

**BAIRD**

**Business Services Research**

October 11, 2011

**In Partnership With**



# Marketing & Information Services

3Q11 Marketing & Advertising Survey

**Daniel R. Leben, CFA**

dleben@rwbaird.com

414.298.1903

**Mircea (Mig) Dobre, CFA**

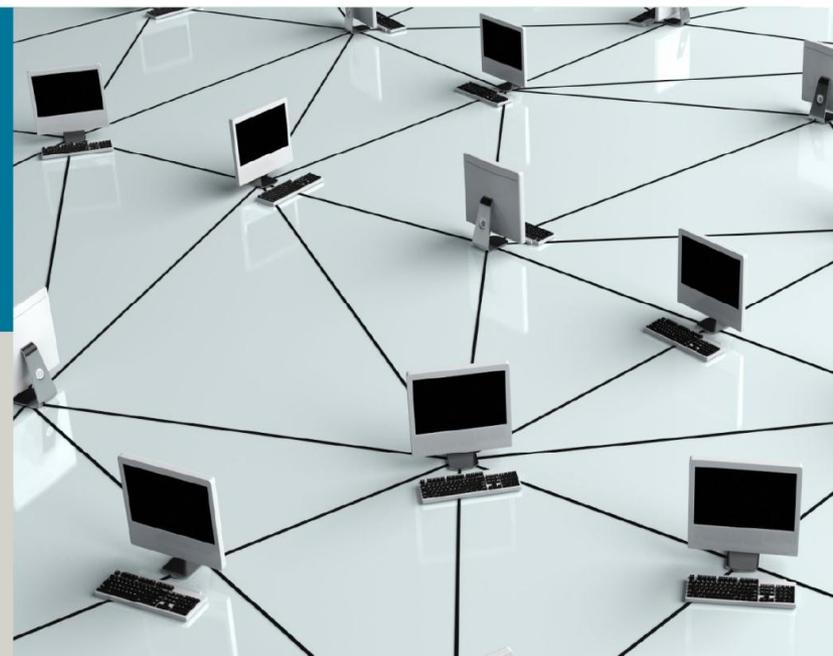
mdobre@rwbaird.com

414.298.6138

**Thomas B. Jackson**

tbjackson@rwbaird.com

414.765.7054



# Overview

- Robert W. Baird & Co. is pleased to present our quarterly Marketing & Advertising Survey.
- Thank you to the roughly 170 marketing and advertising professionals who participated in this survey. The color and depth of the additional commentary adds to the overall quality of the survey and our ability to interpret the results.
- This quarter we had over 20 follow-up conversations with participants in our attempt to better understand their responses and dig deeper into some of the underlying dynamics of the industry. We would like to thank all of the participants that indicated they were interested in having a conversation.
- If you have any questions, comments or would like to participate in future surveys, please email Senior Analyst Dan Leben (dleben@rwbaird.com), Research Associate Mircea (Mig) Dobre (modobre@rwbaird.com) or Research Analyst Tom Jackson (tbjackson@rwbaird.com).
- *This survey is meant to give investors and participants a general indication of current market trends. Individual responses have been edited to protect participants' anonymity.*

Please refer to “Appendix – Important Disclosures and Analyst Certification” on page 17.

# Table of Contents

<b><u>Page(s)</u></b>	<b><u>Section/Material Covered</u></b>
4	Executive Summary
5	Survey Participants
6	3Q11 Business vs. 3Q10
7	4Q11 Expectations
8	2011 Expectations
9	Initial 2012 Expectations
10	Business Trends
11	Economic Environment
12	Pricing Environment
13	Area of Business Rankings
14	AgencyFinder.com vs. Entire Survey
15	Impact of Recent Economic Weakness
18	Appendix – Important Disclosures and Analyst Certification

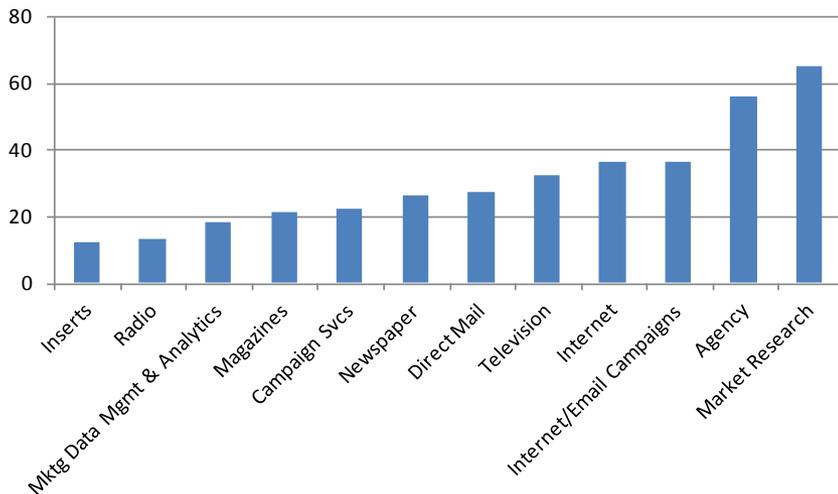
# Executive Summary

- **3Q11 growth was below initial expectations.** Weaker-than-expected performance was driven by Market Research respondents, which often serve as leading indicators for overall marketing activity. Perhaps somewhat surprisingly, both Magazines and Newspaper respondents have recorded 3Q11 ahead of previous expectations in spite of this summer's macro volatility. Television experienced a slight bounce; however, participants have noted that the Auto vertical remained below expectations as spend softened in the wake of the Japan earthquake.
- **2011 expectations continued to soften as summer slowdown continued.** Expectations for 2011 growth have softened compared to last quarter and the base expectation established at the beginning of the year.
- **Customer hesitancy and delays noted, but actual impact on budgets lagging.** While headline risk and economic uncertainty were highlighted as areas of concern for our respondents, it is worth noting that most participants did not mention abrupt changes in budgets, with clients reassessing forward rather than current spend which leads us to believe that 4Q11 could see an inflection point in expectations likely to carry through 2012.
- **Survey data points to optimism on 2012 pricing.** Overall we believe pricing expectations for 2012 to be encouraging (small increases across the board), although it is worth noting that commentary from both survey participants and our channel checks have actually pointed to continued pricing pressure, with clients asking for more work and resources while seeking to pay less and stretch payment terms. At this point we believe overall 2012 expectations will likely prove optimistic.

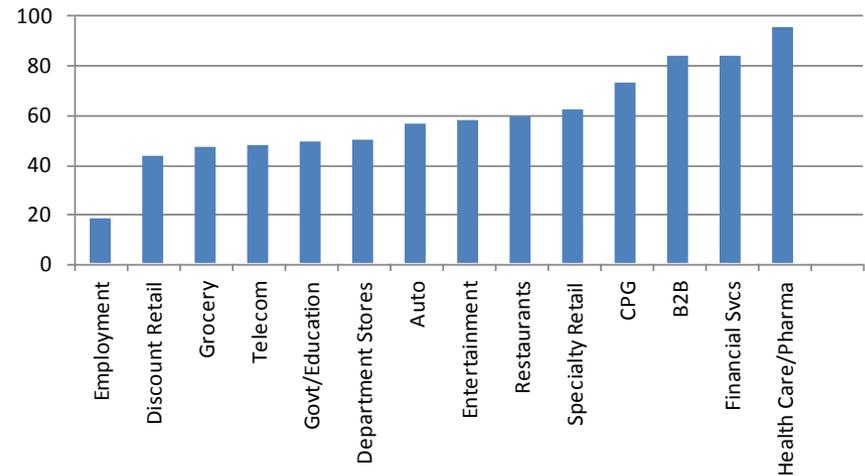
# Survey Participants

- We surveyed roughly 170 marketing and advertising professionals across a broad array of areas and industries. Since most professionals have multiple areas of expertise, the average participant noted 2+ areas and four industry verticals where they participate.
- Common areas included: Market Research (35%), Agency (30%), Internet/Email Campaigns (19%), Television (17%) and Direct Mail (15%).
- Industries with the most responses include: Health Care/Pharma (51%), Financial Services (45%) and B2B (49%).
- In terms of scope, 45% work exclusively with national advertisers and 25% exclusively with local advertisers.

**Expertise Mix**



**Industry Mix**



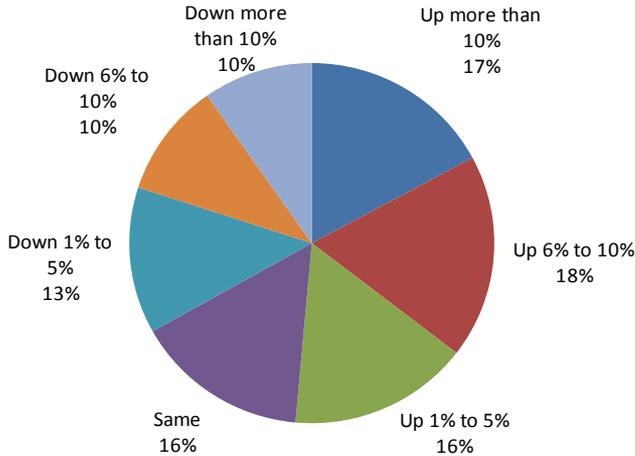
Source: Robert W. Baird & Company analysis

# 3Q11 Business vs. 3Q10



The third quarter of 2011, relative to the third quarter of 2010 was:

## Respondent's Own Business

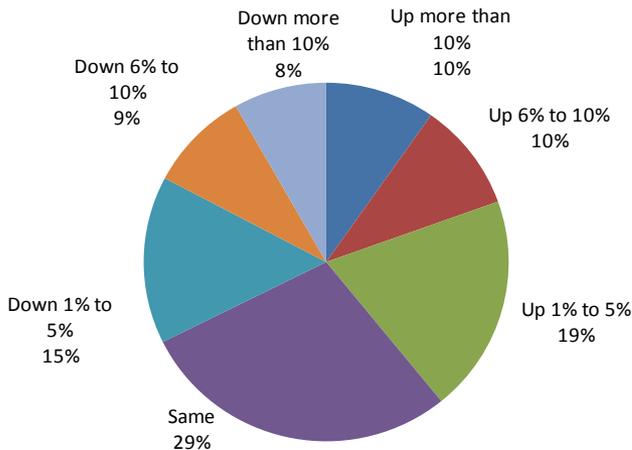


## Areas – Own Business

	3Q11	Q/Q
<b>Total</b>	<b>1.7%</b>	<b>-1.9%</b>
Agency	4.3%	-0.1%
Mktg Data Mgmt & Analytics	4.1%	0.3%
Internet	3.6%	0.6%
Magazines	3.5%	1.7%
Campaign Svcs	3.5%	0.7%
Internet/Email Campaigns	3.1%	-1.0%
Television	1.7%	0.3%
Direct Mail	1.6%	-0.9%
Newspaper	1.4%	0.1%
Market Research	0.4%	-2.7%

- 3Q11 growth was below initial expectations. Of note, the lower-than-expected performance was driven by Market Research respondents. Perhaps somewhat surprisingly, both Magazines and Newspaper respondents have recorded 3Q11 ahead of previous expectations in spite of this summer's macro volatility.
- Pricing pressure, emerging delays and headline risks were highlighted by participant commentary as the most important headwinds observed during 3Q11.

## Respondent's View of the Industry



## Industries – Rank Order

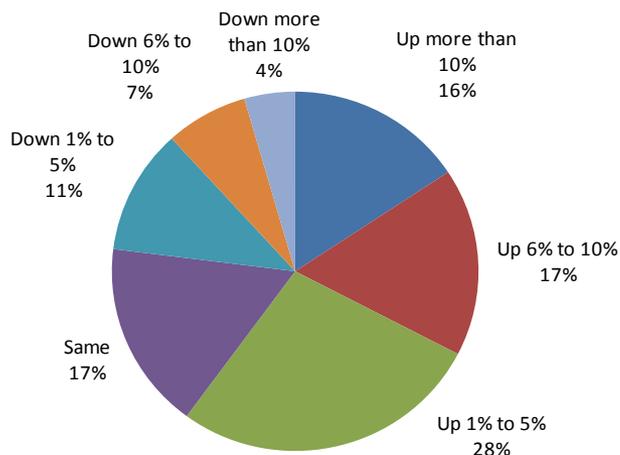
	Rank	Rank Change
Entertainment	1	+13
Employment	2	+11
B2B	3	+2
Govt/Education	4	+6
CPG	5	-1
Specialty Retail	6	-3
Grocery	7	+2
Telecom	8	-7
Department Stores	9	+2
Health Care/Pharma	10	-8
Financial Svcs	11	-3
Discount Retail	12	-5
Restaurants	13	-1
Auto	14	-8

- "It's like a roller coaster - much like the stock market - one month it's awesome and the next month we're worried. There is no rhyme or reason. Living with these kinds of vast "swings" is very unsettling and requires very keen management skills. Resources must be managed wisely."

# 4Q11 Expectations

*I expect the fourth quarter of 2011 relative to the fourth quarter of 2010 to be:*

## Respondent's Own Business

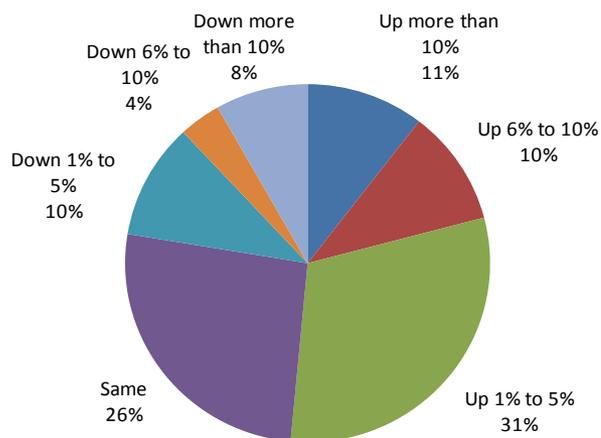


## Areas – Own Business

	4Q11	Q/Q
<b>Total</b>	<b>2.7%</b>	<b>-0.9%</b>
Campaign Svcs	6.7%	3.9%
Radio	5.8%	1.8%
Agency	5.2%	0.8%
Internet/Email Campaigns	5.0%	0.8%
Magazines	4.9%	3.0%
Direct Mail	4.7%	2.2%
Mktg Data Mgmt & Analytics	4.2%	0.4%
Internet	4.2%	1.2%
Newspaper	3.9%	2.6%
Television	2.8%	1.4%
Market Research	1.7%	-1.4%

- Similar to the previous question, lower expectations have been primarily driven by Market Research respondents.
- We would note that 4Q11 growth expectations appear to us to be a bit aggressive given YTD performance, participants' overall 2011 outlook and the tougher y/y comparisons with 4Q10.
- Our sense is that commentary was most subdued for respondents operating at the "front end" of marketing spend (Research, Agency and Data providers)
- Television experienced a slight bounce; however, participants have noted that the Auto vertical remained below expectations as spend softened in the wake of the Japan earthquake.

## Respondent's View of the Industry



## Industries – Rank Order

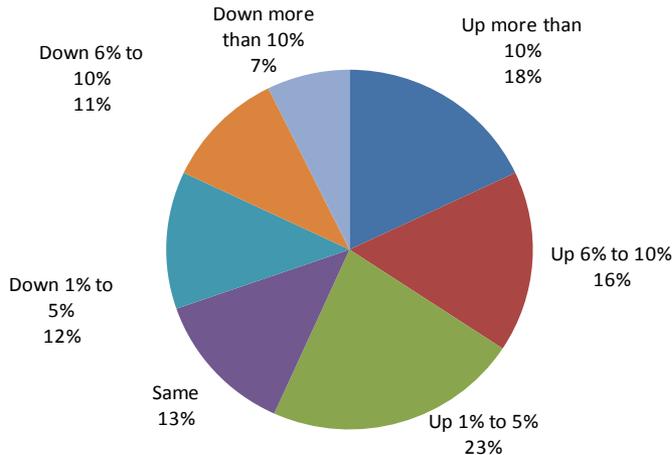
	Rank	Rank Change
B2B	1	-
Employment	2	+9
CPG	3	-
Entertainment	4	+11
Govt/Education	5	-
Health Care/Pharma	6	-2
Auto	7	+2
Restaurants	8	+6
Grocery	9	+3
Telecom	10	-3
Specialty Retail	11	-9
Financial Svcs	12	-4
Department Stores	13	-
Discount Retail	14	-8

# 2011 Expectations

*I expect 2011 relative to 2010 to be:*



## Respondent's Own Business

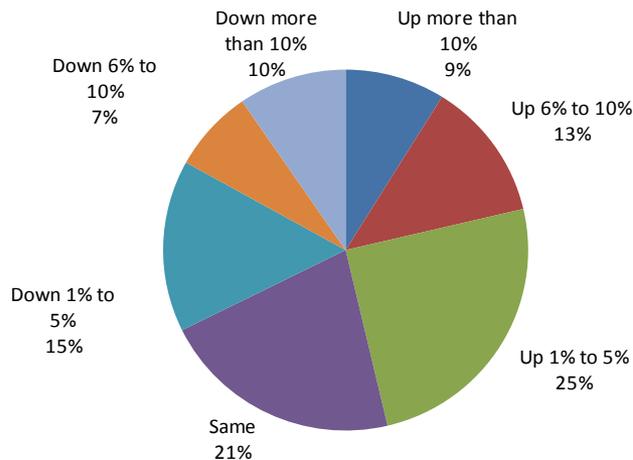


## Areas – Own Business

Area	2010	2011
<b>Total</b>	<b>2.1%</b>	<b>-1.9%</b>
Campaign Svcs	5.3%	3.2%
Radio	4.4%	0.2%
Agency	4.0%	-0.5%
Mktg Data Mgmt & Analytics	3.2%	-0.2%
Television	3.2%	-0.2%
Internet	3.1%	0.6%
Magazines	3.0%	2.0%
Direct Mail	3.0%	1.2%
Internet/Email Campaigns	2.9%	-1.2%
Market Research	1.4%	-2.1%
Newspaper	1.4%	1.3%

- Expectations for 2011 growth have softened compared to last quarter and compared to the base expectation established during 3Q10.
- When asked specifically about the above-mentioned decline in growth expectations, the vast majority of respondents pointed to decline in confidence in the economic recovery, a soft labor market and regulatory uncertainty as factors contributing to hesitancy on the part of advertisers.

## Respondent's View of the Industry



## Industries – Rank Order

Industry	Rank	Rank Change
Govt/Education	1	+8
Entertainment	2	+11
CPG	3	-2
Employment	4	+8
B2B	5	-
Specialty Retail	6	-4
Grocery	7	+3
Health Care/Pharma	8	-4
Financial Svcs	9	-3
Discount Retail	10	-2
Restaurants	11	+3
Department Stores	12	-1
Telecom	13	-10
Auto	14	-7

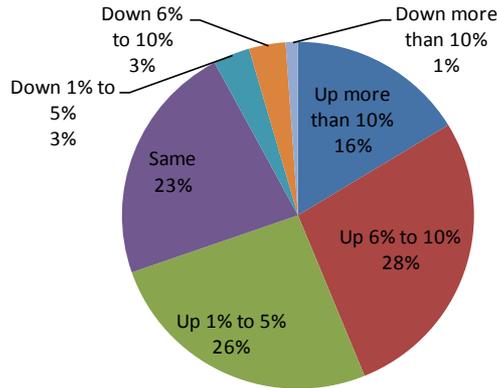
- While hesitancy and delays appear to be factors, it is worth noting that most participants did not mention abrupt changes in budgets with clients reassessing forward rather than current spend, which leads us to believe that 4Q11 could see an inflection point in expectations likely to carry through 2012.

# Initial 2012 Expectations



*I expect 2012 relative to 2011 to be:*

## Respondent's Own Business



## Areas – Own Business

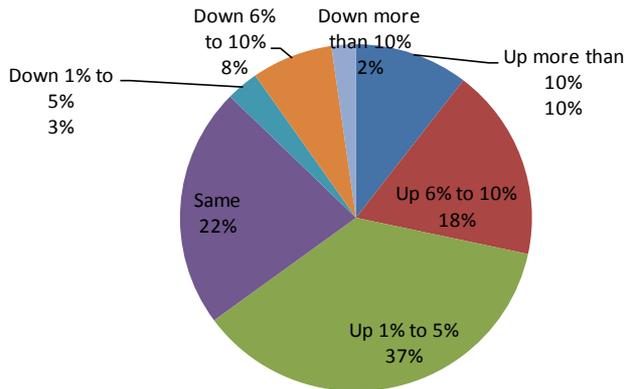
	2012	Y/Y
<b>Total</b>	<b>3.7%</b>	<b>-0.8%</b>
Campaign Svcs	9.0%	2.7%
Direct Mail	6.6%	0.6%
Internet	6.6%	2.4%
Internet/Email Campaigns	6.4%	2.1%
Radio	6.2%	2.1%
Television	6.1%	2.3%
Mktg Data Mgmt & Analytics	6.1%	4.5%
Magazines	5.2%	1.5%
Agency	4.9%	-0.7%
Newspaper	3.4%	1.1%
Market Research	3.1%	-1.4%

- Initial growth expectations continue to decline (+4.7% for 2010, +4.5% for 2011 and +3.7% for 2012), consistent with the maturation of the business cycle as well as comparisons getting increasingly difficult.

- Our previous survey work shows a tendency for initial expectations for the following year to prove overly optimistic. That being said, we think the more likely explanation for the lower reading can be found in caution around the macro environment and a lack of visibility.

- As mentioned earlier, commentary was most subdued for respondents operating at the "front end" of marketing spend - Research and Agencies, which could imply a harder readjustment in expectations for the overall group into 2012.

## Respondent's View of the Industry



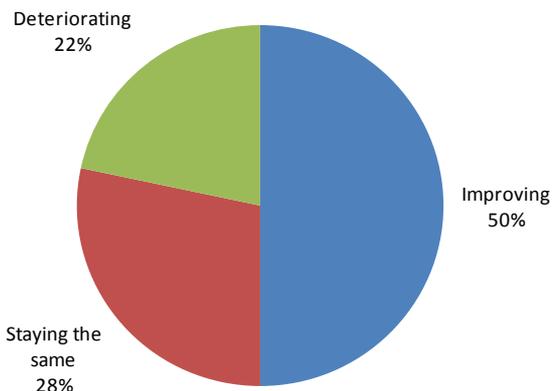
## Industries – Rank Order

	Rank
Entertainment	1
Grocery	2
CPG	3
Discount Retail	4
Auto	5
B2B	6
Govt/Education	7
Telecom	8
Restaurants	9
Health Care/Pharma	10
Employment	11
Specialty Retail	12
Department Stores	13
Financial Svcs	14

# Business Trends

*Excluding seasonal factors, the overall trend is:*

## Respondent's Own Business



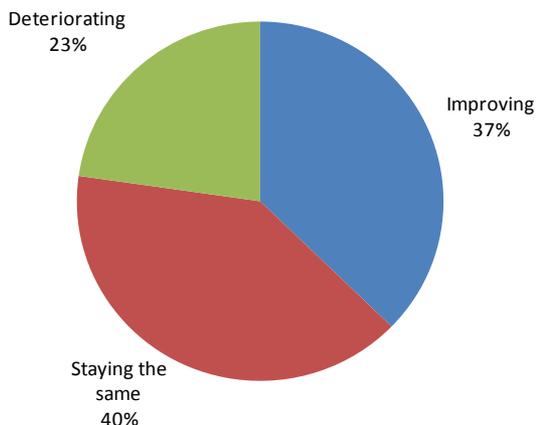
## Areas – Own Business

	Trend	Q/Q
<b>Total</b>	<b>64.2</b>	<b>-4.7</b>
Campaign Svcs	80.0	6.0
Internet	76.5	9.8
Direct Mail	75.0	10.3
Internet/Email Campaigns	73.5	4.4
Agency	72.6	-1.5
Mktg Data Mgmt & Analytics	71.9	1.3
Magazines	70.0	7.9
Television	65.0	-7.7
Newspaper	58.0	6.1
Market Research	51.6	-16.6

- We calculated the average response for each area by weighting the responses as follow: Improving (100), Staying the Same (50) and Deteriorating (0).

- The environment remains healthy; with moderation due to previously discussed macro uncertainties as well as tougher comparisons.

## Respondent's View of the Industry



## Industries – Rank Order

	Rank	Rank Change
Entertainment	1	+12
Employment	2	+5
B2B	3	-1
CPG	4	-3
Govt/Education	5	+4
Health Care/Pharma	6	-
Discount Retail	7	+3
Telecom	8	-3
Restaurants	9	+6
Auto	10	-7
Grocery	11	+1
Financial Svcs	12	-4
Specialty Retail	13	-9
Department Stores	14	-3

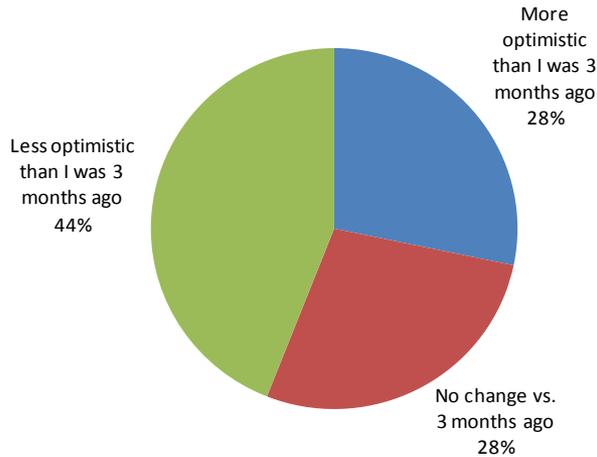
- Somewhat surprisingly, Television has seen a downward adjustment in sentiment, which was related to continued softness in Auto. We believe this will likely reverse into early 2012 as Political and Olympics related spending projections will firm up.

# Economic Environment



**When thinking of the next 12 months' economic environment:**

## Respondent's Own View

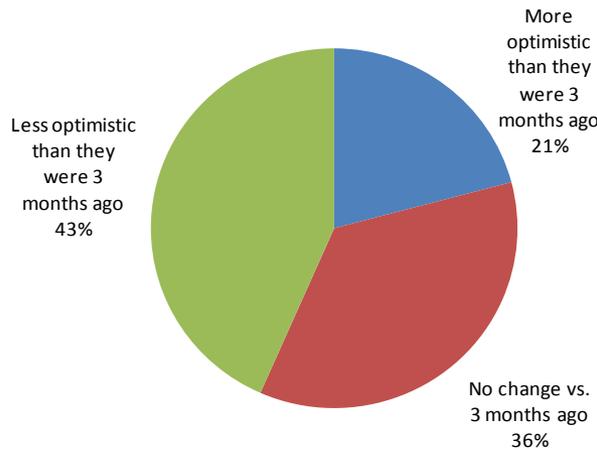


## Areas – Own Business

	Economy	Q/Q
<b>Total</b>	<b>42.1</b>	<b>-7.7</b>
Campaign Svcs	68.2	14.3
Direct Mail	63.5	14.9
Internet/Email Campaigns	61.1	4.0
Internet	59.7	5.6
Inserts	58.3	8.3
Agency	56.3	1.0
Newspaper	55.8	12.9
Radio	53.8	7.7
Magazines	52.4	2.4
Television	48.4	-1.6
Mktg Data Mgmt & Analytics	38.9	-22.9
Market Research	26.6	-20.1

Participants' perception of the economic environment has deteriorated. The "Less Optimistic" category increased 14% q/q to 44% (after a 13% sequential decrease during 2Q11). The "More Optimistic" category was relatively constant, with the biggest shift seen from the "No Change" group.

## Respondent's View of their clients' perspective



## Industries – Rank Order

	Rank	Rank Change
Employment	1	+3
Entertainment	2	+11
Govt/Education	3	+8
Auto	4	+2
Discount Retail	5	+4
Grocery	6	+6
Department Stores	7	+8
B2B	8	-6
Specialty Retail	9	-8
CPG	10	-7
Telecom	11	-3
Health Care/Pharma	12	-2
Restaurants	13	+1
Financial Svcs	14	-7

# Pricing Environment

*On a per unit basis, pricing for your business has been/is expected to be:*

Respondents were given the following 7 choices: Up more than 5%, Up 4-5%, Up 1-3%, Flat, Down 1-3%, Down 4-5%, Down more than 5%. Responses were weighted by the mid-point of the range to derive the levels represented below (listed by the average pricing increase in 2010).

	3Q11 - Pricing	Q/Q Change	2012 - Pricing	4Q11 - Pricing
<b>Total</b>	<b>0.5%</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.7%</b>
Agency	0.9%	-0.3%	1.1%	1.1%
Newspaper	0.9%	0.3%	1.6%	1.3%
Television	0.8%	1.0%	2.0%	1.0%
Internet/Email Campaigns	0.8%	-0.2%	2.0%	1.6%
Campaign Svcs	0.7%	0.4%	1.7%	1.4%
Internet	0.7%	-0.2%	1.8%	0.8%
Direct Mail	0.6%	0.1%	2.2%	1.6%
Mktg Data Mgmt & Analytics	0.5%	-0.2%	1.1%	1.3%
Radio	0.5%	-0.8%	0.8%	NM
Market Research	0.2%	0.4%	0.5%	0.0%
Magazines	0.1%	0.1%	1.2%	0.0%

- Television pricing rebounded going into the fall season, although demand remained somewhat below expectation (Auto). Going forward, we believe the 2012 TV pricing expectations to be overly conservative as Japanese auto dealer spend rebounds and the political races heat up (early forecasts estimate over \$6 billion to be spent on the 2012 primaries and presidential election, a good portion of which will benefit Television).
- Overall we believe pricing expectations for 2012 to be encouraging (increases across the board), although it is worth noting that commentary from both survey participants and our channel checks have actually pointed to lower pricing, clients asking for more work and resources while seeking to pay less and stretch payment terms. At this point we believe overall 2012 expectations will likely prove optimistic.

# Area of Business Rankings



	3Q11 - Own Business	2011 - Own Business	4Q11 - Own Business	Trend - Business	Environment - Self	Environment - Clients	3Q11 - Pricing	4Q11 - Pricing	2012 - Pricing	<b>Average Rank</b>	Q/Q Average Rank Change
Campaign Svcs	5	1	1	1	1	1	5	9	3	<b>1</b>	+6
Internet/Email Campaigns	6	9	4	4	3	2	4	4	2	<b>2</b>	+1
Direct Mail	8	8	6	3	2	3	7	3	1	<b>3</b>	+7
Agency	1	3	3	5	6	6	1	13	6	<b>4</b>	-2
Internet	3	6	8	2	4	5	6	8	8	<b>5</b>	+3
Television	7	5	10	8	10	9	3	5	7	<b>6</b>	-1
Mktg Data Mgmt & Analytics	2	4	7	6	11	11	8	12	4	<b>7</b>	-1
Newspaper	9	11	9	9	7	7	2	10	5	<b>8</b>	+5
Magazines	4	7	5	7	9	10	11	11	10	<b>9</b>	+2
Market Research	10	10	11	10	12	12	10	15	9	<b>10</b>	-1

# AgencyFinder.com Vs. Entire Survey



- When comparing the results from the AgencyFinder.com sample to the entire population of the survey, we find that the AgencyFinder.com group had significantly stronger results across the board. While some is attributable to agencies performing better than the overall survey, the AgencyFinder.com group continues to outperform even the agency group in most areas.
- Relative to the last couple of quarters when the AgencyFinder.com group was experiencing stronger current trends than the broader agency group across the board, the group had a relatively weaker performance in 3Q11. We do note that expectations for both 2011 and results through the first half were higher than the group, potentially indicating some timing or seasonality issues.
- The group continues to benefit from the integrated approach with exposure to multiple areas of marketing. Relative to the overall average of 2-3 practice areas, the AgencyFinder.com group participates in nearly 4 on average.

	AgencyFinder.com	Total Survey	Delta
<b>3Q11</b>	3.4%	1.7%	1.7%
<b>4Q11</b>	6.1%	2.7%	3.4%
<b>2011</b>	4.6%	2.1%	2.5%
<b>2012</b>	5.8%	3.7%	2.1%
<b>Trend</b>	72.7	64.2	8.6
<b>Economy</b>	63.0	42.1	20.9

	AgencyFinder.com	Agency	Delta
<b>3Q11</b>	3.4%	4.3%	-0.9%
<b>4Q11</b>	6.1%	5.2%	0.9%
<b>2011</b>	4.6%	4.0%	0.6%
<b>2012</b>	5.8%	4.9%	0.9%
<b>Trend</b>	72.7	72.6	0.1
<b>Economy</b>	63.0	56.3	6.8

# Impact of Recent Economic Weakness

Our question of the quarter attempted to collect marketing professionals' views on the recent economic weakness, and its potential impact on marketing and advertising demand.

## *Agency Participant Commentary:*

“Clients are becoming hesitant, but they haven't cut budgets yet. The cost of talent (especially digital talent) is far outstripping the willingness of clients to pay for those services. While agencies are rapidly increasing digital salaries to compete (especially due to the dearth of 2-5 year talent following the non-hiring years of the recession), they are losing money on these hires because clients do not place a high value on digital execution such as social/trafficking/media/production services. This is putting downward pressure on profits in the digital space. As the cost of traditional talent is falling (and approaching "dirt cheap"), profits on traditional projects are increasing.”

“The structure of the agency business has changed. Fees are a thing of the past with project work being the norm. Pricing is down.”

“The current environment is cautious but optimistic. It is just slightly less optimistic than last quarter as folks are somewhat concerned about a double dip recession.”

“Clients continue to be hesitant to commit themselves to long term planning. Advertising is being scheduled on a quarter by quarter basis with some clients lowering their sales projections and advertising spending each quarter.”

“Digital and social continue to expand, print continues to decline, advertisers are getting more and more tentative and uncertain. Though there's no wholesale panic yet.”

“Marketing dollars are moving to the most trackable media -- which is predominately email, paid search and on-line display advertising. Buyers are looking to gain cost/complexity synergies by working with a single vendor that can serve multiple communications channels, and are increasingly comfortable with (securely) moving their marketing data to the cloud and using cloud applications.”

# Impact of Recent Economic Weakness



## *Newspaper and Magazines Participant Commentary:*

“Our current mind set is to hold on to a portion of market, with smaller expectation for growth next year than we have had in the past. Any growth is a plus. Cutting expenses and staff has caused new initiatives to take much longer to be implemented, but we do have them in the works.”

“Environment is improving slightly, but newsprint products have taken a bigger hit than glossy publications.”

“The movement to the web has been over-rated and some are returning to traditional media to regain market share”

“Our particular business (media, primarily newspapers) is living in denial of the structural changes necessary to succeed in the future.”

“Newspaper Media buys are much more targeted, segmented and selective. There seems to be less frequency to available for print campaigns.”

“Declining circulation and decreased advertising spending from local and national accounts has continued to deal blows to our business. Telecom accounts have almost eliminated their spend. Preprint business continues to fall off with decreased circulation and some schedule reductions.”

## *Television Participant Commentary:*

"Two trends (somewhat contradictory):

- 1) Despite new media, TV/internet continue to be high value marketing options. We may lose some business to ""experimentation"" (e.g., social media, etc.), but ultimately we get it back.
- 2) Continued pressure to "commoditize" our media for price."

“Automotive business in the broadcast world is still not recovering to former levels. The current environment is still cautious. Retail consumer goods is the one category that is growing in marketing as the feeling is television is the medium to use in the 4th quarter.”

# Impact of Recent Economic Weakness



## *Market Research Participant Commentary:*

“We are seeing significant activity in new product development due to changes in consumer habits.”

“The current environment is guarded and cautious. However, I have not seen any structural changes in my business.”

“The current environment is very tentative. No structural changes as of yet but we are constantly looking at things.”

“It's like a roller coaster - much like the stock market - one month it's awesome and the next month we're worried. There is no rhyme or reason. Living with these kinds of vast "swings" is very unsettling and requires very keen management skills. Resources must be managed wisely.”

“We are seeing a weakening in the 4th quarter and, in talking to our clients (mostly CPG), many of them are concerned about the economy and are pulling in their budgets.”

## *Direct Mail Participant Commentary:*

“Small businesses are not advertising with direct mail. Too many small businesses closing their doors. With the USPS in such a mess that directly affects us since they are our business partner. If they can't deliver mail - we can't mail.”

# Appendix – Important Disclosures and Analyst Certification

Robert W. Baird & Co. Incorporated and/or its affiliates expect to receive or intend to seek investment banking related compensation from the company or companies mentioned in this report within the next three months.

**Investment Ratings: Outperform (O)** - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

**Risk Ratings: L - Lower Risk** - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. **A - Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

**Valuation, Ratings and Risks.** The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

**Distribution of Investment Ratings.** As of September 30, 2011, Baird U.S. Equity Research covered 675 companies, with 57% rated Outperform/Buy, 42% rated Neutral/Hold and less than 1% rated Underperform/Sell. Within these rating categories, 14% of Outperform/Buy-rated, and 7% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

**Analyst Compensation.** Analyst compensation is based on: 1) The correlation between the analyst's recommendations and stock price performance; 2) Ratings and direct feedback from our investing clients, our sales force and from independent rating services; and 3) The analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee.

Analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>. You can also call 1-800-792-2473 or write: Robert W. Baird & Co., Equity Research, 24<sup>th</sup> Floor, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

### **Analyst Certification**

The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

### **Disclaimers**

**Baird prohibits analysts from owning stock in companies they cover.**

This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

## **ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST**

The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available.

Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

**Copyright 2011 Robert W. Baird & Co. Incorporated**

### **Other Disclosures**

The information and rating included in this report represent the Analyst's long-term (12 month) view as described above. Robert W. Baird & Co. Incorporated and/or its affiliates (Baird) may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird's standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the Analyst's long-term ratings and recommendations contained in more broadly disseminated standard research reports.

**UK disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited holds an ISD passport.**

This report is for distribution into the United Kingdom only to persons who fall within Article 19 or Article 49(2) of the Financial Services and Markets Act 2000 (financial promotion) order 2001 being persons who are investment professionals and may not be distributed to private clients. Issued in the United Kingdom by Robert W. Baird Limited, which has offices at Mint House 77 Mansell Street, London, E1 8AF, and is a company authorized and regulated by the Financial Services Authority. For the purposes of the Financial Services Authority requirements, this investment research report is classified as objective.

Robert W. Baird Limited ("RWBL") is exempt from the requirement to hold an Australian financial services license. RWBL is regulated by the Financial Services Authority ("FSA") under UK laws and those laws may differ from Australian laws. This document has been prepared in accordance with FSA requirements and not Australian laws.