

November 10, 2011

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

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	\$55.00
SODA - NASDAQ	\$36.03

3-5 Yr. EPS Gr. Rate	30%
52-Wk Range	\$79.72-\$27.00
Shares Outstanding	19.9M
Float	13.0M
Market Capitalization	\$717.1M
Avg. Daily Trading Volume	2,176,755
Dividend/Div Yield	NA/NA
Fiscal Year Ends	Dec
Book Value	\$10.31
2011E ROE	79.9%
LT Debt	\$0.0M
Preferred	NA
Common Equity	\$217M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2010A	0.22	0.20	0.42	0.33	1.22	29.5x
2011E	0.38A	0.42A	0.56A	0.31	1.65	21.8x
Prior (E)	--	--	0.41	0.44	--	21.8x
2012E	0.43	0.46	0.60	0.61	2.10	17.2x
Prior (E)	0.42	0.48	0.57	0.62	--	17.2x

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

SodaStream

Starting To Get Its Fizz Back? 3Q Results Beat Expectations, Guidance Raised

SUMMARY

SODA's 3Q results were better than expected on both top and bottom lines, including healthy 39% sales growth and 33% adjusted EPS growth. Further, the company raised its full year guidance and continues to make progress on its U.S. expansion plans, recently entering Target, Staples and Costco. We are reiterating our Outperform rating on SODA, although we are taking a more conservative approach to our DCF model and reducing our target price to \$55 from \$65 prior, which still represents meaningful upside from current levels

KEY POINTS

- SODA reported better than expected 3Q results Wednesday, including adjusted EPS of \$0.56 which was up 33% y/y and well above both our and consensus estimates of \$0.41 and \$0.36, respectively. This was driven partially by healthy sales growth, while a lower tax rate added ~\$0.04 to EPS.
- Total sales increased 39%, to €58.3M, easily exceeding our estimate of €55.4M, or 32% growth. Western European sales increased 10%; however, had SODA not held back shipments to its Nordic distributor, Nordic Empire AB, due to its restructuring, Western European sales would have been up 17% and net sales would have increased 43%.
- U.S. sales increased 123%, to €17.5M, as usage rates remain above SODA's global average, while the company ended the quarter at 6,600 retail doors. In fact, since quarter-end, SODA has added nearly 3K additional doors, including significant expansions at Target, Staples, Best Buy and Costco.
- SODA also increased guidance for 2011, which now includes sales growth of 36%, up from 30% prior and implying 24% growth in 4Q. Also, adjusted net income is now expected at €24M, up from €20M prior and implying EPS of \$1.58, up 29% from last year's adjusted EPS of \$1.22.
- We are reiterating our Outperform rating on SODA, as we believe valuation does not fully reflect SODA's rapid growth and meaningful market penetration opportunities. However, we are taking a more conservative approach to our DCF model and reducing our target price to \$55 from \$65 prior, although this still represents meaningful upside from current levels.

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 SodaStream's 3Q Results

Starting To Get Its Fizz Back? Results Beat Expectations, Guidance Raised

SodaStream reported better than expected 3Q results Wednesday before the open, including adjusted EPS of \$0.56 which was up 33% year-over-year and well above both our and consensus estimates of \$0.41 and \$0.36, respectively. This was driven partially by healthy sales growth, although a lower than expected tax rate of 7.5%, compared to our estimate of 16.0%, added about \$0.04 to the bottom line.

Total sales increased 39%, to €58.3 million, easily exceeding our estimate of €55.4 million, or 32% growth. Western European sales increased 10%; however, management noted on Wednesday's earning conference call that due to a the recently announced restructuring of its Nordic distributor, Nordic Empire AB, SODA decided to hold back shipments. Had product not been held back, Western European sales would have been up 17% and net sales would have increased 43%.

Once again the Americas was the standout, with sales up 124%, to €18.5 million, compared with our estimate of 75% growth. As expected, this was primarily driven by the U.S., with sales up 123%, to €17.5 million; importantly, usage rates in the U.S. remain above SODA's global average. At the end of the third quarter, SODA products were available in 6,600 retail doors in the U.S., up from 4,000 at the end of 2010, although its U.S. household penetration rate still stands at just 0.5%, highlighting the company's meaningful growth opportunity. Finally, sales in the CEMEA and Asia-Pacific regions were both healthy, growing 32% and 117%, respectively.

Soda maker units sales grew 54%, to €29.1 million, while consumable sales increased 26%, to €28.4 million. Within consumables, flavor units sold grew 8%, to 4.4 million units, and CO₂ refills increased 22%, to 3.2 million units. Management noted on Wednesday's call that consumables sales, while up year-over-year, were down from last quarter's €29.8 million (up 54% year-over-year) for two reasons -- the impact of the delayed distribution to Empire, as well as a trend developing in the U.S. where consumers purchase new cylinders rather than use the gas refill exchange. When these additional cylinders are combined with the gas refill exchange, consumables sales actually grew 36% in the quarter.

Moving down the P&L, 3Q gross margin contracted 280 bps, to 53.5%, slightly below our estimate of 54.0%, although in line with management's internal expectations. The gross margin decline was due to growth in lower margin soda maker starter kits owing to increased market penetration, partially offset by fixed infrastructure leverage and the positive impact of foreign exchange. Management also noted on the earnings call Wednesday that raw materials increased significantly, with plastics and aluminum up 12%-13% and sugar up 37%.

Sales and marketing expenses totaled €17.8 million, below our estimate of €18.3 million, while as a percentage of revenues S&M expenses declined 320 bps, to 30.6%, below our estimate of 33.0%. Within this number, advertising and promotional expenses totaled €6.7 million, or about 11.4% of revenues. Adjusted general and administrative costs, which excludes share based compensation and discontinued management fees, totaled €4.8 million, or 8.3% of revenues, and was slightly below our estimate of €5.0 million, while adjusted operating margin of 14.7% increased 180 bps year-over-year and was well ahead of our estimate of 12.0%.

U.S. Distribution Expansion Continues Apace

In terms of new developments, in September, Staples ran a test of SODA products in 30 stores and after a month expanded it to 1,100 doors. Also, in late September, SODA rolled out a test in 50 Target stores and a month later expanded into an additional 1,050 doors, with expectations to be in all 1,700 Target doors by Christmas. In addition, SODA expanded its door count at Best Buy from 700 to over 1,000 at the end of 3Q. In fact, SODA is currently in over 9,500 doors in the U.S., up from 6,600 at the end of September. Also during the quarter, SODA acquired CEM Industries in Italy, a leading designer and manufacturer of carbonation products, including single serve dispensing. SODA will use this technology to move into the restaurant channel, although this will likely not be materially significant until 2012.

Guidance Increased; Significant Growth Opportunities Remain

SODA also increased guidance for 2011, which now includes sales growth of 36%, up from 30% prior and implying revenue of €218 million from 2010 revenue of €160.7 million. Also, adjusted net income is now expected at €24 million, up from €20 million prior. Assuming a weighted average share count of 20.6 million and a dollar/euro exchange rate of \$1.35, this implies EPS of \$1.58, up 29% from last year's adjusted EPS of \$1.22.

As for 4Q, this revised guidance implies revenue growth of 24% from last year's net sales of €50 million, while adjusted net income is expected to be in line with last year's €4.3 million due to increased A&P spending, to 25% of net sales, of which about 70% will be allocated to the U.S. This is about double what was spent last year in order to support category building education and awareness during the holiday season. On this point, management is planning 25,000 in-store demonstrations in Q4, up from 10,000 last year, combined with video demonstrations at over 3,000 doors, double last year. This should complement many high impact holiday promotion circulars featuring SODA, as well as increased national radio program exposure.

Management also addressed the issue of competition developing in the U.S., as Primo Water has introduced a similar product. In other countries where SODA has competition, household penetration rates are higher due primarily to increased category awareness. In fact, in these countries, SODA has about 80% market share and dominates its competitors due to its strong distribution network and diverse product portfolio.

SODA's other geographic segments remain strong, although more modest growth is expected in 4Q. The recent macroeconomic events in Europe have not had a material impact on sales, while newer markets such as France, the U.K. and Italy are posting solid year-over-year growth. In fact, management announced a rollout into Tesco, the largest retailer in the U.K., as well as El Corte Ingles, Spain's premier department store.

Further, SODA announced plans to begin distribution in Brazil, although this will not have a significant impact on 2011 or 2012 results. However, management is very excited about the opportunity here, as Brazilians are the 3rd largest consumers of carbonated beverages in the world. Distribution also began during 4Q in Japan, with high expectations on the part of management, although this will likely not have a significant impact on sales until 2013.

No Change to Estimates; Reducing Target Price

Despite these strong results and SODA's strong momentum heading into 4Q, we are leaving our 2011 estimates unchanged, with adjusted EPS of \$1.65 up 35% over last year's EPS of \$1.22 and reflecting sales growth of 38%. We are also leaving our 2012 EPS estimate of \$2.10 unchanged, implying growth

of 27% year-over-year on 23% sales growth. Finally, we are reiterating our Outperform rating on the shares, given our continued belief that current valuation, at 17.1x our 2012 EPS estimate, does not fully reflect SODA's rapid growth and meaningful market penetration opportunities, particularly in the U.S. However, we are taking a more conservative approach to our DCF model owing to the current macroeconomic uncertainty, particularly in Europe; thus, we are reducing our target price to \$55 from \$65 prior, although this still represents meaningful upside from current levels.

Stock prices of other companies mentioned in this report (as of Nov. 9, 2011):

Primo Water -(PRMW-NASDAQ, \$4.52, Not Rated)

Tesco plc (ADR)- (TSCDY-PINK, \$19.20, Not Rated)

Costco- (COST-NASDAQ, \$83.41, Not Rated)

Target -(TGT-NYSE, \$51.69, Not Rated)

The Empire AB -(EMPB-Stockholm, kr3.12, Not Rated)

SODA Fiscal 3Q Results, Actual vs. Expected

(In Euro millions, except per share data)

Income Statement	Sep10A	Sep11A	Sep11E
Western Europe	27.7	30.6	33.3
Y/Y Change (%)	35%	10%	20%
CEMEA	4.4	5.8	5.7
Y/Y Change (%)	30%	32%	30%
Americas	8.2	18.5	14.4
Y/Y Change (%)	245%	124%	75%
Asia-Pacific	1.6	3.4	2.0
Y/Y Change (%)	19%	117%	25%
Net Sales	42.0	58.3	55.4
Y/Y Change (%)	52%	39%	32%
Cost of Sales	18.3	27.1	25.5
Gross Profit	23.6	31.2	29.9
Y/Y Change (%)	50%	32%	27%
Gross Margin	56.3%	53.5%	54.0%
Y/Y Change (bps)	(60)	(280)	(230)
Other (Income), Net	(0.0)	(0.0)	-
General & Administrative	4.1	4.8	5.0
% of Net Sales	9.7%	8.3%	9.0%
Sales & Marketing	14.2	17.8	18.3
% of Net Sales	33.8%	30.6%	33.0%
Operating Income (Adjusted)	5.4	8.6	6.7
Y/Y Change (%)	43%	59%	23%
Operating Margin (Adjusted)	12.9%	14.7%	12.0%
Y/Y Change (bps)	(80)	180	(90)
Management Fee/Other	2.0	1.0	1.1
Operating Income (Reported)	3.4	7.6	5.6
Interest Expense, Net	0.3	(0.4)	(0.1)
Other Financial Expenses	0.6	(0.5)	-
Pre-Tax Income (Reported)	2.5	8.4	5.7
Income Tax	0.4	0.6	0.9
Tax Rate	17.1%	7.5%	16.0%
Net Income (Reported)	2.1	7.8	4.7
Y/Y Change (%)	-15%	276%	129%
Adjustments (Net of Tax)	1.9	1.0	1.1
Net Income (Adjusted)	3.9	8.8	5.8
Y/Y Change (%)	52%	124%	48%
Interest On Convertible Debt	0.2	-	-
Net Income (Reported) for EPS Calculation	2.2	7.8	4.7
Net Income (Adjusted) for EPS Calculation	4.1	8.8	5.8
Shares Outstanding (Diluted)	13.5	21.0	21.1
Diluted EPS (Reported)	€ 0.16	€ 0.37	€ 0.22
Adjustments	€ 0.15	€ 0.05	€ 0.06
Diluted EPS (Adjusted)	€ 0.31	€ 0.42	€ 0.28
Y/Y Change (%)		35%	-10%
EBITDA (Reported)	3.5	8.8	6.4
Adj. For Discontinued & Exceptional Exp	-	-	-
Mgmt Fees/Other	2.0	1.0	1.1
Debt Conversion to Grant	-	-	-
EBITDA (Adjusted)	5.5	9.9	7.5
Y/Y Change	50%	78%	35%
EBITDA Margin	13.2%	16.9%	13.5%
Y/Y Change	(20)	370	30
Exchange Rate (\$/Euro)	\$1.37	\$1.34	\$1.45
(In \$ millions)			
Net Sales	\$57.1	\$78.4	\$80.4
Y/Y Change (%)		37%	41%
Gross Profit	\$32.1	\$42.0	\$43.4
Operating Income (Adjusted)	\$7.4	\$11.6	\$9.6
EBITDA (Adjusted)	\$7.5	\$13.3	\$10.8
Y/Y Change (%)		76%	44%
Net Income (Adjusted)	\$5.4	\$11.9	\$8.5
EPS (Adjusted)	\$0.42	\$0.56	\$0.41
Y/Y Change (%)		33%	-4%
Free Cash Flow	(\$4.4)	(\$11.7)	\$6.7
Modified Free Cash Flow	\$6.1	\$4.9	\$3.2

Source: company reports and Oppenheimer & Co. estimates

(In Euro millions, except per share data)

Income Statement	Mar10A	Jun10A	Sep10A	Dec10A	2010A	Mar11A	Jun11A	Sep11A	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
Western Europe	19.2	27.4	27.7	25.4	99.7	23.5	33.3	30.6	26.7	114.1	25.9	36.7	33.6	29.3	125.6
YY Change (%)	23%	54%	35%	25%	34%	23%	22%	10%	5%	14%	10%	10%	10%	10%	10%
CEMEA	4.5	4.7	4.4	5.8	19.5	7.7	6.3	5.8	6.4	26.2	8.9	7.3	6.7	7.4	30.2
YY Change (%)	54%	36%	30%	52%	43%	70%	35%	32%	10%	35%	15%	15%	15%	15%	15%
Americas	4.0	4.8	8.2	14.5	31.6	10.2	11.3	18.5	26.1	66.1	16.4	17.5	27.8	37.8	99.4
YY Change (%)	98%	116%	245%	238%	189%	153%	136%	124%	80%	109%	60%	55%	50%	45%	50%
Asia-Pacific	2.4	1.6	1.6	4.3	9.9	3.7	2.3	3.4	5.1	14.5	4.4	2.7	4.1	6.2	17.4
YY Change (%)	161%	101%	19%	42%	63%	52%	40%	117%	20%	47%	20%	20%	20%	20%	20%
Net Sales	30.2	38.5	42.0	50.0	160.7	45.1	53.3	58.3	64.3	221.0	55.5	64.2	72.2	80.7	272.6
YY Change (%)	40%	58%	52%	59%	53%	50%	38%	39%	29%	38%	23%	21%	24%	25%	23%
Cost of Sales	13.9	19.0	18.3	22.8	74.1	21.0	25.0	27.1	30.5	103.7	25.5	29.9	33.2	37.9	126.5
Gross Profit	16.3	19.5	23.6	27.2	86.6	24.1	28.2	31.2	33.8	117.3	29.9	34.3	39.0	42.8	146.1
YY Change (%)	37%	45%	50%	57%	48%	48%	45%	32%	24%	35%	24%	22%	25%	27%	24%
Gross Margin	53.9%	50.7%	56.3%	54.3%	53.9%	53.5%	53.0%	53.5%	52.5%	53.1%	54.0%	53.5%	54.0%	53.0%	53.6%
YY Change (bps)	(150)	(460)	(60)	(60)	(170)	(40)	230	(280)	(180)	(80)	50	50	50	50	50
Other (Income), Net	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	-	(0.1)	-	-	-	-	-
General & Administrative	3.7	3.8	4.1	3.9	15.2	4.7	4.6	4.8	4.5	18.7	5.0	5.1	5.1	4.8	20.0
% of Net Sales	12.3%	10.0%	9.7%	7.8%	9.5%	10.5%	8.6%	8.3%	7.0%	8.4%	9.0%	8.0%	7.0%	6.0%	7.3%
Sales & Marketing	9.8	14.2	14.2	18.9	57.1	13.2	17.3	17.8	24.4	72.8	17.2	20.9	23.1	26.6	87.8
% of Net Sales	32.5%	36.7%	33.8%	37.9%	35.5%	29.3%	32.5%	30.6%	38.0%	32.9%	31.0%	32.5%	32.0%	33.0%	32.2%
Operating Income (Adjusted)	2.8	1.6	5.4	4.5	14.5	6.2	6.3	8.6	4.8	26.0	7.8	8.3	10.9	11.3	38.2
YY Change (%)	116%	75%	43%	-13%	28%	124%	303%	59%	8%	79%	25%	32%	26%	134%	47%
Operating Margin (Adjusted)	9.2%	4.1%	12.9%	8.9%	9.0%	13.8%	11.9%	14.7%	7.5%	11.7%	14.0%	13.0%	15.0%	14.0%	14.0%
YY Change (bps)	320	40	(80)	(730)	(180)	460	780	180	(140)	270	20	110	30	650	230
Management Fee/Other	0.2	0.1	2.0	0.8	3.3	1.1	1.0	1.0	1.1	4.2	0.4	0.4	0.4	0.4	1.6
Operating Income (Reported)	2.6	1.5	3.4	3.7	11.2	5.2	5.3	7.6	3.7	21.7	7.4	7.9	10.5	10.9	36.6
Interest Expense, Net	0.3	0.5	0.3	0.4	1.5	(0.1)	(0.4)	(0.4)	(0.4)	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Other Financial Expenses	(0.0)	(1.5)	0.6	(0.9)	(1.8)	0.3	(0.3)	(0.5)	-	(0.5)	-	-	-	-	-
Pre-Tax Income (Reported)	2.3	2.4	2.5	4.2	11.5	5.0	6.0	8.4	4.1	23.6	7.6	8.1	10.7	11.1	37.4
Income Tax	0.3	0.3	0.4	0.7	1.8	0.8	1.0	0.6	0.3	2.7	1.3	1.4	1.8	1.9	6.4
Tax Rate	12.2%	13.0%	17.1%	17.5%	15.4%	15.6%	15.9%	7.5%	7.5%	11.3%	17.0%	17.0%	17.0%	17.0%	17.0%
Net Income (Reported)	2.0	2.1	2.1	3.5	9.7	4.2	5.1	7.8	3.8	20.9	6.3	6.8	8.8	9.2	31.1
YY Change (%)	604%	396%	-15%	-17%	36%	107%	138%	276%	9%	115%	48%	33%	14%	142%	49%
Adjustments (Net of Tax)	0.2	0.1	1.9	0.8	3.3	1.1	1.0	1.0	1.1	4.2	0.4	0.4	0.4	0.4	1.6
Net Income (Adjusted)	2.2	2.2	3.9	4.3	13.0	5.3	6.1	8.8	4.9	25.1	6.7	7.2	9.2	9.6	32.7
YY Change (%)	658%	4133%	52%	-3%	69%	141%	178%	124%	15%	93%	26%	18%	5%	96%	30%
Shares Outstanding (Diluted)	13.4	13.8	13.5	17.1	14.7	19.6	21.0	21.0	21.0	20.7	21.1	21.1	21.2	21.2	21.1
Diluted EPS (Reported)	€ 0.16	€ 0.15	€ 0.16	€ 0.21	€ 0.69	€ 0.22	€ 0.24	€ 0.37	€ 0.18	€ 1.01	€ 0.30	€ 0.32	€ 0.42	€ 0.43	€ 1.47
Adjustments	€ 0.01	€ 0.01	€ 0.15	€ 0.04	€ 0.23	€ 0.05	€ 0.05	€ 0.05	€ 0.05	€ 0.21	€ 0.02	€ 0.02	€ 0.02	€ 0.02	€ 0.08
Diluted EPS (Adjusted)	€ 0.17	€ 0.16	€ 0.31	€ 0.25	€ 0.92	€ 0.27	€ 0.29	€ 0.42	€ 0.23	€ 1.22	€ 0.32	€ 0.34	€ 0.44	€ 0.45	€ 1.55
YY Change (%)					48%	59%	81%	35%	-8%	33%	19%	17%	5%	96%	27%
EBITDA (Reported)	3.1	3.5	3.5	5.4	15.5	5.7	6.7	8.8	4.4	25.7	8.3	9.0	11.6	12.2	41.0
Adj. For Discontinued & Exceptional Exp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mgmt Fees/Other	0.2	0.1	2.0	0.8	3.3	1.1	1.0	1.0	1.1	4.2	0.4	0.4	0.4	0.4	1.6
Debt Conversion to Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA (Adjusted)	3.3	3.6	5.5	6.2	18.8	6.8	7.7	9.9	5.5	29.9	8.7	9.4	12.0	12.6	42.6
YY Change	56%	179%	50%	4%	42%	107%	118%	78%	-10%	59%	27%	21%	21%	127%	42%
EBITDA Margin	10.8%	9.2%	13.2%	12.3%	11.7%	15.0%	14.5%	16.9%	8.6%	13.6%	15.6%	14.6%	16.6%	15.6%	15.6%
YY Change	100	400	(20)	(640)	(90)	420	530	370	(370)	190	60	10	(30)	700	200
Exchange Rate (\$/Euro)	\$1.35	\$1.22	\$1.37	\$1.33	\$1.33	\$1.42	\$1.45	\$1.34	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
(In \$ millions)															
Net Sales	\$40.8	\$47.2	\$57.1	\$66.3	\$213.2	\$64.0	\$77.4	\$78.4	\$87.0	\$299.0	\$75.0	\$86.9	\$97.7	\$109.2	\$368.7
YY Change (%)	49%	64%	37%	31%	49%	17%	12%	29%	25%	23%	17%	12%	29%	25%	23%
Gross Profit	\$22.0	\$23.9	\$32.1	\$36.1	\$114.9	\$34.2	\$41.0	\$42.0	\$45.7	\$158.7	\$40.5	\$46.5	\$52.8	\$57.9	\$197.6
Operating Income (Adjusted)	\$3.8	\$1.9	\$7.4	\$5.9	\$19.2	\$8.8	\$9.2	\$11.6	\$6.5	\$35.1	\$10.5	\$11.3	\$14.7	\$15.3	\$51.7
EBITDA (Adjusted)	\$4.4	\$4.4	\$7.5	\$8.2	\$20.6	\$9.6	\$11.3	\$13.3	\$7.5	\$34.8	\$11.7	\$12.7	\$16.2	\$17.0	\$55.4
YY Change (%)	20%	117%	158%	76%	8%	69%	117%	158%	76%	8%	22%	13%	22%	127%	59%
Net Income (Adjusted)	\$3.0	\$2.7	\$5.4	\$5.6	\$17.3	\$7.5	\$8.8	\$11.9	\$6.6	\$34.0	\$9.0	\$9.7	\$12.5	\$13.0	\$44.2
EPS (Adjusted)	\$0.23	\$0.20	\$0.42	\$0.33	\$1.22	\$0.38	\$0.42	\$0.56	\$0.31	\$1.65	\$0.43	\$0.46	\$0.60	\$0.61	\$2.10
YY Change (%)	57%	66%	115%	33%	-6%	35%	13%	9%	5%	96%	27%	27%	96%	27%	
Free Cash Flow	\$0.0	(\$9.4)	(\$4.4)	(\$2.7)	(\$17.1)	(\$5.7)	(\$1.9)	(\$11.7)	\$14.1	(\$4.8)	(\$10.3)	\$2.3	(\$1.1)	\$16.3	\$7.1
Modified Free Cash Flow	\$3.0	(\$1.3)	\$6.1	\$6.4	\$14.4	\$6.0	\$6.2	\$4.9	(\$0.2)	\$16.2	\$3.5	\$3.2	\$5.3	\$4.9	\$16.9

Source: company reports and Oppenheimer & Co. estimates

(In Euro millions, except per share data)

Cash Flow Statement	Mar10A	Jun10A	Sep10A	Dec10A	2010A	Mar11A	Jun11A	Sep11A	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
Net Income (Loss)	4.2	2.1	3.5	9.7	9.7	4.2	5.1	7.8	4.9	22.0	6.7	7.2	9.2	9.6	32.7
Amortization of Intangibles	0.0	0.0	0.1	0.1	0.1	0.0	0.3	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.3
Change in Fair Value of Derivatives	(0.2)	(0.3)	0.3	(0.1)	(0.1)	0.3	0.1	(0.1)	-	0.4	-	-	-	-	-
Depreciation of PP&E	1.0	0.7	0.7	2.4	2.4	0.8	0.8	0.8	0.6	3.1	0.8	1.0	1.1	1.2	4.1
% of Sales	2.5%	1.8%	1.4%	1.5%	1.5%	1.8%	1.6%	1.3%	1.0%	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%
Loss (Gain) on Sale of PP&E	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-
Share Based Payment	0.2	0.2	0.7	1.0	1.0	1.1	1.0	1.0	-	3.1	-	-	-	-	-
Interest Expense, Net	0.8	0.3	0.4	1.5	1.5	(0.1)	(0.4)	(0.4)	(0.4)	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Income Tax Expense	0.6	0.4	0.7	1.8	1.8	0.8	1.0	0.6	0.3	2.7	1.3	1.4	1.8	1.9	6.4
Non-Cash Adjustments to Net Income	2.4	1.4	2.9	6.6	6.6	2.9	2.8	2.0	0.6	8.3	2.0	2.2	2.8	3.0	9.9
Inventories	-	(7.3)	(6.7)	(4.4)	(18.3)	(3.7)	(4.3)	(7.5)	2.3	(13.2)	(3.5)	(2.8)	(8.7)	3.1	(11.9)
Receivables	-	(11.0)	(3.6)	(4.4)	(19.0)	2.7	(9.0)	(8.4)	2.3	(12.4)	1.0	(4.8)	(3.2)	(3.8)	(10.8)
Payables	-	6.8	2.7	3.0	12.4	(5.1)	5.5	4.3	6.2	10.9	(8.8)	5.7	5.5	7.4	9.8
Employee Benefits	-	0.2	0.0	0.4	0.7	(0.0)	0.0	(0.0)	-	(0.0)	-	-	-	-	-
Other Assets and Liabilities	-	4.1	2.4	(1.8)	4.6	(2.5)	2.4	0.2	-	0.1	-	-	-	-	-
Changes in Assets & Liabilities	-	(7.2)	(5.2)	(7.2)	(19.6)	(8.6)	(5.4)	(11.4)	10.7	(14.7)	(11.3)	(1.9)	(6.3)	6.7	(12.8)
Interest Paid	(0.5)	(0.2)	(0.4)	(1.1)	(1.1)	(0.1)	(0.1)	(0.1)	-	(0.2)	-	-	-	-	-
Income Tax Received (Paid)	(2.2)	(1.0)	(0.6)	(3.8)	(3.8)	(0.5)	(0.8)	(1.0)	-	(2.3)	-	-	-	-	-
Operating Cash Flow	(3.4)	(3.0)	(1.9)	(8.2)	(8.2)	(2.1)	1.6	(2.7)	16.2	13.1	(2.7)	7.4	5.7	19.3	29.8
Capital Expenditures	(4.3)	(0.3)	(0.2)	(4.7)	(4.7)	(1.9)	(2.9)	(6.0)	(5.8)	(16.6)	(5.0)	(5.8)	(6.5)	(7.3)	(24.5)
% of Net Sales	11.1%	0.6%	0.3%	2.3%	2.3%	4.3%	5.5%	10.3%	9.0%	7.5%	9.0%	9.0%	9.0%	9.0%	9.0%
Free Cash Flow	(7.6)	(3.2)	(2.0)	(12.9)	(12.9)	(4.0)	(1.3)	(8.7)	10.4	(3.6)	(7.6)	1.7	(0.8)	12.1	5.2
Balance Sheet	Mar10A	Jun10A	Sep10A	Dec10A	2010A	Mar11A	Jun11A	Sep11A	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
Cash & Equivalents	8.2	4.1	4.3	52.9	52.9	42.5	74.8	26.2	76.8	76.8	68.1	68.6	66.1	76.5	76.5
% of Sales (LTM)	7.2%	3.2%	3.0%	32.9%	32.9%	24.2%	39.3%	12.7%	34.8%	34.8%	29.4%	28.3%	25.8%	28.1%	28.1%
Inventories	26.0	27.0	33.8	38.5	38.5	41.2	44.9	53.1	50.8	50.8	54.3	57.1	65.8	62.7	62.7
% of Sales (LTM)	22.9%	21.2%	23.8%	24.0%	24.0%	23.5%	23.6%	25.7%	23.0%	23.0%	23.5%	23.6%	25.7%	23.0%	23.0%
Trade & Other Receivables	24.8	29.8	33.4	38.8	38.8	35.3	44.3	54.2	51.9	51.9	50.9	55.7	58.9	62.7	62.7
% of Sales (LTM)	21.8%	23.3%	23.5%	24.2%	24.2%	20.1%	23.3%	26.2%	23.5%	23.5%	22.0%	23.0%	23.0%	23.0%	23.0%
Derivative Financial Instruments & Other	0.3	1.3	0.2	0.8	0.8	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
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	0.6	0.6	0.6
Total Current Assets	59.3	62.9	72.2	131.7	131.7	120.0	164.7	174.5	180.3	180.3	174.0	182.1	191.6	202.6	202.6
Property, Plant & Equipment, Net		23.7	21.6	21.5	21.5	22.5	25.4	31.3	36.4	36.4	40.6	45.4	50.8	56.8	56.8
Intangible Assets		12.8	12.9	13.4	13.4	13.4	13.4	13.7	13.6	13.6	13.6	13.5	13.5	13.4	13.4
Deferred Tax Assets		1.3	1.7	1.2	1.2	1.2	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Other Receivables		0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Assets	59.3	100.8	108.6	168.1	168.1	157.3	204.9	220.8	231.7	231.7	229.6	242.4	257.2	274.2	274.2
Derivative Financial Instruments		1.0	0.1	0.4	0.4	0.2	0.1	0.0	0.0	0.0	0.033	0.033	0.033	0.033	0.0
Trade Payables	20.0	24.3	27.0	30.4	30.4	25.2	30.5	35.8	42.0	42.0	33.2	38.8	44.4	51.8	51.8
% of Sales (LTM)	17.6%	19.0%	19.0%	18.9%	18.9%	14.3%	16.0%	17.3%	19.0%	19.0%	14.3%	16.0%	17.3%	19.0%	19.0%
Income Tax Payable		6.4	5.7	6.4	6.4	6.8	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Provisions		1.2	1.2	0.5	0.5	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other Current Liabilities	18.7	12.3	15.0	13.9	13.9	11.3	13.6	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2
Non-Interest Bearing Current Liabilities	38.7	45.1	48.9	51.6	51.6	44.0	52.1	58.1	64.3	64.3	55.4	61.1	66.7	74.1	74.1
Total Debt	34.7	32.9	35.7	6.8	6.8	0.3	0.0	0.2	-	-	-	-	-	-	-
Employee Benefits		0.3	0.3	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Provisions		0.3	0.3	0.4	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	1.2	0.8	0.8	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Shareholder Equity	20.0	21.4	22.6	108.1	108.1	111.5	151.3	161.1	166.1	166.1	172.7	179.9	189.1	198.7	198.7
Total Liabilities & Shareholders' Equity	94.5	100.8	108.6	168.1	168.1	157.3	204.9	220.8	231.7	231.7	229.6	242.4	257.2	274.2	274.2

Source: company reports and Oppenheimer & Co. estimates

(In Euro millions, except per share data)

SODA Ratio Analysis, Part 1	Mar10A	Jun10A	Sep10A	Dec10A	2010A	Mar11A	Jun11A	Sep11A	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
ASSET UTILIZATION															
Net Sales (LTM)	113.7	127.9	142.2	160.7	160.7	175.6	190.3	206.7	221.0	221.0	231.3	242.3	256.2	272.6	272.6
/ Accounts Receivable (5-Point Average)	22.0	24.6	26.8	29.2	29.2	32.4	36.3	41.2	44.9	44.9	47.3	51.4	54.3	56.0	56.0
Accounts Receivable Turnover	5.2x	5.2x	5.3x	5.5x	5.5x	5.4x	5.2x	5.0x	4.9x	4.9x	4.9x	4.7x	4.7x	4.9x	4.9x
Cost of Goods Sold (LTM)	50.9	59.0	65.4	74.1	74.1	81.1	87.2	96.0	103.7	103.7	108.2	113.0	119.1	126.5	126.5
/ Inventories (5-Point Average)	23.2	24.5	26.8	29.1	29.1	33.3	37.1	42.3	45.7	45.7	48.9	52.0	56.2	58.2	58.2
Inventory Turnover	2.2x	2.4x	2.4x	2.5x	2.5x	2.4x	2.4x	2.3x	2.3x	2.3x	2.2x	2.2x	2.1x	2.2x	2.2x
Purchases (LTM)	76.9	77.4	99.2	107.2	107.2	96.4	101.3	115.3	119.8	119.8	121.3	124.9	131.8	137.6	137.6
/ Accounts Payable (5-Point Average)	18.8	20.6	22.2	23.9	23.9	25.4	27.5	29.8	32.8	32.8	33.3	36.1	38.8	42.0	42.0
Accounts Payable Turnover	4.1x	3.7x	4.5x	4.5x	4.5x	3.8x	3.7x	3.9x	3.7x	3.7x	3.6x	3.5x	3.4x	3.3x	3.3x
Net Sales (LTM)	113.7	127.9	142.2	160.7	160.7	175.6	190.3	206.7	221.0	221.0	231.3	242.3	256.2	272.6	272.6
/ Working Capital (5-Point Average)	20.7	19.2	20.6	35.5	35.5	43.6	61.9	81.7	100.2	100.2	107.9	116.9	119.4	121.8	121.8
Working Capital Turnover	5.5x	6.7x	6.9x	4.5x	4.5x	4.0x	3.1x	2.5x	2.2x	2.2x	2.1x	2.1x	2.1x	2.2x	2.2x
Net Sales (LTM)	113.7	127.9	142.2	160.7	160.7	175.6	190.3	206.7	221.0	221.0	231.3	242.3	256.2	272.6	272.6
/ Net PP&E (5-Point Average)	18.8	21.2	21.3	21.4	21.4	22.3	22.9	24.4	27.4	27.4	31.2	35.8	40.9	46.0	46.0
Fixed Asset Turnover	6.1x	6.0x	6.7x	7.5x	7.5x	7.9x	8.3x	8.5x	8.1x	8.1x	7.4x	6.8x	6.3x	5.9x	5.9x
Net Sales (LTM)	113.7	127.9	142.2	160.7	160.7	175.6	190.3	206.7	221.0	221.0	231.3	242.3	256.2	272.6	272.6
/ Total Assets (5-Point Average)	68.5	79.3	86.6	102.9	102.9	118.8	147.9	171.9	196.6	196.6	208.9	225.9	236.4	247.0	247.0
Asset Turnover	1.7x	1.6x	1.6x	1.6x	1.6x	1.5x	1.3x	1.2x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Days Sales Outstanding	71	70	69	66	66	67	70	73	74	74	75	77	77	75	75
+ Days of Inventory on Hand	166	151	149	144	144	150	155	161	161	161	165	168	172	168	168
Operating Period	237	222	218	210	210	217	225	234	235	235	240	246	250	243	243
- Days Payables Outstanding	89	97	82	81	81	96	99	94	100	100	100	105	108	112	112
Cash Conversion Period	148	124	137	129	129	121	126	139	135	135	139	140	142	131	131
LIQUIDITY															
Current Assets (End of Period)	59	63	72	132	132	120	165	174	180	180	174	182	192	203	203
/ Non-Interest Bearing Current Liabilities (EoP)	39	45	49	52	52	44	52	58	64	64	55	61	67	74	74
Current Ratio	1.5x	1.4x	1.5x	2.6x	2.6x	2.7x	3.2x	3.0x	2.8x	2.8x	3.1x	3.0x	2.9x	2.7x	2.7x
Current Assets - Inventories (End of Period)	33	36	38	93	93	79	120	121	129	129	120	125	126	140	140
/ Non-Interest Bearing Current Liabilities (EoP)	39	45	49	52	52	44	52	58	64	64	55	61	67	74	74
Quick Ratio	0.9x	0.8x	0.8x	1.8x	1.8x	1.8x	2.3x	2.1x	2.0x	2.0x	2.2x	2.0x	1.9x	1.9x	1.9x
Cash (End of Period)	8	4	4	53	53	43	75	26	77	77	68	69	66	76	76
/ Non-Interest Bearing Current Liabilities (EoP)	39	45	49	52	52	44	52	58	64	64	55	61	67	74	74
Cash Ratio	0.2x	0.1x	0.1x	1.0x	1.0x	1.0x	1.4x	0.5x	1.2x	1.2x	1.2x	1.1x	1.0x	1.0x	1.0x

Source: company reports and Oppenheimer & Co. estimates

(In Euro millions, except per share data)

SODA Ratio Analysis, Part 2	Mar10A	Jun10A	Sep10A	Dec10A	2010A	Mar11A	Jun11A	Sep11A	Dec11E	2011E	Mar12E	Jun12E	Sep12E	Dec12E	2012E
PROFITABILITY															
Net Income (LTM)	9	11	13	13	13	16	20	24	25	25	26	28	28	33	33
/ Net Sales (LTM)	114	128	142	161	161	176	190	207	221	221	231	242	256	273	273
Return on Sales	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x
Return on Sales	8.1%	8.9%	9.0%	7.8%	8.1%	8.9%	10.3%	11.8%	11.4%	11.4%	11.5%	11.4%	10.9%	12.0%	12.0%
x Asset Turnover	1.7x	1.6x	1.6x	1.6x	1.6x	1.5x	1.3x	1.2x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Return on Assets	13.5%	14.4%	14.7%	12.2%	12.7%	13.2%	13.2%	14.2%	12.8%	12.8%	12.7%	12.2%	11.8%	13.2%	13.2%
Total Assets (5-Point Average)	69	79	87	103	103	119	148	172	197	197	209	226	236	247	247
/ Common Equity (5-Point Average)	18	19	20	38	38	57	83	111	140	140	153	166	174	181	181
Equity Multiplier	3.7x	4.1x	4.3x	2.7x	2.7x	2.1x	1.8x	1.6x	1.4x	1.4x	1.4x	1.4x	1.4x	1.4x	1.4x
Return on Sales	8.1%	8.9%	9.0%	7.8%	8.1%	8.9%	10.3%	11.8%	11.4%	11.4%	11.5%	11.4%	10.9%	12.0%	12.0%
x Asset Turnover	1.7x	1.6x	1.6x	1.6x	1.6x	1.5x	1.3x	1.2x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
x Equity Multiplier	3.7x	4.1x	4.3x	2.7x	2.7x	2.1x	1.8x	1.6x	1.4x	1.4x	1.4x	1.4x	1.4x	1.4x	1.4x
Return on Common Equity	44.5%	39.4%	38.2%	57.3%	57.3%	70.6%	72.2%	77.6%	79.9%	79.9%	80.9%	78.9%	79.7%	81.0%	81.0%
EBIT (LTM)	13	13	15	14	14	18	22	26	26	26	28	30	32	38	38
+ Intangibles Amortization (LTM)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITA	13	13	15	14	15	18	23	26	26	26	28	30	32	38	38
- Tax on EBITA	(2)	(2)	(2)	(2)	(2)	(3)	(4)	(3)	(3)	(3)	(3)	(4)	(5)	(7)	(7)
Weighted Average Tax Rate (LTM)	15.0%	12.7%	12.7%	15.4%	15.4%	16.0%	16.3%	13.1%	11%	11%	12.2%	12.8%	15.7%	17.0%	17.0%
Net Operating Profit After Tax (LTM)	10.7	11.6	13.0	12.1	12.4	15.0	19.1	22.6	23.4	23.4	24.6	26.0	27.0	32.0	32.0
Total Assets (5-Point Average)	69	79	87	103	103	119	148	172	197	197	209	226	236	247	247
- Excess Cash (>2% of Net Sales) (5-Point Avg)	(3)	(2)	(2)	(12)	(12)	(19)	(32)	(36)	(50)	(50)	(53)	(58)	(56)	(66)	(66)
- Non-Interest Bearing Current Liabs (5-Point Avg)	37	40	42	44	44	46	48	51	54	54	55	58	61	64	64
Invested Capital (5-Point Average)	34.2	41.8	46.8	70.5	70.5	92.0	131.5	157.0	192.8	192.8	207.1	225.7	231.2	248.5	248.5
NOPAT (LTM)	11	12	13	12	12	15	19	23	23	23	25	26	27	32	32
/ Invested Capital (5-Point Average)	34	42	47	70	70	92	131	157	193	193	207	226	231	248	248
Return on Invested Capital	31.2%	27.7%	27.8%	17.2%	17.5%	16.3%	14.5%	14.4%	12.1%	12.1%	11.9%	11.5%	11.7%	12.9%	12.9%
FINANCIAL LEVERAGE															
Net Debt (End of Period)	27	29	31	(46)	(46)	(42)	(75)	(26)	(77)	(77)	(68)	(69)	(66)	(76)	(76)
/ EBITDA (LTM)	14	16	16	16	16	18	21	27	26	26	28	30	33	41	41
Leverage Ratio	2.0x	1.8x	2.0x	-3.0x	-3.0x	-2.3x	-3.5x	-1.0x	-3.0x	-3.0x	-2.4x	-2.2x	-2.0x	-1.9x	-1.9x
EBIT (LTM)	13	13	15	14	14	18	22	26	26	26	28	30	32	38	38
/ Net Interest Expense (LTM)	(2)	(2)	(2)	(1.5)	(1.5)	(1)	(0)	1	1.3	1.3	1	1	1	0.8	0.8
Interest Coverage Ratio	8.2x	8.2x	9.1x	9.7x	9.9x	17.1x	177.9x	-48.7x	-19.6x	-19.6x	-19.9x	-24.8x	-31.8x	-47.8x	-47.8x
EBITDA (LTM)	14	16	16	16	16	18	21	27	26	26	28	30	33	41	41
/ Net Interest Expense (LTM)	(2)	(2)	(2)	(1.5)	(1.5)	(1)	(0)	1	1	1	1	1	1	1	1
Cash Coverage Ratio	8.8x	9.8x	9.6x	10.6x	10.6x	17.5x	169.6x	-50.7x	-19.4x	-19.4x	-20.4x	-25.7x	-33.2x	-51.2x	-51.2x
Total Debt (End of Period)	35	33	36	7	7	0	0	0	-	-	-	-	-	-	-
/ Debt + Equity (End of Period)	55	54	58	115	115	112	151	161	168	166	173	180	189	199	199
Debt/Capital Ratio	63%	61%	61%	6%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: company reports and Oppenheimer & Co. estimates

(In €uro millions, except per share data)

SODA DCF Model						Assumptions	
	2012E	2013E	2014E	2015E	2016E		
Net Income	33	41	53	65	80	Risk-Free Rate	5.00%
Plus: Interest Expense (After-Tax)	(1)	(1)	(1)	(1)	(1)	Beta	1.45
Plus: Depreciation & Amortization	4	5	6	7	8	Market Risk Premium	6.00%
Less: Capital Expenditures	(25)	(7)	(8)	(9)	(11)	Cost of Equity	13.70%
Plus/Less: Changes in W/C & Other	(3)	(2)	1	28	11		
Unlevered Free Cash Flow	9	37	51	91	88	Tax Rate (Statutory)	18.00%
PV of Unlevered Free Cash Flow	8	30	36	58	50	Cost of Debt (Pre-Tax)	6.50%
						Cost of Debt (After-Tax)	5.33%
PV of Free Cash Flow	182					Cost of Preferred	0.00%
PV of Residual Value	571						
Enterprise Value	753					Shares Outstanding	19.6
Less: Total Debt/Preferred	-					Price	\$36
Equity Value	753					Market Cap	708
Mid-Year Adjustment Factor	1.06					Total Debt	-
Equity Value (Adjusted)	797					Preferred	-
Shares Outstanding	20					Total Capitalization	708
Value Per Share (€)	€ 41						
Terminal Free Cash Flow Growth Rate							
W A C C		2.0%	2.5%	3.0%	3.5%	4.0%	
	11.0%	€ 42	€ 44	€ 46	€ 49	€ 52	
	11.5%	€ 39	€ 41	€ 43	€ 45	€ 48	
	12.0%	€ 37	€ 39	€ 41	€ 43	€ 45	
	12.5%	€ 35	€ 37	€ 38	€ 40	€ 42	
	13.0%	€ 33	€ 35	€ 36	€ 37	€ 39	
Capitalization		Current	Target				
Equity		100%	80%				
Debt		0%	20%				
Preferred		0%	0%				
WACC				12.0%			
Residual FCF Growth Rate				3.00%			
\$/Euro Exchange Rate				\$1.35			
USD Price Target				\$55			

Source: company reports and Oppenheimer & 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 under-penetrated. 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 12.0% and a 3.0% residual growth rate of our terminal (2016) unlevered free cash flow estimate of €88 million, while employing a euro-US dollar exchange rate of \$1.3529.

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.

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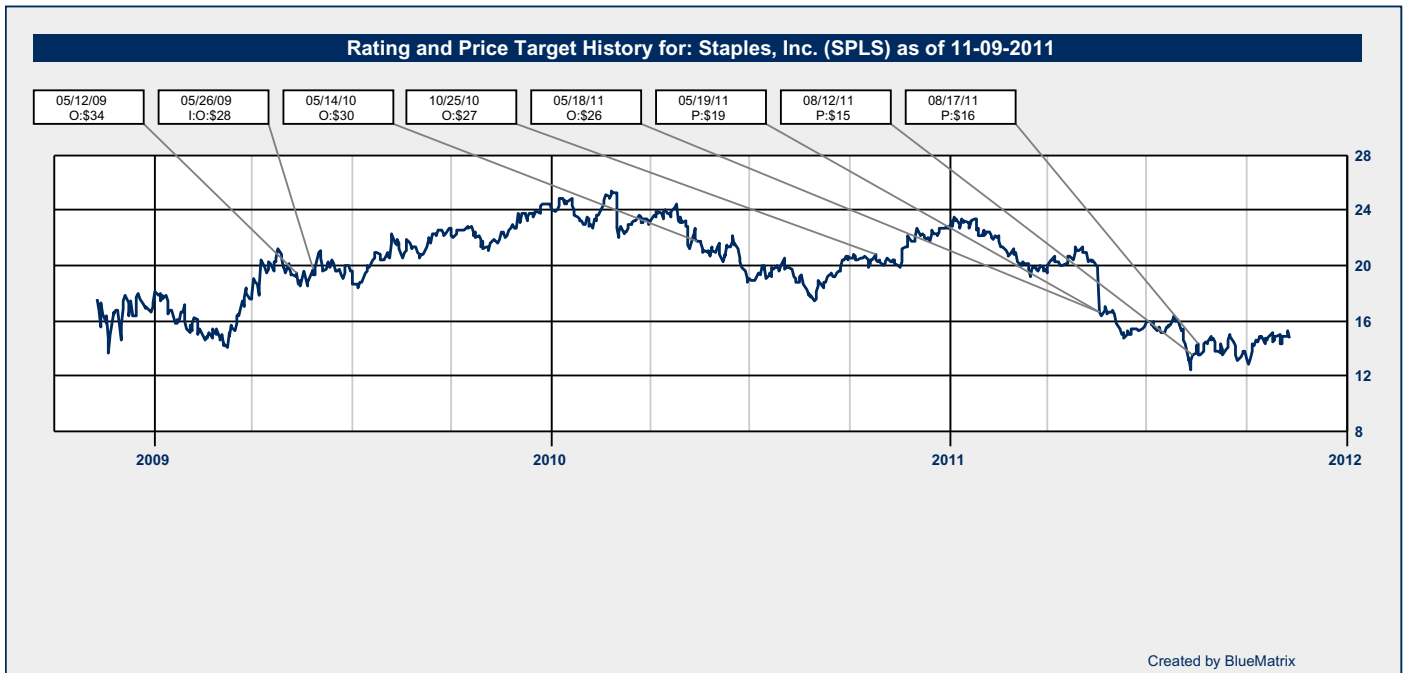
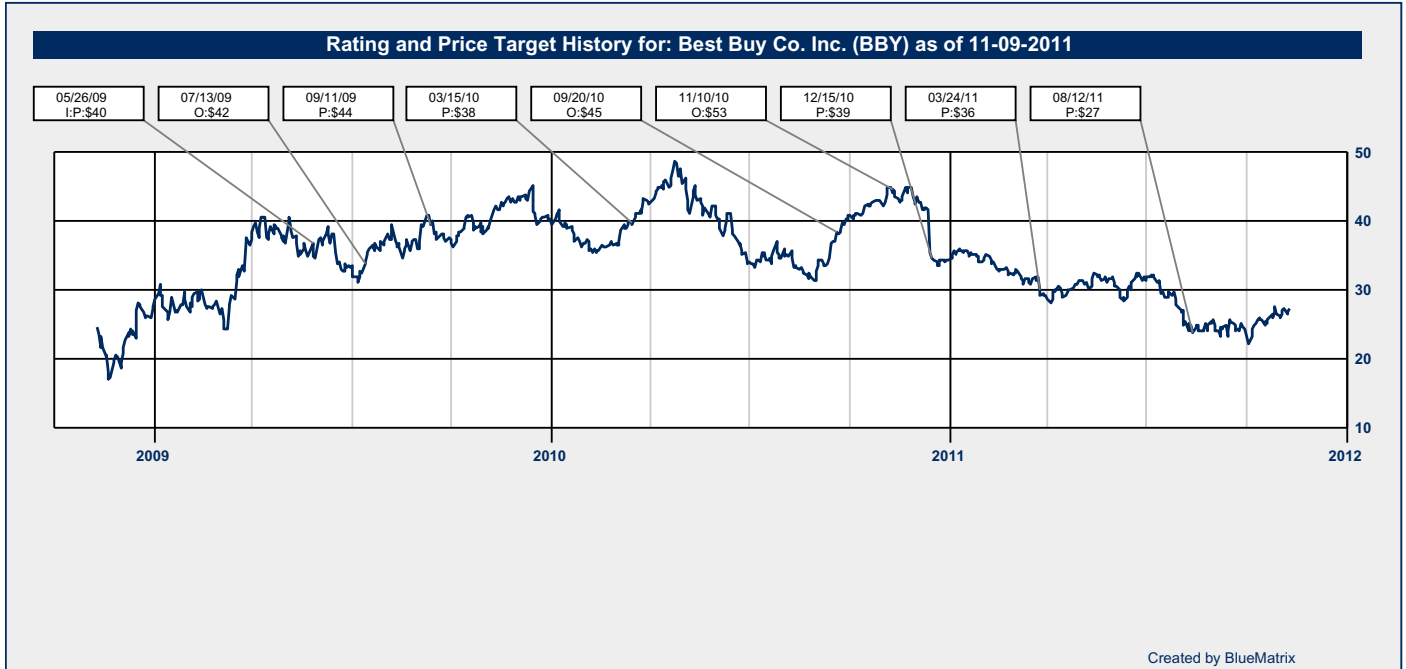
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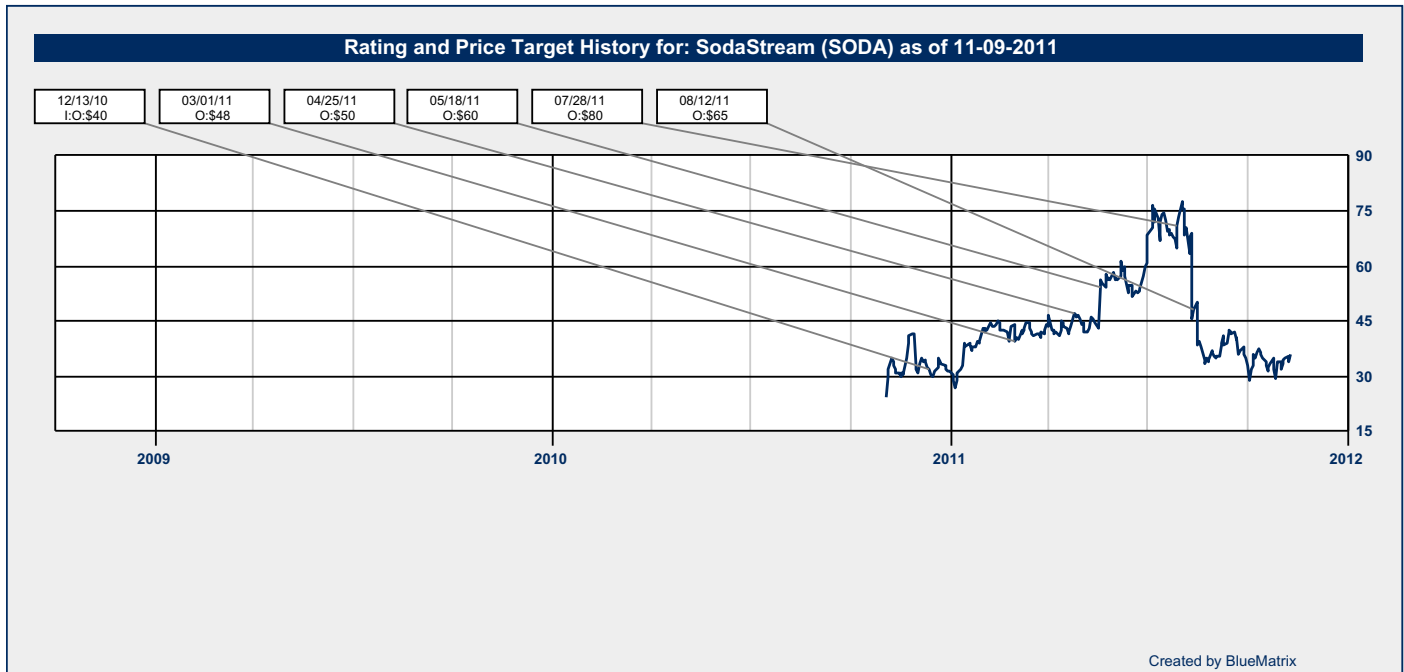
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Stock Prices as of November 10, 2011

Best Buy Co. Inc. (BBY - NYSE, 27.22, PERFORM)

Staples, Inc. (SPLS - Nasdaq, 14.67, PERFORM)





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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Distribution of Ratings/IB Services Firmwide

Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
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PERFORM [P]	257	43.30	84	32.68
UNDERPERFORM [U]	9	1.50	3	33.33

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