WPP.L: What Happens Next

April 20, 2018

BOTTOM LINE: One of the most common topics to emerge over the past week in relation to the transition underway at WPP is the prospect of a break-up of the company or a major divestiture program. For the most part, we don't think this speculation makes much sense, and if anything WPP probably emerges from this process as a net buyer rather than a net seller. We continue to value the company at 1330p on a YE2018 basis and rate the stock Buy.

When we pause to assess what will happen next to WPP, for starters, we are guessing that members of the Board understands the industry well enough to know that the broadly-defined marketing industry is not experiencing a secular decline at this time, that WPP is only slightly under-performing other traditional agency holding companies, and that WPP should be seen as a going concern. This means that the Board is likely to focus on growth and expansion opportunities within the company's industry when it appoints a new CEO. Reinforcing this view, we can imagine that the business units which are most desirable to acquirers (relatively separable and with high growth potential) are the least desirable ones to sell, especially competitors. Further, a broad sales process could bring a chill to business activity across the network, as clients begin to question where their business will be housed in the new future, and as prospective employees avoid the holding company.

Size is not by itself necessarily a problem. For anyone other than Martin Sorrell, WPP may be too big a confederation of businesses to be micro-managed the way it was in the past. However, it is not necessarily too big a company to be managed if organized and managed differently. This could mean fewer direct reports and less direct involvement in different parts of the business by the company's executive team. While less co-ordination across the company may result, individual business unit leaders who undergo less ongoing scrutiny from the center may become less constrained and less risk averse, freer to find the new revenue streams the company expects it will need to support future growth. Key to this occurring is the degree to which different WPP business units have capable executives running them (we think they do, by and large).

With regard to timing, we think it is unlikely that any major change occurs in the company's asset base until a new CEO is appointed. Our guess is that the Board recognizes an external search for a new CEO adds cultural risks and potentially takes a significant amount of time before a new individual could be installed and brings their own team in. This suggests that the next CEO may more likely be an insider, or alternately an outsider available to start quickly who gets paired with a strong internal #2 executive

Once an individual is in place at the top, we would expect a review of the company's business to occur and a process that leads to an articulation of the company's strategic direction and the ways in which WPP will pursue growth within the marketing industry. That direction could include or exclude some major business units or other assets, but could also identify areas which warrant significant ongoing investment. It's not unreasonable to think that Kantar might be sold in part or in whole (either to private equity, or possible to another market research company who it does not compete with) because Kantar is relatively separable and because investors have never been fond of it. Of course, it's also possible that new ideas arise around how to realize synergies between the research division and other parts of WPP. We think it is more realistic to assume that various assets within the company's venture portfolio which do not provide tangible business benefits for the rest of the company could be divested. At the same time, WPP will want to demonstrate its commitment to growth, and so we would not be surprised to see enhanced M&A activity, especially in faster-growing areas of the broadly-defined industry, such as marketing technology and related services.

We maintain our 1330p YE2018 price target on WPP stock as well as our Buy rating.

VALUATION. We value WPP's business with a DCF framework, incorporating a 7.4% near-term discount rate, a 12.8% long-term discount rate and a 6% long-term growth rate.

RISKS. Agency risks relate to blowback from the transparency issue, squeezing fees from clients, competition from adjacent industries, reduced competition between marketers and demand for advertising services.

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WPP (WPPGY/WPP.L)

RATING: BUY
(Previous: BUY)

Target Price: 1330p
(Previous: 1330p)
Price (4/19/18): 1156p

MARKET DATA

52 Wk Hi - Low	1074 - 1762
Market Cap. (MM)	£14,636
Avg. Daily Vol (000)	7,358 (WPP.L)

Adj. EPS	2017	Prior	2018	Prior
1H	0.476		0.441	
2H	0.727		0.783	
FY	**1.204**		**1.222**	

Net Sales	2017	Prior	2018	Prior
1H	£6362		£6108	
2H	£6778		£6892	
FY	£13140		£15102	

Sales in Millions of Pounds

BALANCE SHEET DATA (12/31/17)

Cash ($)	$2391
Debt ($)	$6250

Source: Pivotal Research Group

Risks

Investors will need to consider the following among company and industry risks for agency holding companies:

TRANSPARENCY BLOWBACK. Marketers are beginning to learn about practices associated with agency fee transparency. To the extent undisclosed or under-appreciated forms of compensation have unduly become a factor for an agency or the industry and are later discovered, marketer-clients may try to limit similar arrangements in the future, reducing long-term growth.

FAILURE TO MEET REVENUE OR MARGIN EXPECTATIONS. Client losses or the failure to improve operations could lead to shortfalls of revenue or margin expectations.

SQUEEZING FEES. Marketers are typically squeezing their agencies for operational efficiencies on an ongoing basis. Agencies have historically proven resilient in finding cost saving opportunities to perform like-for-like services. However at some point such efforts may no longer yield incremental benefits, and as long as agencies operate in a competitive manner they will suffer. In a similar light, high margin services offered today are typically likely to become standard-margin services in the future, as the more a service becomes standardized, the more that marketers' procurement teams seek to standardize processes and drive agency margin out of the activity.

COMPETITION FROM ADJACENT INDUSTRIES. We remain skeptical that today's digital media companies such as Google or Microsoft will ever actively compete with agencies. This should hold not least because digital media companies will want to retain their margins (significantly higher than those for agency services) but also because clients generally want some perceived independence from advisors making marketing budget recommendations.

However, agencies *are* increasingly placed up against today's IT services firm in providing some services today. This type competition is more likely to increase in the future, although not across all marketing-related disciplines. Companies such as Accenture and IBM are increasingly positioning parts of their businesses adjacent to agencies as they seek to build platforms which can manage the execution of media campaigns, monitor the impact of those campaigns and integrate those efforts with an array of marketing data within a company's ERP (enterprise resource planning) system.

REDUCED COMPETITION BETWEEN MARKETERS. We have previously identified that advertising spending – and marketing in general – is primarily driven by the competitive intensity that is present within a given category. To the extent that industries evolve to feature reduced levels of competitive intensity, marketing services would generally suffer.

WPP Discounted Cashflow Model

WPP DISCOUNTED CASHFLOW MODEL (All Figures In mm of £ Except Per Share Totals and Where Noted as $)

	FY18E	FY19E	FY20E	FY21E	FY22E
Net Income	1,338.2	1,441.2	1,532.2	1,627.9	1,764.2
D&A	480.0	497.5	515.0	532.5	550.0
Change in Working Capital	0.0	0.0	0.0	0.0	0.0
Capital Expenditures / Acquisitions	(650.0)	(860.0)	(930.0)	(1,015.0)	(1,068.2)
Common Stock Dividends	0.0	0.0	0.0	0.0	0.0
Share Repurchases	(500.0)	0.0	0.0	0.0	0.0
Other Changes in Cash Balances	0.0	0.0	0.0	0.0	0.0
Changes in Cash Flows	1,431.9	1,078.7	1,117.2	1,145.4	1,246.0
Interest Expense	268.1	275.0	281.9	288.7	295.6
Less: Tax Adjustment	(60.3)	(61.9)	(67.6)	(72.2)	(73.9)
• Assumed Tax Rate on Interest	22.5%	22.5%	24.0%	25.0%	25.0%
Unlevered Free Cash Flows	1,639.7	1,291.8	1,331.4	1,362.0	1,467.7
NPV of Future Cash Flows		1,203.3	1,155.2	1,100.8	1,105.0
Sum of Future Cash Flows	4,564.3				
NPV of Terminal Value	16,199.2				
Value of Future Cashflows	20,763.4				
Plus: 2018E Cash	1,596.7				
Plus: Share of Private Company/Other Investments	1,000.0				
Value of Cashflows, Cash and Investments	23,360.1				
Less: 2018E Debt	(7,525.5)				
2018E Common Equity Value	15,834.6				
Shares Outstanding 2018E	1,253.5				
Equity Value 2018E (Pence Per Share)	1,330.0				
Current Equity Value (Pence Per Share)	1,156.0				
2018E Equity Value Premium Vs. Current Price	**15%**				
Current Exchange Rate	1.41				
Equity Value 2018E ($ Per ADR)	93.00				
Current Equity Value ($ Per ADR)	81.41				
2018E Equity Value Premium Vs. Current Price	**14%**				

KEY ASSUMPTIONS	
Near-Term Discount Rate	*7.4%*
Terminal EV/FCF Multiple	*18.8x*
Long-Term Growth Rate	*6.0%*
Long-Term Discount Rate	*12.8%*

Source: Pivotal Research, Company Reports

WPP: Income Statement

WPP INCOME STATEMENT (All Figures In mm of £ Except Per Share Totals)

INCOME STATEMENT	1H10A	2H10A	FY10A	1H11A	2H11A	FY11A	1H12A	2H12A	FY12A
Gross Revenue	4,440.9	4,890.1	9,331.0	4,713.0	5,308.8	10,021.8	4,971.6	5,401.5	10,373.1
• YOY Growth	3.5%	11.2%	7.4%	6.1%	8.6%	7.4%	5.5%	1.7%	3.5%
Direct Costs	(361.0)	(409.5)	(770.5)	(360.2)	(423.1)	(783.3)	(403.8)	(454.5)	(858.3)
Net Sales	4,079.9	4,480.6	8,560.5	4,352.8	4,885.7	9,238.5	4,567.8	4,947.0	9,514.8
• YOY Growth	3.2%	11.3%	7.3%	6.7%	9.0%	7.9%	4.9%	1.3%	3.0%
• Net Sales Margin	91.9%	91.6%	91.7%	92.4%	92.0%	92.2%	91.9%	91.6%	91.7%
Operating Costs	(3,739.7)	(3,847.8)	(7,587.5)	(3,921.6)	(4,124.7)	(8,046.3)	(4,112.4)	(4,161.3)	(8,273.7)
Operating Profit	340.2	632.8	973.0	431.2	761.0	1,192.2	455.4	785.7	1,241.1
• Operating Margin	8.3%	14.1%	11.4%	9.9%	15.6%	12.9%	10.0%	15.9%	13.0%
Share of Results of Associates	22.3	32.9	55.2	24.5	41.6	66.1	28.0	41.4	69.4
Profit Before Interest and Taxation	362.5	665.7	1,028.2	455.7	802.6	1,258.3	483.4	827.1	1,310.5
• As % of Gross Profit	8.9%	14.9%	12.0%	10.5%	16.4%	13.6%	10.6%	16.7%	13.8%
Net Finance Costs	(118.6)	(58.3)	(176.9)	(121.4)	(128.5)	(249.9)	(125.7)	(92.9)	(218.6)
Profit Before Taxation	243.9	607.4	851.3	334.3	674.1	1,008.4	357.7	734.2	1,091.9
Taxation	(61.3)	(129.0)	(190.3)	(71.5)	(20.4)	(91.9)	(50.9)	(146.3)	(197.2)
• Tax Rate	25.1%	21.2%	22.4%	21.4%	3.0%	9.1%	14.2%	19.9%	18.1%
Profit for the Period	182.6	478.4	661.0	262.8	653.7	916.5	306.8	587.9	894.7
• YOY Growth	32.0%	29.8%	30.4%	43.9%	36.6%	38.7%	16.7%	-10.1%	-2.4%
Attributable to:									
Equity Holders of the Parent	150.8	435.2	586.0	230.7	609.4	840.1	277.8	544.9	822.7
Minority Interests / Non-Controlling Interests	31.8	43.2	75.0	32.1	44.3	76.4	29.0	43.0	72.0
Headline PBIT	455.3	773.4	1,228.7	517.9	911.1	1,429.0	570.0	961.0	1,531.0
• YOY Growth	33.1%	14.6%	20.8%	13.7%	17.8%	16.3%	10.1%	5.5%	7.1%
Headline PBIT Margin On Old Gross Revenue	10.3%	15.8%	13.2%	11.0%	17.2%	14.3%	11.5%	17.8%	14.8%
Headline PBT	356.2	677.4	1,033.6	417.0	812.1	1,229.1	466.8	850.3	1,317.1
New Headline PBIT Margin on New Gross Profit	**11.2%**	**17.3%**	**14.4%**	**11.9%**	**18.6%**	**15.5%**	**12.5%**	**19.4%**	**16.1%**
DILUTED EPS									
Diluted Reported Earnings	150.8	435.2	586.0	230.7	609.4	840.1	277.8	544.9	822.7
Diluted Headline Earnings	239.2	491.6	730.8	293.0	589.3	882.3	334.9	631.3	966.2
Shares Used in Diluted EPS Calculation	1,254.1	1,339.0	1,339.0	1,344.0	1,342.2	1,342.2	1,347.4	1,352.6	1,352.6
Diluted Reported EPS	0.120	0.325	0.438	0.172	0.454	0.626	0.206	0.403	0.608
Diluted Headline EPS	0.191	0.367	0.546	0.218	0.439	0.657	0.249	0.467	0.714
Diluted Headline EPS Growth	**47.5%**	**16.5%**	**22.9%**	**14.3%**	**19.6%**	**20.4%**	**14.0%**	**6.3%**	**8.7%**
DIVIDENDS									
Dividends Declared	0.060	0.118	0.178	0.075	0.171	0.246	0.088	0.197	0.285
Dividend Pay-Out Ratio	31.3%	32.2%	32.6%	34.2%	39.0%	37.4%	35.4%	42.2%	39.9%

INCOME STATEMENT	1H13A	2H13A	FY13A	1H14A	2H14A	FY14A	1H15A	2H15A	FY15A	1H16A	2H16A	FY16A
Gross Revenue	5,326.7	5,692.7	11,019.4	5,468.7	6,060.2	11,528.9	5,839.4	6,395.8	12,235.2	6,536.5	7,852.4	14,388.9
• YOY Growth	7.1%	5.4%	6.2%	2.7%	6.5%	2.9%	6.8%	5.5%	6.1%	11.9%	22.8%	17.6%
Direct Costs	(442.4)	(500.9)	(943.3)	(677.0)	(787.1)	(1,464.1)	(798.7)	(912.2)	(1,710.9)	(942.7)	(1,048.4)	(1,991.1)
Net Sales	4,884.3	5,191.8	10,076.1	4,791.7	5,273.1	10,064.8	5,040.7	5,483.6	10,524.3	5,593.8	6,804.0	12,397.8
• YOY Growth	6.9%	4.9%	5.9%	-1.9%	1.6%	-0.1%	5.2%	4.0%	4.6%	11.0%	24.1%	17.8%
• Net Sales Margin	91.7%	91.2%	91.4%	87.6%	87.0%	87.3%	86.3%	85.7%	86.0%	85.6%	86.6%	86.2%
Operating Costs	(4,370.5)	(4,295.3)	(8,665.8)	(4,260.6)	(4,296.9)	(8,557.5)	(4,251.8)	(4,640.5)	(8,892.3)	(5,040.2)	(5,294.5)	(10,334.7)
Operating Profit	513.8	896.5	1,410.3	531.1	976.2	1,507.3	788.9	843.1	1,632.0	553.6	1,509.5	2,063.1
• Operating Margin	10.5%	17.3%	14.0%	11.1%	18.5%	15.0%	15.7%	15.4%	15.5%	9.9%	22.2%	16.6%
Share of Results of Associates	27.6	40.5	68.1	28.7	33.2	61.9	16.0	31.0	47.0	15.9	33.9	49.8
Profit Before Interest and Taxation	541.4	937.0	1,478.4	559.8	1,009.4	1,569.2	804.9	874.1	1,679.0	569.5	1,543.4	2,112.9
• As % of Gross Profit	11.1%	18.0%	14.7%	11.7%	19.1%	15.6%	16.0%	15.9%	16.0%	10.2%	22.7%	17.0%
Net Finance Costs	(114.3)	(68.3)	(182.6)	(68.7)	(48.6)	(117.3)	(95.2)	(91.2)	(186.4)	(144.4)	(78.0)	(222.4)
Profit Before Taxation	427.1	868.7	1,295.8	491.1	960.8	1,451.9	709.7	782.9	1,492.6	425.1	1,465.4	1,890.5
Taxation	(111.7)	(172.0)	(283.7)	(94.9)	(197.2)	(292.1)	(108.6)	(138.9)	(247.5)	(143.1)	(245.8)	(388.9)
• Tax Rate	26.2%	19.8%	21.9%	19.3%	20.5%	20.1%	15.3%	17.7%	16.6%	33.7%	16.8%	20.6%
Profit for the Period	315.4	696.7	1,012.1	396.2	763.6	1,159.8	601.1	644.0	1,245.1	282.0	1,219.6	1,501.6
• YOY Growth	2.8%	18.5%	13.1%	25.6%	9.6%	14.6%	51.7%	-15.7%	7.4%	-53.1%	89.4%	20.6%
Attributable to:												
Equity Holders of the Parent	280.9	655.6	936.5	364.8	712.4	1,077.2	566.2	594.0	1,160.2	245.8	1,154.3	1,400.1
Minority Interests / Non-Controlling Interests	34.5	41.1	75.6	31.4	42.9	74.3	34.9	50.0	84.9	36.2	65.3	101.5
Headline PBIT	637.0	1,024.6	1,661.6	622.0	1,058.6	1,680.6	669.1	1,104.9	1,774.0	768.7	1,391.6	2,160.3
• YOY Growth	11.8%	6.6%	8.5%	-2.4%	3.3%	1.1%	7.6%	4.4%	5.6%	14.9%	25.9%	21.8%
Headline PBIT Margin On Old Gross Revenue	12.0%	18.0%	15.1%	11.4%	17.5%	14.6%	11.5%	17.3%	14.5%	11.8%	17.7%	15.0%
Headline PBT	523.7	934.3	1,458.0	531.6	981.0	1,512.6	595.7	1,026.6	1,622.3	689.7	1,296.5	1,986.2
New Headline PBIT Margin on New Gross Profit	**13.0%**	**19.7%**	**16.5%**	**13.0%**	**20.1%**	**16.7%**	**13.3%**	**20.1%**	**16.9%**	**13.7%**	**20.5%**	**17.4%**
DILUTED EPS												
Diluted Reported Earnings	280.9	655.6	936.5	364.8	712.4	1,077.2	566.2	594.0	1,160.2	245.8	1,154.3	1,400.1
Diluted Headline Earnings	375.1	713.0	1,088.1	394.0	719.2	1,135.8	441.7	787.4	1,229.1	508.7	958.8	1,467.5
Shares Used in Diluted EPS Calculation	1,355.9	1,360.3	1,360.3	1,349.2	1,337.5	1,337.5	1,317.1	1,313.0	1,313.0	1,300.0	1,296.0	1,296.0
Diluted Reported EPS	0.207	0.482	0.688	0.270	0.533	0.805	0.430	0.452	0.884	0.189	0.891	1.080
Diluted Headline EPS	0.277	0.524	0.800	0.292	0.538	0.849	0.335	0.600	0.936	0.391	0.740	1.132
Diluted Headline EPS Growth	**11.3%**	**12.3%**	**12.0%**	**5.6%**	**2.6%**	**6.2%**	**14.8%**	**11.5%**	**10.2%**	**16.7%**	**23.4%**	**21.0%**
DIVIDENDS												
Dividends Declared	0.106	0.237	0.342	0.116	0.266	0.382	0.159	0.288	0.447	0.196	0.371	0.566
Dividend Pay-Out Ratio	38.2%	45.1%	42.8%	39.8%	49.4%	45.0%	47.4%	48.0%	47.7%	50.0%	50.1%	50.0%

INCOME STATEMENT	1H17A	2H17A	FY17A	1H18E	2H18E	FY18E	1H19E	2H19E	FY19E	FY20E	FY21E	FY22E
Gross Revenue	7,403.6	7,861.4	15,265.0	7,107.5	7,993.3	15,101.5	7,539.5	8,472.8	15,863.2	16,685.6	17,558.3	18,482.9
• YOY Growth	13.3%	0.1%	6.1%	-4.0%	1.7%	-1.1%	6.1%	6.0%	5.0%	5.2%	5.2%	5.3%
Direct Costs	(1,041.7)	(1,083.3)	(2,125.0)	(1,000.0)	(1,101.5)	(2,102.2)	(1,060.8)	(1,167.6)	(2,208.3)	(2,322.8)	(2,444.2)	(2,573.0)
Net Sales	6,361.9	6,778.1	13,140.0	6,107.5	6,891.8	12,999.3	6,478.7	7,305.2	13,655.0	14,362.8	15,114.1	15,910.0
• YOY Growth	13.7%	-0.4%	6.0%	-4.0%	1.7%	-1.1%	6.1%	6.0%	5.0%	5.2%	5.2%	5.3%
• Net Sales Margin	85.9%	86.2%	86.1%	85.9%	86.2%	86.1%	85.9%	86.2%	86.1%	86.1%	86.1%	86.1%
Operating Costs	(5,637.5)	(5,594.3)	(11,231.8)	(5,417.3)	(5,645.0)	(11,062.4)	(5,701.2)	(5,878.2)	(11,579.4)	(12,122.2)	(12,710.9)	(13,316.6)
Operating Profit	724.4	1,183.8	1,908.2	690.1	1,246.7	1,936.9	777.4	1,298.1	2,075.6	2,240.6	2,403.1	2,593.3
• Operating Margin	11.4%	17.5%	14.5%	11.3%	18.1%	14.9%	12.0%	17.8%	15.2%	15.6%	15.9%	16.3%
Share of Results of Associates	59.5	54.0	113.5	65.0	50.0	115.0	67.5	52.5	120.0	125.0	130.0	135.0
Profit Before Interest and Taxation	783.9	1,237.8	2,021.7	755.1	1,296.7	2,051.9	844.9	1,350.6	2,195.6	2,365.6	2,533.1	2,728.3
• As % of Gross Profit	12.3%	18.3%	15.4%	12.4%	18.8%	15.8%	13.0%	18.5%	16.1%	16.5%	16.8%	17.1%
Net Finance Costs	(4.7)	92.3	87.6	(114.0)	(82.1)	(196.1)	(119.0)	(81.5)	(200.5)	(204.9)	(209.2)	(216.1)
Profit Before Taxation	779.2	1,330.1	2,109.3	641.1	1,214.6	1,855.8	725.9	1,269.1	1,995.1	2,160.7	2,323.9	2,512.2
Taxation	(145.5)	(51.5)	(197.0)	(144.3)	(273.3)	(417.6)	(163.3)	(285.6)	(448.9)	(518.6)	(581.0)	(628.1)
• Tax Rate	18.7%	3.9%	9.3%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	24.0%	25.0%	25.0%
Profit for the Period	633.7	1,278.6	1,912.3	496.9	941.3	1,438.2	562.6	983.6	1,546.2	1,642.2	1,742.9	1,884.2
• YOY Growth	124.7%	4.8%	27.4%	-21.6%	-26.4%	-24.8%	13.2%	4.5%	7.5%	6.2%	6.1%	8.1%
Attributable to:												
Equity Holders of the Parent	596.1	1,220.5	1,816.6	456.9	881.3	1,338.2	522.6	918.6	1,441.2	1,532.2	1,627.9	1,764.2
Minority Interests / Non-Controlling Interests	37.6	58.1	95.7	40.0	60.0	100.0	40.0	65.0	105.0	110.0	115.0	120.0
Headline PBIT	882.0	1,385.1	2,267.1	855.1	1,396.7	2,251.9	944.9	1,455.6	2,400.6	2,575.6	2,748.1	2,948.3
• YOY Growth	14.7%	-0.5%	4.9%	-3.0%	0.8%	-0.7%	10.5%	4.2%	6.6%	7.3%	6.7%	7.3%
Headline PBIT Margin On Old Gross Revenue	11.9%	17.6%	14.9%	12.0%	17.5%	14.9%	12.5%	17.2%	15.1%	15.4%	15.7%	16.0%
Headline PBT	793.4	1,299.1	2,092.5	741.1	1,314.6	2,055.8	825.9	1,374.1	2,200.1	2,370.7	2,538.9	2,732.2
New Headline PBIT Margin on New Gross Profit	**13.9%**	**20.4%**	**17.3%**	**14.0%**	**20.3%**	**17.3%**	**14.6%**	**19.9%**	**17.6%**	**17.9%**	**18.2%**	**18.5%**
DILUTED EPS												
Diluted Reported Earnings	596.1	1,220.5	1,816.6	456.9	881.3	1,338.2	522.6	918.6	1,441.2	1,532.2	1,627.9	1,764.2
Diluted Headline Earnings	609.4	927.1	1,536.5	556.9	981.3	1,538.2	622.6	1,023.6	1,636.2	1,742.2	1,842.9	1,984.2
Shares Used in Diluted EPS Calculation	1,279.7	1,274.7	1,275.8	1,263.5	1,253.5	1,258.5	1,253.5	1,253.5	1,253.5	1,253.5	1,253.5	1,253.5
Diluted Reported EPS	0.466	0.958	1.424	0.362	0.703	1.063	0.417	0.733	1.150	1.222	1.299	1.407
Diluted Headline EPS	0.476	0.727	1.204	0.441	0.783	1.222	0.497	0.817	1.305	1.390	1.470	1.583
Diluted Headline EPS Growth	**21.7%**	**-1.7%**	**6.4%**	**-7.4%**	**7.6%**	**1.5%**	**12.7%**	**4.3%**	**6.8%**	**6.5%**	**5.8%**	**7.7%**
DIVIDENDS												
Dividends Declared	0.227	0.373	0.600	0.220	0.391	0.611	0.248	0.408	0.653	0.695	0.735	0.791
Dividend Pay-Out Ratio	47.7%	51.3%	49.8%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

Source: Pivotal Research, Company Reports

Appendix: Important Disclosures

Analyst Certification

I, Brian W. Wieser, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company and their securities. I further certify that I have not received and will not receive direct or indirect compensation related to specific recommendations or views contained in this research report.

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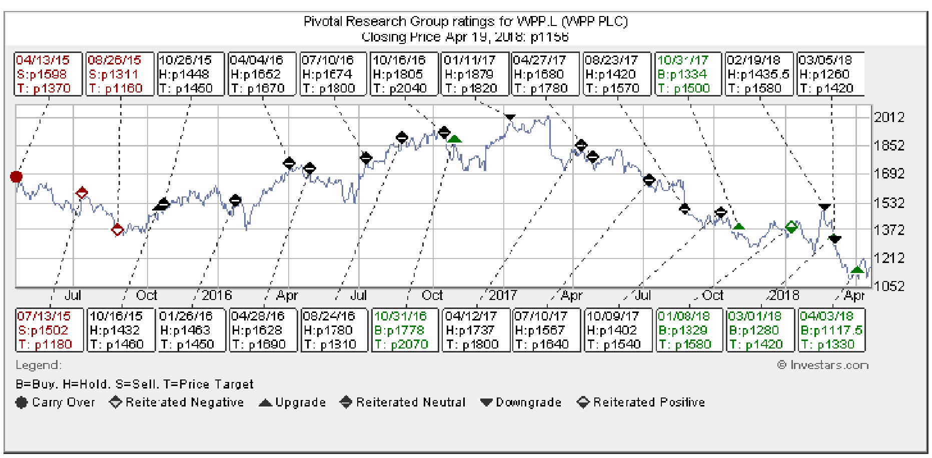
Price Chart and Target Price History



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