

**Sector:** Industrials**Sub-Industry:** Electrical Components & Equipment**Peer Group:** Electronic Components**Summary:** This company develops, refines, manufactures, and markets materials and derivative precision components and products for precision use in industrial and other applications.IIVI has an approximate 0.23% weighting in the **S&P SmallCap****Quantitative Evaluations****S&P Quality Ranking : B**

D	C	B-	<b>B</b>	B+	A-	A	A+
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**S&P Fair Value Rank: 3-**

1	2	<b>3</b>	4	5
Lowest				Highest

**Fair Value Calc:** \$39.00 (Slightly Overvalued)**S&P Investability Quotient Percentile**

91%
1 Lowest Highest 100

IIVI scored higher than 91% of all companies for which an S&amp;P Report is available.

**Volatility: Average**

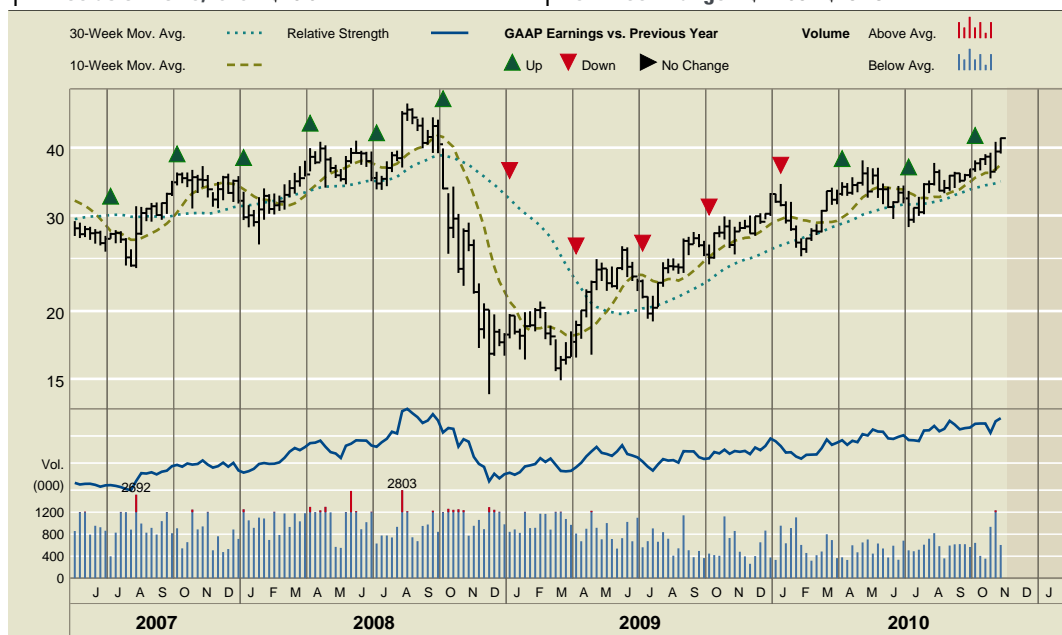
Low	<b>Average</b>	High
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**Technical Evaluation: BULLISH**

Since July, 2010, the technical indicators for IIVI have been BULLISH.

**Relative Strength Rank: Strong**

77
1 Lowest Highest 99

**Price as of Nov 9, 2010: \$40.67****52-Week Range: \$41.68 - \$25.23****Investment Strategy**

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

**Sales:** What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.**Net Margin:** As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.**% LT Debt to Capitalization:** A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.**% Return on Equity:** A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.**Key Growth Rates and Averages**

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	18.09	7.61	11.30	14.43
Net Income	-0.72	-4.66	20.72	23.29

**Ratio Analysis (Average)**

Net Margin	11.18	15.08	12.86	11.56
%LT Debt to Capitalization	0.82	1.07	4.05	8.85
% Return on Equity	10.53	16.33	14.92	13.82

**Revenues/Earnings Data** Fiscal year ending Jun. 30

Revenues (Million \$)	2011	2010	2009	2008	2007	2006
1Q	120.1	65.54	87.77	71.09	60.80	54.39
2Q	--	68.79	74.28	72.33	63.34	53.83
3Q	--	97.53	64.11	80.96	67.08	59.36
4Q	--	113.2	66.07	91.81	71.97	64.94
Year	--	345.1	292.2	316.2	263.2	232.5
Earnings per Share (\$)	2011	2010	2009	2008	2007	2006
1Q	0.58	0.21	0.57	0.33	0.25	0.23
2Q	--	0.20	0.28	0.88	0.30	0.17
3Q	--	0.33	0.23	0.44	0.33	0.25
4Q	--	0.51	0.21	0.50	0.37	-0.29
Year	--	1.25	1.29	2.16	1.25	0.36

**Next earnings report expected: Mid January**

Historical GAAP earnings are as reported.

**Key Stock Statistics**

Average Daily Volume	<b>0.176 mil.</b>	Beta	<b>1.37</b>
Market Capitalization	<b>\$1.257 Bil.</b>	Trailing 12 Month EPS	<b>\$1.62</b>
Institutional Holdings (%)	<b>62</b>	12 Month P/E	<b>25.1</b>
Shareholders of Record	<b>868</b>	Current Yield (%)	<b>Nil</b>

Value of \$10,000 Invested five yrs Ago : **\$22,724****Please read the required disclosures and Reg. AC certification on the last page of this report.**

This report was prepared by Standard &amp; Poor's Quantitative Services.

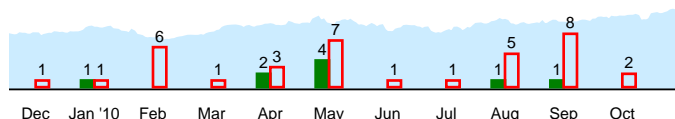
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## Wall Street Opinions/Average (Mean) Opinion: Buy/Hold

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	1	20	1	3
Buy/Hold	1	20	1	1
Hold	3	60	3	1
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	5	100	5	5

## Insider Moves

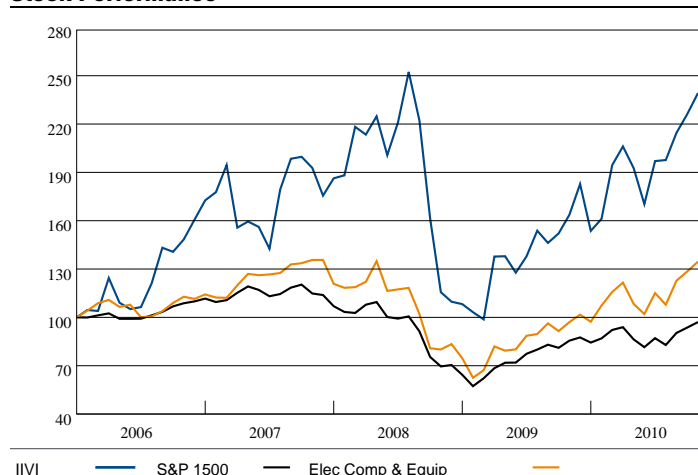
Insider Buys Insider Sells Price History



## Dividend Data

No Dividend Data Available

## Stock Performance



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	27.9	30.1	9.7
One Year Return	48.3	38.7	16.2
Three Year Return (% Annualized)	5.8	0.8	-5.9
Five Year Return (% Annualized)	17.8	8.4	0.5
Value of \$10,000 Invested 5 Years Ago	\$22,724	\$14,953	\$10,242

## Company Financials Fiscal year ending Jun. 30

Per Share Data & Valuation Ratios (\$)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	10.66	9.61	8.38	6.12	4.54	3.53	3.56	2.75	2.33	2.02
Cash Flow	1.94	1.80	2.66	1.81	0.89	1.26	0.92	0.73	0.56	0.64
Earnings	1.25	1.29	2.16	1.25	0.36	0.83	0.59	0.41	0.26	0.34
Dividends	NA	Nil	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	Nil	Nil	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	41.68	32.99	NA	36.99	29.00	21.77	22.25	13.10	9.75	9.38
Prices:Low	25.23	14.91	NA	24.00	14.94	13.13	10.73	7.19	5.55	5.25
P/E Ratio:High	33	26	NA	30	81	26	38	32	38	28
P/E Ratio:Low	20	12	NA	19	42	16	18	18	22	16

## Income Statement Analysis (Million \$)

Revenue	345	292	316	263	233	194	151	128	114	123
Operating Income	72.7	64.0	77.2	65.1	54.3	47.3	34.5	26.5	20.2	26.9
Depreciation	21.0	15.4	15.5	16.8	15.8	12.7	9.63	9.33	8.79	8.70
Interest Expense	0.09	0.18	0.34	1.11	1.79	0.95	0.41	0.85	1.44	2.33
Pretax Income	51.3	46.3	90.6	49.9	21.3	34.0	24.4	16.1	9.51	14.6
Effective Tax Rate	NA	16%	28%	24%	49%	27%	29%	28%	24%	35%
Net Income	38.6	38.9	65.7	38.0	10.8	24.8	17.3	11.6	7.26	9.49

## Balance Sheet &amp; Other Financial Data (Million \$)

Cash	108	95.9	72.8	32.6	26.9	21.7	21.7	15.6	9.61	8.09
Current Assets	288	230	226	152	128	112	82.6	67.8	55.8	55.7
Total Assets	509	368	361	288	250	253	184	163	152	148
Current Liabilities	73.2	32.1	46.5	43.8	45.0	37.9	35.8	27.6	20.1	21.7
Long Term Debt	3.38	3.66	3.79	14.9	23.6	41.2	7.99	16.8	29.4	Nil
Common Equity	410	322	290	219	186	163	132	112	97.7	89.4
Total Capital	414	326	299	240	218	217	146	134	132	89.4
Capital Expenditures	13.8	15.6	17.9	20.2	15.6	17.7	12.7	7.02	8.66	16.7
Cash Flow	59.6	54.2	81.2	54.7	26.6	37.5	27.0	20.9	16.1	18.2
Current Ratio	3.9	7.2	4.9	3.5	2.8	2.9	2.3	2.5	2.8	2.6
% Long Term Debt of Capitalization	0.8	1.1	1.3	6.4	10.8	19.0	5.5	12.5	22.3	Nil
% Net Income of Revenue	11.2	13.3	20.8	14.4	4.6	12.8	11.5	9.1	6.4	8.0
% Return on Assets	8.8	10.7	20.3	14.1	4.3	11.4	10.0	7.4	4.8	8.2
% Return on Equity	10.5	12.7	25.8	19.5	6.1	16.6	14.2	11.1	7.8	12.4

Data as orig. reptyd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

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Chrmn: C. J. Johnson

CEO & Pres: F. J. Kramer  
Dir: J. J. Corasanti, W. DiCicco, C. J. Johnson, F. J. Kramer, T. E. Mistler,  
M. Y. Pelaez, P. W. Sognefest  
Treas & CFO: C. A. Creaturo  
EVP: V. D. Mattered, Jr.

EVP: H. E. Reedy  
Investor Contact: Craig Creaturo(724-352-4455)  
Founded: 1971  
Domicile: Pennsylvania  
Employees: 6,869

**Sub-Industry Outlook**

Our fundamental outlook for the S&P Electrical Components & Equipment sub-industry is neutral. Our outlook is based on the belief that the group's results are likely to improve, as order rates increase, helped by the worldwide, government-led bailouts, and as short-cycle products benefit from higher demand and some restocking of inventories. However, this view is tempered by what we see as an industry that is typically late-cycle in nature due to its leverage to markets that are likely to continue to be weak in 2010. The sub-industry consists largely of companies that produce electric cables and wires, electrical equipment, transformers, motors and generators, wiring devices, power supply systems, fuel cells, lighting, and solar power systems.

We believe the growth in the Electrical Components & Equipment sub-industry has decelerated in recent months, as exemplified by the relative weakness in the National Electrical Manufacturers Association's Electroidustry Business Confidence Index in the period between June and August 2010, and despite an improvement experienced in September 2010. We specifically note the 24.4 point decline to 46 in the North American index, a 4.6 point decrease to 52.6 in Latin America, and a 0.4 point decline to 47.1 in Asia. That being said, figures for most regions improved to over the 50 demarcation in September 2010, with a reading of 53.6 for North America, 54.8 in Latin America, and 57.5 in Asia. In addition, survey respondents in most regions expect business conditions to improve over the next six months, as the future conditions measure was at or above 50 in North America, Latin America, Europe, and Asia.

We also believe ISM's Purchasing Managers Index

(PMI), a broader measure of industrial-market health, indicates continued growth potential. The September 2010 PMI was 54.4, indicating growth, while the September customer inventory index remains at low levels, in our opinion, with a reading of 42.5. We note that the customer inventory measure and the ISM's new order index -- a component measure of the PMI, which was 51.1 in September 2010, indicative of growth in orders -- have shown a strong inverse relationship, and the low measure in customer inventories suggests to us that new orders will continue to grow.

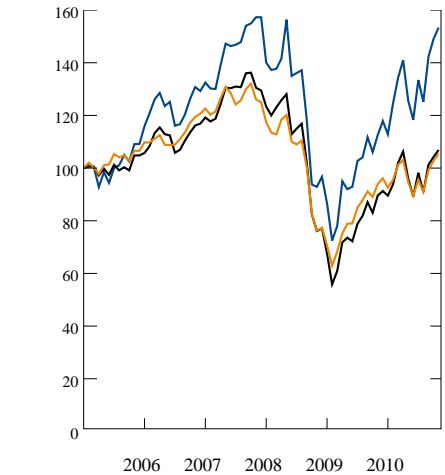
We estimate that median earnings for the sub-industry will rise about 26.5% in 2010. Our projections are based on about a 10% increase in revenue and much improved margins. Year to date through October 22, 2010, the S&P Electrical Components & Equipment Index advanced 25.6%, versus a 6.9% increase in the S&P 1500.

-Mathew Christy, CFA

**Stock Performance****GICS Sector: Industrials****Sub-Industry: Electrical Components & Equipment**

Based on S&P 1500 Indexes

Month-end Price Performance as of 10/29/10



Sub-Industry      Sector      S&P 1500

**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry : Electrical Components & Equipment Peer Group\*: Electronic Components**

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>II-VI Inc</b>	<b>IIVI</b>	<b>1,287</b>	<b>41.63</b>	<b>41.68/25.23</b>	<b>1.37</b>	<b>Nil</b>	<b>26</b>	<b>39.00</b>	<b>B</b>	<b>91</b>	<b>11.2</b>	<b>0.8</b>
Deswell Industries	DSWL	56	3.52	5.33/2.91	1.05	Nil	44	NA	NR	29	6.8	NA
Emrise Corp	ERI	11	1.09	1.36/0.46	0.22	Nil	NM	NA	B-	9	NA	NA
Rockwell Automation	ROK	9,429	66.47	66.86/41.68	1.72	2.1	26	54.20	B+	97	5.0	40.7
Woodward Governor	WGOV	2,289	33.58	35.21/22.62	1.77	0.7	23	27.00	B+	88	6.6	41.1

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Analyst Research Notes and other Company News****November 9, 2010**

II-VI Inc. announced that its annual meeting of shareholders, held on November 5, 2010, approved the retirement of Herman E. Reedy, Executive Vice President, effective as of December 31, 2010. Mr. Reedy has been employed by the Company since 1977 and has been Executive Vice President -- Infrared Optics since 2003.

**October 27, 2010**

II-VI Inc. reported unaudited consolidated earnings results for the first quarter ended September 30, 2010. For the period, the company's total revenues were \$120,134,000 against \$65,538,000 a year ago. Earnings before income taxes were \$24,693,000 against \$8,399,000 a year ago. Net earnings attributable to the company were \$18,367,000 or \$0.58 per diluted share against \$6,306,000 or \$0.21 per diluted share a year ago. Net cash provided by operating activities was \$11,060,000 against \$15,655,000 a year ago. Additions to property, plant and equipment were amounted to \$5,281,000 against \$2,547,000 a year ago. EBITDA was \$31,557,000 against \$12,453,000 a year ago. The company provided earnings guidance for the second quarter ending December 31, 2010 and for the full year ending June 30, 2011. For the second quarter, the company currently expects revenues to range from \$110 million to \$115 million and earnings per share to range from \$0.48 to \$0.54. For the fiscal year ending June 30, 2011, the company expects revenues to range from \$445 million to \$455 million and earnings per share to range from \$2.00 to \$2.10.

**October 26, 2010**

UP 3.18 to 39.93... IIVI posts \$0.58 vs. \$0.21 Q1 EPS on 83% revenue rise. Street was looking for \$0.42. Notes bookings increased 53%. Forecasts Q2 revs of \$110M-\$115M, EPS of \$0.48-\$0.54. For FY 11, revenues of \$445M-\$455M, EPS of \$2.00-\$2.10.

**August 6, 2010**

II-VI Inc. reported unaudited consolidated earnings results for the fourth quarter and full year ended June 30, 2010. Revenues for the quarter increased 71% to a record \$113,237,000 from \$66,067,000 in the fourth quarter of last fiscal year. Net earnings attributable to II-VI Incorporated for the quarter ended June 30, 2010 were \$15,977,000 or \$0.51 per share-diluted compared with net earnings of \$6,117,000 or \$0.21 per share-diluted in the fourth quarter of last fiscal year. Earnings from continuing operations before income taxes was \$21,088,000 against \$8,338,000 for the same quarter a year ago period. Earnings from continuing operations was \$16,214,000 against \$6,171,000 for the same quarter a year ago period. EBITDA was \$27,700,000 against \$12,485,000 for the same quarter a year ago period. Revenues for the fiscal year ended June 30, 2010 increased 18% to \$345,091,000 from \$292,222,000 for the same period last fiscal year. Net earnings attributable to II-VI Incorporated for the fiscal year ended June 30, 2010 were \$38,577,000 or \$1.25 per share-diluted compared with net earnings of \$36,781,000 or \$1.22 per share-diluted for the same period last fiscal year. Earnings from continuing operations before income taxes was \$51,317,000 against \$46,318,000 for the same period a year ago. Earnings from continuing operations was \$38,735,000 against \$38,911,000 for the same period a year ago. EBITDA was \$72,443,000 against \$61,850,000 for the same period a year ago. Net cash provided by operating activities was \$72,420,000 against \$48,913,000 for the same period a year ago. Additions to property, plant and equipment was \$13,837,000 against \$15,557,000 for the same period a year ago. The company provided earnings guidance for the first fiscal quarter ending September 30, 2010 and full year ending June 30, 2011. For the quarter, the company currently forecasts revenues to range from \$103.0 million to \$107.0 million and earnings per share attributable to II-VI Incorporated to range from \$0.40 to \$0.43. For the fiscal year ending June 30, 2011, the company expects revenues to range from \$410 million to \$425 million and earnings per share to range from \$1.55 to \$1.65.

**August 5, 2010**

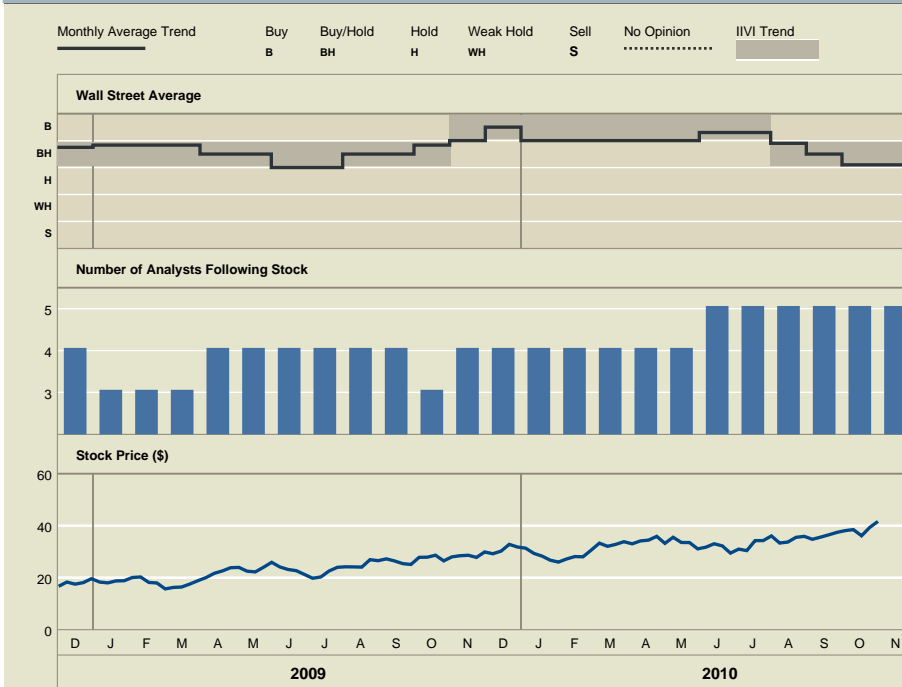
IIVI posts \$0.51 vs. \$0.21 Q4 EPS on 71% revenue rise. Sees \$0.40-\$0.43 Q1 EPS on \$103M-\$107M revenue.

**April 28, 2010**

II-VI Inc. reported unaudited consolidated earnings results for the third quarter and nine months ended March 31, 2010. For the quarter, the company reported net earnings were \$10,238,000 and net earnings attributable to the company of \$10,313,000 or \$0.34 per basic share and \$0.33 per diluted share on net sales of

\$94,708,000 against net earnings were \$4,884,000 and net earnings attributable to the company of \$4,810,000 or \$0.16 per basic and diluted share on net sales of \$61,845,000 for the same period a year ago. Total revenue of \$97,531,000 compared to \$64,111,000 a year ago. Earnings from continuing operations before income taxes of \$14,446,000 compared to \$8,987,000 a year ago. Earnings from continuing operations of \$10,238,000 or \$0.34 per basic share and \$0.33 per diluted share compared to earnings from continuing operations of \$6,810,000 or \$0.23 per basic and diluted share a year ago. EBITDA was \$20,829,000 compared to \$12,588,000 a year ago. For the nine months, the company reported net earnings were \$22,521,000 and net earnings attributable to the company of \$22,600,000 or \$0.76 per basic share and \$0.74 per diluted share on net sales of \$225,266,000 against net earnings were \$30,811,000 and net earnings attributable to the company of \$30,664,000 or \$1.03 per basic share and \$1.02 per diluted share on net sales of \$219,107,000 for the same period a year ago. Total revenue of \$231,854,000 compared to \$226,155,000 a year ago. Earnings from continuing operations before income taxes of \$30,229,000 compared to \$37,980,000 a year ago. Earnings from continuing operations of \$22,521,000 or \$0.76 per basic share and \$0.74 per diluted share compared to earnings from continuing operations of \$32,740,000 or \$1.10 per basic share and \$1.08 per diluted share a year ago. Net cash provided by operating activities of \$53,526,000 compared to \$34,970,000 a year ago. Additions to property, plant and equipment of \$9,384,000 compared to \$12,284,000 a year ago. EBITDA was \$44,743,000 compared to \$49,365,000 a year ago.

## Analysts' Recommendations



Of the total 5 companies following IIVI, 5 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	1	20	1	3
Buy/Hold	1	20	1	1
Hold	3	60	3	1
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>5</b>	<b>100</b>	<b>5</b>	<b>5</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	2.25	2.50	1.95	5	18.5
2011	2.08	2.25	2.00	5	20.0
<b>2012 vs. 2011</b>	<b>▲ 8%</b>	<b>▲ 11%</b>	<b>▼ -3%</b>	<b>0%</b>	<b>▼ -8%</b>
Q2'12	0.56	0.57	0.54	2	74.3
Q2'11	0.51	0.54	0.48	4	81.6
<b>Q2'12 vs. Q2'11</b>	<b>▲ 10%</b>	<b>▲ 6%</b>	<b>▲ 13%</b>	<b>▼ -50%</b>	<b>▼ -9%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

## Wall Street Consensus Opinion

**BUY/HOLD**

## Companies Offering Coverage

B. Riley & Company, Inc.  
D. A. Davidson & Co.  
Longbow Research  
Needham & Company  
Sidoti & Company LLC

## Wall Street Consensus vs. Performance

For fiscal year 2011, analysts estimate that IIVI will earn \$2.08. For the 1st quarter of fiscal year 2011, IIVI announced earnings per share of \$0.58, representing 28% of the total annual estimate. For fiscal year 2012, analysts estimate that IIVI's earnings per share will grow by 8% to \$2.25.

**Glossary**

**S&P Quality Ranking** - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**Funds From Operations (FFO)** - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

**Fair Value Calculation** - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:**

**II-VI Inc**

	Raw Score	Max Value
Proprietary S&P Measures	29	115
Technical Indicators	22	40
Liquidity/Volatility Measures	16	20
Quantitative Measures	68	75
<b>IQ Total</b>	<b>135</b>	<b>250</b>

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)** - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

**Required Disclosures**

All of the views expressed in this research report reflect Standard & Poor's Quantitative Services' research models regarding the above issuer and securities. No part of Standard & Poor's Quantitative Services compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Additional information is available upon request.

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