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Reason for Report:
Initiating Coverage

Changes	Previous	Current
Rating	--	Overweight
Price Tgt	--	$27.00
FY12E Rev (mil)	--	$163.7
FY13E Rev (mil)	--	$206.6
FY12E EPS	--	$0.44
FY13E EPS	--	$0.59

Price:	$23.99
52 Week High:	$29.35
52 Week Low:	$17.00
12-Month Price Target:	$27.00
35x FY14E EPS	
Shares Out (mil):	37.8
Market Cap. (mil):	$906.8
Avg Daily Vol (000):	NM
Book Value/Share:	$0.81
Net Cash Per Share:	NM
Debt to Total Capital:	39%
Div (ann):	$0.00
Est LT EPS Growth:	35%
P/E to LT EPS Growth (FY11):	2.1x
Est Next Rep Date:	12/01/2011
Fiscal Year End:	Jan

Rev (mil)	2011A	2012E	2013E
Apr	$25.8A	$34.9A	$44.7E
Jul	$23.0A	$31.3A	$38.1E
Oct	$24.8A	$31.5E	$39.8E
Jan	$51.2A	$65.9E	$84.0E
FY	$124.7A	$163.7E	$206.6E
CY	$163.7A	$206.6E	$260.2E
FY RM	7.3x	5.5x	4.4x
CY RM	5.5x	4.4x	3.5x

EPS	2011A	2012E	2013E
Apr	$0.05A	$0.09A	$0.12E
Jul	$0.02A	$0.03A	$0.03E
Oct	$0.01A	$0.01E	$0.03E
Jan	$0.24A	$0.30E	$0.41E
FY	$0.32A	$0.44E	$0.59E
CY	$0.44E	$0.59E	$0.77E
FY P/E	75.0x	54.5x	40.7x
CY P/E	54.5x	40.7x	31.2x

Teavana Holdings, Inc. (TEA - $23.99)
Overweight

Growth Prospects Give Us An Oo-Long View; Initiating Coverage w/ Overweight

CONCLUSION:
We are launching coverage on TEA shares with an Overweight rating and $27 price target given our belief that Teavana is in the early stages of its store expansion with a proven and highly profitable concept. No doubt, with the shares trading at 41x FY13E EPS, we suspect investors are looking forward to opportunities such as international expansion and the launch of a CPG line, which represent potentially significant un-modeled opportunities and are discussed in detail in this report. Furthermore, we believe that given Teavana's high merchandise margins, upside to our +3% SSS estimate could result in meaningful upside to earnings.

- **Teavana Is A High-Quality Growth Story In An Emerging Category.** Teavana is a specialty retailer of high-end loose tea and tea-related merchandise operating 179 stores. We believe Teavana has the potential to grow to 500+ stores over the next five years, and we expect e-commerce sales to grow from 7% penetration to more than 10% in that time. Aside from strong top-line growth stemming from store openings and same-store sales growth, we expect earnings growth to come from enhanced product margins as Teavana's merchandise mix continues to shift more towards the high-margin loose tea category.

- **Un-Modeled Opportunities Could Play Major Role In Long-Term Growth.** In assessing Teavana's longer-term value, we believe it is important for investors to consider the potential impact of several initiatives that are beyond the scope of our model. Specifically, we believe that the opening of company-owned stores internationally, continued growth of its international franchise business, and the potential launch of a consumer-packaged-goods line could all represent accretive initiatives. In this report, we evaluate the potential impact of each of these initiatives, which we believe could play a meaningful role in TEA's longer-term earnings potential. The following report sets forth a framework to help investors think about the multi-faceted growth that we believe lies ahead of Teavana.

- **Competitive Landscape Is Highly Fragmented.** We believe Teavana fills a highly profitable, unoccupied niche in the competitive landscape. The market for high-end loose tea and tea-related accessories is highly fragmented, and there are currently no other specialty retailers of similar size in the U.S. focusing specifically on tea. We expect Teavana to benefit from growth in overall U.S. tea consumption, as well as outperformance of high-end specialty tea brands relative to mass brands typically sold through the food, drug, and mass channel.

INVESTMENT RECOMMENDATION:
We rate TEA shares Overweight with a $27 price target based on 35x FY14E EPS.

RISKS TO ACHIEVEMENT OF TARGET PRICE:
Macroeconomic pressures, risk to opening stores internationally and working with franchise partners, reliance on key top management, limited ability to hedge costs.

COMPANY DESCRIPTION:
Teavana is a specialty retailer of loose tea and related accessories operating approximately 179 stores.

Initiating Coverage On TEA With An Overweight Rating

We are initiating coverage on TEA shares with an Overweight investment rating given our belief that Teavana is in the early stages of a significant store expansion plan with a proven and highly profitable concept. The biggest pushback we anticipate receiving on our Overweight rating is from investors who question whether a stock should ever deserve a 35x multiple on 2013 earnings when we are "only" looking for 35% EPS growth this year, especially against a choppy macroeconomic backdrop characterized by high unemployment and fiscal austerity. We're no strangers to valuation, and these are certainly valid concerns, but if our 15+ years of experience covering retail growth stocks has taught us anything, it's that over-reliance on traditional valuation techniques for a proven, early-stage growth brand is an easy way to get burned.

The model we set forth represents an achievable and likely beatable set of assumptions through January 2014, and it is important to note several things about our projections. First of all, our model is predicated on growth of Teavana's core company-owned stores and e-commerce operations. The possibility of growth of the company's small franchise business, the potentially powerful launch of a consumer-packaged-goods or business-to-business line, and any future international store openings are all excluded from our model. As detailed throughout this report, we believe that such prospects represent potentially significant contributions to earnings, and we think it is important to be mindful of these opportunities.

Exhibit 1

VALUATION FOR GROWTH BRANDS

		Price	MktCap	EPS			Growth Rate		P/E Ratio			PEG	
Ticker	Company	9/2/2011	(bil.)	2010A	2011E	2012E	2011E	2012E	2010A	2011E	2012E	2011E	2012E
LULU	lululemon	$ 53.15	5.746	$ 0.79	$ 1.10	$ 1.36	40%	24%	67.7x	48.3x	39.1x	1.2x	1.7x
ULTA	Ulta	$ 55.33	3.386	$ 1.15	$ 1.64	$ 2.10	43%	28%	48.1x	33.7x	26.3x	0.8x	0.9x
UA	Under Armour	$ 67.36	2.676	$ 1.34	$ 1.76	$ 2.25	31%	28%	50.3x	38.3x	29.9x	1.2x	1.1x
CROX	Crocs	$ 25.40	2.272	$ 0.76	$ 1.37	$ 1.64	80%	20%	33.4x	18.5x	15.5x	0.2x	0.8x
TFM	The Fresh Market	$ 36.21	1.738	$ 0.86	$ 1.05	$ 1.29	22%	23%	42.1x	34.5x	28.1x	1.6x	1.2x
VRA	Vera Bradley	$ 32.89	1.332	$ 1.20	$ 1.35	$ 1.57	13%	16%	27.4x	24.4x	20.9x	1.9x	1.3x
VSI	Vitamin Shoppe	$ 44.09	1.284	$ 1.09	$ 1.52	$ 1.77	39%	16%	40.4x	29.0x	24.9x	0.7x	1.5x
FRAN	Francesca's	$ 22.26	0.969	$ 0.41	$ 0.53	$ 0.71	29%	34%	54.3x	42.0x	31.4x	1.4x	0.9x
PEET	Peet's Coffee And Tea	$ 55.35	0.715	$ 1.33	$ 1.47	$ 1.77	11%	20%	41.6x	37.7x	31.3x	3.6x	1.5x
RUE	Rue21	$ 22.56	0.550	$ 1.21	$ 1.52	$ 1.78	26%	17%	18.6x	14.8x	12.7x	0.6x	0.7x
mean							33%	23%	42.4x	32.1x	26.0x	1.3x	1.2x
median							30%	22%	41.9x	34.1x	27.2x	1.2x	1.2x
TEA	Teavana	$ 23.99	0.913	$ 0.32	$ 0.44	$ 0.59	38%	34%	75.0x	54.5x	40.7x	1.5x	1.2x

Source: Thomson One, Piper Jaffray & Co. estimates

For valuation purposes, we believe it is most appropriate to consider Teavana when compared to other high growth brands, particularly those with a healthy lifestyle niche. As shown in Exhibit 1, TEA shares currently trade at 41x 2012 (FY13) EPS, which represents a premium to its peer group average of 26x. We believe a premium valuation is justified in view of Teavana's well-above average growth prospects, and we note that valuation for TEA is in line with its peer group when looking at 2012 PEG.

Our price target of $27 is based on 35x our FY14 EPS estimate of $0.77, a premium to other publicly traded lifestyle brands and retailers. However, few other companies, in our opinion, have such a well mapped-out road of double-digit earnings growth. Even fewer are early enough along in the process that outsized earnings growth can support a premium multiple for an extended period of time as growth rates remain high, in our view. We believe our assigned multiple of 35x is appropriate given our expectation for 30% to 40% EPS growth or more for the foreseeable future.

We also note that Teavana is slated to deliver about 70% of its annual earnings in the upcoming fourth quarter. Should we gain visibility or increased conviction in the company's ability to meet or beat our expectations, we would be inclined to review our estimates and/or our price target as the fourth quarter unfolds.

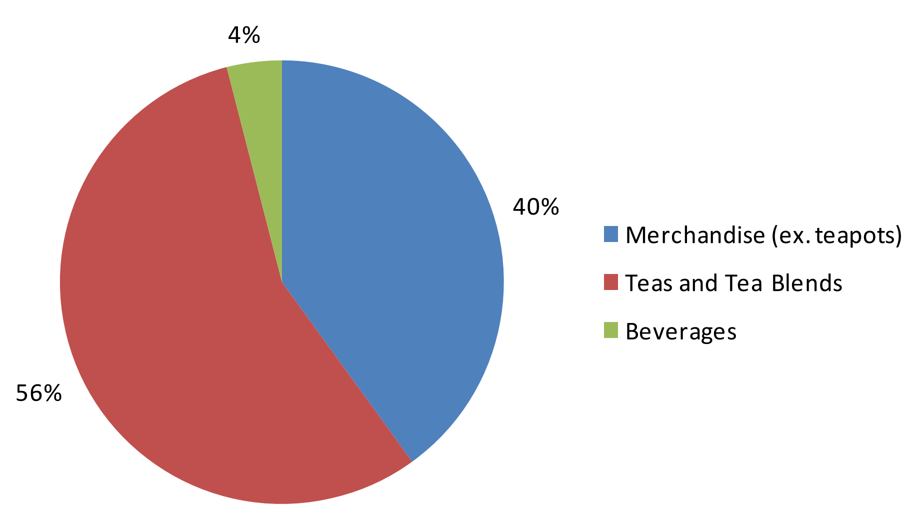
Teavana - It's Not A Restaurant

Teavana is a specialty retailer of tea and tea-related merchandise, founded in 1997 with the opening of its first store in Atlanta. In the fourteen years since the company's founding, Teavana has grown to 179 stores throughout the United States, offering proprietary loose tea blends and a mostly exclusive assortment of premium teapots and kettles. E-commerce sales accounted for 7% of total revenue in FY11, and we believe e-commerce penetration could likely exceed 10% in the next three to four years. Teavana's stores are located primarily in high-traffic locations in malls and lifestyle centers. Typical locations are located in centers with a premium anchor and upscale co-tenants such as Williams-Sonoma, Coach, and Chico's. Its stores are relatively small (800 to 900 square feet), but they are highly productive, averaging about $1,000 per square foot.

Teavana's merchandise assortment consists of loose tea and tea blends, tea-related merchandise, and beverages. As shown in the following exhibit, loose tea represents the lion's share of total revenue, with the remainder coming primarily from tea-related merchandise such as teapots, kettles, brewers, mugs, and other accessories. With the obvious exception of prepared beverages, Teavana's sales breakdown is similar in stores as it is online.

Exhibit 2

MERCHANDISE MIX (2010)



Source: Teavana

Competitive Landscape Is Highly Fragmented

We believe Teavana fills a highly profitable, unoccupied niche in the competitive landscape. The market for high-end loose tea and tea-related accessories is highly fragmented, and there are currently no other specialty retailers of similar size focusing specifically on tea. As shown in the following exhibit, Teavana's competition in the U.S. market is highly fragmented, with no major players exhibiting a strong brick and mortar presence. We believe that Teavana's scale and leverage, with landlords as well as merchandise vendors, enables it to achieve favorable merchandise and occupancy costs relative to what new entrants to the market would have to pay. Thus, we believe that Teavana will likely be able to reach its 500 store goal before any formidable competition is able to enter the fray.

Exhibit 3

BRICK AND MORTAR COMPETITION IS SMALL AND FRAGMENTED

Competitor	U.S. Locations	Global Locations	Countries	In U.S. Market Since
Tea Gschwendner	4	141	Europe, U.S., Middle East	2004
Lupicia	4	95	Japan, U.S.	2005
Adagio Teas	2	2	U.S.	1999
Amanzi Tea	2	2	U.S.	2004
Whittard	0	74	United Kingdom	NA
David's Tea	0	42	Canada	NA
Teapia	0	34	Canada	NA
Teavana	179	~176	U.S., Mexico	1997

Source: Teavana, Piper Jaffray & Co.

U.S. Tea Market Is Ripe For Further "High-End-Ification"

We expect Teavana to benefit from growth in overall U.S. tea consumption, as well as outperformance of high-end specialty tea brands relative to mass brands typically sold through the food, drug, and mass channel. A number of industry groups project U.S. tea consumption to increase at an 8% to 12% CAGR over the next four to five years, and we believe the domestic tea market is still very much in the early stages of the "high-end-ification" that has characterized previously homogeneous categories ranging from prepared coffee to athletic apparel to cupcakes to headphones. Whereas these categories had few high-end, niche, or differentiated offerings widely available to consumers as recently as five or ten years ago, we believe it is now considered commonplace among America's upper-middle class to pay $4 for a latte from Starbucks, a $100 for a pair of lululemon yoga pants, $5 for a Crumbs cupcake, or $70 for a pair of Skullcandy headphones.

What do these product categories all have in common? They all target an end-use that has widespread demographic appeal, and high-end offerings in each of these categories can easily be marketed to or perceived by customers as having a strong value proposition, either because of a low average ticket and opening price point (i.e. SBUX, CRMB), or because of a low "dollars per use" ratio (i.e. LULU, SKUL). We believe that tea could be undergoing a similar transformation, with high-end specialty brands likely to substantially outpace the overall category growth rate for the foreseeable future. In addition to widespread demographic appeal, we believe Teavana can easily communicate its value proposition to upper-income customers who see themselves as savvy, cost-conscious consumers. After all, two ounces of Teavana's basic loose teas costs under $4, and one could reasonably expect a $200 cast iron teapot to last for decades and sustain hundreds (or even thousands) of uses.

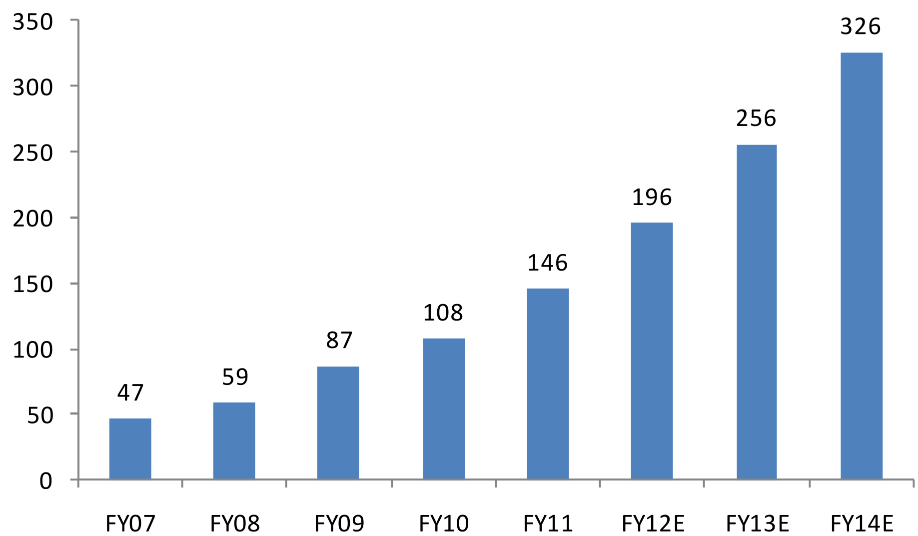
Teavana Represents A Unique Investment Proposition in Today's Market

In the current era of low to no square footage growth, Teavana strikes us as a rare gem of a good old-fashioned store growth story. Teavana checks all of our boxes when it comes to compelling growth stories: it fills an unaddressed need in the market place; its offerings have broad demographic and regional appeal; its merchandise is predominantly proprietary; and it has a successful operational track record of opening new stores. Beyond that, we note that Teavana's growth story is quite unique in that its merchandise mix naturally shifts to higher-margin loose tea sales as its store base matures. Thus, when Teavana's store base begins to approach saturation and square footage growth decelerates, margin growth will likely begin to accelerate.

Growth for Teavana over the next five years will likely stem primarily from new store openings, as the company plans to expand its store base from 179 to 500 over the next five years. Given Teavana's small box size and the widespread demographic appeal of its merchandise offerings, we view this as a realistic growth plan. Furthermore, we note that Teavana's current store base is spread evenly throughout the United States, and that sales productivity and profitability varies very little by region. As shown in the following exhibit, we expect Teavana to grow its store base by 34% in FY12 and 31% in FY13.

Exhibit 4

HISTORICAL AND PROJECTED STORE COUNT



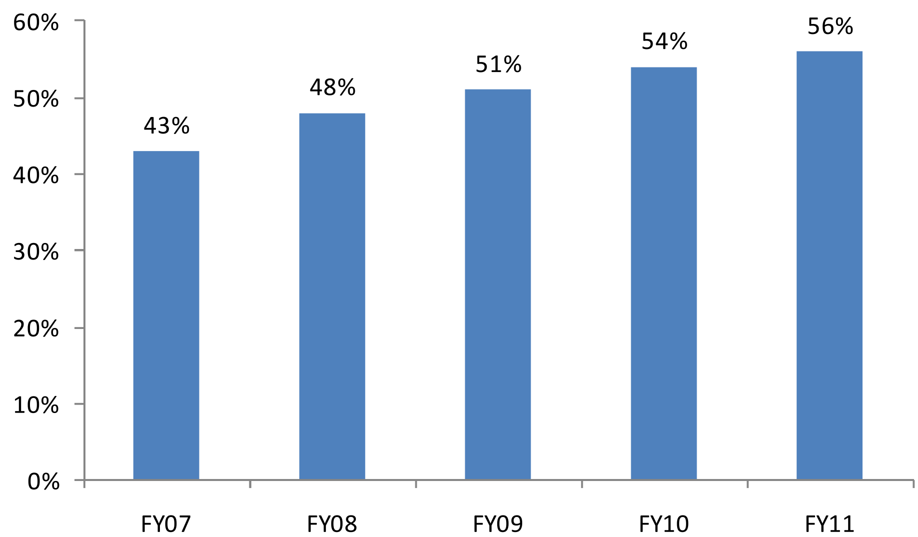
Source: Teavana, Piper Jaffray & Co.

Merchandise Mix Creates Unique Sales/Margin Trajectory

Excluding prepared beverages, which account for less than 5% of total net sales, Teavana's merchandise assortment has historically consisted of a roughly 50/50 split between loose tea and hard goods such as teapots and kettles, however, as shown in the exhibit below, it has been skewing towards a higher penetration of loose tea as a percentage of total sales over the past five years. This trend towards a greater proportion of loose tea sales is likely to continue for the foreseeable future and has a favorable impact to gross margin, as loose tea carries a considerably higher merchandise margin relative to the hard goods that Teavana sells.

Exhibit 5

LOOSE TEA AS A PERCENTAGE OF SALES



Source: Teavana

The primary reason that loose tea is increasing as a percentage of the total mix is a simple one, yet it is something rarely encountered in the wonderful world of publicly traded specialty retailers. When a new Teavana new store opens, most of the new store's customers are new to the Teavana brand, and many are new to drinking tea other than mass-brand teabags sold through the food, drug, and mass channel. When a new loyal customer is acquired, which naturally tends to happen more in the first year or two the store is open, our hypothetical new customer (let's call her Patti Pekoe) quickly realizes that microwaving a mug of water with a teabag in it just isn't going to cut it anymore. So she buys a stainless steel tea kettle. Then summer rolls around and she realizes she needs an iced tea pitcher. Eventually she caves and buys that cast iron teapot she's had her eye on. Now that Patti has an adequate arsenal of tea makers in her kitchen, her spending at Teavana will likely shift away from hard goods and towards loose tea and blends.

EBIT Contribution Likely Accelerates As New Stores Mature

Ok, so now Patti Pekoe has her cast iron teapot, stainless steel tea kettle, and iced tea pitcher. Now what? She may still buy the occasional tea canister for herself or gift set for a friend, but at this point in her tenure as a Teavana customer, her biggest hard good purchases are likely behind her. The evolution of the Patti's spending pattern has two unusual effects on the new store's profitability. Firstly, it leads to strong sales in year-one for a new store as new customers stock up on hard goods such as teapots and kettles. This leads to a tough comparison in year-two, as the ratio of existing customers to new customers increase. The basket of hard goods that Patti bought in year-one could cost anywhere from $150 to $450, and thus it is unlikely that her predominantly-loose-tea-spending in year-two will be enough to exceed her spending in year-one. Therefore, unlike most other retailers, Teavana's newest class of comparable stores typically weighs on total company same-store sales instead of lifting the chain higher.

The second unusual effect on the P&L owing to this spending mix shift is that margins for a new store can quickly ramp up even with little to no increase in sales. Patti may not spend as much at Teavana in year-two as she does in year-one, but her basket of purchases in year-two, which included a higher proportion of loose tea, likely entailed a substantially higher gross margin. To demonstrate this phenomenon, we have illustrated what we believe the EBIT contribution could look like for a hypothetical new store. As shown in the exhibit below, we believe that new stores are likely to see lower same-store sales for the first year or two, with EBIT-dollar contribution accelerating in years three and four.

Exhibit 6

EBIT CONTRIBUTION OF A HYPOTHETICAL NEW STORE

	Year-1	Year-2	Year-3	Year-4	Year-5	CAGR
Net Sales	$0.650	$0.650	$0.670	$0.700	$0.731	3.0%
Same-Store Sales		0.0%	3.0%	4.5%	4.5%	3.0%
% Loose Tea	35%	40%	45%	50%	55%	
4-Wall Contribution Margin	25%	27%	30%	32%	35%	
EBIT Contribution	$0.163	$0.178	$0.199	$0.226	$0.255	11.9%
Y/Y Change		9.0%	12.3%	13.5%	12.8%	

Source: Piper Jaffray & Co

E-Commerce Becoming a Major Share of "Tea"-Commerce

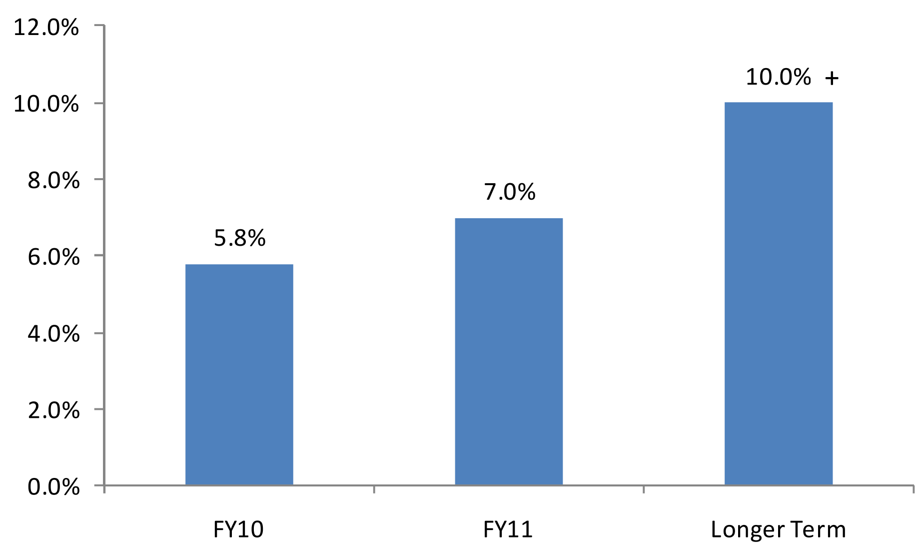
Teavana's e-commerce revenues have grown at a CAGR of 56% since FY08, and in FY11 the channel represented 7% of sales. Management expects to achieve 10% e-commerce penetration longer term, and we believe this will likely occur in the next three to four years. The merchandise assortment and mix between loose tea and hard goods online is comparable to Teavana's brick and mortar locations, and we believe that a strong majority of Teavana's e-commerce customers are also brick and mortar customers. Growth of the e-commerce channel will likely stem from new customer acquisition as Teavana grows its store base towards 500 locations from its current total of 179.

We believe that e-commerce sales could potentially represent 12% to 15% of net sales over the next five to seven years as multi-channel customers increasingly migrate online and as customers utilize the website more and more as an educational tool. Teavana has highly functional mobile and tablet applications, including for the iPhone and iPad, which offer full purchasing functionality, suggestions of new blends to try, and even a "tea timer" that can tell customers when to stop steeping their tea depending on the type of tea and brewing method.

The growing penetration of Teavana's e-commerce business should be a natural to total company operating margin, as we believe the online channel is more profitable and requires minimal capital investment to support. We believe that the average order size through the e-commerce channel is approximately 20% higher than in stores, even after excluding prepared beverages sold through the company's stores. Furthermore, we believe that the recent launch of Teavana's auto-ship program for loose teas, which enables customers to receive periodic deliveries on any teas at the customer's discretion, will likely help to further increase the merchandise mix penetration of loose tea, which could have a significant positive impact on gross margin.

Exhibit 7

E-COMMERCE PENETRATION



Source: Teavana, Piper Jaffray & Co.

Real Estate Strategy Is On Solid Footing

New store openings will likely be the primary driver of Teavana's earnings growth, and we believe the company's real estate strategy is well positioned to support this growth. We expect Teavana to open 50 net new stores in FY12, which represents 34% unit growth. For FY13 and FY14, we are estimating unit growth of 31% and 27% respectively, which would result in 326 locations by January 2014 versus management's goal of reaching 500 locations in five years.

Teavana's stores are highly productive, averaging about $1000 per square foot with an average box size of about 900 square feet. Due to Teavana's high sales productivity, small box size, strong new store growth, and the high traffic volume its stores capture, we believe Teavana is typically viewed as a highly attractive tenant for landlords of enclosed malls and lifestyle centers. Given the large white space in front of Teavana in terms of store growth, we believe it is often able to take advantage of opportunistic rents. As a result, 100% of Teavana's stores generate a positive four-wall EBIT contribution, which we believe is a testament to Teavana's demonstrated success in site selection. Going forward, management has indicated that it has identified about 150 future locations down to the individual real estate center, which should alone be sufficient to ensure two to three years of unit growth.

As shown in the exhibit below, new stores are typically highly productive from the start, with an average payback period of about 18 months. Teavana's net sales plan for new stores is approximately $600,000 to $700,000, and we believe that the contribution margin of its stores doing that level had a contribution margin of 25% to 30% in FY11.

Teavana's real estate department is headed by Robert Shapiro, who has been with the company since 2005. Prior to joining Teavana, Mr. Shapiro held senior level real-estate with the Limited, County Seat, Eddie, Bauer, and Zale Corp.

Exhibit 8

ATTRACTIVE NEW STORE ECONOMICS

Average Store Size	900 to 1,000 square feet
First Year Net Sales Plan	$600,000 to $700,000
Four Wall Contribution Margin	About 25%
Net Cash Investment*	$200,000 to $250,000
Cash on Cash Return	About 75%
Payback Period	About 18 Months

**store build out (ex tenant allowances), inventory, and cash preopening costs*

Source: Teavana

Upside To +3% SSS Projection Would Entail Substantial Upside to Earnings

Over the past five years, Teavana has achieved average annual same-store sales growth of about 6%. Teavana's merchandising and in-store execution initiatives, such as customer education and proprietary blends, could likely result in continued mid- to high-single-digit same-store growth in the future. In the interest of conservatism and in order to account for a maturing store base, we are modeling a lower 3% increase in same-store sales through the end of FY14. Given Teavana's high merchandise margins (particularly on its loose tea offerings), we estimate that should Teavana achieve same-store sales in excess of our 3% estimate, the EBIT margin on incremental sales would be approximately 50%.

Upside to our 3% same-store sales estimate would likely come from new customer acquisition, as Teavana continues to educate consumers on the health attributes and enjoyable qualities of tea. Furthermore, we believe there could be opportunities for existing customers to spend more than expected, as more experienced customers tend to increase their purchasing frequency over time as well as experiment with more expensive loose teas and blends.

As shown in the exhibit below, we believe the earnings impact from better-than-expected same-store sales could be substantial. We estimate that an 8% increase in same-store sales in FY13, assuming no upside to our model for the rest of FY12, would likely add between $0.06 and $0.07 of EPS upside to our model, resulting in EPS between $0.65 and $0.66. For FY14, 500 bps of same-store sales outperformance relative to our +3% estimate would likely result in $0.08 to $0.09 in upside to our estimate of $0.77.

Exhibit 9

EPS SENSITIVITY (FY13)

Same-Store Sales Increase	Incremental EBIT Margin: 45.0%	47.5%	50.0%	52.5%	55.0%
+8%	$0.65	$0.65	$0.65	$0.66	$0.66
+7%	$0.63	$0.64	$0.64	$0.64	$0.64
+6%	$0.62	$0.62	$0.63	$0.63	$0.63
+5%	$0.61	$0.61	$0.61	$0.61	$0.62
+4%	$0.60	$0.60	$0.60	$0.60	$0.60
* +3%	$0.59	$0.59	$0.59	$0.59	$0.59

Source: Piper Jaffray & Co.

Un-Modeled Opportunity: CPG Business

Our published EPS estimates call for a CAGR of approximately 35% over the next three years--well above the growth rates for most of its specialty retail peers. However, we believe much of TEA's incremental value lies beyond the scope of our model, which is based only on the company's existing brick and mortar and e-commerce channels. Longer-term, we believe that Teavana could launch a viable consumer packaged goods (CPG) line, which would leverage the company's supply-chain capabilities and likely entail minimal incremental overhead expense.

We believe Teavana is a strong candidate for a CPG line for several reasons. As is the case with the brick and mortar specialty channel, the competitive landscape for high-end teas in the domestic CPG market is highly fragmented and the larger players primarily focus on tea bags instead of loose tea. Teavana's price points and brand positioning would make it a strong partner, in our opinion, for high-end grocery or natural foods stores. Furthermore, with Teavana on a trajectory to exceed $100 million in revenue from loose tea sales alone next year, we believe Teavana's scale and sourcing efficiencies would enable it to offer high-end grocery stores a branded wholesale CPG offering at favorable economics relative to the grocer pursuing a private label offering.

In the exhibit below, we have illustrated what we believe the potential impact of a CPG business could be for Teavana. Given the high merchandise margins Teavana enjoys on its loose teas, we believe that even after taking into account packaging and other variable product costs, Teavana would likely achieve very high product margins on a CPG line. We believe that Teavana could likely add $0.09 to EPS longer term, depending on its ability to secure distribution to a sufficient number of doors. To be clear, these projections are not incorporated in our earnings model and are intended only to give a sense of the potential longer-term profitability potential of a CPG line.

Exhibit 10

CONSUMER PACKAGED GOODS EARNINGS POTENTIAL

	Year 1	Year 2	Longer-Term
Total Number of Doors	150	250	400
Net Sales	$ 3.938	$ 6.563	$ 10.500
Incremental Overhead	$ 2.000	$ 2.250	$ 2.500
Incremental EBIT	$ 1.094	$ 2.906	$ 5.750
EBIT Contribution Margin	27.8%	44.3%	54.8%
Incremental EPS	$ 0.02	$ 0.04	$ 0.09

Source: Piper Jaffray & Co.

Un-Modeled Opportunity: International Expansion (Company-Owned)

Over the next several years, we believe it is highly likely that management will seek to open international stores as Teavana approaches its target of 500 stores in the United States. We expect international expansion to take a two-pronged approach, with Teavana opening company-owned stores in markets such as Canada and Western Europe, while utilizing franchise agreements to build its presence in less developed global markets. Given the world-wide consumption and awareness of tea, we believe that Teavana could be a viable retail concept on every continent on the planet, with the possible exception of Antarctica (and even in Antarctica, wouldn't the few researchers and die-hard *Alien vs. Predator* fans out there want a steaming hot cup of tea?).

U.S. retailers have a long history of successfully opening stores in Canada, and a shorter (but perhaps more profitable) history of successfully expanding to Western European markets such as the U.K., France, Germany, and Italy. Markets such as Canada and Western Europe typically feature similar real estate dynamics and traffic patterns to the United States market, and we believe expansion into these markets represents is achievable from an operational standpoint.

In the exhibit below, we examine the potential earnings power of international expansion using company-owned stores. Based on our work with other American specialty retailers opening stores internationally, our assumptions include slightly higher sales productivity and merchandise margins for international stores, partially offset by higher occupancy and labor costs. We believe that company-owned stores in Canada and Western Europe could eventually account for $0.36 or more in sustainable annual EPS.

Exhibit 11

INTERNATIONAL GROWTH OPPORTUNITY - COMPANY-OWNED

	Year 1	Year 2	Year 3	Longer-Term
Company-Owned International Doors	15	40	75	100
Net Sales	$ 11.250	$ 30.338	$ 57.498	$ 77.973
% Loose Tea	40%	45%	48%	50%
4-Wall Contribution Margin	27.2%	29.4%	30.7%	31.7%
Depreciation of $10M Infrastructure Buildout	$ 1.000	$ 1.000	$ 1.000	$ 1.000
Incremental EBIT	$ 2.064	$ 7.920	$ 16.678	$ 23.748
Incremental EPS	$ 0.03	$ 0.12	$ 0.26	$ 0.36

Source: Piper Jaffray & Co.

Un-Modeled Opportunity: International Expansion (Franchised)

While we believe Teavana will likely seek to open company-owned stores in Canada and Western Europe, we expect international expansion into Latin America, Asia, and the Middle East to be pursued through franchise arrangements. We believe the global appeal of tea creates the potential for a large customer base in less developed markets, and Teavana's high merchandise margins and flexible real estate requirements likely make Teavana an attractive retailer for top-tier local retail operators to partner with. On 9/2/11, Teavana announced that it entered into a ten-year franchise agreement for development in eight Middle Eastern countries with the Alshaya group, a leading franchisee with experience operating stores with brands such as Starbucks, American Eagle, and Pottery Barn.

We fully acknowledge that part of Teavana's success in the United States has stemmed from its ability to grow the overall category of tea by introducing high-end loose tea and hard goods that largely represent new category offerings for domestic consumers in new markets where Teavana opens a store. With this in mind, clearly Teavana will face a different set of challenges and opportunities on each continent it enters. While Teavana may find it difficult to replicate its U.S. mall-based market positioning in markets such as China, we believe there could be substantial opportunity for Teavana to penetrate such markets through the travel retail channel, with duty-free stores in particular representing a big opportunity.

There were 19 franchised Teavana locations at the end of FQ1, up from 15 at the end of FY11. All but two of these stores are in Mexico, and we believe these stores are performing well for Teavana's franchise partner in the region. In terms of economics, Teavana typically collects initial franchise fees in connection with newly franchised stores as well as continuing royalty fees, which are based on a percentage of the franchised location's revenue. Franchisees purchase their stores' loose tea and hard goods on a wholesale basis from Teavana.

As shown in the following table, we believe modest growth of Teavana's franchised doors by expanding into new geographic regions could add $0.10 to annual EPS longer term. This growth is based on a set of assumptions which we believe are likely conservative. Specifically, our analysis is based on an initial franchise fee of $30,000 and a continuing royalty fee of 4.5%. Our analysis assumes productivity of $500,000 in net sales (to the franchisee) per franchised location, which we believe is conservative given that Teavana's company-owned locations averaged more than $800,000 per door in FY11 and the company targets $600,000 to $700,000 in first year sales for new domestic locations.

Exhibit 12

INTERNATIONAL GROWTH OPPORTUNITY - FRANCHISED

	Year 1	Year 2	Longer-Term
Franchise Doors	25	50	150
Initial Franchise Fee	$ 0.300	$ 0.750	$ 0.750
Continuing Royalty Fees	$ 0.563	$ 1.125	$ 3.375
Wholesale Profit Dollars	$ 0.375	$ 0.750	$ 2.250
Incremental EBIT	$ 1.238	$ 2.625	$ 6.375
Incremental EPS	$ 0.02	$ 0.04	$ 0.10

Source: Piper Jaffray & Co.

Longstanding Senior Management Team At The Helm

- **Andrew Mack, CEO.** Mr. Mack co-founded Teavana in 1997 with his wife, Nancy. Prior to founding Teavana, he held a variety of positions with Darden Restaurants and received a bachelor's degree from East Tennessee State.
- **Dan Glennon, CFO.** Mr. Glennon first joined Teavana in 2005 following a career in strategy consulting at Marakon Associates, where he consulted to many industry leading retailers. Mr. Glennon is also a CPA and has prior experience with Arthur Andersen.
- **Peter Luckhurst, VP-Stores.** Mr. Luckhurst joined Teavana in 2005. Prior to joining Teavana, he was President of North America for HMV, a specialty music retailer.
- **Robert Shapiro, VP-Real Estate.** Mr. Shapiro joined Teavana in 2005. His prior experience consists of senior-level real estate positions with the Limited, County Seat, Eddie Bauer, and Zale Corp.
- **Juergen Link, VP-Distribution.** Mr. Link founded SpecialTeas in 1995, which was acquired by Teavana in 2006. Mr. Link oversees vendor relationships and manages Teavana's distribution center in Stratford, CT.
- **Jay Allen, VP-E-commerce.** Mr. Allen joined Teavana in 2008. His prior experience includes helping to grow the e-commerce businesses of Casual Male and Cutter & Buck.
- **Patrick Farrell, VP-Merchandising.** Mr. Farrell joined Teavana in 2008 following his tenure as General Manager of Urban Outfitters' e-commerce and catalog business.

Risk Factors

Macro. Consumer spending is dependent on such macro-economic factors as employment, energy prices, consumer confidence, and personal asset values.

Competition. Retail sector is mature, thus relegating the group to margin erosion during times of slowdown in demand.

International Risks. Teavana has only limited experience operating outside of the U.S. market. Further growth will depend on the ability to effectively source its products and secure capable franchise partners.

Limited Ability to Hedge Costs. Unlike other food commodities such as coffee, milk, and frozen concentrated orange juice, tea futures are not traded on any major exchange, thus potentially pressuring Teavana's margins if costs rise.

Availability of Real Estate. Teavana's growth model is predicated on a high number of new store openings. Should Teavana find it difficult to secure an adequate number of appropriate locations, growth targets could be at risk.

Dependence on Key Top Management. We believe a disruption to the ranks could have a potential negative impact should a key executive leave the company or join a competitor.

Limited Public Company Experience. Teavana has limited experience operating as a public company, and thus may initially find it difficult to manage investor expectations resulting in increased stock price volatility.

Income Statement 9/6/2011
(Millions of Dollars, Except Per-Share Data)

	FY 2007	FY 2008	FY 2009	FY 2010	Q1 Apr-10	Q2 Jul-10	Q3 Oct-10	Q4 Jan-11	FY 2011	Q1 Apr-11	Q2 Jul-11	Q3E Oct-11	Q4E Jan-12	FYE 2012	Q1E Apr-12	Q2E Jul-12	Q3E Oct-12	Q4E Jan-13	FYE 2013	FYE 2014
Net sales	33.760	47.200	63.860	90.260	25.770	22.980	24.750	51.200	124.700	34.939	31.313	31.548	65.887	163.687	44.668	38.130	39.783	83.999	206.580	260.181
% Change		*39.8%*	*35.3%*	*41.3%*	*43.2%*	*33.1%*	*32.4%*	*41.0%*	*38.2%*	*35.6%*	*36.3%*	*27.5%*	*28.7%*	*31.3%*	*27.8%*	*21.8%*	*26.1%*	*27.5%*	*26.2%*	*25.9%*
Cost of goods sold	15.930	19.970	27.190	36.430	10.020	9.460	10.240	16.560	46.280	12.451	12.186	12.777	21.940	59.354	15.678	15.290	15.873	27.720	74.562	92.838
% of Net sales	*47.2%*	*42.3%*	*42.6%*	*40.4%*	*38.9%*	*41.2%*	*41.4%*	*32.3%*	*37.1%*	*35.6%*	*38.9%*	*40.5%*	*33.3%*	*36.3%*	*35.1%*	*40.1%*	*39.9%*	*33.0%*	*36.1%*	*35.7%*
Gross profit	17.830	27.230	36.670	53.830	15.750	13.520	14.510	34.640	78.420	22.488	19.127	18.771	43.946	104.333	28.989	22.840	23.910	56.279	132.018	167.343
% Gross Margin	*52.8%*	*57.7%*	*57.4%*	*59.6%*	*61.1%*	*58.8%*	*58.6%*	*67.7%*	*62.9%*	*64.4%*	*61.1%*	*59.5%*	*66.7%*	*63.7%*	*64.9%*	*59.9%*	*60.1%*	*67.0%*	*63.9%*	*64.3%*
Selling, general, and administrative expenses	16.500	22.230	29.240	38.140	10.800	10.810	12.120	16.840	50.570	14.758	15.367	15.932	21.677	67.734	19.430	18.684	19.931	27.636	85.681	106.914
% of Net sales	*48.9%*	*47.1%*	*45.8%*	*42.3%*	*41.9%*	*47.0%*	*49.0%*	*32.9%*	*40.6%*	*42.2%*	*49.1%*	*50.5%*	*32.9%*	*41.4%*	*43.5%*	*49.0%*	*50.1%*	*32.9%*	*41.5%*	*41.1%*
EBITDA	1.330	5.000	7.430	15.690	4.950	2.710	2.390	17.800	27.850	7.730	3.760	2.839	22.270	36.599	9.559	4.156	3.978	28.644	46.337	60.430
EBITDA Margin	*3.9%*	*10.6%*	*11.6%*	*17.4%*	*19.2%*	*11.8%*	*9.7%*	*34.8%*	*22.3%*	*22.1%*	*12.0%*	*9.0%*	*33.8%*	*22.4%*	*21.4%*	*10.9%*	*10.0%*	*34.1%*	*22.4%*	*23.2%*
Depreciation & amortization	1.510	2.020	2.670	3.490	0.970	1.060	1.110	1.220	4.360	1.274	1.428	1.600	1.690	5.992	1.800	1.900	2.030	2.150	7.880	9.900
% of Net sales	*4.5%*	*4.3%*	*4.2%*	*3.9%*	*3.8%*	*4.6%*	*4.5%*	*2.4%*	*3.5%*	*3.6%*	*4.6%*	*5.1%*	*2.6%*	*3.7%*	*4.0%*	*5.0%*	*5.1%*	*2.6%*	*3.8%*	*3.8%*
Operating income	-0.180	2.980	4.760	12.200	3.980	1.650	1.280	16.580	23.490	6.456	2.332	1.239	20.580	30.607	7.759	2.256	1.948	26.494	38.457	50.530
% Operating Margin	*-0.5%*	*6.3%*	*7.5%*	*13.5%*	*15.4%*	*7.2%*	*5.2%*	*32.4%*	*18.8%*	*18.5%*	*7.4%*	*3.9%*	*31.2%*	*18.7%*	*17.4%*	*5.9%*	*4.9%*	*31.5%*	*18.6%*	*19.4%*
Interest expense	-1.270	-1.590	-2.060	-2.440	-0.620	-0.650	-0.690	-0.630	-2.590	-0.689	-0.742	-0.270	-0.060	-1.761	-0.060	-0.060	-0.060	-0.060	-0.240	-0.240
Pre-tax income	-1.450	1.390	2.700	9.760	3.360	1.000	0.590	15.950	20.900	5.767	1.590	0.969	20.520	28.846	7.699	2.196	1.888	26.434	38.217	50.290
Income Taxes	-0.100	1.010	1.500	4.470	1.430	0.430	0.250	6.800	8.910	2.444	0.559	0.407	8.618	12.028	3.064	0.874	0.752	10.521	15.210	20.015
Tax Rate	*6.9%*	*72.7%*	*55.6%*	*45.8%*	*42.6%*	*43.0%*	*42.4%*	*42.6%*	*42.6%*	*42.4%*	*35.2%*	*42.0%*	*42.0%*	*41.7%*	*39.8%*	*39.8%*	*39.8%*	*39.8%*	*39.8%*	*39.8%*
Net income	-1.350	0.380	1.200	5.290	1.930	0.570	0.340	9.150	11.990	3.323	1.031	0.562	11.901	16.818	4.635	1.322	1.137	15.913	23.007	30.274
% Net Margin	*-4.0%*	*0.8%*	*1.9%*	*5.9%*	*7.5%*	*2.5%*	*1.4%*	*17.9%*	*9.6%*	*9.5%*	*3.3%*	*1.8%*	*18.1%*	*10.3%*	*10.4%*	*3.5%*	*2.9%*	*18.9%*	*11.1%*	*11.6%*
Net income per share (Basic)	$ (0.04)	$ 0.01	$ 0.03	$ 0.14	$ 0.05	$ 0.02	$ 0.01	$ 0.25	$ 0.33	$ 0.09	$ 0.03	$ 0.02	$ 0.31	$ 0.45	$ 0.12	$ 0.03	$ 0.03	$ 0.42	$ 0.60	$ 0.79
EPS Growth Rate		*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*77%*	*127%*	*72%*	*81%*	*62%*	*25%*	*38%*	*34%*	*24%*	*98%*	*34%*	*34%*	*32%*
Net income per share (Diluted)	$ (0.04)	$ 0.01	$ 0.03	$ 0.14	$ 0.05	$ 0.02	$ 0.01	$ 0.24	$ 0.32	$ 0.09	$ 0.03	$ 0.01	$ 0.30	$ 0.44	$ 0.12	$ 0.03	$ 0.03	$ 0.41	$ 0.59	$ 0.77
EPS Growth Rate		*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*75%*	*124%*	*71%*	*81%*	*62%*	*25%*	*38%*	*34%*	*24%*	*99%*	*34%*	*34%*	*32%*
Shares outstanding (Millions)																				
Basic	36.702	36.749	36.749	36.749	36.749	36.749	36.749	36.749	36.749	36.749	36.762	37.462	38.162	37.284	38.162	38.162	38.162	38.162	38.162	38.162
Diluted	36.702	36.751	37.095	37.322	37.472	37.725	37.725	37.725	37.725	37.729	37.802	38.502	39.202	38.308	39.202	39.202	39.202	39.202	39.202	39.202
Same-Store Sales (% Change)	**3.7%**	**8.4%**	**3.0%**	**6.9%**	**15.7%**	**6.9%**	**5.9%**	**7.5%**	**8.7%**	**6.0%**	**6.4%**	**3.0%**	**3.0%**	**4.6%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**

Notes:
Current disclosure information for this company can be found at http://www.piperjaffray.com/researchdisclosures.

Teavana

STORE ECONOMICS

	FY 2007	FY 2008	FY 2009	FY 2010	Q1 Apr-10	Q2 Jul-10	Q3 Oct-10	Q4 Jan-11	FY 2011	Q1 Apr-11	Q2 Jul-11	Q3E Oct-11	Q4E Jan-12	FYE 2012	Q1E Apr-12	Q2E Jul-12	Q3E Oct-12	Q4E Jan-13	FYE 2013	FYE 2014
NET SALES																				
Total net sales	$ 33.760	$ 47.200	$ 63.860	$ 90.260	$ 25.770	$ 22.980	$ 24.750	$ 51.200	$ 124.700	$ 34.939	$ 31.313	$ 31.548	$ 65.887	$ 163.687	$ 44.668	$ 38.130	$ 39.783	$ 83.999	$ 206.580	$ 260.181
% Change, year-over-year		39.8%	35.3%	41.3%	43.2%	33.1%	32.4%	41.0%	38.2%	35.6%	36.3%	27.5%	28.7%	31.3%	27.8%	21.8%	26.1%	27.5%	26.2%	25.9%
% CHANGE SAME-STORE SALES	3.7%	8.4%	3.0%	6.9%	15.7%	6.9%	5.9%	7.5%	8.7%	6.0%	6.4%	3.0%	3.0%	4.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
NUMBER OF STORES	47	59	87	108	118	128	141	146	146	161	179	187	196	196	211	221	241	256	256	326
% Change, year-over-year		25.5%	47.5%	24.1%	28.3%	26.7%	31.8%	35.2%	35.2%	36.4%	39.8%	32.6%	34.2%	34.2%	31.1%	23.5%	28.9%	30.6%	30.6%	27.3%
Average number of stores (T4Q)																				
GROSS SQUARE FEET (Mil.)	43	54	77	95					130											
% Change, year-over-year		25.6%	42.6%	23.4%					36.8%											
Average Square Footage (T4Q)																				

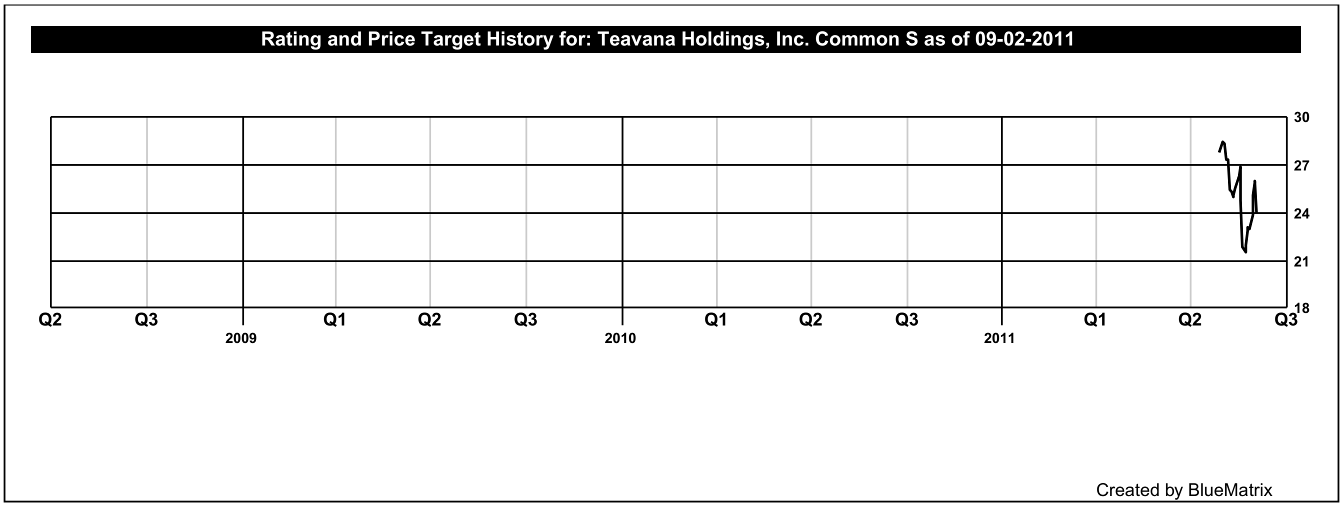
Consolidated Balance Sheet
(Millions of Dollars)

	Q4 Jan-10	FY 2010	Q1 Apr-10	Q2 Jul-10	Q3 Oct-10	Q4 Jan-11	FY 2011	Q1 Apr-11	Q2 Jul-11
CURRENT ASSETS:									
Cash and cash equivalents	$1.314	$1.314				$7.901	$7.901	$3.740	$1.623
Accounts reveivable	0.284	0.284				0.292	0.292		
Prepaid expenses and other assets	1.003	1.003				2.041	2.041		
Prepaid rent	1.061	1.061				1.400	1.400		
Inventory	11.615	11.615				16.928	16.928	18.286	22.720
Deferred tax asset and other	0.772	0.772				1.629	1.629	5.827	11.647
Total current assets	**16.049**	**16.049**	**0.000**	**0.000**	**0.000**	**30.191**	**30.191**	**27.853**	**35.990**
Property & equipment, net	22.513	22.513				31.028	31.028	34.795	38.000
Goodwill	2.394	2.394				2.394	2.394	2.394	2.394
Deferred tax asset, non-curret	0.184	0.184				0.000	-		
Other non-current assets	0.627	0.627				0.513	0.513	0.760	0.693
Total assets	**$41.767**	**$41.767**	**$0.000**	**$0.000**	**$0.000**	**$64.126**	**$64.126**	**$65.802**	**$77.077**
CURRENT LIABILITIES									
Accounts payable	$2.564	$2.564				$3.631	$3.631	$2.112	$5.751
Income taxes payable	3.994	$3.994				4.809	$4.809		
Deferred revenue	1.083	$1.083				1.344	$1.344		
Note payable	0.250	$0.250				-	$0.000		
Series A redeemable preferred stock	-	$0.000				12.992	$12.992	13.591	14.217
Other current liabilities	3.395	$3.395				5.539	$5.539	9.659	6.865
Total current liabilities	**$11.286**	**11.286**	**$0.000**	**$0.000**	**$0.000**	**$28.315**	**28.315**	**$25.362**	**$26.833**
Deferred franchise income	0.600	0.600				0.525	0.525		
Deferred tax liability, non-current	0.000	-				0.420	0.420		
Deferred rent	3.851	3.851				7.524	7.524	8.943	11.139
Long-term debt	1.000	1.000				1.000	1.000	1.000	5.359
Series A redeemable preferred stock	10.848	10.848				-	-		
Other long-term liabilities								0.870	2.997
Total liabilities	**27.585**	**27.585**	**0.000**	**0.000**	**0.000**	**37.784**	**37.784**	**36.175**	**46.328**
Stockholders' equity (deficit)									
Total stockholders' equity (deficit)	**14.182**	**14.182**				**26.342**	**26.342**	**29.627**	**30.749**
Total liabilities and stockholders' equity	**$41.767**	**$41.767**	**$0.000**	**$0.000**	**$0.000**	**$64.126**	**$64.126**	**$65.802**	**$77.077**

Condensed Statement of Cash Flows
(Millions of Dollars)

	Q4 Jan-10	FY 2010	Q1 Apr-10	Q2 Jul-10	Q3 Oct-10	Q4 Jan-11	FY 2011	Q1 Apr-11
Operating activities:								
Net Income	**$5.291**	**$5.291**	**$1.927**			**$12.003**	**$12.003**	**$3.323**
Adjustments to reconcile net income to net cash:		0.000						
Depreciation and amortization	3.489	3.489	0.973			4.361	4.361	1.274
Non-cash interest expense	1.925	1.925	0.570			2.279	2.279	0.633
Deferred income taxes	0.532	0.532				(0.253)	(0.253)	
Stock based compensation	0.169	0.169	0.034			0.157	0.157	0.037
Other			-			0.130	0.130	0.140
Change in assets and liabilities:								
Inventory	(3.646)	(3.646)	(0.571)			(5.313)	(5.313)	(1.359)
Other current assets	(0.230)	(0.230)	0.181			(1.452)	(1.452)	(0.081)
Income taxes payable	2.772	2.772	(4.205)			0.815	0.815	(2.696)
Deferred rent	1.124	1.124	0.457			3.673	3.673	1.419
Other accrued liabilities	(0.355)	(0.355)	0.305			2.997	2.997	(1.548)
Net cash (used in) provided by operating activities	**11.071**	**11.071**	**(0.329)**	**-**	**-**	**19.397**	**19.397**	**1.142**
Investing activities:								
Capital Expenditures	(6.640)	(6.640)	(2.346)			(12.560)	(12.560)	(5.056)
Net cash used in investing activities	**(6.640)**	**(6.640)**	**(2.346)**	**-**	**-**	**(12.560)**	**(12.560)**	**(5.056)**
		0.000						
Financing activities:		0.000						
Proceeds from revolving credit facility	93.980	93.980	29.815			132.239	132.239	35.510
Payments on revolving credit facility	(98.265)	(98.265)	(27.303)			(132.239)	(132.239)	(35.510)
Payment on note payable						(0.250)	(0.250)	
Payments on term loan								
Payment of initial public offering costs			-					(0.247)
Net cash used in financing activities	**(4.285)**	**(4.285)**	**2.512**			**(0.250)**	**(0.250)**	**(0.247)**
Net increase (decrease) in cash and cash equivalent	0.146	0.146	(0.163)			6.587	6.587	(4.161)
Cash and cash equivalents, beginning of period	1.168	1.168	1.314			1.314	1.314	7.901
Cash and cash equivalents, end of period	**$1.314**	**$1.314**	**$1.151**			**$7.901**	**$7.901**	**$3.740**

Important Research Disclosures



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

B: Buy (Piper Jaffray discontinued use of the B, N, and S ratings on June 30, 2009)

N: Neutral

S: Sell

AL On/AL Off: Placed on/removed from the Alpha List maintained by Piper Jaffray (AL use discontinued March 2010)

NA: Not Available

UR: Under Review

Distribution of Ratings/IB Services
Piper Jaffray

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OW]	352	56.10	71	20.17
HOLD [N]	239	38.10	24	10.04
SELL [UW]	36	5.70	0	0.00

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Important Research Disclosures

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- **Neutral (N):** Anticipated to perform in line relative to the median of the group of stocks covered by the analyst.
- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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