

Good things come in small packages...

1H Result above our expectations

CKL reported a normalised FY11 NPAT of A\$7.1m, up 10.1% on the pcp and 3.2% higher than our estimates. Growth was driven by contributions from recent acquisitions, new product lines (paper cups) and stable volumes in the legacy business. This is a good result given the current macro backdrop, high input costs and the competitive nature of the Australian folding carton business. The reported NPAT was up 148% or \$9.5m due to the one-off \$8.8m accounting income from the acquisition of the CHH folding carton business.

New products, acquisitions and synergies to drive FY12

We expect FY12 normalised NPAT to increase by >10%, driven by full year contribution from CHH, cost synergies, increased sales from new products and moderate growth in legacy businesses. While the profits from the acquired CHH business are almost negligible now, management is confident on driving synergies by integrating it with CKL's legacy folding carton business. In addition, CKL expects to drive revenue growth of ~\$4m from the new paper cup division.

Astra decision to continue Australian operations a positive

Astra's decision to continue with its Australian manufacturing operations should continue to support volumes beyond FY12. Due to unforeseen growth in China, Astra has decided to continue with some of its manufacturing capacity and scrap earlier plans to close the facility. While the full impact on CKL is not yet known, this is clearly a positive given that Astra represented 5-7% of sales in FY10.

Buy retained - Upsized package provides solid EPS growth

Backed by a strong management team, with a solid track record of sales growth, operational excellence and value accretive acquisitions, we anticipate CKL to generate good EPS growth over the next few years. We upgrade FY12 NPAT forecasts by 1.3% and FY13 by 4.8%. Trading below its fundamental value (DCF of \$0.90ps), we think CKL remains a good defensive, high-yield play with good cash flows.

Estimates (Jun)

(A\$)	2010A	2011A	2012E	2013E	2014E
Net Profit b/f Abnormals	6	7	8	8	9
EPS	0.079	0.087	0.093	0.104	0.111
EPS Change (YoY)	15.5%	9.9%	6.5%	11.9%	7.0%
Dividend / Share	0.043	0.033	0.035	0.035	0.035
Free Cash Flow / Share	0.095	(0.101)	0.050	0.075	0.081

Valuation (Jun)

	2010A	2011A	2012E	2013E	2014E
P/E	8.97x	8.16x	7.67x	6.85x	6.40x
Dividend Yield	5.99%	4.58%	4.93%	4.93%	4.93%
EV / EBITDA*	5.58x	6.71x	5.76x	5.37x	4.99x
Free Cash Flow Yield*	13.30%	-14.13%	7.00%	10.56%	11.46%

* For full definitions of *iQmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11077372

Equity | Australia | Packaging
05 August 2011 (Corrected)

Merrill Lynch 

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Stock Data

Price	A\$0.710
Price Objective	A\$0.890
Date Established	29-Dec-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	A\$0.470-A\$0.770
Mrkt Val / Shares Out (mn)	US\$61 / 81.5
Market Value (mn)	A\$58
Average Daily Volume	20,113
BofAML Ticker / Exchange	XBVVF / ASX
Bloomberg / Reuters	CKL AU / CKLAX
ROE (2012E)	10.0%
Net Dbt to Eqty (Aug-2011A)	46.6%
Est. 5-Yr EPS / DPS Growth	3.2% / 11.2%
Free Float	68.0%

Key Changes

(A\$)	Previous	Current
2014E EPS	NA	0.11
2012E EBITDA (m)	17.5	18.2
2013E EBITDA (m)	18.1	19.0
2014E EBITDA (m)	NA	19.6

05 August 2011

iQprofileSM Colorpak Ltd

Key Income Statement Data (Jun)

(A\$ Millions)	2010A	2011A	2012E	2013E	2014E
Sales	80	127	215	221	226
Associates & Other Revenue	1	0	0	0	0
Operating Expenses	(66)	(112)	(197)	(202)	(207)
EBITDA	15	16	18	19	20
Depreciation & Amortization	(3)	(3)	(4)	(4)	(4)
EBIT	12	13	14	15	16
Net Interest & Other income	(2)	(2)	(3)	(3)	(3)
Pretax Income	9	10	11	12	13
Tax (expense) / Benefit	(3)	(3)	(3)	(4)	(4)
Outside Equity interest in Npat	0	0	0	0	0
Preference dividends	NA	NA	NA	NA	NA
Net Profit b/f Abnormals	6	7	8	8	9
Non-Recurring Items	0	9	0	0	0
Net Income (Reported)	6	16	8	8	9

Key Cash Flow Statement Data

EBITDA	15	16	18	19	20
Change in Working Capital	(2)	(8)	(2)	(2)	(2)
Other C'flow Items before int & tax	0	0	0	0	0
Net Interest Paid	(2)	(3)	(3)	(3)	(3)
Tax Paid	(1)	(3)	(3)	(4)	(4)
Other C'flow from Operations	0	0	0	0	0
Cash Flow from Operations	9	3	10	10	11
Capital Expenditure (PP&E)	(1)	(11)	(6)	(4)	(4)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other C'flow from Investing	0	0	0	0	0
Cash Flow from Investing	(1)	(11)	(6)	(4)	(4)
Shares Issue / (Repurchase)	0	0	0	0	0
Dividend paid	(3)	(3)	(3)	(3)	(3)
Other C'flow from Financing	(5)	8	3	(2)	(2)
Cash Flow from Financing	(7)	5	0	(4)	(4)
Free Cash Flow	8	(8)	4	6	7
Net Debt	23	34	33	30	26

Key Balance Sheet Data

Cash Equivalents	0	0	1	3	5
Receivables & Inventories	23	69	71	73	75
Property, Plant & Equipment	28	41	42	43	43
Intangibles	46	46	46	46	46
Other assets	1	6	6	6	6
Total Assets	97	161	166	170	175
Payables	9	25	25	25	25
Provisions	3	26	26	26	26
Short term debt & Long term debt	23	34	34	33	31
Other Liabilities	3	2	2	2	2
Total Liabilities	37	88	88	86	85
Total Equity	60	73	78	84	90

iQmethodSM - Bus Performance*

Return on Capital Employed	9.4%	8.4%	7.8%	8.2%	8.3%
Return on Equity	11.0%	10.6%	10.0%	10.4%	10.4%
Operating Margin	14.5%	10.0%	6.4%	6.8%	6.9%
EBITDA Margin	18.0%	12.4%	8.5%	8.6%	8.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.4x	0.4x	1.3x	1.2x	1.2x
Dividend Payout Ratio	53.7%	37.4%	37.8%	33.8%	31.6%
Tax Rate (Reported)	29.9%	30.9%	30.3%	30.2%	30.3%
Net Debt-to-Equity Ratio	37.6%	46.6%	41.9%	35.2%	28.6%
Interest Cover	4.7x	5.1x	4.6x	5.0x	5.5x

Key Metrics

Franking	100%	100%	100%	100%	100%
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* For full definitions of iQmethodSM measures, see page 9.

Company Description

Colorpak is a major participant in the A\$600m folding-carton segment of Australia's paper and board packaging industry. The company's products are heavily exposed to the higher margin pharmaceuticals and healthcare industries. The company is based in Melbourne, Australia.

Investment Thesis

Backed by a strong management team, which has a solid track record of sales growth and also own a significant proportion of stock, CKL should enjoy solid sales and earnings growth driven by underlying growth in key markets, continued market share gains and highly accretive acquisitions.

Stock Data

Price to Book Value 0.7x

Buy retained post strong FY11 result

CKL reported a normalised FY11 NPAT of A\$7.1m, up 10.1% on the pcp and 3.2% higher than our estimates. Growth was driven by contributions from recent acquisitions, new product lines (paper cups) and stable volumes in the legacy business. This is a good result given the current macro backdrop, high input costs and the competitive nature of the Australian folding carton business. The reported NPAT was up 148% or \$9.5m due to the one-off \$8.8m accounting income from the acquisition of the CHH folding carton business.

New products, acquisitions and synergies to drive FY12. We expect FY12 normalised NPAT to increase by >10%, driven by full year contribution from CHH, cost synergies, increased sales from new products and continuing growth in legacy businesses. While the profits from the acquired CHH business are almost negligible, management is confident of turning this business around by driving synergies with its legacy folding carton business. In addition, CKL expects to drive revenue growth of \$5-6m from the new paper cup division.

Buy retained – Upsized package provides solid EPS growth. Backed by a strong management team, with a solid track record of sales growth, operational excellence and value accretive acquisitions, we anticipate CKL to generate good EPS growth over the next few years despite the challenges in the folding carton industry. Trading below its fundamental value (DCF of \$0.90ps), we think CKL remains a good defensive, high-yield play with strong cash generation.

FY11 Result at a glance

Below we summarise the key financial highlights from CKL's result:

Table 1: FY11 result at glance

	FY10	FY11	Chg %
Sales Revenue	80.2	127.4	58.9%
EBITDA	14.6	15.8	8.5%
D&A	-3.0	-3.1	4.7%
EBIT	11.6	12.7	9.5%
Net Interest	-2.5	-2.5	0.9%
EBT	9.1	10.2	11.8%
Tax Expense	-2.7	-3.2	15.8%
NPAT	6.4	7.1	10.1%
EBITDA Margin	18.2%	12.4%	576bps
EBIT Margin	14.5%	10.0%	450bps
EPS (A\$ cents)	7.91	8.70	9.9%
DPS (A\$ cents)	4.25	3.25	-23.5%

Source:CKL, Merrill Lynch Global Research

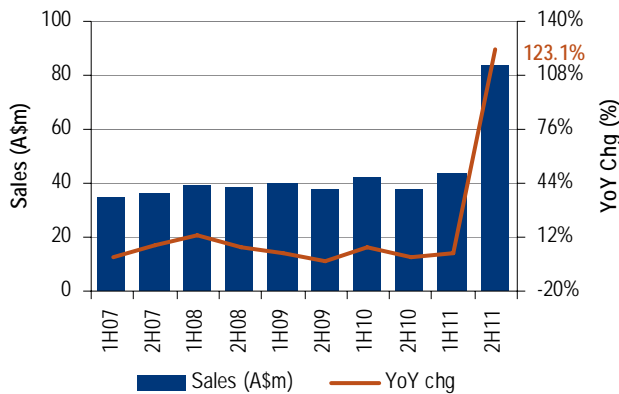
- **NPAT:** CKL reported a net normalised profit of A\$7.1m, up 10.1% on the pcp and 3.2% higher than our estimates. The result was driven by contributions from new acquisitions and new product lines.
- **Margins.** While EBITDA was up 8.5%, EBITDA margin fell by 576bps to 12.4%, mainly due to lower margins from the acquired CHH business.
- **Revenue drivers:** Sales rose 59% on the pcp mainly due to the CHH contribution. The legacy business has remained stable but is seeing the impacts of globalisation and strong competition in the retail sector.
- **Cost drivers:** While sales increased by 59%, CKL's cost base increased by 69% in FY11. This was mainly due to a 72% increase in raw material costs and 78% increase in occupancy costs (including CHH).
- **Cash flow:** FCF (excluding CHH acquisition) came at negative \$3m mainly due to capex incurred on the new paper cup division.
- **Gearing (D/D+E):** Total debt increased by \$11m to \$34m, mainly to finance the CHH acquisition and the new paper cup division.
- **Financial position:** CKL remains within its banks covenants with annualised net debt/EBITDA of 2.1x vs. 1.6x in FY10 (vs. covenant of ~3.0x).
- **Final dividend:** CKL declared a fully franked final dividend of 1.75cps and the record date is 8 Sep 2011.
- **Outlook:** Given the complications in integrating the CHH business, CKL expects to incur further rationalisation costs in FY12. Expects growth to be driven by synergies, new product contributions and recent acquisitions.

Highlights

Legacy business stable, new products to drive sales in 12'

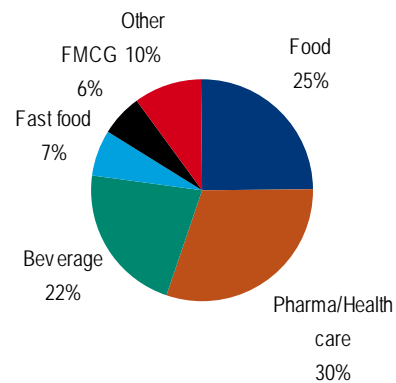
Despite the tough economic conditions, increased competition from globalisation and a key customer moving some volumes abroad it was encouraging to see the legacy business remaining stable in FY11. In addition the commissioning of the new paper cup division, for which CKL has already secured orders, should help drive revenue growth in the legacy business going forward. CKL's overall sales grew by 59% in FY11 driven mainly by contribution from the CHH acquisition.

Chart 1: Sales rose 58% in FY11 and 123% in 2H11 vs the pcp



Source: Company reports, Merrill Lynch Global Research

Chart 2: CKL's sales exposure by segment – FY11

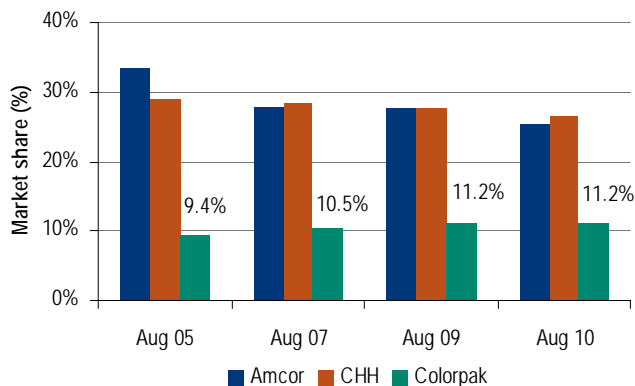


Source: Company reports, Merrill Lynch Global Research

CHH acquisition to drive revenue and cost synergies

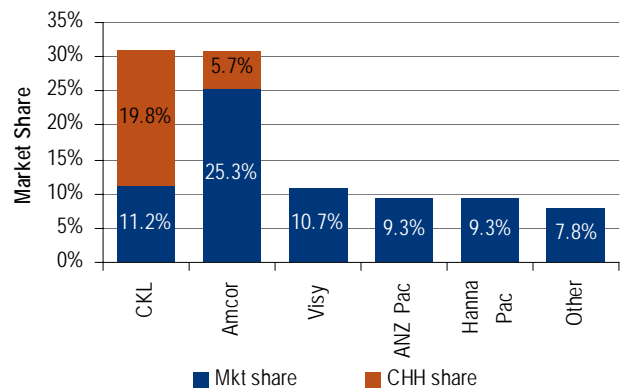
CKL by integrating the assets of CHH's folding carton business will become the leading supplier of folding carton packaging in Australia. This we believe may also help CKL secure some revenue synergies (through industry consolidation) in addition to the cost synergies to be achieved via integrating the business with CKL's existing folding carton business. CKL also plans to cross sell some of its existing products through to new customers acquired as part of the CHH deal.

Chart 3: Prior to the acquisition of CHH's carton operations, CKL was a small player but was winning market share from CHH and Amcor...



Source:CKL, Merrill Lynch Global Research estimates

Chart 4: ...the acquisition of CHH's carton operations will make CKL & Amcor the market leaders in the Australian carton packaging market



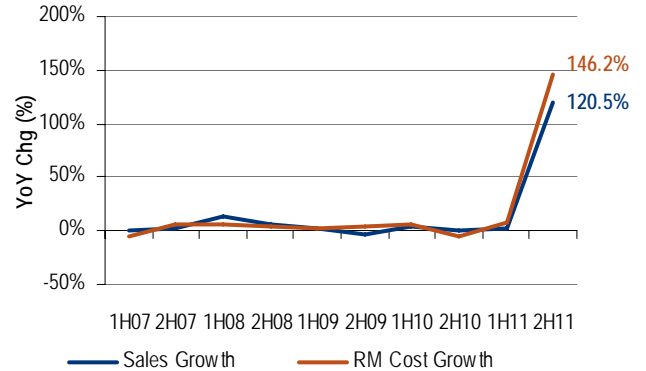
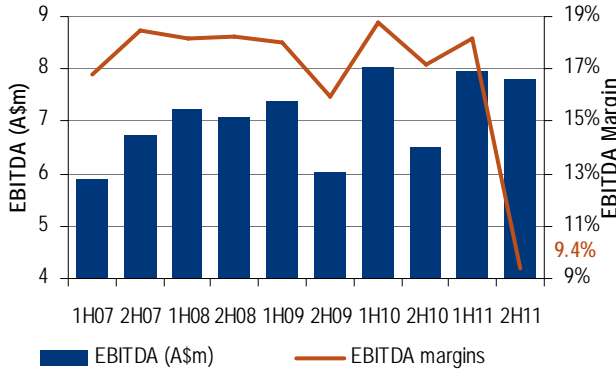
Source:BIS Shrapnel, Colorpak, Merrill Lynch Global Rresearch

FY11 EBITDA margins contract on CHH and higher RM costs

EBITDA fell from 18.2% in FY10 to 12.4% in FY11, mainly due low EBITDA margins from the CHH operations. RM costs were also higher, increasing by 72%, while sales increased by only 59%. However given the recent decline in raw material prices, especially in resins, we expect to see some improvement to CKL's raw material trends going forward. We expect EBITDA to increase to \$18.2m in FY12, but margins to decline further to 8.5% from 12.4% in FY11.

Chart 5: EBITDA margin fell from 18.2% in FY10 to 12.4% in FY11 mainly due to CHH and higher RM costs. Expect to fall further in FY12

Chart 6: Revenue vs. RM costs – RM costs outpaced the growth in overall sales (which we believe is partly due to higher input costs)



Source:CKL, Merrill Lynch Global Research estimates

Source:CKL, Merrill Lynch Global Research estimates

Cash conversion impacted by one off transaction costs

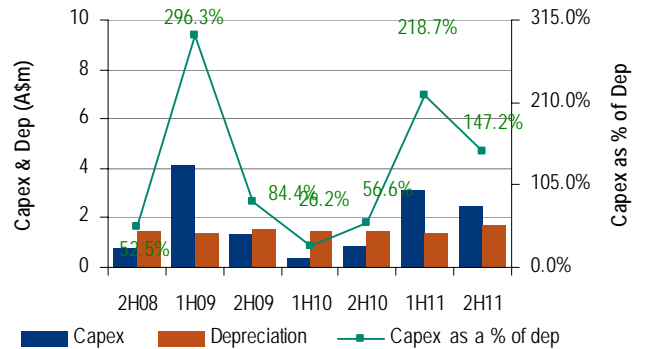
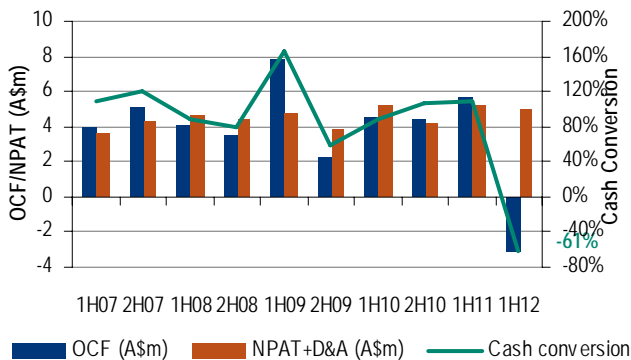
CKL's operating cash flow fell to \$2.6m in FY11 vs. \$9m in the pcp, mainly due to one off costs incurred on new acquisitions. CKL incurred \$3.6m on integration / transaction costs. Excluding the impact from the acquisitions, cash generation continued to remain low as CKL ramps up production at new plants.

Higher gearing but well within debt covenants

CKL's net debt increased to \$34m vs. \$23m in the pcp mainly due to capex of \$5.6m and CHH acquisition cost of \$5m. Most of the capex was spent on the new plastic cups division. While this has increased CKL's gearing to 32% from 27% in FY10, the net debt to EBITDA ratio remains at a comfortable 2.1x (we estimate the gearing covenants to be around ~3x).

Chart 7: CKL's cash conversion has continued to improve over the last few halves

Chart 8: Capex (excl CHH purchase) increased significantly as CKL invested in plastic cups. This resulted in higher debt ratios for CKL



Source:CKL, Merrill Lynch Global Research estimates

Source:CKL, Merrill Lynch Global Research estimates

Outlook

Plenty of growth opportunities, but needs more capex

With the underlying business continuing to track well, we expect new contribution from CHH and plastic cups division to drive growth in FY12. In addition CKL is also planning to market some of the existing products to the new customer base acquired via the CHH acquisition.

However management highlighted that in order to meet these opportunities CKL will need to incur additional capex of \$6m in FY12 and further integration costs in the CHH business.

Valuation summary

DCF valuation

Our DCF for CKL is \$0.90ps and is based on a WACC of 10.5% and a terminal growth rate of 2.5%. Whilst we consider the DCF valuation to be the most appropriate methodology to value this company, we recognise that the stock also looks attractive on different metrics such as PER.

PER valuation

We apply a mid-cycle multiple for the stock of 10x, which is a 30-40% discount to the all industrials ex financials of 13.7x. In our view such discount is reasonable, given CKL's inherent liquidity/size issues and the cyclical industry it operates in.

Applying this 10x multiple to FY12E EPS (pre-goodwill, diluted) of 9.4cps, we derive a valuation for the stock of A\$0.94ps, a 34% premium to the current share price. Importantly, were the stock to reach our price objective of A\$0.90ps in 12 months' time, CKL would be trading on a FY12E PER of 9.5x, which we do not view as demanding.

Table 2: CKL DCF valuation

PV of CFs	A\$m	19.7
PV of terminal value	A\$m	77.3
Enterprise Value	A\$m	97.1
Net Debt	A\$m	34.2
Equity Value	A\$m	62.9
Fully diluted ordinary shares	Million	81.2
Equity Value per share	A\$ps	0.78
Franking credits	A\$ps	0.12
DCF	A\$ps	0.90

Source: Merrill Lynch Global Research estimates

Table 3: CKL PER valuation

	FY11A	FY12E	FY13E
Through-the-cycle PER Multiple	10.0x	10.0x	10.0x
EPS Pre-Goodwill (diluted)	8.7	9.4	10.6
Value per ordinary share	\$0.87	\$0.94	\$1.06

Source: Merrill Lynch Global Research estimates

Financials

Table 4: Statement of Financial Performance

Year ending June (A\$m)	2010A	2011A	2012E	2013E	2014E
Trading revenue	80.2	127.4	214.8	220.7	226.4
- change	3.0%	58.9%	68.6%	2.8%	2.6%
EBITDA	14.6	15.8	18.2	19.0	19.6
- change	8.6%	8.5%	15.4%	4.0%	3.5%
Depreciation	-3.0	-3.1	-4.4	-3.9	-3.9
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	11.6	12.7	13.9	15.1	15.7
- change	11.4%	9.5%	9.1%	8.8%	4.4%
Net interest	-2.5	-2.5	-3.0	-3.0	-2.8
EBT	9.1	10.2	10.8	12.1	13.0
Tax expense	-2.7	-3.2	-3.3	-3.7	-3.9
NPAT att. to s/hers	6.4	7.1	7.5	8.4	9.0
- change	15.5%	10.1%	6.9%	11.9%	7.0%
Net significant items	0.0	8.8	0.0	0.0	0.0
Reported NPAT	6.4	15.9	7.5	8.4	9.0
Norm EPS	7.9	8.7	9.3	10.4	4.8
EPS change	15.5%	9.9%	6.5%	11.9%	0.0%
PER	9.0	8.2	7.7	6.9	14.9

Source:CKL, Merrill Lynch Global Research estimates

Table 5: Ratios

Year ending June (A\$m)	2010A	2011A	2012E	2013E	2014E
Profitability Ratios					
EBIT margin	14.5%	10.0%	6.4%	6.8%	6.9%
NPAT margin	8.0%	5.5%	3.5%	3.8%	4.0%
Effective tax rate	29.9%	30.9%	30.3%	30.2%	30.3%
NOPLAT pre goodwill	8.1	8.8	9.7	10.5	11.0
Invested Capital	90.4	114.7	119.4	123.5	128.2
ROIC (after tax)	9.0%	7.7%	8.1%	8.5%	8.6%
ROE	11.0%	10.6%	10.0%	10.4%	10.4%
ROA	11.9%	9.8%	8.5%	9.0%	9.1%
Gearing / Cashflow Ratios					
Debt / Equity	38%	47%	44%	39%	34%
Debt / Debt+Equity	27%	32%	30%	28%	26%
Debt / EBITDA	1.6x	2.2x	1.9x	1.7x	1.6x
EBITDA / Interest	5.9x	6.4x	6.0x	6.3x	6.8x
EBIT / Interest	4.7x	5.1x	4.6x	5.0x	5.5x
Dividend cover	1.9x	2.7x	2.6x	3.0x	3.2x
Gearing (ND/ND+E)	27%	32%	30%	26%	22%
Multiples					
EV/EBITDA	5.5x	5.8x	5.0x	4.6x	4.3x
EV/EBIT	7.0x	7.3x	6.5x	5.8x	5.3x

Source:CKL, Merrill Lynch Global Research estimates

Price objective basis & risk

Colopak Ltd (XBVVF)

Our PO is in line with our DCF valuation of \$0.90ps, which is based on a WACC of 10.5% and a terminal growth rate of 2.5%. Whilst we consider the DCF valuation to be the most appropriate methodology to value this company, we recognise that the stock also looks attractive on different metrics such as PER.

We apply a mid-cycle multiple for the stock of 10x, a 30-40% discount to the market multiple of 13.7x. In our view such a discount is reasonable, given CKLs inherent liquidity/size issues and the cyclical industry it operates in.

Applying this 10x multiple to FY12E EPS of 9cps (incl 12 months of CHH), we derive a valuation for the stock of A\$0.93ps.

The risks to our recommendation are integration risks, product substitution, competition, contract losses, management instability and customer attrition.

Link to Definitions

Basic Materials

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

Analyst Certification

I, Ramanan Sooriyakumar, CFA, 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 - Basic Industries Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Adelaide Brighton	ADBC	ABC AU	Ben Chan, CFA
	Amcor	AMCRF	AMC AU	Ramanan Sooriyakumar, CFA
	Colopak Ltd	XBVVF	CKL AU	Ramanan Sooriyakumar, CFA
	Incitec Pivot Limited	ICPVF	IPL AU	Ramanan Sooriyakumar, CFA
	James Hardie Industries	JHIUF	JHX AU	Ben Chan, CFA
	James Hardie-ADR	JHX	JHX US	Ben Chan, CFA
	Nufarm Limited	NUFMF	NUF AU	Ramanan Sooriyakumar, CFA
	Onesteel	OSTLF	OST AU	Ben Chan, CFA
	PaperlinX	PPXLF	PPX AU	Ramanan Sooriyakumar, CFA
	Sims Metal Management	SMUPF	SGM AU	Ben Chan, CFA
NEUTRAL				
	Bluescope Steel	BLSFF	BSL AU	Ben Chan, CFA
	CSR	CSRLF	CSR AU	Ben Chan, CFA
	Fletcher Building	YFLBF	FBU AU	Ben Chan, CFA
	Orica	OCLDF	ORI AU	Ramanan Sooriyakumar, CFA

05 August 2011

Australia - Basic Industries Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	Boral Ltd	BOALF	BLD AU	Ben Chan, CFA
	DuluxGroup Limited	XDLXF	DLX AU	Ramanan Sooriyakumar, CFA

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + 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
Quality of Earnings		
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
Valuation Toolkit		
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	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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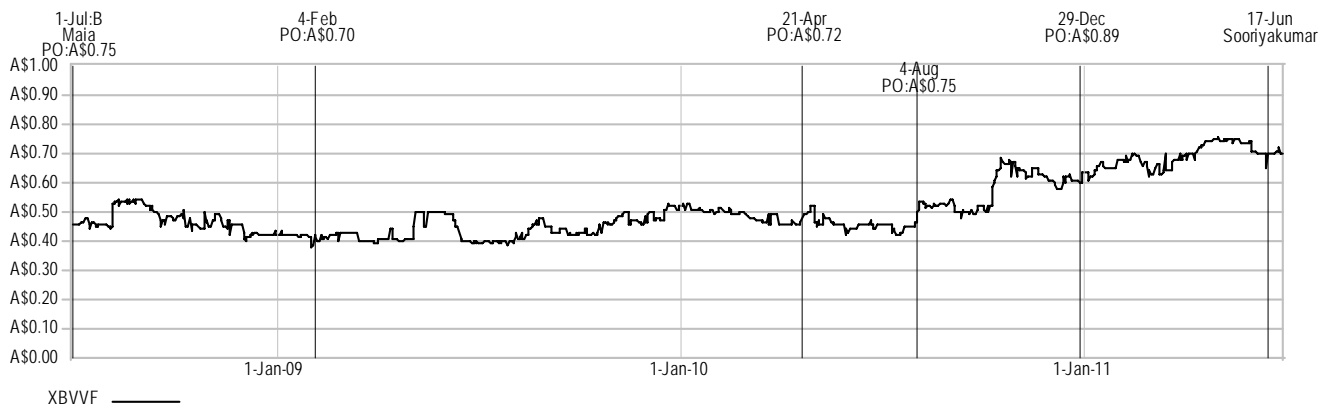
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XBVVF Price Chart



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: Packaging Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	11	61.11%	Buy	7	63.64%
Neutral	4	22.22%	Neutral	4	100.00%
Sell	3	16.67%	Sell	1	33.33%

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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