Teavana Holdings, Inc.

Initiating Coverage With an Outperform Rating

- We are initiating coverage of Teavana with an Outperform rating and an Aggressive Growth company profile, and EPS estimates of $0.44 in 2011 (up 39%), $0.59 in 2012 (up 34%), and $0.77 in 2013 (up 30%).

- With an inviting mall-based format and broad selection of more than 100 premium loose-leaf teas and merchandise, Teavana has achieved first-mover advantage in the fragmented U.S. specialty tea retail landscape. The domestic tea market has been growing rapidly, up more than 60% since 2004, and Teavana has experienced accelerating same-store sales gains over the past three years (2.9% in 2008, 6.9% in 2009, and 8.7% in 2010), with only one quarter of negative same-store sales in the last four years (-1.6% in fourth quarter 2008).

- Teavana's consumer appeal is illustrated by extraordinary sales productivity of $994 per square foot (among the highest of all mall-based retailers), with consistent performance across geographies. Reflecting strong sales productivity, Teavana's stores generate healthy returns, with management targeting first-year cash-on-cash returns of about 75% and a payback period of roughly 18 months.

- From about 180 company-owned stores today, we believe that Teavana has the opportunity to nearly triple its domestic mall-based presence to 500 stores, with management expecting to achieve that goal by 2015. We believe potential exists over the longer term to expand Teavana's retail presence outside malls, while also growing a more meaningful e-commerce business (about 7% of sales currently), pursuing more aggressive international retail expansion, and exploring opportunities in the premium grocery channel.

- We expect 25%-plus unit expansion and same-store sales gains of 3% to 4% per year to yield annual revenue growth in the high-20% range. We anticipate consistent operating margin improvement beginning in calendar 2012 and more so in calendar 2013, given a favorable mix shift toward higher-margin loose-leaf tea as stores mature as well as leverage on fixed costs, although infrastructure investments to support growth will likely constrain margins in 2011.

Consumer ¦ Specialty Coffee and Tea

September 06, 2011

Stock Rating: **Outperform**
Company Profile: **Aggressive Growth**

Symbol:	TEA (NYSE)
Price:	$23.99 (52-Wk.: $20-$29)
Market Value (mil.):	$912
Fiscal Year End:	January
Long-Term EPS Growth Rate:	30%
Dividend/Yield:	None

	2010A	2011E	2012E
Estimates*			
EPS Q1	$0.05	A$0.09	$0.12
Q2	$0.02	A$0.03	$0.03
Q3	$0.01	$0.02	$0.03
Q4	$0.24	$0.30	$0.41
FY	$0.32	$0.44	$0.59
CY		$0.59	
Valuation			
FY P/E	75.0x	54.5x	40.7x
CY P/E		40.7x	NA

* Estimates do not reflect the adoption of FAS 123R.

Trading Data (Thomson Financial)

Shares Outstanding (mil.)	38
Float (mil.)	0
Average Daily Volume	637,093

Financial Data (Thomson Financial)

Long-Term Debt/Total Capital (MRQ)	0.0
Book Value Per Share (MRQ)	-1.6
Enterprise Value (mil.)	66.6
EBITDA (TTM)	30.6
Enterprise Value/EBITDA (TTM)	30.1x
Return on Equity (TTM)	30.0

Source: Thomson Financial, William Blair & Company estimates

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Teavana is a rapidly growing mall-based specialty tea retailer, specializing in premium loose-leaf teas, tea-related merchandise, and prepared beverages.

- Teavana's stock valuation of 41 times our calendar 2012 EPS estimate reflects a premium to its peer group average of roughly 22 times, which includes specialty beverage retailers such as Starbucks, Caribou Coffee, and Peet's, as well as other retailers that cater to higher-income consumers, such as Williams-Sonoma, Coach, Whole Foods Market, and lululemon athletica. However, Teavana's long-term EPS growth rate of 30% eclipses even its fastest-growing peer (lululemon at 25%) and easily surpasses the peer group average of 18%. As a result, although Teavana's PEG ratio of 1.4 times exceeds its peer group average of 1.2 times, its premium is in keeping with high-quality, resilient premium retailers such as Whole Foods, lululemon, Peet's, and The Fresh Market (all with PEG ratios of 1.3 to 1.7 times). While we would not call for multiple expansion from current levels, we believe that Teavana's premium valuation is justified, based on its strong growth prospects and historically resilient sales trends, and we expect investors to be rewarded with healthy 30% annual EPS growth with the potential for upside.

Summary and Investment Thesis

Founded in 1997 by current Chairman and CEO Andrew Mack and his wife, Nancy, Teavana is a rapidly growing specialty tea retailer, with about 180 domestic mall-based stores across 36 states (including 2 franchised locations) and 17 franchised stores in Mexico. Featuring a large selection of loose-leaf premium teas as well as tea-related merchandise, Teavana offers a differentiated and compelling mall-based experience with its inviting store format and highly trained staff.

Teavana's store base has more than tripled in the past four years, and sales have grown at a compound annual rate of 38% over the same time frame, inclusive of growth of 38% in 2010 to nearly $125 million. Loose-leaf tea accounts for 56% of sales; tea-related merchandise, 40%; and prepared beverages, 4%. Teavana's average ticket is $36 in its stores ($46 excluding beverages) and $55 online, with the company generating about 7% of sales through its e-commerce channel.

Compelling Premium Tea Retailer With Impressive Sales Productivity
Teavana's consumer appeal is illustrated by the company's strong sales productivity of $944 per square foot in 2010, with consistent performance across geographies. Moreover, Teavana has experienced positive same-store sales in each of the past five years, with only one quarter of negative comps (-1.6% in fourth quarter 2008), pointing to the resiliency of consumer demand for Teavana's products. Given the long shelf life of its products and low markdown levels, Teavana's gross margin was a healthy 62.9% in 2010, and Teavana's operating margin increased from 7.5% in 2008 to 18.8% in 2010.

Teavana Holdings, Inc.
Domestic Retail Sales Productivity
(Fiscal year closest to calendar 2010)

	Sales Per Square Foot	U.S. Stores
Free People	$1,760	42
lululemon	1,270	82
Teavana	**994**	**146**
Anthropologie	950	147
Urban Outfitters	690	144
Victoria's Secret	660	1,028
lucy	650	64
Chico's	640	660
Aeropostale	630	906
J.Crew[a]	600	219
Title Nine	570	18
Hot Topic	560	657
Banana Republic	460	576
bebe[b]	450	213
Buckle	430	420
American Eagle Outfitters[c]	420	994
Abercrombie & Fitch	420	325
Zumiez	400	400
Joseph A. Bank	390	506
Express	350	591
Williams-Sonoma[d]	350	260
Cache/Cache Luxe	340	282
Gap	340	1,111
Ann Taylor	330	266
New York & Co.	330	555
Mall average	$300-$400	

[a] J.Crew sales per square foot include crewcuts, Madewell, and factory stores.
[b] Bebe sales per square foot include PH8 and 2b bebe.
[c] American Eagle Outfitters sales per square foot include aerie.
[d] Williams-Sonoma sales per square foot include Pottery Barn and West Elm.

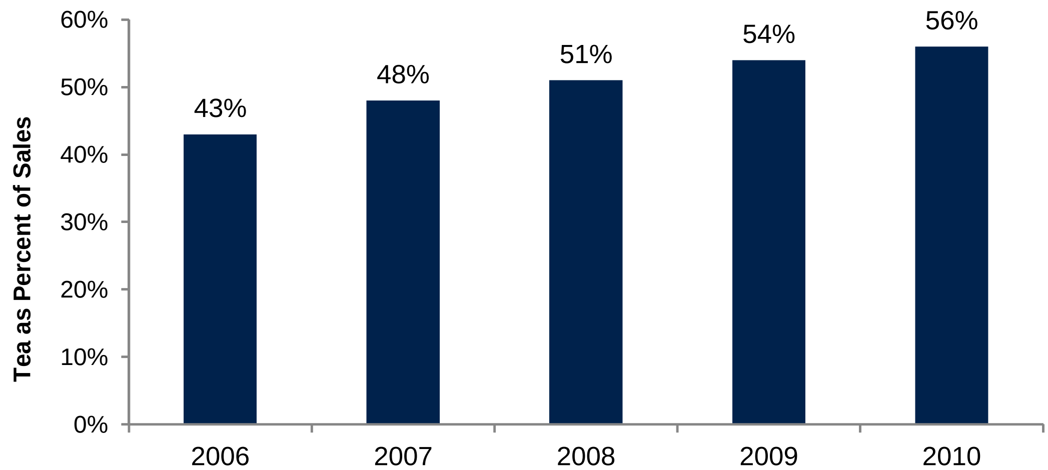
Sources: Company documents and William Blair & Company, L.L.C. estimates

Teavana's stores feature a "Wall of Tea" (roughly 100 tins of premium loose-leaf tea), a wide array of tea-related accessories and items, and highly trained store associates who educate consumers about Teavana's products and the tea-making process. With premium loose-leaf teas ranging from $3 to $40 for two ounces (the minimum amount sold), Teavana offers an affordable yet premium healthy lifestyle indulgence, with two ounces yielding an average of 20 to 25 cups of tea—translating to less than $1.80 per cup at the highest price point.

The U.S. tea market has experienced robust growth, reaching $5.2 billion in sales in 2009, according to market research firm Mintel, with a compound annual growth rate of roughly 11% from 2004 through 2009. We believe the U.S. market for tea still has plenty of room to grow, as the United States represented only about 9% of total worldwide tea sales of $56.6 billion in 2009, with per capita tea consumption well behind many other nations. Encouragingly, Mintel expects the tea market in the United States to continue to post steady growth, projecting an approximate 6% compound annual growth rate through 2014.

Excellent Store Productivity Yields Consistently Robust Store-Level Returns
Teavana averaged sales per store of $844,000 in 2010 (up nearly 6% year-over-year), with all classes of stores (by age) experiencing gains. Moreover, Teavana's merchandise mix becomes increasingly more profitable as stores mature, as the mix naturally shifts toward high-margin loose-leaf tea as a store ages (also indicative of strong customer loyalty).

Teavana Holdings, Inc.
High-Margin Tea Growing as Percent of Sales Mix



Sources: Company documents

Encouragingly, Teavana's performance has been remarkably similar across all regions of the country, including the West, Central, Northeast, and Southeast, with each region consisting of roughly 25% of locations and contributing roughly 25% of sales. Teavana's average four-wall cash contribution margin was 30% in 2010, with all stores profitable.

New-store sales productivity is targeted at $600,000 to $700,000 per year (although the company has easily exceeded that target each of the past two years) on a net cash investment of $200,000 to $250,000 per store, as a greater proportion of non-A malls are expected to account for future growth. New stores are anticipated to generate 25% cash contribution margins and cash-on-cash returns of about 75%, with a payback period of roughly 18 months.

Teavana Holdings, Inc.
Impressive Unit Economics
($ in thousands)

	Existing Locations	Model for New Units
Cash investment	$225	
Capitalized operating leases*	76	
Fully capitalized investment	$301	
Average store size (square feet)	888	950
Sales	**$844**	**$650**
Sales per square foot	*$994*	*$684*
Unit-level cash contribution	$253	$163
Depreciation	34	34
Operating income	**$219**	**$129**
Cash contribution margin	30%	25%
Operating margin	26%	20%
Cash-on-cash return on investment	**113%**	**72%**
After-tax return on fully capitalized investment	**44%**	**26%**

*Capitalized at 8 times annual rent

Sources: Company documents and William Blair & Company, L.L.C. estimates

Ample Opportunity for Store Expansion

From about 180 company-owned stores today, we believe that Teavana has the opportunity to nearly triple its U.S. store base, in keeping with management's goal of reaching 500 domestic stores by 2015. Should Teavana meet its objectives, it would be one of the fastest-growing publicly traded retailers, with 50 new company-owned stores expected in 2011 (up 34%) and 60 new stores in 2012 (up 31%).

While Teavana's growth plans are aggressive, we believe they may also be necessary to cement the concept's first-mover advantage, particularly as others are likely to notice Teavana's highly profitable model now that the company is publicly traded. We believe there are 500 high-quality domestic malls that meet Teavana's requirements, and we see the potential for the company to augment its mall-based locations with strategically placed street locations in the future. Teavana also has 17 franchised stores in Mexico, and we expect the company to explore additional international expansion opportunities in coming years through company-owned development and/or franchised agreements. To this point, Teavana recently announced a 10-year development agreement in the Middle East with Alshaya, a leading franchise operator of other concepts such as Starbucks, P.F. Chang's, and The Cheesecake Factory.

Over the longer term, we believe the Holy Grail would be for Teavana to evolve from a retailer into a market-defining brand, similar to what Starbucks has achieved over the past 20 years. While such stories are rare, we see parallels in Teavana bringing its European-style specialty tea retail experience to the United States to the way Starbucks introduced Americans to Italian-based espresso beverages. If Teavana can define the tea market in the way that Starbucks has dominated specialty coffee, we see the potential for meaningful brand extension opportunities in the premium grocery and foodservice channels (Starbucks's consumer packaged goods business accounted for 17% of its operating profits in fiscal 2010).

We Expect 30% Annual EPS Growth Over the Next Three to Five Years

We expect 25%-plus unit expansion and same-store sales gains of 3% to 4% per year will yield annual revenue growth in the high-20% range over the next three to five years. We expect a modest contraction in operating margin in 2011 given incremental infrastructure expenses associated with the company's new store support center, expansion of the company's distribution center, and the buildout of systems and marketing functions. In addition, we see the potential for a mix shift toward lower-margin merchandise over the holidays this year, a category that management believes underperformed in 2010 (merchandise seasonally peaks as a percent of sales during the holidays).

Despite the potential for infrastructure investments to constrain margins over the near term, we expect consistent operating margin improvement beginning in calendar 2012 and more so in calendar 2013 given a favorable mix shift toward higher-margin loose-leaf tea as stores mature, the benefits of increased scale with suppliers, and leverage on fixed costs. Over the longer term, we believe operating margins in the low-20% range are achievable, versus 18.8% in 2010.

Primarily reflecting strong sales growth, we project EPS of $0.44 this year (up 39%), $0.59 in 2012 (up 34%), and $0.77 in 2013 (up 30%).

Premium Stock Valuation Appears Fair Given Growth Prospects

Teavana's stock valuation of 41 times our calendar 2012 EPS estimate reflects a premium to its peer group average of roughly 22 times, which includes specialty beverage retailers such as Starbucks, Caribou Coffee, and Peet's, as well as other retailers that cater to higher-income consumers, such as Williams-Sonoma, Coach, Whole Foods Market, and lululemon athletica. However, Teavana's long-term EPS growth rate of 30% eclipses even its fastest-growing peer (lululemon at 25%) and easily surpasses the peer group average of 18%. As a result, although Teavana's PEG ratio of 1.4 times exceeds its peer group average of 1.2 times, its premium is in keeping with high-quality, resilient premium retailers such as Whole Foods, lululemon, Peet's, and The Fresh Market (all with PEG ratios of 1.3 to 1.7 times).

While we would not call for multiple expansion from current levels, we believe that Teavana's premium valuation is justified given its strong growth prospects and historically resilient sales trends, and we expect investors to be rewarded with healthy 30% annual EPS growth with the potential for upside. We are initiating coverage with an Outperform rating and Aggressive Growth company profile.

Teavana Holdings, Inc.
Comparative Valuation Analysis
($ in million, except per share)

		Stock		Market	2010 Operating Summary[a]					Earnings			Valuation			
	Stock Price	Performance		Capitalization	Same-Store	Sales	Gross	Operating	Return on	EPS Growth		Long-Term	Price/	Price/	CY12E	EV/CY EBITDA
Company	**9/2/11**	**YTD**	**2010**	**(in millions)**	**Sales Growth**	**Growth**	**Margin**	**Margin**	**Invested Capital[b]**	**CY11E**	**CY12E**	**EPS Growth Rate**	**CY11E EPS**	**CY12E EPS**	**PEG Ratio**	**2012E**
Starbucks	$37.49	16.7%	39.3%	$28,934.8	7%	10%	58%	14%	15%	13%	19%	17%	23.6x	19.8x	1.2x	10.2x
Coach	53.21	-3.8%	51.4%	16,049.2	NA	12%	73%	32%	32%	13%	18%	14%	17.0	14.3	1.1	8.7
Whole Foods	63.11	24.7%	84.3%	11,272.1	9%	12%	35%	5%	8%	25%	14%	16%	31.3	27.3	1.7	10.5
lululemon	53.15	55.4%	127.3%	7,702.0	30%	57%	55%	25%	33%	27%	25%	25%	49.4	39.7	1.6	22.3
Abercrombie & Fitch	60.43	4.9%	65.4%	5,465.3	7%	18%	64%	7%	8%	57%	46%	17%	18.8	12.9	0.7	5.2
Urban Outfitters	25.96	-27.5%	2.3%	4,172.9	9%	17%	41%	18%	19%	-4%	26%	20%	16.9	13.5	0.7	5.9
Williams-Sonoma	31.30	-12.3%	71.8%	3,354.8	10%	13%	39%	10%	15%	14%	13%	15%	14.1	12.5	0.8	5.1
Chico's	12.98	7.9%	-14.4%	2,285.9	6%	11%	56%	9%	13%	37%	18%	15%	14.6	12.4	0.8	4.4
Fresh Market (The)	36.21	-12.1%	87.3%	1,742.5	5%	16%	33%	7%	19%	24%	23%	21%	34.0	27.7	1.3	12.0
Peet's	55.35	32.6%	25.2%	748.3	NA	9%	54%	9%	11%	12%	23%	18%	37.0	30.1	1.7	12.9
Caribou Coffee	14.21	41.0%	30.6%	293.7	5%	8%	54%	4%	14%	-10%	24%	23%	34.8	28.0	1.2	8.5
Average		11.6%	51.9%	$7,456.5	10%	17%	51%	13%	17%	19%	23%	18%	26.5x	21.7x	1.2x	9.6x
S&P 500	1173.96									12%	9%	8%				
Teavana	**$23.99**	**41.1%**	**NA**	**$930.8**	**9%**	**38%**	**63%**	**19%**	**19%**	**39%**	**34%**	**30%**	**54.4x**	**40.5x**	**1.4x**	**19.7x**

[a]Fiscal year closest to calendar 2010
[b]Net operating profit after taxes (excluding nonrecurring items)/invested capital; operating leases capitalized at 8 times

Sources: Thomson, company documents, and William Blair & Company, L.L.C. estimates

Investment Risks

Rate of Store Growth Could Strain Operations

Teavana's plan to expand its domestic company-owned store base from about 180 stores today to 500 stores over the next five years is ambitious and could strain the company's human resources while potentially damaging its distinctive culture based on extensive training and superior customer service. In the near term, Teavana plans to open 50 stores in 2011 (up 34%) and 60 stores in 2012 (up 31%), and we project 70 new stores in 2013 (up 27%). While we believe that Teavana is well positioned to execute on its plans for new stores, we view the company's ability to successfully open high-volume new stores as critical to the stock's performance.

New Stores May Not Be as Productive as Existing Store Base

Teavana has achieved sales productivity that is among the highest in mall-based retail. However, as the company grows, its proportion of "A" malls will decrease as Teavana enters a wider array of less productive malls, which could result in average unit volumes declining from current levels. Management is already handicapping for this potential outcome, modeling new store volumes at $600,000 to $700,000. Importantly, even at lower volumes, unit-level returns remain healthy, as stores within this sales bandwidth achieved cash contribution margins of 25% to 30% in 2010.

Reliance on Single Product Category

Teavana's business is concentrated on a single product—premium loose-leaf tea—and its related merchandise. Teavana's sales would likely be penalized by any negative news related to the quality or safety of tea or tea-related products.

Exposure to Mall-Based Traffic Trends and Seasonality of Earnings

Teavana's mall-based real estate strategy renders it susceptible to mall traffic trends. In addition, Teavana earns the bulk of its earnings in its fiscal fourth quarter of the year, which typically has roughly twice the revenue of any other quarter and contributes the vast majority of full-year earnings (75% in 2010). As a result, the company is particularly vulnerable to events that hinder consumer spending or mall traffic during the holidays. The first quarter is the second-most-profitable quarter for Teavana, with the second and third quarters only slightly profitable.

Limited Float Post-Deal

Teavana has a limited float following the company's IPO, as founder and CEO Andrew Mack still holds 57% of shares and private-equity investor Parallel Investment Partners holds 19%.

Teavana Holdings, Inc.
Quarterly Earnings Model
($ in millions, except per share)

Fiscal year ending January	2009	Apr-10	Jul-10	Oct-10	Jan-11	2010	Apr-11	Jul-11	Oct-11E	Jan-12E	2011E	Apr-12E	Jul-12E	Oct-12E	Jan-13E	2012E	2013E
Company-owned	108	118	128	141	146	146	161	179	188	196	196	211	221	241	256	256	326
Franchised	15	15	15	15	15	15	19	19	19	19	19	19	20	20	20	20	22
Total stores	123	133	143	156	161	161	180	198	207	215	215	230	241	261	276	276	348
% change	20.6%	24.3%	23.3%	27.9%	30.9%	30.9%	35.3%	38.5%	32.7%	33.5%	33.5%	27.8%	21.7%	26.1%	28.4%	28.4%	26.1%
Same-store sales	**6.9%**	**15.7%**	**6.9%**	**5.9%**	**7.5%**	**8.7%**	**6.0%**	**6.9%**	**4.0%**	**3.0%**	**4.5%**	**4.0%**	**3.0%**	**4.0%**	**4.0%**	**3.8%**	**4.0%**
Revenues	$90.3	$25.8	$23.0	$24.7	$51.2	$124.7	$34.9	$31.3	$32.4	$65.8	$164.4	$45.8	$38.9	$40.3	$84.0	$209.1	$267.8
Cost of sales (including occupancy)	36.4	10.0	9.5	10.2	16.6	46.3	12.5	12.2	12.8	21.9	59.3	16.1	15.1	15.8	27.5	74.5	94.8
Gross profit	$53.8	$15.8	$13.5	$14.5	$34.6	$78.4	$22.5	$19.1	$19.6	$43.9	$105.1	$29.7	$23.8	$24.5	$56.5	$134.6	$173.0
Selling, general, and administrative	38.1	10.8	10.8	12.1	16.8	50.6	14.8	15.4	16.5	22.1	68.7	19.9	19.7	20.5	27.7	87.8	111.7
Depreciation and amortization	3.5	1.0	1.1	1.1	1.2	4.4	1.3	1.4	1.6	1.7	6.0	1.8	1.9	2.0	2.2	7.9	10.5
Operating income	$12.2	$4.0	$1.7	$1.3	$16.6	$23.5	$6.5	$2.3	$1.5	$20.1	$30.4	$8.0	$2.2	$2.1	$26.6	$38.9	$50.8
Interest expense, net	2.4	0.6	0.7	0.7	0.6	2.6	0.7	0.7	0.3	0.1	1.8	0.1	0.1	0.1	0.1	0.4	0.4
Pretax income	$9.8	$3.4	$1.0	$0.6	$15.9	$20.9	$5.8	$1.6	$1.2	$20.0	$28.6	$7.9	$2.1	$2.0	$26.5	$38.5	$50.4
Tax rate	45.8%	42.6%	42.7%	42.4%	42.6%	42.6%	42.4%	35.2%	40.8%	40.8%	40.8%	39.8%	39.8%	39.8%	39.8%	39.8%	39.8%
Net income	$5.3	$1.9	$0.6	$0.3	$9.1	$12.0	$3.3	$1.0	$0.7	$11.9	$16.9	$4.8	$1.3	$1.2	$16.0	$23.2	$30.4
Diluted average shares	37.3	37.5	37.6	37.7	37.7	37.7	37.7	37.8	38.8	38.9	38.3	39.0	39.1	39.2	39.3	39.2	39.4
EPS	**$0.14**	**$0.05**	**$0.02**	**$0.01**	**$0.24**	**$0.32**	**$0.09**	**$0.03**	**$0.02**	**$0.30**	**$0.44**	**$0.12**	**$0.03**	**$0.03**	**$0.41**	**$0.59**	**$0.77**
Margins:																	
Gross margin	59.6%	61.1%	58.9%	58.6%	67.7%	62.9%	64.4%	61.1%	60.5%	66.7%	63.9%	64.9%	61.1%	60.9%	67.3%	64.4%	64.6%
Selling, general, and administrative	42.3%	41.9%	47.0%	49.0%	32.9%	40.6%	42.2%	49.1%	51.0%	33.6%	41.8%	43.5%	50.5%	50.8%	33.0%	42.0%	41.7%
Depreciation and amortization	3.9%	3.8%	4.6%	4.5%	2.4%	3.5%	3.6%	4.6%	4.9%	2.6%	3.7%	3.9%	4.9%	5.0%	2.6%	3.8%	3.9%
Operating margin	13.5%	15.4%	7.2%	5.2%	32.4%	18.8%	18.5%	7.4%	4.6%	30.5%	18.5%	17.5%	5.7%	5.1%	31.7%	18.6%	19.0%
Growth rates:																	
Revenues	41.3%	43.3%	33.1%	32.4%	41.0%	38.2%	35.6%	36.3%	30.7%	28.6%	31.9%	31.2%	24.3%	24.6%	27.6%	27.1%	28.1%
Selling, general, and administrative	30.4%	26.2%	26.1%	33.2%	41.4%	32.6%	36.6%	42.2%	36.1%	31.3%	35.9%	35.1%	27.9%	24.1%	25.3%	27.7%	27.2%
Depreciation and amortization	30.9%	21.6%	21.8%	22.0%	34.1%	25.0%	30.9%	34.7%	44.1%	39.3%	37.6%	41.3%	33.1%	25.0%	29.4%	31.6%	32.9%
Operating income	156.2%	276.4%	338.1%	100.5%	63.8%	92.6%	62.3%	40.8%	15.2%	21.2%	29.2%	24.1%	-4.6%	40.5%	32.5%	28.2%	30.6%
EPS	339.3%	686.6%	NM	NM	74.9%	124.4%	71.3%	78.1%	99.0%	25.7%	38.7%	38.6%	20.0%	69.0%	33.2%	34.2%	30.1%

Sources: Company documents and William Blair & Company, L.L.C. estimates

William Blair & Company, L.L.C. was a manager or co-manager of a public offering of equity securities for Teavana Holdings, Inc. within the prior 12 months.

William Blair & Company, L.L.C. is a market maker in the security of Teavana Holdings, Inc. and may have a long or short position.

Additional information is available upon request.

Current Rating Distribution (as of 08/31/11)

Coverage Universe	**Percent**	**Inv. Banking Relationships***	**Percent**
Outperform (Buy)	59	Outperform (Buy)	8
Market Perform (Hold)	31	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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