

# Shipments miss, but haulage bottleneck to be lifted soon

## Started generating cash despite small miss in shipments

BC Iron reported in June quarterly that it received A\$14.7mn cash from iron ore sales in FY11, transitioning to iron ore producer from explorer. FY11 total shipments were 253kt, which is ~16% lower than the company's updated guidance of 300kt on 16 June, as road haulage was adversely impacted by rainfall and delay in completion of the private haul road. We cut FY11E earnings by 26% (or A\$2.1mn) on lower sales volume & higher admin cost due to a few one-off factors, including increased legal fees due to takeover. NPV was reduced to A\$3.28/shr (from A\$3.36/shr) on lower earnings and also higher-than-expected capex and exploration expense in FY11. Retain Buy rating and PO of A\$3.3/shr.

## FY12 shipment guidance refined to ~3.5Mt

The company expects to ship ~3.5Mt of iron ore in FY12, which is the low end of the 3.5-3.7Mt range given on 16 June. We keep our forecast of 3.2Mt unchanged, assuming operation risks during the ramp-up stage. BCI is targeting a 3Mtpa mining & haulage rate in 1HFY12, and 5Mtpa production capacity by 2HFY12.

## Output/shipment to grow with haulage debottlenecking

Approximately 260kt of ore had been stocked up on the site by the end of June. During September quarter, BCI plans to double haulage shifts to clear the stocks. Completion of sub-grade (dirt) road is expected in August, which should boost the daily rate from 7kt to 10kt. However, bitumen surfacing over September/October will cause a 2-3 week reduction in haulage rates. With the step-up of haulage rate, the mining and then processing operations will progressively move to double shifts to align the haulage rate at 10+kt per day.

## Strategic focus on exploration and acquisition opportunities

With the current mine life of about eight years, the board of BCI are keen to expand the company's development portfolio through a strong exploration programme whilst considering a number of live acquisition opportunities.

### Estimates (Jun)

(A\$)	2009A	2010A	2011E	2012E	2013E
Net Profit b/f Abnormals	(1)	(1)	6	81	82
EPS	(0.019)	(0.017)	0.063	0.862	0.865
EPS Change (YoY)	-43.6%	13.3%	NM	NM	0.4%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(0.089)	(0.171)	(0.464)	1.11	0.941

### Valuation (Jun)

	2009A	2010A	2011E	2012E	2013E
P/E	NM	NM	44.59x	3.24x	3.23x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	-90.86x	-65.17x	49.77x	1.42x	0.616x
Free Cash Flow Yield*	-2.33%	-5.45%	-16.63%	39.96%	33.72%

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

Equity | Australia | Non-Ferrous-Mining  
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**Merrill Lynch** 

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### Stock Data

Price	A\$2.79
Price Objective	A\$3.30
Date Established	6-Jul-2011
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	A\$1.52-A\$3.29
Mrkt Val / Shares Out (mn)	US\$285 / 94.4
Market Value (mn)	A\$263
Average Daily Volume	223,174
BofAML Ticker / Exchange	BIRNF / ASX
Bloomberg / Reuters	BCI AU / BCI.AX
ROE (2011E)	10.6%
Net Dbt to Eqty (Jun-2010A)	-38.0%
Est. 5-Yr EPS / DPS Growth	30.4% / NA
Free Float	60.0%

### Key Changes

(A\$)	Previous	Current
2011E EPS	0.09	0.06
2013E EPS	0.87	0.86
2011E EBITDA (m)	6.6	5.3

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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. 11071785

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## *iQprofile*<sup>SM</sup> BC Iron Limited

Key Income Statement Data (Jun)	2009A	2010A	2011E	2012E	2013E
<b>(A\$ Millions)</b>					
Sales	0	0	16	223	233
Associates & Other Revenue	0	0	2	0	0
Operating Expenses	(2)	(4)	(13)	(111)	(118)
<b>EBITDA</b>	<b>(2)</b>	<b>(3)</b>	<b>5</b>	<b>112</b>	<b>115</b>
Depreciation & Amortization	0	0	0	(3)	(4)
<b>EBIT</b>	<b>(2)</b>	<b>(3)</b>	<b>5</b>	<b>109</b>	<b>110</b>
Net Interest & Other income	0	1	1	3	6
Pretax Income	(2)	(2)	6	111	117
Tax (expense) / Benefit	0	1	0	(30)	(35)
Outside Equity interest in Npat	0	0	0	0	0
Net Profit b/f Abnormals	(1)	(1)	6	81	82
Non-Recurring Items	0	0	0	0	0
<b>Net Income (Reported)</b>	<b>(1)</b>	<b>(1)</b>	<b>6</b>	<b>81</b>	<b>82</b>
Adjustments (net of taxes)	NA	NA	NA	NA	NA
<b>Net Income (Adjusted)</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>81</b>	<b>82</b>

### Key Cash Flow Statement Data

EBITDA	(2)	(3)	5	112	115
Change in Working Capital	NA	NA	NA	NA	NA
Other C'flow Items before int & tax	0	0	0	0	0
Net Interest Paid	0	1	1	3	6
Tax Paid	0	1	0	0	(30)
Other C'flow from Operations	1	1	0	0	0
<b>Cash Flow from Operations</b>	<b>(1)</b>	<b>(1)</b>	<b>6</b>	<b>115</b>	<b>91</b>
Capital Expenditure (PP&E)	(6)	(13)	(50)	(10)	(2)
(Acquisition) / Disposal of Investments	0	1	(1)	0	0
Other C'flow from Investing	NA	NA	NA	NA	NA
<b>Cash Flow from Investing</b>	<b>(6)</b>	<b>(12)</b>	<b>(51)</b>	<b>(10)</b>	<b>(2)</b>
Shares Issue / (Repurchase)	9	13	22	0	0
Dividend paid	0	0	0	0	0
Other C'flow from Financing	0	17	12	(5)	(5)
<b>Cash Flow from Financing</b>	<b>9</b>	<b>30</b>	<b>34</b>	<b>(5)</b>	<b>(5)</b>
<b>Free Cash Flow</b>	<b>(6)</b>	<b>(14)</b>	<b>(44)</b>	<b>105</b>	<b>89</b>
<b>Net Debt</b>	<b>(12)</b>	<b>(15)</b>	<b>1</b>	<b>(104)</b>	<b>(193)</b>

### Key Balance Sheet Data

Cash Equivalents	12	29	18	118	202
Receivables & Inventories	0	4	6	6	6
Property, Plant & Equipment	0	4	43	42	40
Intangibles	0	0	0	0	0
Other assets	10	18	37	45	44
<b>Total Assets</b>	<b>22</b>	<b>55</b>	<b>104</b>	<b>210</b>	<b>292</b>
Payables	1	2	12	12	12
Provisions	0	0	0	0	0
Short term debt & Long term debt	0	14	19	14	9
Other Liabilities	0	0	1	32	36
<b>Total Liabilities</b>	<b>1</b>	<b>16</b>	<b>32</b>	<b>57</b>	<b>57</b>
<b>Total Equity</b>	<b>22</b>	<b>39</b>	<b>72</b>	<b>153</b>	<b>235</b>

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

Return on Capital Employed	-7.6%	-3.7%	7.3%	62.7%	39.6%
Return on Equity	3.9%	8.1%	10.6%	72.2%	42.1%
Operating Margin	NA	NA	30.4%	48.7%	47.3%
EBITDA Margin	NA	-696.0%	28.7%	50.2%	49.2%

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

Cash Realization Ratio	-0.8x	-0.4x	1.1x	1.4x	1.1x
Dividend Payout Ratio	0%	0%	0%	0%	0%
Tax Rate (Reported)	20.8%	42.5%	0%	27.0%	30.0%
Net Debt-to-Equity Ratio	-56.0%	-38.0%	1.8%	-67.8%	-82.1%
Interest Cover	NA	NA	NA	NA	NA

### Key Metrics

Franking	100%	100%	100%	100%	100%
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\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 6.

### Company Description

BC Iron (BCI) is an emerging iron ore player, operating a sole asset, the Nullagine Project, in a 50-50 joint venture with Fortescue Metals Group (FMG). BCI first listed on the ASX in December 2006 and identified their maiden resource ore body at Nullagine in May 2007. With construction underway, the first shipment of ore at 1Mtpa is scheduled FY11 ramping up to 3Mtpa by FY12.

### Investment Thesis

BC Iron recently joined the ranks of Australian iron-ore producers, and production is forecast to ramp up to 3mtpa in FY12 (100% basis) & then to 5mtpa by FY13, at which time BCI could be vying to be Australia's No.5 listed iron-ore producer. The resource base should support a mine life greater than the current 8.5 year budget. BCI's valuation metrics sit comfortable at the "cheapest" end of the range for both earnings based and intrinsic metrics vs. the local & international peer group.

Key Drivers	2011E	2012E	2013E
AUDUSD	0.99	1.02	0.97
Iron ore fines (US\$/t)	129	142	138
Iron ore lump (US\$/t)	150	160	162
Cash costs (A\$/t)	25	67	69

### Stock Data

Price to Book Value	3.7x
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- **Targets for FY12:** 1) **mining and haulage rate** to 3Mtpa in 1HFY12; 2) **production capacity** to 5Mtpa in 2HFY12; and 3) **shipment** of ~3.5Mt in FY12.
- **Mining rate** continued to improve during the quarter, with rates of 800t per hour regularly achieved.
- The **crushing and screening plant** achieved name plate capacity of 700t per hour and at times achieved instantaneous rates of 900t per hour.
- **Ore haulage** is to be via a private 55km bitumen haul road between the Nullagine Iron Ore Project and Fortescue's Christmas Creek Processing Facility (OPF) where the ore is loaded onto trains for rail haulage to port for exports. The construction of the private road is now in final stages, with haul road surface completion expected by late-August and bitumen surfacing in September/ October.
- **Haulage rate** of over 70kt per day achieved in July. Expect to increase to 100+kt per day with the road surface completion in August.
- **DSO hauled to OPF** during the June quarter was 268kt, ~84kt less than the mined DSO volume.

Table 1: Quarterly production and shipment

<b>Production rates (kt)</b>	<b>June Q</b>	<b>FY11</b>
DSO mined	351.4	593.5
DSO hauled to OPF	267.5	330.6
DSO railed to Port Hedland	226.5	272.4
DSO exported	215.1	253.2

Source: Company data

- **Cash balance** at the end of June 11 was about A\$17.5mn, A\$7mn less than March quarter end.

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## Detailed Financial Summary

Figure 1: BCI detailed financial summary

BC Iron Limited (BCI)												ML ANALYST		Peter O'Connor				
ASX code	BCI											Current Price	\$2.79	Rating	BUY	+61 2 9226 5728 <a href="mailto:peter.oconnor@baml.com">peter.oconnor@baml.com</a>		
Industry	Iron Ore											Price Objective	\$3.30					
Free float	60%											Potential Upside	18%					
Turnover (mth)	\$15m											Market Cap	\$263m					
Year End 30 June	2H10A	1H11A	2H11F	2009A	2010A	2011F	2012F	2013F	2014F	2015F	Year End 30 June	2009A	2010A	2011F	2012F	2013F		
PROFIT & LOSS A\$m												KEY VALUATION METRICS & FINANCIAL RATIOS						
Sales revenue	0	0	16	0	0	16	223	233	341	274	PER - Pre-exceptionals	x	NM	NM	42.1	3.2	3.2	
+Other revenue	0	2	0	0	0	2	0	0	0	0	EV/EBITDA	x	NM	NM	49.8	1.4	0.6	
-Operating costs	-2	-2	-11	-2	-4	-13	-111	-118	-200	-199	PCF	x	NM	NM	39.3	2.3	2.9	
EBITDA	-2	0	5	-2	-3	5	112	115	141	75	FCF yield	%	-4%	-7%	-18%	39%	32%	
-D&A	0	0	0	0	0	0	-3	-4	-7	-7	Dividend yield	%	0%	0%	0%	0%	0%	
EBIT	-2	0	5	-2	-3	5	109	110	134	67	Franking	%	0%	0%	0%	0%	0%	
+/- Net interest	1	1	0	0	1	1	3	6	10	13	Payout ratio	%	0%	0%	0%	0%	0%	
Pre tax profit	-1	1	5	-2	-2	6	111	117	144	81	RATIOS & RETURNS							
-Tax expense	1	1	-1	0	1	0	-30	-35	-43	-24	ROE (NPAT/Equity)	%	-6%	-4%	8%	53%	35%	
Profit pre-exceptionals	0	1	5	-1	-1	6	81	82	101	56	Capital Productivity	x	0.0	0.0	0.2	1.3	1.0	
-Minority interest after tax	0	0	0	0	0	0	0	0	0	0	ROCE (EBIT/Debt+Equity)	%	-22%	-14%	7%	221%	262%	
-Exceptional items after tax	0	0	0	0	0	0	0	0	0	0	EBIT margin	%	0%	0%	30%	49%	47%	
Reported NPAT	0	1	5	-1	-1	6	81	82	101	56	EBITDA margin	%	0%	0%	32%	50%	49%	
PER SHARE												Effective Tax Rate	%	0%	0%	0%	27%	30%
EPS - Pre-exceptional	€			-2.2	-1.7	6.6	86.2	86.5	107.0	59.8	Net Profit Growth	%	NM	NM	NM	1277%	0%	
EPS - Reported	€			-2.2	-1.7	6.6	86.2	86.5	107.0	59.8	Net debt/equity	%	-56%	-38%	2%	-68%	-82%	
Operating CFPS	€			-0.9	-1.1	7.1	121.6	96.2	123.2	47.4	Net debt/(debt+equity)	%	-127%	-61%	2%	-211%	-458%	
Free CFPS	€			-10.7	-18.3	-50.1	109.5	89.4	113.4	35.4	Interest cover	x	0.0	0.0	0.0	0.0	0.0	
DPS	€			0.0	0.0	0.0	0.0	0.0	0.0	0.0	WACC CALCULATION							
BVPS	€			36.1	47.8	80.7	162.4	248.8	355.9	415.7	Ke	15.7%	Rf	5.5%	Rolling ASNPV	\$3.28		
EBIT BY DIVISION A\$m												Kd (1-4)	6.0%	Franking	0%	AS NPV	\$3.25	
Nullagine				-2	-3	9	113	115	139.0	73.0	MRP	6.0%	Gearing	30%	Price/NPV	0.85		
Other operations				0	0	0	0	0	0.0	0.0	Beta	1.7	WACC	12.8%				
Other EBIT				0	0	-4	-4	-5	-5.0	-5.6								
Total EBIT				-2	-3	5	109	110	134.0	67.3								
CASH FLOW A\$m												NPV VALUATION						
Cash from operations	0	2	5	-1	-1	6	115	91	116	45	Nullagine				275	240	188	
Asset sales	2	0	0	0	2	0	0	0	0	0	Other / corporate				-3	-37	-43	
Purchase of PP&E	-4	-11	-20	0	-4	-31	0	0	0	0	Total Operations				272	203	145	
Purch of Equity Investments	0	-1	0	0	0	-1	0	0	0	0	Cash				18	118	202	
Purchase of Exploration Assets	-1	-10	-9	-6	-9	-19	-10	-2	-2	-2	Debt				19	14	9	
Other investing activities	0	0	0	0	0	0	0	0	0	0	Base NPV valuation				270	307	337	
Cash Flow from Investing	-4	-22	-30	-6	-12	-51	-10	-2	-2	-2	NPV/shr				2.86	3.25	3.57	
Equity issues/(buybacks)	0	20	3	10	14	22	0	0	0	0	EARNINGS SENSITIVITY %							
Net borrowings	8	12	0	0	17	12	-5	-5	-3	-3	AUDUSD	(+/-10%)	0%	0%	-20%	-20%	-21%	
Dividend paid/Others	0	-1	0	0	-1	-1	0	0	0	0	Iron Ore price	(+/-10US\$)	0%	0%	28%	26%	27%	
Cash Flows from Financing	9	31	3	9	30	34	-5	-5	-3	-3								
Net Cashflow	5	11	-22	3	17	-11	100	84	111	40	KEY PRICE ASSUMPTIONS							
Free Cashflow	-5	-19	-25	-6	-14	-44	105	89	114	43	AUD	US\$	0.75	0.88	0.99	1.02	0.97	
BALANCE SHEET A\$m												Iron Ore - Fines	US\$/t	90.5	54.6	162.0	178.4	173.3
Cash	29	40	18	12	29	18	118	202	313	353	Iron Ore - Lumps	US\$/t	122.3	97.4	188.8	201.6	203.6	
Receivables	2	3	3	0	2	3	3	3	3	3	Iron Ore - Pellets	US\$/t	107.0	78.6	153.9	171.9	167	
Inventories	2	3	3	0	2	3	3	3	3	3	PRODUCTION/SALES (100%)							
Fixed assets	20	47	77	10	20	77	83	81	76	70	Magnetite	mt	0.00	0.00	0.00	0.00	0.00	
Other assets	2	3	3	0	2	3	3	3	3	3	DSO	mt	0.00	0.00	0.59	3.20	3.30	
Total assets	55	96	104	22	55	104	210	292	398	433	Total Production:	mt	0.00	0.00	0.59	3.20	3.30	
Total debt	14	19	19	0	14	19	14	9	6	3	Magnetite	mt	0.00	0.00	0.00	0.00	0.00	
Total liabilities	16	32	32	1	16	32	57	57	63	41	DSO	mt	0.00	0.00	0.25	3.20	3.30	
Net assets	39	65	72	22	39	72	153	235	336	392	Total Sales:	mt	0.00	0.00	0.25	3.20	3.30	
Net debt	-15	-21	1	-12	-15	1	-104	-193	-307	-350								

Source: Merrill Lynch Research estimates

## Price objective basis & risk

### BC Iron Limited (BIRNF)

Our PO of \$3.3/share represents 1.0x NPV, with consideration of other valuation metrics - both intrinsic and earnings based - including NPV, PE, PCF, EV/EBITDA, EV/sales, dividend yield, FCF yield and price/book. The valuation ranges that we have applied for each metric represent a broad group of comparable peer companies. The PO selected sits comfortably in the "overlap" range of all these metrics although we have specifically anchored the PO outcome to a Price/NPV of 1x (base case NPV). The NPV valuation applies a WACC of 12.78% (RfR 5.5%, ERP 6% and Beta of 1.7x for a CoE of 15.7%) to life of mine cash flows.

The risks faced by BCI are, (i) Successful commissioning and ramp-up of the Nullagine iron ore JV to 3mtpa, (ii) exploration success in adding more resources thereby increasing the mine life, (iii) delays in expanding the project to 5mtpa (iv) A\$US\$ currency and (v) iron ore price risk. Commodity risk is much skewed to the demand profile of the major global buyer, China. Upside risks are (i) additional exploration success, (ii) earlier commitment to, and development of, the 5mtpa expansion case, and (iii) iron ore price outlook which is buoyed by a favorable forward price curve.

## Link to Definitions

### Basic Materials

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

## Analyst Certification

I, Peter O'Connor, 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	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY	Ampella Mining	APMZF	AMX AU	Stephen Gorenstein
	Atlas Iron Limited	ATLGF	AGO AU	Peter O'Connor
	BC Iron Limited	BIRNF	BCI AU	Peter O'Connor
	Extract Resources Limited	EXRLF	EXT AU	Glen Chipman
	Fortescue Metals Group Ltd.	FSUMF	FMG AU	Peter O'Connor
	Gindalbie Metals Ltd	GDBGF	GBG AU	Peter O'Connor
	Gloucester Coal Ltd	GCRLF	GCL AU	Peter O'Connor
	Grange Resources	GRRLF	GRR AU	Peter O'Connor
	Iluka Resources Limited	ILKAF	ILU AU	Peter O'Connor
	Independence Group NL	IPGDF	IGO AU	Stephen Gorenstein
	Mount Gibson Iron Limited	MTGRF	MGX AU	Peter O'Connor
	Newcrest Mining Limited	NCMGF	NCM AU	Stephen Gorenstein
	OZ Minerals Limited	OZMLF	OZL AU	Stephen Gorenstein
	Paladin Energy Limited	PALAF	PDN AU	Glen Chipman
	PanAust Limited	PNAJF	PNA AU	Stephen Gorenstein
	Rio Tinto Ltd	RTNTF	RIO AU	Peter O'Connor
	Saracen Minerals Holdings	XRHSF	SAR AU	Stephen Gorenstein
NEUTRAL	Alumina Limited	AWCMF	AWC AU	Stephen Gorenstein
	BHP Billiton Ltd	BHPLF	BHP AU	Peter O'Connor

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## Australia - Metals, Mining & Steel Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	BHP Billiton-ADR	BHP	BHP US	Peter O'Connor
	Kingsgate Consolidated Limited	KSKGF	KCN AU	Stephen Gorenstein
	Western Areas NL	WNARF	WSA AU	Stephen Gorenstein
<b>UNDERPERFORM</b>				
	Alacer Gold	ALIAF	ASR CN	Stephen Gorenstein
	Alacer Gold	XCWTF	AQG AU	Stephen Gorenstein
	Energy Resources of Australia Limited	EGRAF	ERA AU	Glen Chipman
	Minara Resources Limited	MREJF	MRE AU	Stephen Gorenstein
	Perseus Mining	PMNXF	PRU AU	Stephen Gorenstein
<b>RVW</b>				
	Macarthur Coal Limited	MACDF	MCC AU	Peter O'Connor

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

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
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	$\text{Net Debt} = \text{Total Debt, Less Cash \& Equivalents}$	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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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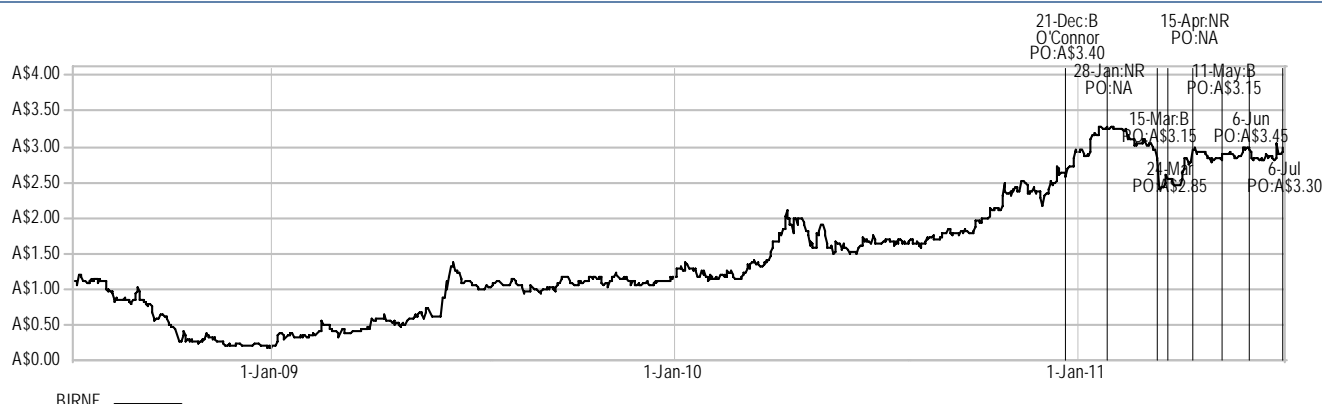
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### BIRNF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [June 30, 2011] or such later date as indicated.

### Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	113	66.47%	Buy	36	36.36%
Neutral	35	20.59%	Neutral	13	40.63%
Sell	22	12.94%	Sell	1	5.00%

### Investment Rating Distribution: Global Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2024	53.94%	Buy	935	50.68%
Neutral	944	25.16%	Neutral	442	51.64%
Sell	784	20.90%	Sell	273	37.24%

\* Companies in respect of which BofA Merrill Lynch or one of its affiliates 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 BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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