Q results Wednesday morning, as adjusted EPS of \$0.32 were ahead of both our and the consensus estimates of \$0.31 and \$0.25, respectively. Sales increased 32%, to €66.1M, also easily exceeding both our estimate of €64.3M and implied guidance of €61.8M.
- The company also introduced encouraging 2012 guidance, including sales growth of 28% vs. last year's 39% growth and our prior estimate of 23% growth. Further, adjusted net income is expected to increase 35%, implying EPS of \$2.12, up 33% y/y and consistent with our prior estimate of \$2.10 but above consensus of \$1.90.
- However, soda maker unit sales were up only 8% y/y, reflecting a pronounced slowdown from 3Q growth of 60%. In fact, if we adjust for the 45% increase in units in the US, the rest of the world declined 8%, helping to explain the 14% sell-off in the shares Wednesday.
- Importantly, we would caution against making too much of this, as these y/y growth rates tend to be highly volatile and dependent on the timing of shipments, with 4Q no exception. Also, we should emphasize that this is a "sell-in" number and not indicative of "sell-through," which was notably more encouraging.
- Summing up, our bullish thesis on SODA remains intact and would suggest investors not overreact to random data points. Thus, we would continue to be buyers and reiterate our Outperform rating and \$55 DCF-derived target price on the shares.

#### 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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## SodaStream 4Q Results

### Generally Ahead of Expectations, Despite Some Seemingly Worrisome Data Points

SodaStream reported generally better than expected 4Q results Wednesday morning (2/29), as adjusted EPS of \$0.32 were ahead of both our and the consensus estimates of \$0.31 and \$0.25, respectively. Sales increased 32%, to €66.1 million, easily exceeding both our estimate of €64.3 million and implied guidance of €61.8 million. This healthy top line was relatively broad-based, with strength in Asia-Pacific (up 59%, to €6.8 million) and Western Europe (up 20%, to €30.6 million). However, as expected, the standout was once again the Americas, with sales up 70%, to €24.6 million, driven by increased distribution, larger product selection at retail and continued marketing support. Conversely, Central Europe/Middle East/Africa was the outlier, as sales were down 32%, to €4.0 million, as a result of a timing issue with a Czech distributor.

Gross margin in the quarter was up 300 bps year-over-year, to 57.3%, well ahead of our estimate of 52.5%, due to higher margin sales in owned vs. distributor markets (such as the US, where sales increased 70%), fixed cost leverage and favorable foreign exchange. Sales and marketing expenses were up 49%, to €28.1 million, or 42.5% of sales, which was ahead of our estimate of €24.4 million, or 38.0% of sales. The greater than expected investment in sales and marketing primarily reflected SODA's initiative to grow the US business, which included the company's first television advertisement and 28,000 in-store demonstrations. General and administrative expenses, excluding stock-based compensation expense, totaled €4.7 million, modestly ahead of our €4.5 million estimate. As a result, adjusted operating income increased 15%, to €5.1 million, above our estimate of €4.8 million, while adjusted operating margin declined 110 bps, to 7.8% vs. our 7.5% estimate, largely due to the increased investment in sales and marketing.

Turning to the product segments, sales of soda maker starter kits increased 24%, to €31.4 million, while consumables sales increased 38%, to €32.6 million, indicating continued healthy usage. However, among the more worrisome data points in the quarter was soda maker unit sales, which were up only 8% year-over-year, reflecting a pronounced slowdown from 3Q growth of 60%. In fact, if we adjust for the 45% increase in units in the US, the rest of the world declined 8%.

During Wednesday's earnings conference call, management provided a handful of reasons for this. First, in the US SODA was up against a very difficult base period comparison, as 4Q 2010 included initial distribution into Bed, Bath & Beyond. In addition, a number of retailers and distributors, having experienced stock-outs during last year's holiday season, decided to take shipments somewhat earlier this year, thereby pulling sales forward into 3Q. Outside the US, shipments were negatively impacted by the financial difficulties of the company's Nordics distributor, which did not re-order during the quarter (in fact, SODA eventually acquired this distribution business). In addition, its Czech distributor (the highest grossing country in the CEEMEA region) purchased the majority of soda maker units during the first half, although this pipeline is expected to normalize around mid-2012.

### Initial 2012 Guidance Is Encouraging

Importantly, the company also introduced encouraging 2012 guidance, which includes sales growth of approximately 28%, implying revenue of €285 million. This is on top of 2011 full-year sales growth of 39% and compares favorably to our prior estimate of 23% growth. Further, adjusted net income (excluding stock-based compensation expense) is expected to increase approximately 35%, implying adjusted net income of €34.2 million. If we assume a dollar/euro exchange rate of \$1.30 and 21.0 million fully diluted shares outstanding, this works out to adjusted EPS of roughly \$2.12, which is up 33% from last year's adjusted \$1.60 and consistent with our prior estimate of \$2.10, though above

Street consensus of \$1.90.

During Wednesday's conference call, management laid out its five main growth drivers for 2012. These are:

1. Growing its retail presence in the US, which will increase the availability of soda makers and consumables, as well as expanding the number of locations for the CO2 cylinder exchange program;
2. Strengthening the brand by increasing awareness and purchase intent through increased consumer marketing, including television advertisements in certain markets (the majority of the investment will be in the US and Europe during the first half);
3. Introducing new products, including the first electrical soda maker;
4. Entering new markets (next week, SODA will roll out in Brazil); and
5. Entering new lines of business (for example, starting in 2012, the company will begin serving the restaurant, office, hospitality and food service channels).

### **Tweaking 2012 Estimates, Introducing 2013; Bullish Thesis Intact**

Based on these results and guidance, we are raising our 2012 EPS estimate to \$2.15 from \$2.10 prior, which represents a year-over-year increase of 35%. In addition, we are raising our sales estimate to \$372 million, up 29% year-over-year, from 23% prior. That said, there are a handful of puts and takes worth noting. First, management expects the acquisition of its Nordics distributor to add about \$8-\$10 million, or 3%, to sales this year, as well as \$2.0-\$2.5 million, or \$0.10-\$0.12 per share, to net income. Second, the company anticipates a full-year tax rate consistent with last year's 11%; this is below the 17% we had modeled, thus adding \$0.15 to our EPS estimate. Offsetting this to some degree is increased sales and marketing expense, particularly in the US, thus resulting in a \$0.05 increase to our EPS estimate. In addition, we are introducing our 2013 estimates, including EPS of \$2.80, up 30%, and based on sales growth of 21%, to \$451 million.

Despite these better than expected top- and bottom-line results, as well as encouraging initial fiscal 2012 guidance, shares of SODA traded off sharply Wednesday, finishing the day down over 14%. Some of this may relate to profit-taking, as the stock rallied hard into the print, up 22% over the past week. However, the primary reason for Wednesday's sell-off in our view was investor reaction to the slowdown in soda maker kit unit growth. Importantly, we would caution against making too much of this, and view the pullback as a buying opportunity in the stock. First of all, these year-over-year growth rates tend to be highly volatile from quarter to quarter and dependent on the timing of shipments, with 4Q no exception. Looked at another way, if we combine 3Q and 4Q to smooth out some of these timing issues, soda maker kits shipments were up 28% globally. In addition, management was quick to point out that this is a sell-in number and not indicative of sell-through, which was notably more encouraging (up 50% in its distributor markets, exceeding internal expectations), and that we could see shipments benefiting from inventory replenishment in 1Q.

Summing up, our bullish thesis on SODA remains intact, and we would suggest investors not overreact to random data points. Consumer demand remains healthy, while the company continues to enjoy significant growth opportunities through the entry and expansion in new markets, such as Japan, Brazil and India. However, the key to the story remains the US, where household penetration is just 0.6%, as SODA continues to expand its retail distribution presence (9,500 doors at the end of 4Q, up from 6,600 last quarter and 4,000 last year) while also benefiting from new products and sales channels later this

year. Thus, we would continue to be buyers and reiterate our Outperform rating and \$55 DCF-derived target price on the shares.

## SodaStream 4Q Results, Actual vs. Expected

(In Euro millions, except per share data)

Income Statement	Dec10A	Dec11A	Dec11E
Western Europe	25.4	30.6	26.7
Y/Y Change (%)	25%	20%	5%
CEMEA	5.8	4.0	6.4
Y/Y Change (%)	52%	-32%	10%
Americas	14.5	24.6	26.1
Y/Y Change (%)	238%	70%	80%
Asia-Pacific	4.3	6.8	5.1
Y/Y Change (%)	42%	59%	20%
<b>Net Sales</b>	<b>50.0</b>	<b>66.1</b>	<b>64.3</b>
Y/Y Change (%)	59%	32%	29%
Cost of Sales	22.8	\$218.5 28.2	30.5
<b>Gross Profit</b>	<b>27.2</b>	<b>37.9</b>	<b>33.8</b>
Y/Y Change (%)	57%	39%	24%
<b>Gross Margin</b>	<b>54.3%</b>	<b>57.3%</b>	<b>52.5%</b>
Y/Y Change (bps)	(60)	300	(180)
Other (Income), Net	(0.1)	(0.0)	-
General & Administrative	3.9	4.7	4.5
% of Net Sales	7.8%	7.1%	7.0%
Sales & Marketing	18.9	28.1	24.4
% of Net Sales	37.9%	42.5%	38.0%
<b>Operating Income (Adjusted)</b>	<b>4.5</b>	<b>5.1</b>	<b>4.8</b>
Y/Y Change (%)	-13%	15%	8%
<b>Operating Margin (Adjusted)</b>	<b>8.9%</b>	<b>7.8%</b>	<b>7.5%</b>
Y/Y Change (bps)	(730)	(110)	(140)
Management Fee/Other	0.8	1.0	1.1
Operating Income (Reported)	3.7	4.1	3.7
Interest Expense, Net	0.4	(0.3)	(0.4)
Other Financial Expenses	(0.9)	0.0	-
Pre-Tax Income (Reported)	4.2	4.3	4.1
Income Tax	0.7	0.2	0.3
Tax Rate	17.5%	5.4%	7.5%
Net Income (Reported)	3.5	4.1	3.8
Y/Y Change (%)	-17%	18%	9%
Adjustments (Net of Tax)	0.8	1.0	1.1
<b>Net Income (Adjusted)</b>	<b>4.3</b>	<b>5.1</b>	<b>4.9</b>
Y/Y Change (%)	-3%	21%	15%
Shares Outstanding (Diluted)	17.1	20.8	21.0
Diluted EPS (Reported)	€ 0.21	€ 0.20	€ 0.18
Adjustments	€ 0.04	€ 0.05	€ 0.05
<b>Diluted EPS (Adjusted)</b>	<b>€ 0.25</b>	<b>€ 0.25</b>	<b>€ 0.23</b>
Y/Y Change (%)		0%	-8%
EBITDA (Reported)	5.4	5.9	4.4
Adj. For Discontinued & Exceptional Exp	-	-	-
Mgmt Fees/Other	0.8	1.0	1.1
Debt Conversion to Grant	-	-	-
<b>EBITDA (Adjusted)</b>	<b>6.2</b>	<b>6.9</b>	<b>5.5</b>
Y/Y Change	4%	13%	-10%
<b>EBITDA Margin</b>	<b>12.3%</b>	<b>10.5%</b>	<b>8.6%</b>
Y/Y Change	(640)	(180)	(370)
Exchange Rate (\$/Euro)	\$1.30	\$1.30	\$1.35
<b>(In \$ millions)</b>			
<b>Net Sales</b>	<b>\$64.9</b>	<b>\$85.7</b>	<b>\$87.0</b>
Y/Y Change (%)		32%	31%
Gross Profit	\$35.2	\$49.1	\$45.7
Operating Income (Adjusted)	\$5.8	\$6.7	\$6.5
<b>EBITDA (Adjusted)</b>	<b>\$8.0</b>	<b>\$9.0</b>	<b>\$7.5</b>
Y/Y Change (%)		13%	-8%
Net Income (Adjusted)	\$5.5	\$6.7	\$6.6
<b>EPS (Adjusted)</b>	<b>\$0.32</b>	<b>\$0.32</b>	<b>\$0.31</b>
Y/Y Change (%)		0%	-6%
Free Cash Flow	(\$2.6)	(\$8.7)	\$14.1
Modified Free Cash Flow	\$6.3	\$4.4	(\$0.2)

Source: company reports and Oppenheimer & Co. estimates

(In Euro millions, except per share data)

Income Statement	Mar11A	Jun11A	Sep11A	Dec11A	2011A	Mar12E	Jun12E	Sep12E	Dec12E	2012E	Mar13E	Jun13E	Sep13E	Dec13E	2013E
Western Europe	23.5	33.3	30.6	30.6	118.1	27.0	38.3	36.1	35.2	136.7	29.2	41.4	39.0	38.0	147.6
Y/Y Change (%)	23%	22%	10%	20%	18%	15%	15%	18%	15%	16%	8%	8%	8%	8%	8%
CEMEA	7.7	6.3	5.8	4.0	23.8	5.8	5.70	6.4	4.8	22.6	6.5	6.4	7.1	5.3	25.3
Y/Y Change (%)	70%	35%	32%	-32%	22%	-25%	-10%	10%	20%	-5%	12%	12%	12%	12%	12%
Americas	10.2	11.3	18.5	24.6	64.7	16.9	18.1	28.7	38.2	101.8	24.5	26.2	40.2	53.5	144.3
Y/Y Change (%)	153%	136%	124%	70%	105%	65%	60%	55%	55%	57%	45%	45%	40%	40%	42%
Asia-Pacific	3.7	2.3	3.4	6.8	16.2	5.8	3.7	5.5	10.6	25.6	7.0	4.4	6.6	12.7	30.7
Y/Y Change (%)	52%	40%	117%	59%	64%	60%	60%	60%	55%	58%	20%	20%	20%	20%	20%
<b>Net Sales</b>	<b>45.1</b>	<b>53.3</b>	<b>58.3</b>	<b>66.1</b>	<b>222.7</b>	<b>55.5</b>	<b>65.8</b>	<b>76.6</b>	<b>88.7</b>	<b>286.7</b>	<b>67.2</b>	<b>78.4</b>	<b>92.9</b>	<b>109.5</b>	<b>347.9</b>
Y/Y Change (%)	50%	38%	39%	32%	39%	23%	24%	31%	34%	29%	21%	19%	21%	23%	21%
Cost of Sales	21.0	25.0	27.1	28.2	101.3	25.6	30.6	35.2	37.4	128.8	30.6	36.1	42.2	45.6	154.5
Gross Profit	24.1	28.2	31.2	37.9	121.4	30.0	35.2	41.4	51.3	157.9	36.6	42.3	50.6	63.9	193.5
Y/Y Change (%)	48%	45%	32%	39%	40%	24%	25%	33%	36%	30%	22%	20%	22%	24%	23%
Gross Margin	53.5%	53.0%	53.5%	57.3%	54.5%	54.0%	53.5%	54.0%	57.8%	55.1%	54.5%	54.0%	54.5%	58.3%	55.6%
Y/Y Change (bps)	(40)	230	(280)	300	60	50	50	50	50	60	50	50	50	50	50
Other (Income), Net	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	-	-	-	-	-	-	-	-	-	-
General & Administrative	4.7	4.6	4.8	4.7	18.8	4.9	5.1	5.2	5.3	20.5	5.8	5.9	6.1	6.4	24.1
% of Net Sales	10.5%	8.6%	8.3%	7.1%	8.5%	8.8%	7.7%	6.8%	6.0%	7.1%	8.6%	7.5%	6.6%	5.8%	6.9%
Sales & Marketing	13.2	17.3	17.8	28.1	76.4	16.7	21.4	23.8	37.7	99.6	19.8	25.1	28.4	46.0	119.3
% of Net Sales	29.3%	32.5%	30.6%	42.5%	34.3%	30.0%	32.5%	31.1%	42.5%	34.7%	29.5%	32.0%	30.6%	42.0%	34.3%
<b>Operating Income (Adjusted)</b>	<b>6.2</b>	<b>6.3</b>	<b>8.6</b>	<b>5.1</b>	<b>26.3</b>	<b>8.4</b>	<b>8.7</b>	<b>12.4</b>	<b>8.3</b>	<b>37.8</b>	<b>11.0</b>	<b>11.4</b>	<b>16.1</b>	<b>11.6</b>	<b>50.0</b>
Y/Y Change (%)	124%	303%	59%	15%	81%	36%	38%	44%	61%	44%	30%	30%	30%	39%	32%
<b>Operating Margin (Adjusted)</b>	<b>13.8%</b>	<b>11.9%</b>	<b>14.7%</b>	<b>7.8%</b>	<b>11.8%</b>	<b>15.2%</b>	<b>13.3%</b>	<b>16.1%</b>	<b>9.3%</b>	<b>13.2%</b>	<b>16.4%</b>	<b>14.5%</b>	<b>17.3%</b>	<b>10.5%</b>	<b>14.4%</b>
Y/Y Change (bps)	460	780	180	(110)	280	140	140	140	150	140	120	120	120	120	120
Management Fee/Other	1.1	1.0	1.0	1.0	4.2	1.0	1.0	1.0	1.0	4.1	0.2	0.2	0.2	0.2	0.7
Operating Income (Reported)	5.2	5.3	7.6	4.1	22.1	7.4	7.7	11.3	7.3	33.7	10.8	11.2	15.9	11.4	49.3
Interest Expense, Net	(0.1)	(0.4)	(0.4)	(0.3)	(1.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Other Financial Expenses	0.3	(0.3)	(0.5)	0.0	(0.5)	-	-	-	-	-	-	-	-	-	-
Pre-Tax Income (Reported)	5.0	6.0	8.4	4.3	23.8	7.6	7.9	11.5	7.5	34.5	11.1	11.5	16.2	11.7	50.5
Income Tax	0.8	1.0	0.6	0.2	2.6	0.8	0.9	1.3	0.8	3.8	1.2	1.3	1.8	1.3	5.6
Tax Rate	15.6%	15.9%	7.5%	5.4%	10.9%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Net Income (Reported)	4.2	5.1	7.8	4.1	21.2	6.8	7.0	10.3	6.6	30.7	9.9	10.2	14.4	10.4	45.0
Y/Y Change (%)	107%	138%	276%	18%	118%	60%	39%	32%	62%	45%	46%	45%	41%	56%	46%
Adjustments (Net of Tax)	1.1	1.0	1.0	1.0	4.2	1.0	1.0	1.0	1.0	4.1	0.2	0.2	0.2	0.2	0.7
<b>Net Income (Adjusted)</b>	<b>5.3</b>	<b>6.1</b>	<b>8.8</b>	<b>5.1</b>	<b>25.3</b>	<b>7.8</b>	<b>8.1</b>	<b>11.3</b>	<b>7.7</b>	<b>34.8</b>	<b>10.1</b>	<b>10.4</b>	<b>14.6</b>	<b>10.6</b>	<b>45.7</b>
Y/Y Change (%)	141%	176%	124%	21%	95%	47%	33%	28%	49%	37%	29%	29%	29%	38%	31%
Shares Outstanding (Diluted)	19.6	21.0	21.0	20.8	20.6	20.9	20.9	21.0	21.0	21.0	21.1	21.1	21.2	21.2	21.2
Diluted EPS (Reported)	€ 0.22	€ 0.24	€ 0.37	€ 0.20	€ 1.03	€ 0.32	€ 0.34	€ 0.49	€ 0.32	€ 1.47	€ 0.47	€ 0.48	€ 0.68	€ 0.49	€ 2.12
Adjustments	€ 0.05	€ 0.05	€ 0.05	€ 0.05	€ 0.20	€ 0.05	€ 0.05	€ 0.05	€ 0.04	€ 0.19	€ 0.01	€ 0.01	€ 0.01	€ 0.01	€ 0.04
<b>Diluted EPS (Adjusted)</b>	<b>€ 0.27</b>	<b>€ 0.29</b>	<b>€ 0.42</b>	<b>€ 0.25</b>	<b>€ 1.23</b>	<b>€ 0.37</b>	<b>€ 0.39</b>	<b>€ 0.54</b>	<b>€ 0.36</b>	<b>€ 1.66</b>	<b>€ 0.48</b>	<b>€ 0.49</b>	<b>€ 0.69</b>	<b>€ 0.50</b>	<b>€ 2.16</b>
Y/Y Change (%)	59%	81%	35%	0%	34%	37%	34%	29%	44%	35%	30%	26%	28%	39%	30%
EBITDA (Reported)	5.7	6.7	8.8	5.9	27.2	9.3	9.6	13.4	9.4	41.7	13.1	13.4	18.3	13.9	58.7
Adj. For Discontinued & Exceptional Exp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mgmt Fees/Other	1.1	1.0	1.0	1.0	4.2	1.0	1.0	1.0	1.0	4.1	0.2	0.2	0.2	0.2	0.7
Debt Conversion to Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>EBITDA (Adjusted)</b>	<b>6.8</b>	<b>7.7</b>	<b>9.9</b>	<b>6.9</b>	<b>31.4</b>	<b>10.3</b>	<b>10.7</b>	<b>14.4</b>	<b>10.4</b>	<b>45.8</b>	<b>13.2</b>	<b>13.6</b>	<b>18.5</b>	<b>14.1</b>	<b>59.4</b>
Y/Y Change (%)	107%	118%	78%	13%	67%	52%	38%	46%	50%	46%	28%	27%	28%	35%	30%
<b>EBITDA Margin</b>	<b>15.0%</b>	<b>14.5%</b>	<b>16.9%</b>	<b>10.5%</b>	<b>14.1%</b>	<b>18.6%</b>	<b>16.2%</b>	<b>18.8%</b>	<b>11.7%</b>	<b>16.0%</b>	<b>19.7%</b>	<b>17.3%</b>	<b>19.9%</b>	<b>12.9%</b>	<b>17.1%</b>
Y/Y Change	420	530	370	(180)	240	360	170	190	120	190	110	110	110	120	110
Exchange Rate (\$/Euro)	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
<b>(In \$ millions)</b>															
<b>Net Sales</b>	<b>\$64.0</b>	<b>\$69.1</b>	<b>\$75.7</b>	<b>\$85.7</b>	<b>\$289.0</b>	<b>\$72.0</b>	<b>\$85.3</b>	<b>\$99.4</b>	<b>\$115.1</b>	<b>\$371.9</b>	<b>\$87.1</b>	<b>\$101.7</b>	<b>\$120.5</b>	<b>\$142.1</b>	<b>\$451.4</b>
Y/Y Change (%)	63%	38%	33%	32%	39%	13%	24%	31%	34%	29%	21%	19%	21%	23%	21%
Gross Profit	\$34.2	\$41.0	\$40.5	\$49.1	\$157.5	\$38.9	\$45.6	\$53.7	\$66.6	\$204.9	\$47.5	\$54.9	\$65.7	\$82.9	\$251.0
Operating Income (Adjusted)	\$8.8	\$9.2	\$11.2	\$6.7	\$34.1	\$10.9	\$11.3	\$16.0	\$10.8	\$49.1	\$14.3	\$14.7	\$20.9	\$15.0	\$64.9
EBITDA (Adjusted)	\$9.6	\$11.3	\$12.8	\$9.0	\$35.3	\$13.4	\$13.8	\$18.7	\$13.5	\$54.2	\$17.2	\$17.6	\$24.0	\$18.3	\$76.2
Y/Y Change (%)	127%	144%	70%	13%	75%	39%	23%	46%	50%	53%	28%	27%	28%	35%	41%
Net Income (Adjusted)	\$7.5	\$8.8	\$11.5	\$6.7	\$32.9	\$10.1	\$10.5	\$14.7	\$10.0	\$45.2	\$13.1	\$13.5	\$19.0	\$13.7	\$59.2
EPS (Adjusted)	<b>\$0.35</b>	<b>\$0.38</b>	<b>\$0.54</b>	<b>\$0.32</b>	<b>\$1.60</b>	<b>\$0.48</b>	<b>\$0.51</b>	<b>\$0.70</b>	<b>\$0.47</b>	<b>\$2.15</b>	<b>\$0.62</b>	<b>\$0.64</b>	<b>\$0.90</b>	<b>\$0.65</b>	<b>\$2.80</b>
Y/Y Change (%)	59%	81%	35%	0%	34%	37%	34%	29%	44%	35%	30%	26%	28%	39%	30%
Free Cash Flow	(\$5.2)	(\$1.7)	(\$11.3)	(\$8.7)	(\$26.9)	\$20.5	\$3.1	(\$0.3)	(\$12.6)	\$10.6	\$15.4	\$9.9	\$8.0	(\$5.2)	\$28.2
Modified Free Cash Flow	\$6.1	\$6.5	\$4.7	\$4.4	\$20.1	\$6.1	\$5.3	\$8.4	\$2.4	\$22.1	\$11.6	\$11.3	\$16.0	\$9.9	\$48.9

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

(In Euro millions, except per share data)

SODA DCF Model						Assumptions	
	2012E	2013E	2014E	2015E	2016E		
Net Income	35	46	58	72	90	Risk-Free Rate	5.00%
Plus: Interest Expense (After-Tax)	(1)	(1)	(1)	(1)	(1)	Beta	1.40
Plus: Depreciation & Amortization	8	9	11	12	14	Market Risk Premium	6.00%
Less: Capital Expenditures	(26)	(17)	(17)	(14)	(17)	Cost of Equity	13.40%
Plus/Less: Changes in W/C & Other	(1)	(7)	(5)	52	7		
<b>Unlevered Free Cash Flow</b>	<b>15</b>	<b>30</b>	<b>47</b>	<b>121</b>	<b>93</b>	Tax Rate (Statutory)	18.00%
<b>PV of Unlevered Free Cash Flow</b>	<b>14</b>	<b>24</b>	<b>33</b>	<b>77</b>	<b>53</b>	Cost of Debt (Pre-Tax)	6.50%
						Cost of Debt (After-Tax)	5.33%
PV of Free Cash Flow	200					Cost of Preferred	0.00%
PV of Residual Value	589					Shares Outstanding	19.6
Enterprise Value	789					Price	\$41
Less: Total Debt/Preferred	(4)					Market Cap	801
Equity Value	785					Total Debt	4
Mid-Year Adjustment Factor	1.06					Preferred	-
Equity Value (Adjusted)	832					Total Capitalization	805
Shares Outstanding	20						
<b>Value Per Share (€)</b>	<b>€ 42</b>					Capitalization	Current Target
						Equity	100% 85%
						Debt	0% 15%
						Preferred	0% 0%
						<b>WACC</b>	<b>12.2%</b>
						Residual FCF Growth Rate	3.00%
						<b>\$/Euro Exchange Rate</b>	<b>\$1.30</b>
						<b>USD Price Target</b>	<b>\$55</b>

Terminal Free Cash Flow Growth Rate						
W A C C		Terminal Free Cash Flow Growth Rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
	11.2%	€ 44	€ 46	€ 48	€ 51	€ 54
	11.7%	€ 41	€ 43	€ 45	€ 47	€ 50
	12.2%	€ 39	€ 41	<b>€ 42</b>	€ 44	€ 47
	12.7%	€ 37	€ 38	€ 40	€ 42	€ 44
	13.2%	€ 35	€ 36	€ 38	€ 39	€ 41

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 12- to 18-month target price of \$55 through a five-year discounted cash flow valuation, using a weighted average cost of capital (WACC) of 12.2% and a 3.0% residual growth rate of our terminal (2016) unlevered free cash flow estimate of €93 million, while employing a euro-US dollar exchange rate of \$1.30.

## Key Risks to Price Target

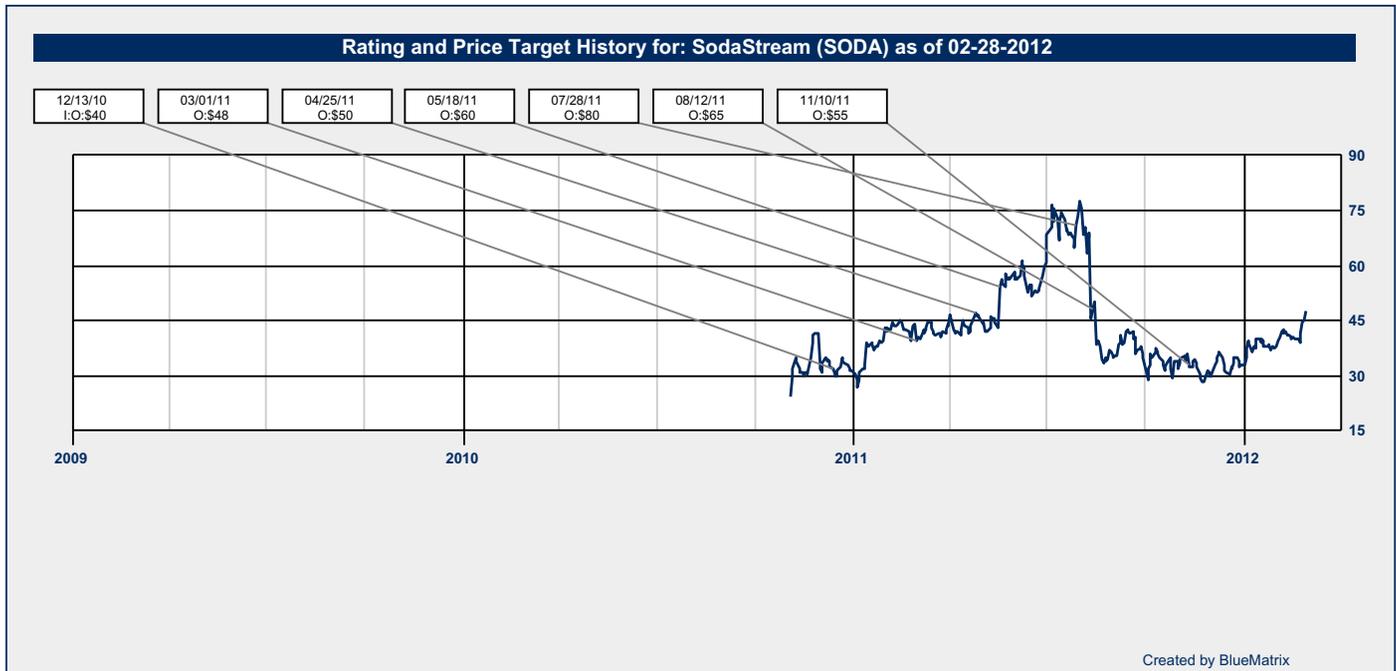
The greatest risk to the SODA story, in our view, is the company's ability to successfully penetrate the US market, which will require a change in behavior on the part of consumers, as well as significant investments in marketing and infrastructure. Even if SODA is successful in executing its US growth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

## Important Disclosures and Certifications

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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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**Sell** - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

## Distribution of Ratings/IB Services Firmwide

Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	334	56.20	145	43.41
PERFORM [P]	253	42.60	85	33.60
UNDERPERFORM [U]	7	1.20	3	42.86

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