

# Dec qtr cash flow update locks in our estimates

## NAV & NPAT est fine-tuned; 12% inc in 12 month PO

We have now factored in Dec qtr cash/debt statement released to the market on Friday, and expect 1H FY09E \$5M loss b/f abnormal. We have also fine tuned full year NPAT before abnormal estimates: FY09 -3% to \$40M, FY10 -2% to \$61M for both operating cashflow and interest expectations. NAV increased 7% to \$2.68ps, on the back of an overestimation in exploration & project capex. We re-price our 12 month PO inline with NAV at \$2.70ps, on our expectation the Higginsville op will be a consistent performer at full production targeted run rate (190kozpa) in 12 months. Potential upside exists with mine life extensions.

## 12 month catalysts

Given its operations are 100% leverage to the strong A\$ gold spot, we expect **AVO's share performance to be more closely benchmarked to A\$ gold spot** (which has outperformed US\$ gold price by 40% vs. this time last year), when it consistently achieves 290kozpa run rate qoq. In short term, we expect:

- Stronger 2H FY09 production;** we are expecting close to double gold ore production (93koz vs. 50koz achieved in 1H ramp-up).
- Mineral resource and ore reserve upgrade highly probable;** given 89% indicated resource conversion to probable reserve for its maiden Dec 2006 JORC reserve (estimated at what is now considered a very conservative A\$800/oz gold price ie at today's A\$:US\$ of 0.6375 that is equivalent to US\$510/oz gold price), we would expect further conversion into reserve for Jun 30. As stated in our note [Weak prices; increased ounces expected to drive EPS growth](#), we expect a US\$700/oz average gold price for reserve estimation.

## New Dec qtr discoveries are a good sign for Catalyst #2

AVO further extended Trident deposit with 11.5km of u/g diamond drilling between Western Zone and Apollo, with results identified outside of the current resource. Several, thick high grade ore was identified and intercepts include 33.7m @ 9.7g/t Au, 35m @ 6.7 g/t Au. Grade control drilling confirmed 1005 level at Trident to be high grade ore zone that hangs together well, with decent thick intersections, with best result of 64m @ 8.6 g/t Au. Grade control drilling gives comfort for our production expectations being met for balance of FY09.

## Estimates (Jun)

(A\$)	2007A	2008A	2009E	2010E	2011E
Net Profit b/f Abnormals	(4)	(1)	40	61	61
EPS	(0.023)	(0.006)	0.169	0.247	0.249
EPS Change (YoY)	NA	73.6%	NM	46.6%	0.8%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(0.123)	(0.649)	(0.157)	0.396	0.366

## Valuation (Jun)

	2007A	2008A	2009E	2010E	2011E
P/E	NM	NM	9.75x	6.65x	6.60x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	-51.84x	-123.58x	5.78x	2.47x	2.03x
Free Cash Flow Yield*	-5.96%	-35.29%	-9.20%	24.23%	22.42%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 6.

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Refer to important disclosures on page 7 to 9. Analyst Certification on Page 5. Price Objective Basis/Risk on page 5.

Equity | Australia | Gold & Precious Metals  
02 February 2009



## RESEARCH

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## Stock Data

Price	A\$1.65
Price Objective	A\$2.40 to A\$2.70
Date Established	2-Feb-2009
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	A\$0.875-A\$2.91
Mrkt Val / Shares Out (mn)	US\$255 / 243.4
Average Daily Volume	708,268
ML Symbol / Exchange	AVORF / ASX
Bloomberg / Reuters	AVO AU / AVO.AX
ROE (2009E)	25.8%
Net Dbt to Eqty (Jun-2008A)	41.4%
Est. 5-Yr EPS / DPS Growth	299.5% / 0%
Free Float	100.0%



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## iQprofile<sup>SM</sup> Avoca Resources

Key Income Statement Data (Jun)	2007A	2008A	2009E	2010E	2011E
<b>(A\$ Millions)</b>					
Sales	0	4	142	244	226
Operating Expenses	(5)	(7)	(67)	(101)	(97)
<b>EBITDA</b>	<b>(5)</b>	<b>(3)</b>	<b>76</b>	<b>143</b>	<b>128</b>
Depreciation & Amortization	0	0	(28)	(51)	(44)
<b>EBIT</b>	<b>(5)</b>	<b>(3)</b>	<b>48</b>	<b>92</b>	<b>84</b>
Net Interest & Other income	1	0	(8)	(6)	3
Associates	NA	NA	NA	NA	NA
Pretax Income	(5)	(4)	40	87	87
Tax (expense) / Benefit	0	3	0	(26)	(26)
<b>Net Profit b/f Abnormals</b>	<b>(4)</b>	<b>(1)</b>	<b>40</b>	<b>61</b>	<b>61</b>
Non-Recurring Items	0	0	0	0	0
Net Income (Reported)	(4)	(1)	40	61	61
Avg F Diluted Shares Outstanding	194	218	235	245	245

### Key Cash Flow Statement Data

EBITDA	(5)	(3)	76	143	128
Change in Working Capital	3	0	1	0	(1)
Deferred Taxation Charge	0	(2)	0	0	0
Other Adjustments, Net	1	7	2	3	3
<b>Cash Flow from Operations</b>	<b>(1)</b>	<b>4</b>	<b>70</b>	<b>115</b>	<b>107</b>
<b>Capital Expenditure</b>	<b>(23)</b>	<b>(145)</b>	<b>(107)</b>	<b>(18)</b>	<b>(18)</b>
(Acquisition) / Disposal of Investments	(2)	0	(1)	(1)	(1)
Other Cash Inflow / (Outflow)	0	0	2	2	2
<b>Cash Flow from Investing</b>	<b>(25)</b>	<b>(145)</b>	<b>(106)</b>	<b>(16)</b>	<b>(16)</b>
Shares Issue / (Repurchase)	76	6	36	0	0
Cost of Dividends Paid	0	0	0	0	0
<b>Cash Flow from Financing</b>	<b>129</b>	<b>36</b>	<b>60</b>	<b>(22)</b>	<b>(22)</b>
<b>Free Cash Flow</b>	<b>(24)</b>	<b>(141)</b>	<b>(37)</b>	<b>97</b>	<b>90</b>
<b>Net Debt</b>	<b>(61)</b>	<b>48</b>	<b>46</b>	<b>(53)</b>	<b>(146)</b>
Change in Net Debt	NA	NA	NA	NA	NA

### Key Balance Sheet Data

Property, Plant & Equipment	50	204	281	244	210
Other Non-Current Assets	1	15	15	15	15
Trade Receivables	1	2	2	2	2
Cash & Equivalents	109	2	25	103	174
Other Current Assets	0	2	2	2	2
<b>Total Assets</b>	<b>161</b>	<b>236</b>	<b>336</b>	<b>377</b>	<b>414</b>
Long-Term Debt	35	44	50	28	10
Other Non-Current Liabilities	0	42	42	42	42
Short-Term Debt	13	6	22	22	18
Other Current Liabilities	0	4	4	9	6
<b>Total Liabilities</b>	<b>59</b>	<b>120</b>	<b>144</b>	<b>125</b>	<b>99</b>
<b>Total Equity</b>	<b>102</b>	<b>116</b>	<b>191</b>	<b>252</b>	<b>315</b>
Total Equity & Liabilities	161	236	336	377	414

### iQmethod<sup>SM</sup> - Bus Performance\*

Return on Capital Employed	NA	-0.9%	16.7%	20.3%	17.3%
Return on Equity	NA	-1.5%	25.8%	27.3%	21.5%
Operating Margin	NA	-	33.6%	37.9%	37.2%
		1,408,328.8			
		%			
EBITDA Margin	NA	-86.1%	53.3%	58.8%	56.8%

### iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	0.1x	-2.2x	1.8x	1.9x	1.8x
Asset Replacement Ratio	66.1x	1,246.0x	3.8x	0.3x	0.4x
Tax Rate (Reported)	6.0%	66.0%	0.9%	30.0%	30.0%
Net Debt-to-Equity Ratio	-60.2%	41.4%	24.3%	-21.1%	-46.3%
Interest Cover	-7.5x	-7.5x	5.6x	10.1x	23.1x

### Key Metrics

Franking	0%	0%	0%	0%	0%
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\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

### Company Description

Avoca Resources is an emerging gold miner in Western Australia with its Trident deposit. First production is targeted 2H08 with an attractive growth profile and significant upside from exploration.

### Investment Thesis

Avoca is a single gold mine developer ramping up to full production following a successful gold pour commissioning in July 2008. While production performance are risks, we see good value with full production expected very soon, and FY09 production of 143koz, moving up to 189koz in FY10. Exploration drill results and potential resource upgrades are also expected to be an ongoing positive feature in AVO newsflow.

### Stock Data

Price to Book Value 2.1x

## Production Summary

Table 1: Production Statistics

	07A	08A	09E	10E	11E
<b>Higginsville Production (koz)</b>					
Gold	0	0	143	189	193
<b>Cash Operating Costs</b>					
Higginsville (US\$/oz)	0	0	357	337	347
Higginsville (A\$/oz)	0	0	585	491	464
<b>Total Cash Costs</b>					
Higginsville (US\$/oz)	0	0	528	522	519
Higginsville (A\$/oz)	0	0	865	759	695

Source: Banc of America Securities – Merrill Lynch Research

## Profit & Loss

Table 2: Financial Statements & Ratio Analysis - YE June 30

Profit and Loss	07A	08A	09E	10E	11E
Sales	0.0	0.0	142.4	244.1	225.7
Other Revenue	0.0	3.9	0.0	0.0	0.0
Total Revenue	0.0	3.9	142.4	244.1	225.7
Operating Costs	-1.1	-0.7	-59.2	-92.8	-89.5
Exploration	-0.9	-2.9	-2.3	-2.9	-2.9
Other Costs	-3.0	-3.5	-5.0	-5.0	-5.0
EBITDA	-5.0	-3.3	75.9	143.4	128.3
Depreciation & Amortisation	-0.4	-0.1	-28.0	-51.0	-44.4
EBIT	-5.3	-3.4	47.9	92.4	84.0
Net Interest	0.6	-0.5	-8.0	-5.9	3.2
Pretax Profit	-4.7	-3.9	40.0	86.5	87.2
Tax	0.3	2.6	-0.4	-26.0	-26.2
Operating NPAT	-4.5	-1.3	39.6	60.6	61.0
OEI	0.0	0.0	0.0	0.0	0.0
<b>NPAT (Normalised for FCA)</b>	<b>-4.5</b>	<b>-1.3</b>	<b>39.6</b>	<b>60.6</b>	<b>61.0</b>
Significant Items	0.0	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>-4.5</b>	<b>-1.3</b>	<b>39.6</b>	<b>60.6</b>	<b>61.0</b>
Normalised EPS (¢)	-2.3	-0.7	16.9	24.7	24.9
Reported EPS (¢)	-2.3	-0.6	16.9	24.7	24.9
PER (X)	-69.6	-263.4	9.5	6.5	6.4
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth	115.9%	n/a	2201.6%	46.6%	0.8%
EBIT/Sales (%)	n/a	n/a	33.6%	37.9%	37.2%
Effective Tax Rate	6%	66%	1%	30%	30%
Interest Cover (X)	-0.1	0.1	-0.2	-0.1	0.0
Dividend Cover (X)	0.0	0.0	0.0	0.0	0.0

Source: Banc of America Securities – Merrill Lynch Research

## Valuation

Table 3: AVO NAV @ 10% real WACC

	A\$m	A\$/share
Higginsville Gold	703.27	2.89
Taxation	-156.63	-0.64
Gold Puts	0.49	0.00
Exploration	56.94	0.23
Net Cash/Debt	46.48	0.19
<b>Total</b>	<b>653.25</b>	<b>2.68</b>

Source: Banc of America Securities – Merrill Lynch Research

Table 4: Global gold valuation comparables

BAS-ML Ticker	Share Price	Shares O/S	Market Cap	EV	Rating	Price Movement (%)				EPS (cps)			P/CFPS (x)			P/E (x)			NAV	P/NAV	
						30d	90d	120d	240d	2008	2009	2010	2008	2009	2010	2008	2009	2010			
						A/E	E	E	A/E	E	E	A/E	E	E							
<b>Australian</b>						30	90	120	240												
Avoca Resources	AVORF	1.65	223	366	382	1 - Buy	10%	-13%	-5%	-14%	-1	17	25	103	5	3	n/a	10	7	2.68	0.61
Kingsgate	KSKGF	3.76	93	348	315	2 - Neutral	32%	-32%	-22%	-5%	37	16	34	6	7	4	10	24	11	4.27	0.88
Lihir Gold	LIHRF	3.13	2,188	6,849	6,785	2 - Neutral	22%	13%	48%	-17%	7	9	11	25	17	15	47	36	30	2.32	1.35
Newcrest Mining	NCMGF	31.00	453	14,054	14,615	1 - Buy	7%	15%	32%	-13%	114	136	208	13	13	9	27	23	15	25.42	1.22
Oceana Gold	OGDCF	0.44	162	71	228	1 - Buy	144%	-3%	-32%	-83%	22	36	-16	1	1	1	2	1	n/a	1.68	0.26
Sino Gold	SIOGF	4.96	292	1,448	1,428	1 - Buy	9%	-10%	13%	-23%	9	27	45	151	11	7	53	18	11	4.46	1.11
<b>Market Cap Wt Avge</b>						12%	12%	34%	-15%	72	88	133	27	14	11	34	26	19		1.23	
<b>Americas Seniors</b>																					
Barrick Gold	ABX	37.49	872	32,691	37,058	1 - Buy	7%	-2%	7%	-25%	192	170	177	11	13	13	20	22	21	17.00	2.21
Goldcorp	GG	29.57	729	21,557	25,612	1 - Buy	-7%	-19%	-5%	-23%	59	52	70	21	28	18	50	57	42	14.75	2.00
Newmont Mining	NEM	39.78	454	18,060	24,186	2 - Neutral	-1%	-10%	-9%	-21%	202	161	208	12	14	13	20	25	19	18.00	2.21
<b>Market Cap Wt Avge</b>						1%	-9%	-1%	-23%	155	133	153	14	18	14	29	33	27		2.15	
<b>Americas Mid-Tiers</b>																					
Agnico-Eagle Mines	AEM	53.04	154	8,168	8,909	1 - Buy	14%	-20%	12%	-19%	41	63	167	61	34	13	129	84	32	21.50	2.47
Centerra Gold	YCG	5.22	216	1,128	913	2 - Neutral	11%	47%	20%	-63%	54	61	77	6	5	5	10	9	7	4.25	1.23
Eldorado Gold	EGO	7.75	366	2,837	2,771	1 - Buy	6%	0%	6%	31%	23	24	37	22	21	14	34	32	21	4.38	1.77
Gammon Gold	YGAM	8.10	120	972	903	3 - Underperform	60%	-11%	-17%	33%	6	12	25	19	15	11	135	68	32	3.00	2.70
Golden Star Resources	GSS	1.46	236	345	531	3 - Underperform	28%	-15%	-18%	-63%	-21	6	10	53	4	3	n/a	24	15	1.25	1.17
IAMGOLD	IAG	6.84	296	2,025	2,174	2 - Neutral	23%	15%	21%	-6%	33	34	37	7	8	8	21	20	18	7.00	0.98
Northgate Minerals	NXG	1.21	255	309	383	3 - Underperform	30%	-24%	-37%	-58%	13	11	18	3	3	3	9	11	7	1.20	1.01
Yamana Gold	AUY	8.06	700	5,639	6,489	1 - Buy	16%	-23%	-23%	-50%	41	41	66	12	10	7	20	20	12	4.25	1.90
<b>Market Cap Wt Avge</b>						17%	-11%	1%	-20%	36	45	95	32	20	10	68	48	22		1.99	
<b>South African</b>																					
AngloGold Ashanti	AULGF	286.25	351	100,493	113,983	1 - Buy	6%	43%	32%	19%	-2199	2482	1710	-28	8	8	n/a	12	17	247.08	1.16
DRDGOLD	DRDGF	7.20	377	2,711	3,161	3 - Underperform	22%	57%	77%	-14%	30	60	73	111	6	6	24	12	10	2.91	2.47
Gold Fields	GFIOF	108.39	653	70,796	79,665	3 - Underperform	12%	44%	56%	6%	484	548	568	9	8	9	22	20	19	70.37	1.54
Harmony Gold	HGMCF	120.45	414	49,858	55,601	1 - Buy	18%	51%	94%	54%	19	336	461	28	19	17	648	36	26	82.42	1.46
<b>Market Cap Wt Avge</b>						11%	45%	54%	22%	-830	1363	1051	-2	11	10	152	20	19		1.36	

(1) Presented in reported currencies and as per fiscal year end (LGL & OGC report in US\$ and report on a December year end, NCM, AVO & KCN report in A\$ and on a June year end, SGX report in A\$ on a June year end)

(2) Gold price assumptions: CY09 \$875/oz, CY10 \$900/oz, long-term \$800/oz

(3) VWAP = Volume Weighted Average Price

Source: Banc of America Securities - Merrill Lynch Research

## Price objective basis & risk

### Avoca Resources (AVORF)

Our 12 month PO of \$2.70/sh is priced at our NAV of \$2.49/sh (10% real discount rate). We have set our target multiple in recognition of the recently completed, over-subscribed bookbuild and on the expectation that full production run rate will be achieved consistently within next 12 months and also potential resource and reserve upgrade in the next 6 months. AVO is currently trading at a significant discount to the P/NAV for the Australian gold sector. We believe that once full production run rate is consistently achieved for a quarter, the company could re-rate and has the potential to trade significantly higher than its current level, and longer term trade at a gold premium to NAV. Risks to our valuation are exchange rate, gold prices, as well as operating costs for the Higginsville project.

## Analyst Certification

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

### Australia-Metals, Mining & Steel Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Atlas Iron	ATLGF	AGO AU	Mike Harrowell
	Avoca Resources	AVORF	AVO AU	Anna Kassianos
	BHP Billiton Ltd	BHPLF	BHP AU	Olivia Ker, CFA
	BHP Billiton-ADR	BHP	BHP US	Olivia Ker, CFA
	BlueScope Steel	BLSFF	BSL AU	Mike Harrowell
	Energy Res Aust	EGRAF	ERA AU	Olivia Ker, CFA
	Felix Resources Limited	FLRFF	FLX AU	Stuart Howe
	Iluka Resources	ILKAF	ILU AU	Mike Harrowell
	Mount Gibson Iro	MTGRF	MGX AU	Mike Harrowell
	OceanaGold	OGDCF	OGC AU	Anna Kassianos
	Rio Tinto Ltd	RTNTF	RIO AU	Olivia Ker, CFA
	Sims Group	SMUPF	SGM AU	Mike Harrowell
	Sino Gold	SIOGF	SGX AU	Anna Kassianos
<b>NEUTRAL</b>				
	Centennial Coal Company	CCOAF	CEY AU	Stuart Howe
	Kingsgate Consolidated Ltd	KSKGF	KCN AU	Anna Kassianos
	Lihir Gold Ltd	LIHRF	LGL AU	Anna Kassianos
	Lihir Gold-ADR	LIHR	LIHR US	Anna Kassianos
	OM Holdings Ltd	XOMHF	OMH AU	Olivia Ker, CFA
	OneSteel	OSTLF	OST AU	Mike Harrowell
	Paladin Energy	PALAF	PDN AU	Olivia Ker, CFA
<b>UNDERPERFORM</b>				
	Alumina	AWCMF	AWC AU	Olivia Ker, CFA
	Alumina Ltd-ADR	AWC	AWC US	Olivia Ker, CFA
	Gloucester Coal	GCLRF	GCL AU	Stuart Howe
	Macarthur Coal Ltd.	MACDF	MCC AU	Stuart Howe
	Minara Resources	MREJF	MRE AU	Mike Harrowell
	Murchison Metals	MUMTF	MMX AU	Mike Harrowell
	Panoramic Resources Ltd	PANRF	PAN AU	Mike Harrowell
<b>RESTRICTED</b>				
	Newcrest Mining	NCMGF	NCM AU	Anna Kassianos

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**iQmethod<sup>SM</sup> Measures Definitions**

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

*iQmethod<sup>SM</sup>* is the set of Banc of America Securities-Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

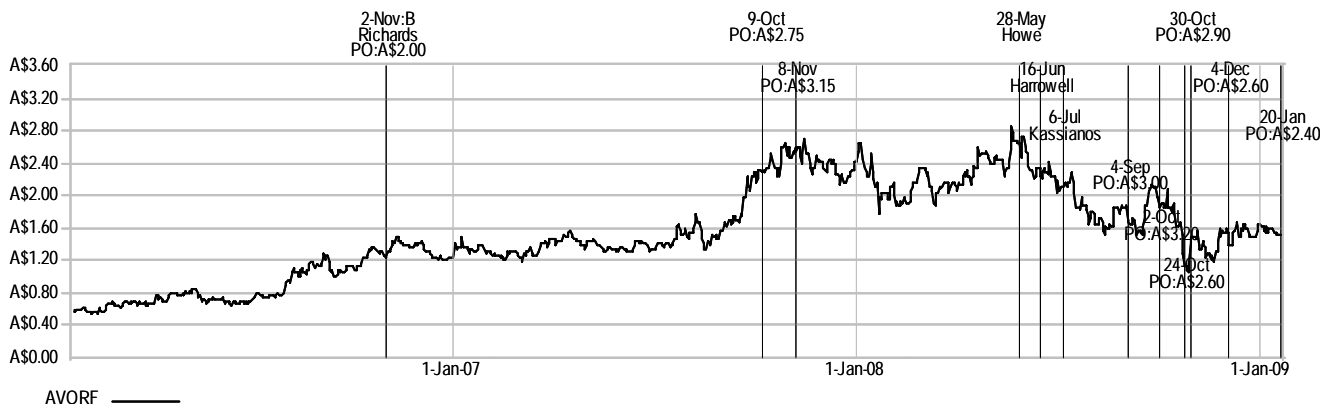
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## Important Disclosures

### AVORF Price Chart



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

\*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of December 31, 2008 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website.\*

### Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	54	39.42%	Buy	19	40.43%
Neutral	30	21.90%	Neutral	5	20.00%
Sell	53	38.69%	Sell	8	20.00%

### Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

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

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

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

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