Swick Mining Services Limited

Estimate Change — BUY

Equity | Australia | Industrial Services/Equipment Rental
28 August 2008

Revenue base set to double again

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Strong result on strong revenues

Swick Mining Services has delivered a strong FY08A result of $10.3m. Revenue from operations grew 112% to $80.7m with EBITDA margins 28.8%. Margins in 2H08A were substantially higher at 32.1%, a function of strong operational performance and economies of scale.

Guiding for another year of strong growth

Swick also provided FY09E revenue guidance of $155m, 84% above FY08. This figure would represent a 4 year CAGR in revenue of 97%. With margins expected to remain at similar levels to FY08A, implicit EBITDA guidance is for $44.6m

Earnings lowered but below operational line only.

While we have made little change to operating performance for Swick, increasing EBITDA slightly in all years, we have increased depreciation by c.$2m per year, reflective of the ongoing capital being invested to grow the business. While the impact of this varies by year, and diminishes as the profit base grows, it has resulted in downgrades to our earnings of 9%, 4% and 3% for FY09, FY10 and FY11 respectively. Given the non-cash nature of these changes, our DCF has risen slightly to $2.73. We reiterate our Buy and $2.50 price objective.

Estimates (Jun)

(A$)	2007A	2008A	2009E	2010E	2011E
Reported NPAT	5.4	10.3	21.8	32.0	39.2
Normalised NPAT	4.0	12.1	23.3	33.9	41.3
Reported EPS	0.055	0.071	0.143	0.207	0.250
Normalised EPS	0.040	0.084	0.152	0.219	0.264
Normalised EPS Change (YoY)	NA	109.9%	81.0%	43.7%	20.7%
Dividend / Share	0	0	0	0.030	0.040
Free Cash Flow / Share	(0.218)	(0.058)	(0.231)	0.173	0.169

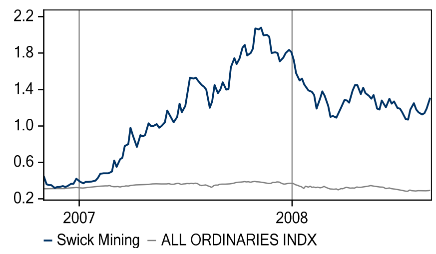
Valuation (Jun)

	2007A	2008A	2009E	2010E	2011E
P/E	33.1x	18.3x	9.2x	6.3x	5.2x
P/E - Normalised	32.7x	15.6x	8.6x	6.0x	5.0x
Dividend Yield	0%	0%	0%	2.3%	3.1%
EV / EBITDA*	15.6x	9.1x	5.5x	3.4x	2.7x
Free Cash Flow Yield*	-10.8%	-4.2%	-17.7%	13.4%	13.2%

* For full definitions of *iQmethod* SM measures, see page 8.

Stock Data

Price	A$1.31
Price Objective	A$2.50
Date Established	31-Oct-2007
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	A$1.00-A$2.25
Mrkt Val / Shares Out (mn)	US$171 / 152.5
Average Daily Volume	87,629
ML Symbol / Exchange	SWCKF / ASX
Bloomberg / Reuters	SWK AU / SWK.AX
ROE (2009E)	28.5%
Net Dbt to Eqty (Jun-2008A)	24.5%
Est. 5-Yr EPS / DPS Growth	37.3% / NA
Free Float	68.0%



Refer to important disclosures on page 9 to 10. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7.

iQprofile[SM] Swick Mining Services Limited

Key Income Statement Data (Jun)	2007A	2008A	2009E	2010E	2011E
(A$ Millions)					
Sales	38	83	159	220	247
Operating Expenses	(28)	(60)	(113)	(155)	(173)
EBITDA	10	23	46	65	74
Depreciation & Amortization	(4)	(8)	(13)	(17)	(18)
EBIT	7	15	33	48	56
Net Interest & Other income	(1)	(1)	(2)	(2)	0
Associates	NA	NA	NA	NA	NA
Pretax Income	6	15	31	46	56
Tax (expense) / Benefit	(2)	(5)	(10)	(14)	(17)
Net Profit b/f Abnormals	4	10	22	32	39
Non-Recurring Items	2	0	0	0	0
Net Income (Reported)	5	10	22	32	39
Avg F Diluted Shares Outstanding	99	144	153	155	156

Key Cash Flow Statement Data					
EBITDA	10	23	46	65	74
Change in Working Capital	(7)	(8)	(12)	4	(9)
Deferred Taxation Charge	1	3	1	1	1
Other Adjustments, Net	(1)	3	(1)	(3)	(3)
Cash Flow from Operations	1	17	26	52	47
Capital Expenditure	(22)	(26)	(61)	(25)	(20)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	0	(28)	0	0	0
Cash Flow from Investing	(21)	(54)	(61)	(25)	(20)
Shares Issue / (Repurchase)	23	27	0	4	0
Cost of Dividends Paid	0	0	0	0	(5)
Cash Flow from Financing	28	55	20	(2)	(17)
Free Cash Flow	(22)	(8)	(35)	27	26
Net Debt	1	17	50	13	(14)
Change in Net Debt	1	15	34	(37)	(27)

Key Balance Sheet Data					
Property, Plant & Equipment	29	75	124	134	138
Other Non-Current Assets	1	0	2	4	6
Trade Receivables	9	15	31	39	49
Cash & Equivalents	12	25	12	43	58
Other Current Assets	0	5	5	5	5
Total Assets	56	130	192	247	281
Long-Term Debt	9	35	51	47	37
Other Non-Current Liabilities	0	0	0	0	0
Short-Term Debt	5	7	11	10	8
Other Current Liabilities	1	4	8	10	11
Total Liabilities	25	62	97	111	104
Total Equity	31	68	95	137	177
Total Equity & Liabilities	56	130	192	247	281

iQmethod[SM] - Bus Performance*					
Return on Capital Employed	NA	14.3%	17.4%	19.3%	19.4%
Return on Equity	NA	32.3%	28.5%	29.3%	26.4%
Operating Margin	17.2%	19.2%	21.0%	21.9%	23.0%
EBITDA Margin	26.6%	28.1%	29.0%	29.5%	30.0%

iQmethod[SM] - Quality of Earnings*					
Cash Realization Ratio	0.2x	1.4x	1.1x	1.5x	1.1x
Asset Replacement Ratio	6.2x	4.3x	5.3x	1.7x	1.3x
Tax Rate (Reported)	31.7%	30.6%	30.4%	30.4%	30.4%
Net Debt-to-Equity Ratio	4.6%	24.5%	53.0%	9.5%	-7.9%
Interest Cover	7.3x	7.9x	9.9x	12.5x	18.4x

Key Metrics					
Franking	0%	0%	0%	100%	100%

* For full definitions of *iQmethod*[SM] measures, see page 8.

Company Description

Swick Mining Services Limited provides specialised underground and surface mineral drilling services to the Australian resource and mining industry. Swick operates in mineral drilling sectors where it believes it can build and sustain a technical competitive advantage through the construction of its own innovative drill rigs.

Investment Thesis

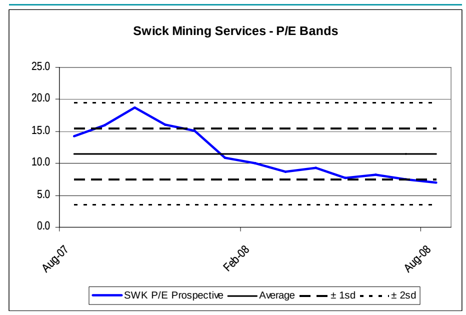
Swick is moving to create a premium drilling business demonstrating a competitive advantage in every division in which it operates through Swick designed and constructed drill rigs that significantly improve productivity and safety. Swick is currently in the midst of a rollout of rigs which will increase its fleet to 65 by end FY09, in turn increasing earnings by a compound rate in excess of 100pct until 2010.

Table 1: SWK – Substantial Shareholders

Shareholder	% Holding
Kent Swick (Managing Director)	17.3%
Rosanne Thelma Swick	14.5%
Entrust Private Wealth Management Pty Ltd	10.9%
Hunter Hall Investment Management Limited	5.1%

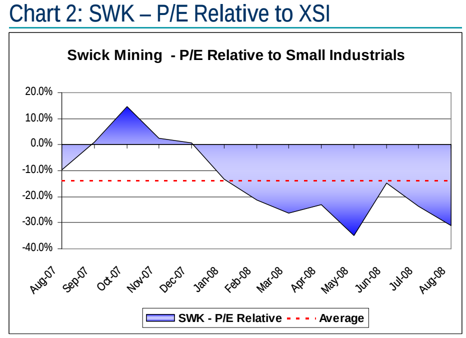
Source: Company Reports

Chart 1: SWK – P/E Bands



Source: Merrill Lynch

Chart 2: SWK – P/E Relative to XSI



Source: Merrill Lynch

Stock Data

Price to Book Value	2.1x

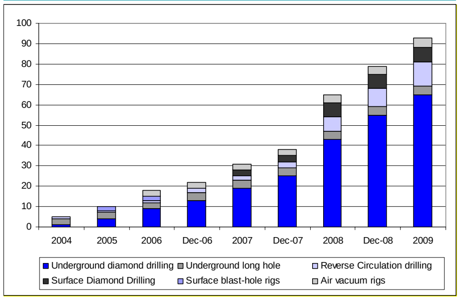
Swick Mining – Investment Case

Competitive advantage in innovation combined with strong demand set the platform for a strong growth outlook for SWK.

Innovative Design Creates Competitive Advantage

Swick operates a number of divisions each specialising in a different type of drilling: Underground diamond drilling (which we believe will account for c. 75% of FY08 revenue), Underground Long-Hole drilling, Reverse Circulation (RC) drilling, Surface diamond drilling and Air Vacuum Rigs. In each of these divisions, Swick design and construct drill rigs which significantly improve productivity and safety, in turn creating demand for the drill rigs from mining companies and a strong demand from drillers to use the Swick rigs.

Chart 3: Swick Drill Fleet



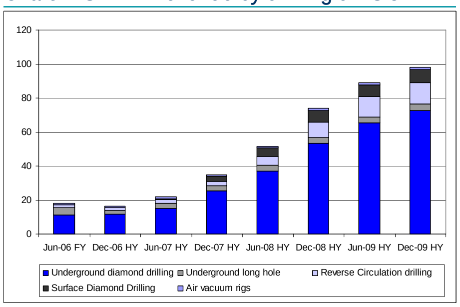
Source: Company Reports, Merrill Lynch Estimates

Demand Drives Substantial Fleet Expansion

Swick listed in November 2006, principally to gain access to capital to fund a substantial expansion of its drilling fleet, to allow the company to bid for work at large, multi-rig sites operated by the major mining companies. This strategy delivered in April 2007 when Swick was successful in winning a 9-rig, 3-year contract from Newmont for underground drilling at its Jundee and Tanami Gold Mines. As a result of this and a number of smaller contract wins, Swick has commenced a substantial build program aimed to grow the underground diamond drilling fleet to 45 rigs by the end of June 2008 which will position the company as one of the largest providers of underground drilling services in Australia.

By June 2008, Swick's fleet of drilling rigs is expected to have expanded from 18 (including 9 underground diamond rigs) at June 2006 to 60 (including 45 underground diamond rigs). With a payback period on underground diamond drill rigs measurable in months rather than years, return on invested capital generated by Swick is expected to reach 26.0% by 2009.

Chart 4: SWK – Revenue by drilling division



Source: Company Reports, Merrill Lynch Estimates

Success Breeds Success – Buy Continued Upside

The ultimate accolade to the Swick rigs is that the company has never failed to convert a trial of its drilling rigs into a contract – a testament to the productivity improvement delivered by the Swick-designed rigs.

We expect SWK to grow earnings by 138%pa through 2009.

Sales, Earnings & ROIC Momentum Strong

We believe that Swick has the capacity to deliver revenue growth of c.100% in both 2008 and 2009 as the drill fleet expands, before establishing a base level of c. $200m in 2010 – an 80% CAGR from 2006's $19m. Over the same period as EBITDA margins double from 14.7% to 29.4% due to fractionation of overhead costs and a greater proportion of higher margin underground diamond drilling rigs will increase earnings from $1.9m in 2006 to $32.8m in 2010 – a CAGR of 103%.

We reiterate our BUY recommendation on SWK and price objective of $2.50/share – representing 84% TR upside.

We reiterate our BUY recommendation on Swick, supported by a DCF valuation of $2.56, highlighting the potential for re-rating as the rig build reaches fruition and underpinned by a continued strong outlook for the mining and by extension mining services sector. Our price objective of $2.50 offers 84% total return upside potential to investors.

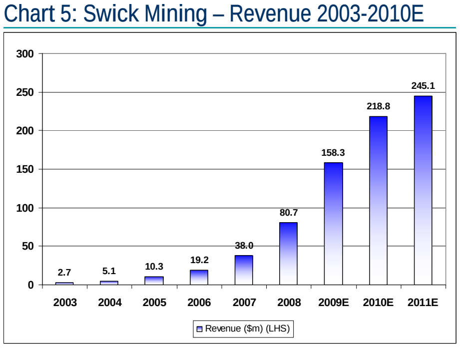
Swick Mining – FY08 Result Highlights

Table 2: Swick Mining Services – Result Snapshot

	1H07A	2H07A	FY07A	1H08A	2H08A	FY08A	Δ% pcp
Period End	31/12/2006	30/06/2007	30/06/2007	31/12/2007	30/06/2008	30/06/2008	
Summary Profit & Loss							
Sales Revenue	16.4	21.6	38.0	34.8	45.9	80.7	112.3%
EBITDA	3.5	6.6	10.1	8.5	14.8	23.3	130.3%
Depreciation & Amortisation	-1.4	-2.2	-3.6	-3.8	-4.0	-7.8	118.9%
EBIT	2.2	4.4	6.5	4.7	10.8	15.5	136.4%
Net Interest	-0.4	-0.5	-0.8	-0.2	-0.4	-0.6	-26.4%
Pre Tax Profit	1.8	3.9	5.7	4.5	10.4	14.9	159.4%
Tax Expense	-0.7	-1.1	-1.8	-1.2	-3.3	-4.6	150.2%
Net Profit	1.1	2.8	3.9	3.3	7.0	10.3	163.6%
Operating Margins							
EBITDA Margin	21.5%	30.4%	26.6%	24.4%	32.1%	28.8%	225bps
EBIT Margin	13.2%	20.3%	17.2%	13.4%	23.5%	19.2%	196bps
Other Items							
Capital Expenditure	-5.9	-16.8	-22.7	-21.5	-33.9	-55.4	144.2%
Operating Cash Flow	2.6	4.4	5.0	6.9	8.5	15.4	208.3%
Working Capital	3.9	5.3	5.3	9.2	13.6	13.6	158.7%
Cash	0.8	12.4	12.4	28.4	25.3	25.3	104.0%
Gross Debt	9.7	13.8	13.8	20.8	42.1	42.1	204.1%

Source: Company data, Merrill Lynch estimates

Chart 5: Swick Mining – Revenue 2003-2010E



Source: Company data, Merrill Lynch estimates

Strong result continues triple digit trend

Swick Mining Services delivered a 1H08 result of $10.3m. The result, a 164% increase on FY07 was driven both by strong revenue growth (+122%) and an improved margin performance both through operational improvements and economies of scale.

Revenue doubles pcp again …

Sales Revenue was $80.7m, 112% ahead of pcp and continuing Swick's enviable record of c. 100% revenue increases – a trend that may well be repeated in FY09 with only a light lift to the company's revenue guidance of $155m.

… with margins strong.

EBITDA margins came surging back in 2H after a 1H dip owing to a number of one offs including startup costs associated with the Surface Diamond division and an expanded site supervisor structure. While 2H margins were well above 30% company commentary would suggest that the expectation for FY09E margins is slightly below this level, particularly given additional startup costs that may be incurred in Canada and in the establishment of a new Multi-Purpose Drilling Division.

Capex High as Fleet Expansion Accelerates

Capital expenditure remained high both through the buildout of new rigs and downpayments on a number of rigs scheduled to be added to the fleet in the next twelve months as the Swick drilling fleet grows to a planned 95 by the end of June 2009. While the task of finding sites for all rigs remains a risk, this is mitigated to a degree by the possibility that a number of rigs may be destined to work overseas.

Cash remains high, all debt asset finance

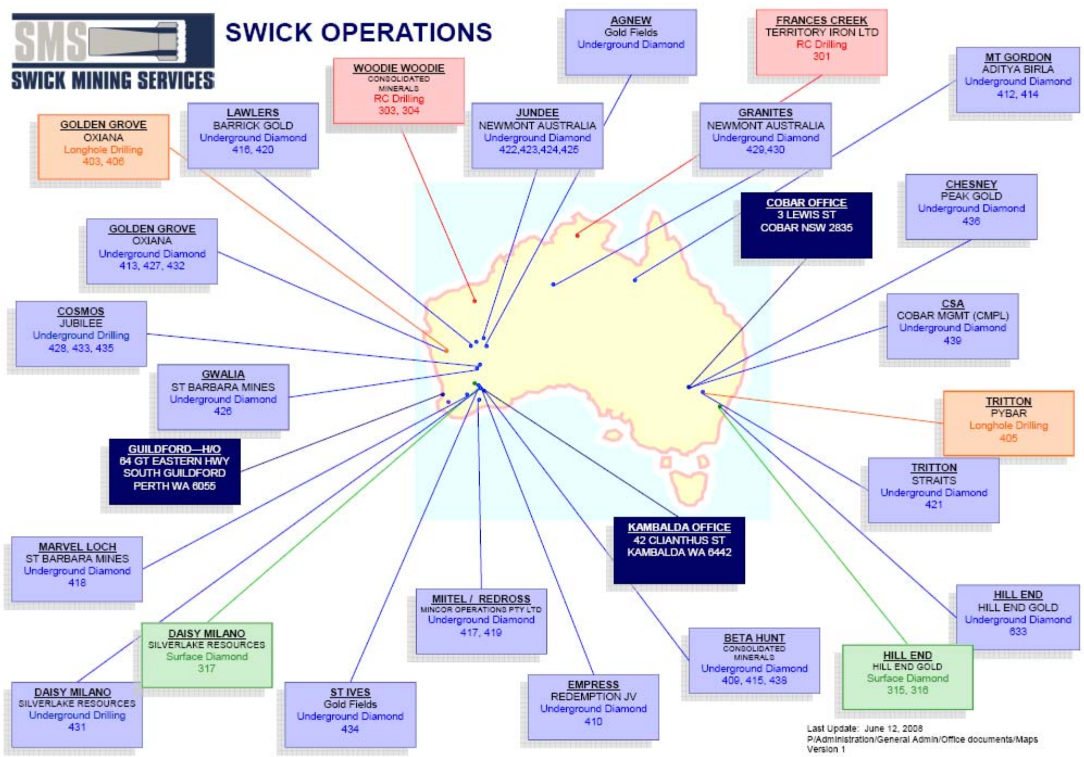
Swick's cash at hand stood at $25.3m at the end of June, offset by interest bearing loans of $42.1m (up from $20.8m in December). Moreover, all of this debt related to hire purchase agreements relating to the main component parts of the Swick rigs.

Outlook – Initial FY09 Guidance strong

Swick is in an enviable position that its revenues can be forecast a long way out with a reasonable degree of confidence. At this time last year the company gave revenue guidance of $80m (subsequently upgraded to $84m in February) and delivered that revenue number with this result. Guidance for FY09E is for $155m, while potential exists for a couple of additional developments to enhance this number, we are reasonably comfortable that this number will be delivered.

On a margin front, the company expects to maintain profitability margins in FY09. Using EBITDA of 28.8% this implies EBITDA guidance of $44.6m.

Chart 6: Swick Operations – June, 2008



Source: Swick Mining Services

Swick Mining – Financial Forecasts

Table 3: Swick Mining Services – Balance Sheet Analysis ($m)

Balance Sheet ($m)	FY07A	FY08A	FY09E	FY10E	FY11E
Cash	12.4	25.3	11.7	43.3	58.3
Receivables	9.3	14.8	30.6	39.4	48.9
Inventory	3.3	8.5	17.8	20.6	23.8
Other	0.3	4.6	4.6	4.6	4.6
Total Current Assets	25.3	53.2	64.7	107.9	135.6
Receivables	0.0	0.0	0.0	0.0	0.0
Equity Accounted Investments	0.0	0.0	0.0	0.0	0.0
PP&E	29.5	75.2	124.1	133.6	138.0
Intangibles	0.2	1.3	1.2	1.2	1.2
Deferred Tax	0.7	0.3	2.3	4.4	6.3
Other	0.0	0.0	0.0	0.0	0.0
Total Non Current Assets	30.4	76.7	127.7	139.2	145.4
Total Assets	55.8	129.9	192.3	247.1	281.0
Creditors	7.4	9.7	23.2	38.9	42.6
Borrowings	4.8	7.2	10.7	9.7	7.6
Tax	0.6	1.7	3.1	3.9	4.5
Provisions & Others	0.6	2.4	4.7	5.9	6.6
Total Current Liabilities	13.4	21.1	41.6	58.3	61.3
Creditors	0.0	0.0	0.0	0.0	0.0
Borrowings	9.1	34.8	51.4	46.6	36.7
Tax	2.4	4.1	1.5	1.9	2.2
Other	0.0	1.5	3.0	3.8	4.2
Total Non Current Liabilities	11.5	40.4	55.9	52.3	43.2
Total Liabilities	24.8	61.5	97.5	110.6	104.5
Shareholders Equity	31.0	68.4	94.9	136.5	176.5

Source: Company data, Merrill Lynch estimates

Table 4: Swick Mining Services – Earnings Outlook ($m)

P&L ($m)	FY07A	FY08A	FY09E	FY10E	FY11E
Sales Revenue	38.0	80.7	158.3	218.8	245.1
% chg		112%	96%	38%	12%
EBITDA	10.1	23.3	46.2	65.0	74.0
% chg		130%	99%	41%	14%
Depreciation	-3.6	-6.0	-11.5	-15.1	-15.6
EBITA	6.5	17.3	34.7	49.9	58.5
Amortisation	0.0	-1.8	-1.5	-1.9	-2.1
EBIT	6.5	15.5	33.3	48.0	56.4
% chg		136%	115%	44%	17%
Net Interest (Expense)/Income	-0.8	-0.6	-1.9	-2.0	-0.1
Op. Profit before Tax	5.7	14.9	31.4	46.0	56.3
Tax Expense	-1.8	-4.6	-9.5	-14.0	-17.1
Op. Profit after tax	3.9	10.3	21.8	32.0	39.2
Minority Interests	0.0	0.0	0.0	0.0	0.0
Net Profit (pre significant items)	3.9	10.3	21.8	32.0	39.2
Significant items	1.5	0.0	0.0	0.0	0.0
Reported NPAT	5.4	10.3	21.8	32.0	39.2
% chg		90%	112%	47%	22%
Add back Amortisation	0.0	1.8	1.5	1.9	2.1
Add back Significant items	-1.5	0.0	0.0	0.0	0.0
Normalised NPAT	3.9	12.1	23.3	33.9	41.3
% chg		210%	92%	45%	22%

Source: Company data, Merrill Lynch estimates

Table 5: Swick Mining Services – Cash Flow Analysis ($m)

Cashflow ($m)	FY07A	FY08A	FY09E	FY10E	FY11E
EBITDA	10.1	23.3	46.2	65.0	74.0
Tax paid	-0.4	-1.3	-8.1	-13.2	-16.5
Change in working Capital	-7.2	-8.4	-11.6	4.0	-8.9
Other	2.5	0.8	3.1	4.5	3.3
Gross Cashflow	5.0	14.4	29.7	60.4	51.9
Interest paid	0.0	1.0	-1.9	-2.0	-0.1
Operating Cashflow	5.0	15.4	27.7	58.4	51.7
Maintenance Capex	*-0.5*	*-1.9*	*-4.3*	*-6.3*	*-6.8*
Development Capex	*-21.7*	*-23.8*	*-57.0*	*-18.8*	*-13.4*
Free Cash Flow	-17.2	-10.2	-33.6	33.3	31.6
Acquisitions	0.0	-0.4	0.0	0.0	0.0
Asset sales	1.6	0.0	0.0	0.0	0.0
Equity Issues	22.5	26.7	0.0	4.1	0.0
Dividends	0.0	0.0	0.0	0.0	-4.7
Other	-7.6	-31.4	0.0	0.0	0.0
Change in Net Debt	0.7	15.3	33.6	-37.4	-26.9

Source: Company data, Merrill Lynch estimates

Table 6: Swick Mining Services – Ratio Analysis

Ratios	FY07A	FY08A	FY09E	FY10E	FY11E
EBITDA margin	26.6%	28.8%	29.2%	29.7%	30.2%
EBIT margin	17.2%	19.2%	21.0%	21.9%	23.0%
Effective tax rate	31.7%	30.6%	30.4%	30.4%	30.4%
Weighted Avge Dil Shares (m)	98.8	144.5	153.1	155.0	156.3
Reported EPS	5.5	7.1	14.3	20.7	25.0
…change (%)		30.2%	99.7%	44.8%	21.3%
Reported PE (x)	23.9	18.3	9.2	6.3	5.2
Normalised EPS (¢)	4.0	8.4	15.2	21.9	26.4
…change (%)		112.3%	81.0%	43.7%	20.7%
Normalised PE (x)	33.1	15.6	8.6	6.0	5.0
DPS (¢)	0.0	0.0	0.0	3.0	4.0
…Payout	0.0%	0.0%	0.0%	13.7%	15.2%
Dividend Yield	0.0%	0.0%	0.0%	2.3%	3.1%
OpCF/share (¢)	5.1	10.7	18.1	37.7	33.1
P/CFS	25.8	12.3	7.2	3.5	4.0
FCF Yield	-13.3%	-5.4%	-16.8%	16.4%	15.4%
Net Debt ($m)	1.4	16.7	50.3	12.9	-14.0
Gearing (ND/ND+equity) (%)	4.4%	19.7%	34.7%	8.7%	-8.6%
ROE (%)	23.7%	24.4%	28.5%	29.3%	26.4%
ROIC (%)	18.8%	15.5%	18.1%	19.8%	19.7%

Source: Company data, Merrill Lynch estimates

Price objective basis & risk

Swick Mining (SWCKF)

Swick Mining (XKWSF)
We reiterate our BUY recommendation and 12 month price objective of $2.50/share, in line with our discounted cashflow. We apply a PER multiple of 11.3x (in line with the Merrill Lynch Smaller Industrials Index) to our forecast forward EPS to reach a valuation of $2.08/share for Swick. Using an EV/EBITDA methodology we arrive at a base case value for Swick of $2.41/share. This assumes a FY09E multiple of 7.2x, which is a 10% discount to the local market. Our assessed DCF valuation of Swick of $2.73/share is calculated using a WACC of 9.9%, a Beta coefficient of 0.9 and a terminal growth rate of 3.0%.

Risks are the following: 1) A material downturn in the resources, mining services and infrastructure industries, 2) risk of liability of losses from the defective provision of services by Swick Mining Services, 3) breakdown of key relationships with clients and/or early termination of contracts, 4) general occupational health and safety and environmental risks associated with industries serviced, 5) potential for labour shortages, 6) increased competition and 7) risk of disruption to supply of drill rig components, thereby stalling production.

Analyst Certification

I, David Evans, 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-Small Cap Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Automotive Holdi	YAHEF	AHE AU	Chris Nicol
	Campbell Bros	CBEBF	CPB AU	David Evans
	Domino's Pizza E	DPZUF	DMP AU	Chris Nicol
	HFA Holdings Ltd	HFAHF	HFA AU	Shanaz Cassim
	Imdex	IDXNF	IMD AU	David Evans
	Lycopodium Ltd	XUQWF	LYL AU	David Evans
	Mermaid Marine	XMRMF	MRM AU	David Evans
	Mineral Resource	MALRF	MIN AU	David Evans
	Mitchell Communi	XHOQF	MCU AU	Shanaz Cassim
	Navitas Ltd	XIFVF	NVT AU	Chris Nicol
	Nomad Building S	XNMDF	NOD AU	David Evans
	Oakton Ltd	OKCPF	OKN AU	Shanaz Cassim
	Reject Shop Ltd	XDFYF	TRS AU	Chris Nicol
	SAI Global Limit	SGLOF	SAI AU	Shanaz Cassim
	SMS Management	SMSUF	SMX AU	Shanaz Cassim
	Super Cheap Auto	XUPEF	SUL AU	Chris Nicol
	Swick Mining	SWCKF	SWK AU	David Evans
	Tassal Group Ltd	TSLLF	TGR AU	Chris Nicol
	VDM Group Ltd	XJCOF	VMG AU	David Evans
	Wotif.com	WTIFF	WTF AU	Shanaz Cassim

Australia-Small Cap Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
NEUTRAL				
	Invocare Limited	XXKEF	IVC AU	Chris Nicol
	Monadelphous Grp	YOTYF	MND AU	David Evans
	WHK Group	XGHTF	WHG AU	Shanaz Cassim
UNDERPERFORM				
	Clive Peeters	XRXBF	CPR AU	Chris Nicol
	Count Financial	XWAPF	COU AU	Shanaz Cassim
	Fantastic Holdin	XHGOF	FAN AU	Chris Nicol
	Hills Industries	HSSLF	HIL AU	David Evans
	Photon Group Ltd	XWGVF	PGA AU	Shanaz Cassim
	STW Communica	XSXCF	SGN AU	Shanaz Cassim
	Wattyl Limited	WATYF	WYL AU	David Evans

iQmethod SM Measures Definitions

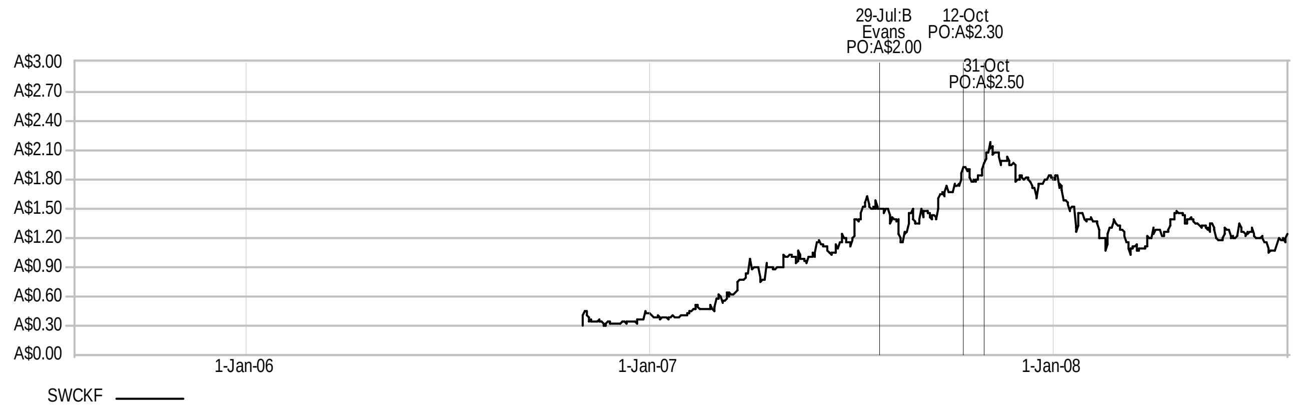
Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating 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

iQmethod SM is the set of 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 ® 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 Merrill Lynch.

Important Disclosures

SWCKF 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 July 31, 2008 or such later date as indicated.

Investment Rating Distribution: Industrials/Multi-Industry Group (as of 01 Jul 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	60.58%	Buy	14	24.56%
Neutral	16	15.38%	Neutral	4	28.57%
Sell	25	24.04%	Sell	4	18.18%

Investment Rating Distribution: Global Group (as of 01 Jul 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1664	47.42%	Buy	441	29.46%
Neutral	803	22.88%	Neutral	224	31.46%
Sell	1042	29.70%	Sell	217	22.84%

* 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.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. *VOLATILITY RISK RATINGS*, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. *INVESTMENT RATINGS* reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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 Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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