

# Cemetery business rises from dead; Raising EPS view, P.O.

## 1Q10 EPS in line with consensus (\$0.13)

SCI's 1Q10 EPS (\$0.13, excl. charges) was ahead of our \$0.10 estimate on better revenues and profitability, attributable almost entirely to pre-need cemetery successes and better trust fund performance. We are raising our EPS estimates for 2010 and 2011 to \$0.55 (from \$0.51) and \$0.60 (from \$0.55), respectively, and boosting our P.O. to \$11 (from \$10) on the better profit trend.

## Profit momentum builds

Funeral revenue growth (+2.7%) was below our aggressive forecast (+6.6%), with the Keystone deal closing later than plan and higher pricing offset by weaker comp volumes (-3.5%), but it rose 4.3% sequentially. Cemetery revenue spiked 12.7% on dramatically improved pre-need cemetery sales, which along with better trust fund returns (+3.8%), drove the EBITDA margin 194 bps higher. Cash flow of \$109 million helped fund the Keystone acquisition.

## Shares should rise

While SCI only met the consensus EPS expectation, its shares should rise on further evidence of the recovery for its pre-need businesses and trust fund performance from a dismal 2009 experience. SCI has easy profit margin comparisons this year, and the Keystone and Palms Mortuary deals assure a materially better revenue trajectory. Strong cash flow generation remains a mainstay and will afford the company more opportunities to boost earnings through deleveraging, share repurchase, or more acquisitions.

## Estimates (Dec)

(US\$)	2008A	2009A	2010E	2011E	2012E
EPS	0.54	0.52	0.55	0.60	0.65
GAAP EPS	0.54	0.52	0.55	0.60	0.65
EPS Change (YoY)	3.8%	-3.7%	5.8%	9.1%	8.3%
Consensus EPS (Bloomberg)			0.55	0.60	0.67
DPS	0.12	0.06	0.09	0.10	0.11

## Valuation (Dec)

	2008A	2009A	2010E	2011E	2012E
P/E	17.3x	18.0x	17.0x	15.6x	14.4x
GAAP P/E	17.3x	18.0x	17.0x	15.6x	14.4x
Dividend Yield	1.3%	0.6%	1.0%	1.1%	1.2%
EV / EBITDA*	8.3x	8.3x	7.8x	7.5x	7.2x
Free Cash Flow Yield*	5.6%	6.7%	6.8%	7.2%	-6.4%

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

## Bank of America Merrill Lynch

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## Stock Data

Price	US\$9.36
Price Objective	US\$11.00
Date Established	29-Apr-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	US\$4.23-9.74
Mrkt Val / Shares Out (mn)	US\$2,375 / 253.7
BofAML Ticker / Exchange	SCI / NYS
Bloomberg / Reuters	SCI US / SCI.N
ROE (2010E)	1.7%
Total Dbt to Cap (Mar-2010A)	55.4%
Est. 5-Yr EPS / DPS Growth	10.0% / 10.0%

## Key Changes

(US\$)	Previous	Current
Price Obj.	10.00	11.00
2010E EPS	0.51	0.55
2011E EPS	0.55	0.60
2012E EPS	0.60	0.65
2010E EBITDA (m)	549.2	524.0
2011E EBITDA (m)	561.1	545.7
2012E EBITDA (m)	579.4	563.9

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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. Link to Definitions on page 5. 10932995

29 April 2010

# iQprofile<sup>SM</sup> Service Corporation International

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

(US\$ Millions)	2008A	2009A	2010E	2011E	2012E
Return on Capital Employed	2.5%	2.2%	2.1%	2.2%	2.3%
Return on Equity	1.9%	1.7%	1.7%	1.8%	1.9%
Operating Margin	15.0%	16.0%	16.5%	16.9%	17.4%
Free Cash Flow	132	160	161	170	(152)

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

(US\$ Millions)	2008A	2009A	2010E	2011E	2012E
Cash Realization Ratio	2.0x	2.4x	2.3x	2.2x	0.1x
Asset Replacement Ratio	0.9x	1.0x	1.0x	1.0x	1.0x
Tax Rate	28.4%	35.9%	40.7%	40.7%	40.7%
Net Debt-to-Equity Ratio	24.0%	21.6%	20.2%	20.0%	19.8%
Interest Cover	2.4x	2.6x	2.8x	3.0x	3.1x

## Income Statement Data (Dec)

(US\$ Millions)	2008A	2009A	2010E	2011E	2012E
Sales	2,156	2,054	2,186	2,259	2,305
% Change	-5.7%	-4.7%	6.5%	3.3%	2.0%
Gross Profit	589	585	627	653	673
% Change	-7.2%	-0.8%	7.3%	4.1%	3.1%
EBITDA	495	493	524	546	564
% Change	-7.8%	-0.3%	6.3%	4.1%	3.3%
Net Interest & Other Income	(130)	(126)	(122)	(122)	(120)
Net Income (Adjusted)	139	130	142	155	167
% Change	-8.1%	-6.4%	8.8%	9.1%	7.7%

## Free Cash Flow Data (Dec)

(US\$ Millions)	2008A	2009A	2010E	2011E	2012E
Net Income from Cont Operations (GAAP)	139	130	142	155	167
Depreciation & Amortization	170	163	163	163	163
Change in Working Capital	(26)	22	17	18	18
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	(330)
Capital Expenditure	(152)	(156)	(161)	(166)	(171)
Free Cash Flow	132	160	161	170	-152
% Change	-17.5%	21.3%	0.9%	5.3%	NM

## Balance Sheet Data (Dec)

(US\$ Millions)	2008A	2009A	2010E	2011E	2012E
Cash & Equivalents	128	180	180	180	180
Trade Receivables	107	107	NA	NA	NA
Other Current Assets	40	40	NA	NA	NA
Property, Plant & Equipment	9,077	9,810	10,151	10,244	10,338
Other Non-Current Assets	NA	NA	NA	NA	NA
<b>Total Assets</b>	<b>9,352</b>	<b>10,136</b>	<b>10,332</b>	<b>10,425</b>	<b>10,518</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	341	341	NA	NA	NA
Long-Term Debt	1,849	1,890	1,887	1,887	1,887
Other Non-Current Liabilities	NA	NA	NA	NA	NA
<b>Total Liabilities</b>	<b>2,190</b>	<b>2,232</b>	<b>1,887</b>	<b>1,887</b>	<b>1,887</b>
<b>Total Equity</b>	<b>7,163</b>	<b>7,904</b>	<b>8,445</b>	<b>8,538</b>	<b>8,631</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,352</b>	<b>10,136</b>	<b>10,332</b>	<b>10,425</b>	<b>10,518</b>

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

## Company Description

SCI, a leading death care provider, is proving why its industry-leading market share is translating into greater competitive advantage. This will be more evident over the next few years, as it accumulates additional share and profitability improves. In the interim, shareholders should benefit from a continuing focus on free cash flow generation.

## Investment Thesis

SCI's valuation reflects challenges in weak pre-need sales and trust fund performance. Strong continuing cash flow, share repurchases and deleveraging should drive more EPS growth.

## Stock Data

Average Daily Volume 1,058,748

## Quarterly Earnings Estimates

	2009	2010
Q1	0.12A	0.13A
Q2	0.12A	0.12E
Q3	0.13A	0.13E
Q4	0.14A	0.17E

## Review

The 1Q10 results beat expectations on impressive revenue and profit trends. The story was the ongoing resurgence in pre-need cemetery sales, which has an immediate benefit to profitability; cemetery gross profit surged 580 bps on a comp basis. Trust fund performance also reversed disappointing trends from the prior year (+3.8% vs. -4.0%). Funeral volumes remained light, but pricing per comp event (+2.4%) continued its upward migration, while pre-need production was at a 1.3% higher rate as well.

Looking forward, SCI will benefit from the inclusion of Keystone and Palm Mortuaries, which should resurrect an otherwise lifeless revenue line item. SCI's debt to EBITDA ratio of only 3.3x as of March 31 was better than expected and should free the company up for other opportunities, although it has been difficult to gauge its priorities. All in, we would expect the growth trajectories to remain favorable, given particularly easy comparisons in 1H10, and cash flow will be put to immediate use on fueling its future EPS opportunity. As a reminder, SCI had an \$11 bid for Stewart Enterprises on the table, and on better operating trends in future quarters, it would not surprise us to see a dialog between the two companies to resume.

**Conference Call Information:** Thursday, April 29<sup>th</sup>, 10:00 AM EST. Dial In: (617) 597-5329; code: 36412152.

## Outlook & Valuation

For 2010, our EPS forecast of \$0.55 reflects a 1.4% decrease over the prior year, on a 6.5% revenue increase and essentially flat EBITDA margin growth. For 2011, our EPS forecast of \$0.60, up 7%, calls for revenues to increase 3% and EBITDA margin up 19 bps.

SCI's leverage to improve its ROIC is respectable. We estimate it should increase from 1.6% in 2009 to 3.4% in 2014 on continued improvements in profitability.

SCI's common shares are trading at 15.5 times our 2011 EPS estimate, and an EV/EBITDA multiple 7.5 times. Our \$11 price objective suggests a P/E of 18.2 times our 2011 EPS estimate and an EV/EBITDA multiple of 8.3 times.

Table 1: Quarterly EPS

	Historical results					Projections									
	2009					2010					2011				
	31-Mar	30-Jun	30-Sep	31-Dec	Total	31-Mar	30-Jun	30-Sep	31-Dec	Total	31-Mar	30-Jun	30-Sep	31-Dec	Total
Total revenues	\$510.6	\$513.9	\$497.2	\$531.8	\$2,053.5	\$530.9	\$555.4	\$530.8	\$569.0	\$2,186.0	\$574.9	\$565.7	\$540.8	\$577.7	\$2,259.0
Cost of sales	\$370.0	\$372.4	\$355.6	\$370.9	\$1,468.9	\$377.8	\$403.0	\$380.6	\$397.5	\$1,558.9	\$408.0	\$409.9	\$386.7	\$401.8	\$1,606.4
Gross profit	\$140.6	\$141.5	\$141.6	\$160.8	\$584.6	\$153.1	\$152.4	\$150.1	\$171.5	\$627.1	\$166.9	\$155.8	\$154.0	\$175.9	\$652.6
General & administrative	\$21.8	\$26.5	\$21.0	\$21.7	\$90.9	\$23.9	\$30.9	\$22.5	\$25.8	\$103.1	\$26.5	\$31.4	\$22.9	\$26.2	\$106.9
Other operating expense	\$0.0	\$0.0	\$0.0	\$0.7	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
EBITDA	\$118.8	\$115.1	\$120.7	\$138.4	\$493.0	\$129.2	\$121.6	\$127.6	\$145.7	\$524.0	\$140.4	\$124.4	\$131.1	\$149.7	\$545.7
Depreciation & amortization*	\$40.5	\$39.7	\$40.5	\$42.8	\$163.5	\$40.7	\$40.7	\$40.7	\$40.7	\$163.0	\$40.7	\$40.7	\$40.7	\$40.7	\$163.0
Operating income	\$78.3	\$75.4	\$80.2	\$95.6	\$329.5	\$88.4	\$80.8	\$86.8	\$105.0	\$361.0	\$99.7	\$83.7	\$90.4	\$109.0	\$382.7
Interest expense	\$31.7	\$32.4	\$29.4	\$35.5	\$129.0	\$32.3	\$32.3	\$32.3	\$32.3	\$129.2	\$32.3	\$32.3	\$32.3	\$32.3	\$129.2
Other income	\$0.8	\$1.4	\$0.9	(\$0.1)	\$2.9	\$1.9	\$1.9	\$1.9	\$1.9	\$7.5	\$1.9	\$1.9	\$1.9	\$1.9	\$7.5
Pretax income	\$47.4	\$44.4	\$51.7	\$60.0	\$203.5	\$58.0	\$50.4	\$56.4	\$74.5	\$239.3	\$69.3	\$53.3	\$59.9	\$78.6	\$261.0
Income taxes (benefit)	17.751	\$13.9	\$18.3	\$23.0	\$73.0	\$23.6	\$20.5	\$23.0	\$30.4	\$97.5	\$28.2	\$21.7	\$24.4	\$32.0	\$106.3
Net income	\$29.7	\$30.5	\$33.4	\$36.9	\$130.4	\$34.4	\$29.9	\$33.4	\$44.2	\$141.9	\$41.1	\$31.6	\$35.5	\$46.6	\$154.7
Average shares outstanding															
Basic	250,134	250,977	251,765	253,704	251,645	253,704	253,704	253,704	253,704	253,704	253,704	253,704	253,704	253,704	253,704
Diluted	250,309	251,130	253,048	255,113	252,400	256,154	256,154	256,154	256,154	256,154	256,154	256,154	256,154	256,154	256,154
E.P.S., basic	\$0.12	\$0.12	\$0.13	\$0.15	\$0.52	\$0.14	\$0.12	\$0.13	\$0.17	\$0.56	\$0.16	\$0.12	\$0.14	\$0.18	\$0.61
E.P.S., diluted	\$0.12	\$0.12	\$0.13	\$0.14	\$0.52	\$0.13	\$0.12	\$0.13	\$0.17	\$0.55	\$0.16	\$0.12	\$0.14	\$0.18	\$0.60
Tax rate	37.4%	31.3%	35.5%	38.4%	35.9%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%
<b>Margin analysis</b>															
Net sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	72.46%	72.46%	71.52%	69.75%	71.53%	71.17%	72.56%	71.72%	69.85%	71.31%	70.97%	72.46%	71.52%	69.55%	71.11%
Gross profit	27.54%	27.54%	28.48%	30.25%	28.47%	28.83%	27.44%	28.28%	30.15%	28.69%	29.03%	27.54%	28.48%	30.45%	28.89%
General & administrative and other	4.27%	5.15%	4.22%	4.22%	4.46%	4.50%	5.55%	4.25%	4.54%	4.72%	4.60%	5.54%	4.24%	4.53%	4.73%
EBITDA	23.28%	22.39%	24.27%	26.02%	24.01%	24.33%	21.89%	24.04%	25.61%	23.97%	24.43%	22.00%	24.25%	25.92%	24.16%
Depreciation & amortization*	7.93%	7.73%	8.14%	8.04%	7.96%	7.68%	7.34%	7.68%	7.16%	7.46%	7.09%	7.20%	7.54%	7.05%	7.22%
Operating income	15.34%	14.66%	16.13%	17.98%	16.05%	16.65%	14.55%	16.36%	18.45%	16.51%	17.34%	14.79%	16.71%	18.86%	16.94%
Pretax income	9.29%	8.63%	10.40%	11.28%	9.91%	10.92%	9.07%	10.63%	13.10%	10.95%	12.05%	9.42%	11.08%	13.60%	11.56%
Net income	5.81%	5.93%	6.71%	6.94%	6.35%	6.47%	5.38%	6.30%	7.77%	6.49%	7.14%	5.58%	6.57%	8.06%	6.85%
<b>Growth analysis</b>															
Net sales	(11.0%)	(6.3%)	(3.7%)	2.9%	(4.7%)	4.0%	8.1%	6.7%	7.0%	6.5%	8.3%	1.9%	1.9%	1.5%	3.3%
Cost of sales	(6.4%)	(6.3%)	(9.5%)	(2.6%)	(6.2%)	2.1%	8.2%	7.0%	7.2%	6.1%	8.0%	1.7%	1.6%	1.1%	3.0%
Gross profit	(21.1%)	(6.5%)	14.5%	18.2%	(0.8%)	8.8%	7.7%	6.0%	6.6%	7.3%	9.0%	2.2%	2.6%	2.5%	4.1%
General & administrative and other	(12.8%)	13.3%	2.6%	(13.0%)	(3.1%)	9.7%	16.6%	7.6%	15.0%	12.5%	10.7%	1.7%	1.6%	1.3%	3.7%
EBITDA	(22.4%)	(10.1%)	16.8%	25.5%	(0.3%)	8.7%	5.6%	5.7%	5.3%	6.3%	8.7%	2.4%	2.8%	2.8%	4.1%
Operating income	(30.4%)	(10.3%)	30.1%	45.0%	1.6%	12.9%	7.2%	8.3%	9.8%	9.6%	12.8%	3.6%	4.1%	3.8%	6.0%
Pretax income	(40.5%)	(15.7%)	80.7%	77.8%	4.5%	22.3%	13.6%	9.1%	24.3%	17.6%	19.5%	5.7%	6.3%	5.4%	9.1%
Net income	(42.7%)	(16.4%)	39.0%	67.0%	(6.4%)	15.8%	(2.0%)	0.2%	19.7%	8.8%	19.5%	5.7%	6.3%	5.4%	9.1%
E.P.S., diluted	(39.4%)	(12.6%)	42.8%	61.1%	(3.5%)	13.2%	(3.9%)	(1.0%)	23.2%	7.2%	19.5%	5.7%	6.3%	5.4%	9.1%

Source: Company reports, BofA Merrill Lynch Global Research estimates

## Price objective basis & risk Service Corporation International (SCI)

Price objective of \$11 is based on CY10E P/E and EV/EBITDA multiples of 18.2x and 8.3x, respectively, well off historical highs of 21.8x and 15.1x, despite the relative stability of its business model. Our target suggests a discount horizon of one year in our DCF model. Our regression of EV/IC and ROIC supports the higher valuation. Risks are weaker pre-need sales and trust fund performance, as well as potential write-downs of trust fund investments that would necessitate a capital infusion.

## Link to Definitions Industrials

Click [here](#) for definitions of commonly used terms.

## Analyst Certification

I, Robert M. Willoughby, 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.

### US- Pharmaceutical Services Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AmerisourceBergen	ABC	ABC US	Robert M. Willoughby
	Cardinal Health	CAH	CAH US	Robert M. Willoughby
	CVS Caremark	CVS	CVS US	Robert M. Willoughby
	DENTSPLY International	XRAY	XRAY US	Robert M. Willoughby
	Express Scripts	ESRX	ESRX US	Robert M. Willoughby
	Genoptix Inc	GDXD	GDXD US	Robert M. Willoughby
	HMS Holdings Corp.	HMSY	HMSY US	Robert M. Willoughby
	LabCorp of America	LH	LH US	Robert M. Willoughby
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	MedAssets, Inc.	MDAS	MDAS US	Robert M. Willoughby
	Medco Health Solutions	MHS	MHS US	Robert M. Willoughby
	Omnicare Inc	OCR	OCR US	Robert M. Willoughby
	Patterson Cos Inc	PDCO	PDCO US	Robert M. Willoughby
	PharMerica Corp	PMC	PMC US	Robert M. Willoughby
	Quest Diagnostics	DGX	DGX US	Robert M. Willoughby
	Service Corporation International	SCI	SCI US	Robert M. Willoughby
	Sirona Dental Systems	SIRO	SIRO US	Robert M. Willoughby
	Stewart Enterprises	STEI	STEI US	Robert M. Willoughby
	Walgreen	WAG	WAG US	Robert M. Willoughby
<b>NEUTRAL</b>				
	Bio-Reference Laboratories	BRLI	BRLI US	Robert M. Willoughby
	Eclipsys Corporation	ECLP	ECLP US	Robert M. Willoughby
	MWI Veterinary Supply	MWIV	MWIV US	Robert M. Willoughby
<b>UNDERPERFORM</b>				
	Allscripts-Misys Healthcare Solutions	MDRX	MDRX US	Robert M. Willoughby
	athenahealth, Inc.	ATHN	ATHN US	Robert M. Willoughby
	Catalyst Health Solutions	CHSI	CHSI US	Robert M. Willoughby
	Cerner Corporation	CERN	CERN US	Robert M. Willoughby
	Henry Schein Inc	HSIC	HSIC US	Robert M. Willoughby
	Owens & Minor Inc	OMI	OMI US	Robert M. Willoughby
	PSS World Medical	PSSI	PSSI US	Robert M. Willoughby
	Quality Systems, Inc.	QSII	QSII US	Robert M. Willoughby
	VCA Antech	WOOF	WOOF US	Robert M. Willoughby

**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

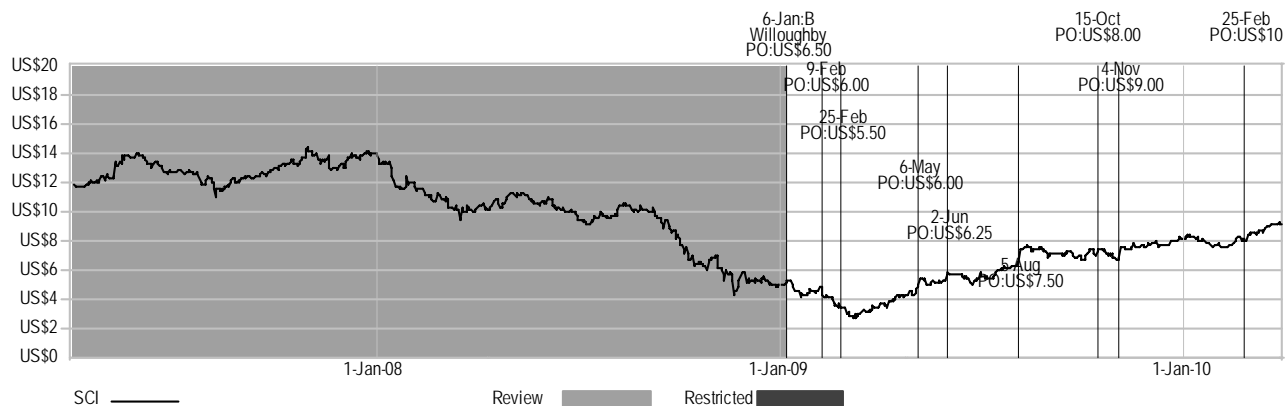
*iQmethod<sup>SM</sup>* is the set of BoFA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology.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

*iQdatabase<sup>®</sup>* is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BoFA Merrill Lynch.

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## Important Disclosures

### SCI 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 March 31, 2010 or such later date as indicated.

BofAML 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: Services Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	25	62.50%	Buy	11	52.38%
Neutral	10	25.00%	Neutral	6	60.00%
Sell	5	12.50%	Sell	2	40.00%

### Investment Rating Distribution: Global Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1818	52.41%	Buy	952	58.01%
Neutral	873	25.17%	Neutral	490	61.95%
Sell	778	22.43%	Sell	355	49.72%

\* 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 BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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