

## UBS Investment Research

# U.S. Morning Meeting Highlights

## Global Equity Research

United States

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### Rating and Recommendation Changes

**MEMC Electronic, WFR.N**, Neutral 2 ► Buy 2, FY05E US\$1.02►US\$1.10, FY06E US\$1.06►US\$1.34, Price target US\$14.00 ► US\$17.00, Mkt. cap. US\$2.79bn, Stephen Chin..... p.10

**Temple-Inland, TIN.N**, Buy 1 ► Neutral 1, FY05E US\$4.85, FY06E US\$6.00, Price target US\$79.00, Mkt. cap. US\$4.56bn, Richard Schneider..... p.9

### Initiation of Coverage

**Celanese, CE.N**, Not Rated ► Neutral 2, FY05E US\$1.10, FY06E US\$1.50, Price target ► US\$18.00, Mkt. cap. US\$2.56bn, Jeffrey Cianci..... p.3

### Estimate/Price Target Revisions

**Yum! Brands, YUM.N**, Neutral 2 (Unchanged), FY05E US\$2.65►US\$2.67, FY06E US\$2.89►US\$2.94, Price target US\$53.00 ► US\$56.00, Mkt. cap. US\$14.3bn, David Palmer..... p.4

**Diversified Financial**, Brokers/Universal Banks Monthly Takeaways, F1Q05 Vs F1Q04 - Not Quite Deja Vu, Glenn Schorr, CFA..... p.7

**JPMorgan Chase, JPM.N**, Neutral 2 (Unchanged), FY05E US\$2.90, FY06E US\$3.45, Price target US\$39.00, Mkt. cap. US\$132bn, Glenn Schorr, CFA..... p.7

**Marsh & McLennan, MMC.N**, Neutral 1 (Unchanged), FY05E US\$2.25►US\$2.05, FY06E US\$2.40, Price target US\$35.00 ► US\$37.00, Mkt. cap. US\$17.7bn, Michael A. Lewis..... p.8

**Pall, PLL.N**, Buy 2 (Unchanged), FY05E US\$1.50►US\$1.45, FY06E US\$1.75 (Unchanged), Price target US\$35.00, Mkt. cap. US\$3.52bn, Jeffrey Cianci..... p.3

### Company Update

**Continental, CAL.N**, Buy 2 (Unchanged), FY05E US\$(0.50), FY06E US\$2.10, Price target US\$19.50, Mkt. cap. US\$0.81bn, Robert N. Ashcroft..... p.5

**Novellus Systems Inc, NVLS.O**, Neutral 2\* (Unchanged) RRD , FY05E US\$0.95 (Unchanged), FY06E US\$1.61 (Unchanged), Price target US\$29.00, Mkt. cap. US\$4.47bn, Stephen Chin..... p.12

**Burlington Resources, BR.N**, Buy 1\* (Unchanged) RRD , FY04E US\$8.55, FY05E US\$8.15, Price target US\$53.00, Mkt. cap. US\$19.4bn, William A. Featherston..... p.6

**First Data Corp., FDC.N**, Neutral 2 (Unchanged), FY04E US\$2.14, FY05E US\$2.36, Price target US\$45.00, Mkt. cap. US\$34.0bn, Adam B. Frisch..... p.8

**JB Hunt Transport, JBHT.O**, Buy 2 (Unchanged), FY05E US\$2.66, FY06E US\$3.10, Price target US\$57.00, Mkt. cap. US\$3.82bn, Rick Paterson..... p.10

**Intel, INTC.O**, Buy 2 (Unchanged), FY05E US\$1.27, FY06E US\$1.45, Price target US\$32.00, Mkt. cap. US\$156bn, Thomas A. Thornhill III, CFA..... p.13

### Industry Update

**Business and Professional Services**, First Read: School Paper: Year 2, Volume 6, Early Read On Congressional Hearing: We See Risks Rising, Kelly A. Flynn, CFA..... p.6

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### Featured Items

**Downgrade (TIN) to Neutral 1** --- The company has done a good job creating valuable assets and distributing cash to shareholders, but with the stock trading above our \$79 price target we believe TIN is fairly valued.

**Upgrade (WFR) to Buy 2** --- We have raised our rating, estimates and target to reflect higher wafer demand, a more favorable product mix, and benefits from a potential shortage of polysilicon.

**Telecom Equipment** --- Introduce the UBS Global Comm. Equipment Electronic Analyzer, a spreadsheet tool for comparing various financial metrics across the equipment universe in one easy to use format.

### Upcoming Events

**March 8th** --- UBS hosts conference call with Chief Marketing Officer and President of JB Hunt Intermodal, 10AM EST, Dial-in U.S. 800-289-0528, hosted by Rick Paterson, UBS Transportation Analyst

**March 29-31st** --- "Q-Series": Solving the Profit Mysteries of Asset Gathering - The Ritz Carlton, Boston, MA

**May 9-11th** --- UBS 2005 Global Financial Services Conference, New York, NY

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## Equity Strategy

### Pall (PLL.N)

#### Quarter Issues, But Life Sciences Strong

##### ■ Quarter Light on Timing & Currency

PLL reported EPS of \$0.29, \$0.02 light, due to both currency and aerospace order timing. The best profit growth is in Medical (29%), BioPharma (9%) and Industrial (25%). Military remains soft and Electronics filters are flattening. But cost reduction efforts drove SG&A down 20 bps.

##### ■ Trimming FY05, But Still See \$1.75 for FY06

While we think most of the aerospace timing can be made up, currency is not as additive this year as we thought, adding only 1 cent to EPS through six months. The currency mix is favoring the US-based life sciences vs. the Euro and Yen based aerospace and electronics. As a result, we are trimming FY05E by \$0.05. But we maintain FY06E of \$1.75, which never assumed currency help.

##### ■ Life Sciences & Industrial Acceleration

Medical laboratory growth is strong, with the new bacterial and 'Mad Cow' filters still to ramp. BioPharma growth looks strong and less lumpy than for Millipore. And Industrial filter growth is finally responding to the larger backlog with order acceleration. There is also 25% systems sales growth, which leads disposable filter sales.

##### ■ Valuation: Maintain \$35 Target

Our target is based on a 20x P/E based on our FY2006E EPS, and less than that on calendarized 2006E. The target is based on its historical levels, recent peer transactions, and an improving growth rate.

## Basic Materials

### Celanese (CE.N)

#### Initiating Coverage with a Neutral-2 Rating

##### ■ Highly Leveraged Company Begins Trading

Celanese became public on January 14th by issuing 50 million shares at \$16.00. This U.S. based company is the former Celanese AG that Blackstone acquired 84.3% of the outstanding shares in 2004. While the company has excellent near-term operating leverage, the high debt load of the re-leveraged company plus other cash demands limits our valuation upside from here.

##### ■ Diverse Chemical Company with Leverage to the Upcycle

Through the acetyls chain (methanol, acetic acid, and VAM), Celanese has significant leverage to the currently unfolding chemical cycle. In addition, its Ticona engineering plastics business gives it a long-term growth vehicle.

##### ■ Debt Load and Cash Flow Must be Managed

With the completion of the refinancing of the company, Celanese's net debt has increased to \$3.5 billion from levels near \$500 million under Celanese AG. While we believe Celanese has some significant growth opportunities, it must use the current commodity chemical upcycle to deleverage the company before the next downturn.

##### ■ Valuation: Target Price Set at \$18 with Neutral-2 Rating

Our valuation of \$18 is based on our DCF model that assumes a WACC of 7.2% and a growth rate of 3.0%. Our target price is a 20x multiple of our normal earnings estimate of \$0.90 per share, in line with peers, and the TEV/normal EBITDA ratio is 7.2x, slightly below the peer group average.

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Price (28 Feb 05)..... US\$27.70  
Rating.....Buy 2 (Unchanged)  
P. Target..... US\$35.00  
Market Cap..... US\$3.52bn

#### Full-Year EPS

2005E.....US\$1.50 ► US\$1.45  
2006E.....US\$1.75 (Unchanged)

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Price (28 Feb 05)..... US\$16.16  
Rating..... Not Rated ► Neutral 2  
P. Target..... ► US\$18.00  
Market Cap..... US\$2.56bn

#### Full-Year EPS

2005E..... US\$1.10  
2006E..... US\$1.50

## Consumer, Cyclical

### Yum! Brands (YUM.N)

#### Solid US Sales Momentum Should Continue; Increasing PT - SUMMARY

##### ■ Our Yum Brands report due out today

Today we are releasing a 32-page Yum Brands report titled "Solid US Sales Momentum Should Continue," where we highlight our increasingly optimistic view of company performance in 2005 and beyond. We believe Yum could be headed for higher, more analyzable and consistent EPS growth behind capital allocation decisions that are increasing the importance of China and decreasing the impact of KFC US.

##### ■ Solid U.S. SSS should support stock; valuation limits upside

While YUM's PE and relative PE are reaching further into five-year highs, we believe solid years from Taco Bell, KFC and Pizza Hut in the U.S.—which we are becoming increasingly confident will happen—could help maintain or even expand its multiple in 2005.

##### ■ Do large-cap restaurant stocks deserve more respect?

As we look around the consumer stock landscape, we have begun to wonder why YUM, like MCD, does not command a PEG ratio that is more in line with large-cap consumer stock peers. Comparing YUM to like-capitalization peers, one can call this stock "cheap" on a PEG basis (1.7x), in our view.

##### ■ Valuation: Raising PT to \$56 from \$53; increasing EPS Ests.

We are increasing 2005E EPS to \$2.67 from \$2.65 based on our increased U.S. SSS ests. Our new \$56 price target is based on a relative PE of 111% of the market multiple and a sensitivity analysis where we test EPS and rel. multiple extremes.

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Price (28 Feb 05)..... US\$48.78  
Rating..... Neutral 2 (Unchanged)  
P. Target..... US\$53.00 ► US\$56.00  
Market Cap..... US\$14.3bn

##### Full-Year EPS

2005E..... US\$2.65 ► US\$2.67  
2006E..... US\$2.89 ► US\$2.94

## Automotive

### Sales Weak, Production Cuts a Positive

##### ■ Feb SAAR: 16.3M vs. 16.5M a year ago

GM took a hit as sales fell 12% vs. -6% expected (24.4% share). Ford did better than expected (-3% vs. -6%, 18.7% share) and Chrysler (14.8% share) once again rose (+8%). Toyota (+11%) and Nissan (+10%) fared well while (so we expect) controlling incentives. Automakers cited Dec pull forward as a drag on the month.

##### ■ Deeper Q1 production cuts, newly announced Q2 cuts

GM and F further cut Q1 prod schedules by 45K (-4%, -12% YOY) and 10K units (-1%, -11% YOY). Q2 plans call for 10% and 1% YOY cuts, respectively. A positive, we continue to advocate that significant cuts are needed to "reboot" investor interest in the sector. That said, further declines are needed at GM in the 2H. Ford has the potential for modest increases.

##### ■ Chicago product pace increasing, G6 faces headwinds

Ford's new Chicago products continue to build momentum. We estimate a 188K annual sales pace, up from a 170K pace in January but still below the 250k unit plant capacity. GM continues to struggle with the G6 as fleet mix increases and the convertible is delayed. GMT800 continues to lose share (-180bp YOY).

##### ■ Remain Neutral on the Autos

Despite inventories being brought down, declining market share and lack of pent-up demand continues to plague GM and F. We prefer the suppliers over the OEMs, DCN and LEA remain our preferred picks.

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## More Pain for Auto Suppliers

### Lear guides lower, read through to other suppliers

#### ■ GM cuts Q1 production by another 4%, Q2 down 10% YOY

GM finally appears to be addressing its inventory problem. Though levels look to remain high on a historical basis, the issue now seems more manageable. Only modest Q2 cuts seem planned for the T800 despite 100+ days supply, highlighting the need for further platform cuts in 2H.

#### ■ Lear first to lower Q1 guidance

With more than 1/3 of revs from GM (10% from the T800 alone), LEA is susceptible to prdn cuts as its revised Q1 breakeven or better guidance highlights (UBS new Q1 est of 10c down from 65c). That said, we've been advocating significant GM prdn cuts as one of the potential ways to "reboot" the sector.

#### ■ Read through for DPH, GNTX, SUP, and AXL

DPH's current guidance is based on a 3% decline in GM production for '05, implying an unlikely 5% 2H increase. GNTX, like LEA, had based its Q1 guidance on a 5% industry decline. AXL is basing its '05 guidance on an 8% decline for the vehicles it supplies, >10% now appears more likely. With 40% of revs from GM, SUP will also be affected.

#### ■ We remain Neutral on autos

We think it's still too early to recommend the group. But assuming industry volumes hold in the mid-16M range, GM's prdn cuts are a step in the right direction. We continue to favor DCN and LEA (revised \$62 target based on 5.4x '05E EV/EBITDA, mid-point of past trading range).

## Continental (CAL.N)

### CAL: Avg Pilot Pay and Good Feb RASM

#### ■ First look at CAL pilot pay

CAL announced tentative agreements on Monday with unions thereby hitting \$500mm annual labor savings target. Pilot sources indicate 8.9% hourly pay cuts, w/2% pay increases Jul 1 '07 & '08. Puts CAL middle of US peer group and noticeably below NWAC & DAL 4Q04 concessions. Charts next pg.

#### ■ 1Q early vs our projections, dilution within our allowance

CAL & we expect ratification by month end, with concessions starting 2Q vs 3Q in our ests. Surprise is timing, not achievement itself. Of legacy majors, CAL arguably done most to reduce labor negotiation temperature. CAL will issue 10mm options upon ratification, within allowance built into our target price/rating.

#### ■ CAL Feb RASM comes in slightly above our est

CAL reports Feb RASM up 2-3% slightly above our 2% est. 1Q05 revs shaping up nicely for CAL and (to lesser extent) industry. Pity about oil (see Friday 2/25 note).

#### ■ Valuation: One year target price of \$19.50

= 7.5x fwd P/E times '07 normalized earnings of \$3.25 gives Jan 2007 fair value of \$24, discounted at 25% to Jan '06. CAL jumped +14% yesterday. News timing, not content, was a surprise, so such a jump arguably unwarranted, so either CAL previously unreasonably depressed or now overvalued. We have Buy 2 (unchanged) rating, so argue for former. Consensus ests likely to rise as savings incorporated.

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Price (28 Feb 05)..... US\$12.18

Rating..... Buy 2 (Unchanged)

P. Target..... US\$19.50

Market Cap..... US\$0.81bn

#### Full-Year EPS

2005E..... US\$(0.50)

2006E..... US\$2.10

## Consumer, Non-Cyclical

### First Read: School Paper: Year 2, Volume 6

#### Early Read On Congressional Hearing: We See Risks Rising

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#### ■ Reps & Dems Acknowledge Abuses & Need For More Oversight

Witnesses acknowledged abuses and fraud do exist (at FPs and NFPs) and shouldn't be tolerated. Thomas Carter (Dep. Inspector General at the DOE) said more oversight and rule enforcement are needed. We have a copy of testimony transcript.

#### ■ ...But Importance Of For Profit Sector Not Doubted

Industry advocates David Rhodes and Nick Glakas emphasized, and politicians seemed to appreciate, that FPs play an important role in society and that profits don't necessarily conflict with quality.

#### ■ We're Very Interested in "Cash Handling" Issue Carter Raised

Although 90/10 and single definition rules were discussed, we doubt hearings will influence their fate. We're more interested in Carter's comment that problems most often encountered with for profits relate to handling of cash/title IV funds; we think cash issues include timing of loan drawdowns, definitions of enrollments/dropouts, and return of unused funds.

#### ■ We Expect Scrutiny To Increase; Cash Handling May Be Focus

Although hearing wasn't earthshattering, it did add to our concern that regulatory scrutiny may increase in coming weeks. Specifically, based on Carter's comments and on discussions with industry contacts, we worry that the "cash handling" issue may move to the forefront soon. Our greatest regulatory concerns still relate to CECO, but we think regulatory issues will weigh on group multiple near term.

## Energy

### Burlington Resources (BR.N)

#### BR Analyst Meeting Highlights Deep Inventory and "Staying the Course"

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#### ■ BR reaffirms LT prod'n growth target of 3-8% & 10% per share

As expected, BR reiterated its LT production growth projections and commitment to sector-leading returns. Notably, management highlighted its deep inventory of 7 Tcfe which provides it with a multi-year inventory to achieve its growth targets. Management also highlighted that it does not feel compelled to pursue M&A given the frothy state of the M&A market and the depth & quality of its inventory.

#### ■ Committed to staying the course with sector leading ROCE

BR's focus on sector-leading returns is facilitated by: 1) lower-than-avg depletion rate (<20% vs industry avg of 30%); 2) relentless focus on cost reduction; and 3) disciplined approach to allocation of capital. While we would not be surprised to see some creep in capex, we expect the pace of share repurchases to double in '05.

#### ■ Low-risk drilling inventory up 8% to 7 Tcfe

BR highlighted its increased inventory of 7 Tcfe (up from 6.5 Tcfe in '04) with a notable new play in the Bossier. We characterize this inventory as low-risk/fairly predictable, and believe it should enable 3-8%/annum production growth for the next 3 years.

#### ■ Valuation: Buy 1 (RRD) given superior FCF and ROCE

BR's EV trades at 6.7x '05E normalized EBITDX, in line with the peer's 6.8x. We rate BR Buy 1 (RRD) given above-avg growth, returns & FCF. Our target of \$53 assumes EV trades to 7.0x '05E normalized EBITDX.

**Price (28 Feb 05).....** US\$49.63  
**Rating.....** Buy 1\* (Unchanged)  
**P. Target.....** US\$53.00  
**Market Cap.....** US\$19.4bn

#### Full-Year EPS

**2004E.....** US\$8.55  
**2005E.....** US\$8.15

\*Rating/return divergence - see page 14

## Financial

### Brokers/Universal Banks Monthly Takeaways

#### F1Q05 Vs F1Q04 - Not Quite Deja Vu

##### ■ Broker/Universal Bank Stocks Were Mixed In February

The brokers (-0.4%) underperformed the universal banks (+2.7%) and the broader markets in Feb (S&P +1.9%; MSCI EAFE +4.1%), as increasing fears of inflation and a somewhat softer equity trading environment, gave investors reason to pause, following the recent strong stock performance. While it may feel like deja vu from a year ago, we believe trends, the outlook and valuations are more favorable.

##### ■ Trends Were Decent During The Month

Positives include strength in equity underwriting (volumes +9% seq) and a continued favorable environment for FICC trading and M&A. Negatives include some moderation in equity trading (vols slipped 3% and volatility fell 13%) and debt underwriting (vols -39%, but will be revised upwards to est -25% as the data lags).

##### ■ F1Q05 Looking Good For The Brokers

F1Q for the brokers has shaped up to be a pretty good qtr. We expect strength in equity and debt underwriting, FICC trading, equity trading, asset mgmt, private client and prime brokerage, while we expect weakness in completed M&A.

##### ■ Tweaked F1Q Estimates Higher and Still Like The Sector

We continue to favor the brokers over the universal banks and both sectors over the asset managers. We have tweaked our F1Q05 est as follows: BSC to \$2.45 from \$2.40; GS to \$2.25 from \$2.10; LEH to \$2.20 from \$2.15; MWD to \$1.10 from \$1.05.

### JPMorgan Chase (JPM.N)

#### Private Equity Getting More Private

##### ■ Private Equity Separation

JP is making the heritage JPMorgan Partners private equity business an independent entity once it completes the current round of investment, likely an '06 event. It is keeping the former Bank One business, which has a narrow focus and no outside investors. Note, this is not a spin out, LBO or IPO, just a separation.

##### ■ A Matter of Pleasing Competing Objectives

JP wants to shrink the business, the principals want to grow it. "Divorce" satisfies both parties. For JP, it 1) eventually reduces the private equity contribution over time, 2) eventually reduces earnings volatility inherent in this business, and 3) limits client conflicts arising from the fine line of being adviser & investor (though GS does a pretty good job of managing this issue, in our view).

##### ■ Non-event, at Least for Now

Non-event for now, in our view, with no near-term impact on earnings or balance sheet (no capital freed until book shrinks). Over time JPM can invest as it sees fit, but will clearly have a smaller business, as per its ongoing objective (which is not a uniform strategy across the Street).

##### ■ Valuation: Unchanged by Announcement

Our outlook is unchanged following the pending separation of the private equity business. We reiterate our Neutral 2 rating and are maintaining our EPS estimates and \$39 PT, based on 11.5x 2006E EPS.

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Price (28 Feb 05)..... US\$36.55

Rating..... Neutral 2 (Unchanged)

P. Target..... US\$39.00

Market Cap..... US\$132bn

##### Full-Year EPS

2005E..... US\$2.90

2006E..... US\$3.45



## Marsh & McLennan (MMC.N)

### Getting Back on Track

#### ■ Weak 4q04, but Focus is On the New Business Model

Marsh & McLennan posted a 4q04 loss of (\$1.28) per share, worse than our (\$0.88/share) estimate including the \$850 mil. settlement with the New York Attorney General's office. (Our 4q04 EPS estimate was \$0.25 excluding the charge.) The company also reduced its quarterly cash dividend 50% to \$0.17/share, a bigger cut than we expected.

#### ■ Restoring Marsh USA's Profitability

On MMC's conference call, CEO Mike Cherkasky highlighted Marsh USA's new business model, which calls for standardized commissions paid by corporate clients with no back-end commissions from underwriters. In addition, the company will cut costs another \$375 mil. on top of the announced \$400 mil. in cuts. Together, Marsh plans to reach high-teen pretax operating margins by 2H2006.

#### ■ MMC Business Model Sound

Aside from Marsh USA, management emphasized that the fundamental business model for the rest of the company (accounting for 80% of MMC's revenue) is sound, and renewed its commitment to retaining Putnam and Mercer.

#### ■ Valuation: Raising Price Target to \$37 from \$35

We are lowering our 2005 operating EPS estimate to \$2.05 from \$2.25 due to an expected weak 1H @ Marsh, and introduce a 2006 EPS estimate of \$2.40. We are raising our 12-month price target to \$37 from \$35, now based on a blended sum-of-the-parts multiple of 15.5x our initial 2006 EPS estimate.

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**Price (28 Feb 05)**..... US\$33.00  
**Rating**..... Neutral 1 (Unchanged)  
**P. Target**..... US\$35.00 ► US\$37.00  
**Market Cap**..... US\$17.7bn

#### Full-Year EPS

**2005E**..... US\$2.25 ► US\$2.05  
**2006E**..... US\$2.40

## Industrial

## First Data Corp. (FDC.N)

### Just the Facts - No Surprises In 2004 10K, But Some Additional Insight

#### ■ No surprises, but 10K left out key Card Services metrics

During our initial review of FDC's 2004 10K filing, we found no major surprises/new disclosures that we believe will cause significant concern. The 10K was generally descriptive of FDC's operations, but it did not disclose Card Services revenue per card (by account type) that FDC had included in the past, which we believe could hurt investors ability to estimate segment performance accurately.

#### ■ FDC sees Visa/MasterCard as a growing competitive threat

FDC listed distribution networks, POS customer experiences & customer relationship issues (all vague terms) as new competitive factors in Payment Services. This could mean Visa/MasterCard and card-based remittances could be more serious threats going forward.

#### ■ Expect the stock to remain range-bound until 1Q results

We continue to believe the key question facing investors is whether the stock is at a floor at current levels (following recent weakness), or if there is further downside as fundamentals & quality continue to disappoint. We understand bull/bear cases, but we believe the stock will remain range-bound around \$40 until 1Q results provide a better assessment of growth/margin trends.

#### ■ Valuation: Maintain Neutral 2 and 12-mo PT of \$45

Our PT is based on a blend of 1) DCF & EVA analysis; 2) 19x '05 EPS est. of \$2.36; & 3) FDC's ranking vs. S&P 500 across key metrics.

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**Price (28 Feb 05)**..... US\$41.08  
**Rating**..... Neutral 2 (Unchanged)  
**P. Target**..... US\$45.00  
**Market Cap**..... US\$34.0bn

#### Full-Year EPS

**2004E**..... US\$2.14  
**2005E**..... US\$2.36



## Building & Building Products

### Bad Weather Delays Should Reverse Through '05

#### ■ Short Term Snow/Rain, Long Term Gain

We expect record rainfall on the West Coast, coupled with snowstorms in the Northeast and Midwest, to reduce closings and, to a lesser extent, orders in 1Q05. We view this as a timing issue, as these delays should reverse later in 2005. While positive EPS surprises may be limited due to the inclement weather, we continue to forecast average EPS growth of 40% YOY in 1Q.

#### ■ Bad Weather to Mostly Impact California

Excluding NVR, TOA, and WCI, all of the builders have exposure to California, where record rainfall continues to hinder closings, and in some cases, the opening of new communities. The Midwest and Northeast are lesser profit centers, though snow in these regions will also hamper deliveries.

#### ■ KBH/LEN Feb Quarter May Bear the Brunt

Both KBH and LEN will report Feb. quarter EPS in mid-March. The West accounts for 17% and 38% of unit closings for KBH and LEN, respectively. Given the record rainfall through their February-end quarters, we expect these companies to have a greater impact than those peers who will make up some of the delays in March.

#### ■ Valuation: PTs, 9.6x FTM EPS, +10%

Builder P/Es now average 8.8x our forward 12-month EPS estimates, compared to their historical average of 8.3x and range of 3.6x and 14.8x in the past. Our price targets imply average upside potential of 10%.

## Temple-Inland (TIN.N)

### Move To Neutral 1 Based On Price

#### ■ Now Neutral 1 Rating

Fundamentally achieved target of \$79. Need corporate event to move higher -- breakup \$96+. Potentially could sell timberland and financial services with est. after-tax proceeds generating \$55/shr of special dividend. The remaining container/building products company is est. to have a fundamental value of \$35/shr for total of \$90.

#### ■ May take a while if company sells assets

TIN has done a good job creating valuable assets and distributing cash to shareholders -- dividend increases in last 3 years and share buybacks. The company will probably want to continue down this path. Icahn nominates 3 directors out of 11 for May 6 annual meeting. Another 4 are up in May 2006 when a board control change could happen.

#### ■ Meeting in NY on Friday

We expect TIN to reemphasize its strategic direction and belief that its goal to achieve pre-tax ROIC of 18% is paying off and as such shareholders will continue to benefit over time.

#### ■ Valuation: Fundamental target remains \$79

Assuming direction is sale of timberlands and financial services it could take well over a year if direction is a board takeover. Interest rates may be higher and could hurt values. Over time TIN may create more value continuing in current direction. \$79 price target is 13x norm. EPS estimate of \$6.05, 13x is in line with forecast industry range.

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Christopher Ferrarone.....+1-212-713 9804

Price (28 Feb 05)..... US\$81.44

Rating..... Buy 1 ► Neutral 1

P. Target..... US\$79.00

Market Cap..... US\$4.56bn

#### Full-Year EPS

2005E..... US\$4.85

2006E..... US\$6.00

## JB Hunt Transport (JBHT.O)

### Conference Call with Intermodal President, March 8 at 10am ET

#### ■ Mr Paul Bergant, EVP

On Tuesday March 8, UBS is hosting a conference call with Paul Bergant as guest speaker. Mr Bergant is JB Hunt's Chief Marketing Officer and President of JB Hunt Intermodal (JBI). The purpose of the call is to learn more about how the intermodal business unit operates, and discuss strategies, threats and opportunities.

#### ■ Materiality: The key business unit

JBI is the company's largest division, accounting for 40% of sales and 42% of operating income in 2004. It's also the fastest growing, with a revenue CAGR of 13% since 2000, compared to 3% in the Truck segment and 12% at Dedicated. More importantly, we view intermodal as the most important source of future growth and profitability, hence anything that sheds more light on JBI has value.

#### ■ Dial-in details and format

The call will be informal Q&A. We will ask some questions, then open the call to investors to question Mr Bergant directly. US dial-in: (800) 289-0528; International: +1 (913) 981-5522. US replay: (888) 203-1112; International replay: +1 (719) 457-0820. Replay code: 6949254.

#### ■ Valuation

Our current \$57 target is based on 18x 2006 estimated EPS, and 8.6x 2005 EV/EBITDA. Both broadly in line with historical performance. JBHT is one of the five focus stocks in our universe.

## MEMC Electronic (WFR.N)

### Upgrading to Buy 2

#### ■ Estimate higher wafer demand & a more favorable product mix

We estimate that 300mm wafers (which have higher prices and margins) will grow to 20% of shipments in 2006 from 12% in 2004, and expect higher margin epitaxial/prime wafers to grow to 70% of 300mm sales in 2006 (from about 60%). We also expect MEMC benefits from 300mm production at its subsidiary Taisil, which we estimate has 1% higher GM than the corporate average.

#### ■ Benefits likely from potential shortage of polysilicon

Our checks suggest that Polysilicon, a raw material used to manufacture silicon wafers and solar panels, remains in tight supply, given increased demand from solar panel producers and a lack of poly capacity expansions. MEMC has its own poly plants, which we expect can result in share gains over those who lack their own poly or long term agreements with poly suppliers.

#### ■ Increasing estimates on improved outlook

We increased our EPS estimates to reflect our more positive outlook for the company. Our 2005 and 2006 EPS estimates go to \$1.10 and \$1.34 from \$1.02 and \$1.06. Our new revenue estimates are \$1.14B in 2005 and \$1.25B in 2006, vs. \$1.10B and \$1.17B previously.

#### ■ Valuation: Raising 12-month price target to \$17 from \$14

Our price target is based on applying a 13x multiple to our revised 2006 EPS estimate of \$1.34. We estimate free cash flow of \$182M in 2006 (\$0.78/shr.) which implies a current price to cash flow ratio of 17x.

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**Kevin Crissey**..... +1-212-713 3562

**Price (28 Feb 05)**..... US\$46.99  
**Rating**..... Buy 2 (Unchanged)  
**P. Target**..... US\$57.00  
**Market Cap**..... US\$3.82bn

#### Full-Year EPS

**2005E**..... US\$2.66  
**2006E**..... US\$3.10

**Stephen Chin**..... +1-212-713 4111  
**Marisa Hernandez, CFA**..... +1-212-713 4086

**Price (28 Feb 05)**..... US\$13.42  
**Rating**..... Neutral 2 ► Buy 2  
**P. Target**..... US\$14.00 ► US\$17.00  
**Market Cap**..... US\$2.79bn

#### Full-Year EPS

**2005E**..... US\$1.02 ► US\$1.10  
**2006E**..... US\$1.06 ► US\$1.34

# Technology

## Key System IC Takeaways From IDF Update Following Day One Forum Checks

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- **Broadcom positioning appears relatively stable**  
Checks indicated that Broadcom has been extremely successful with its CNIC product line targeting TOE for GbE server interfaces. Although we knew this product had done well, we hadn't realized the magnitude of its wins owing to interoperability issues for competing solutions. We believe there is a six month window before we will be able to evaluate if Intel can gain share through I/O AT in 2006.
- **Marvell positioning appears relatively tenuous**  
We learned that Intel remains committed to displacing the Marvell PHY after the release of the Lakeport platform. Potentially more threatening near term were indications that Intel will introduce WUSB silicon by yearend 2005. WUSB would likely challenge Marvell's 802.11 solutions for low end sockets in consumer electronics such as digital cameras. More WUSB color should come this week.
- **SAS opportunities appear limited for PMCS in 2005**  
Our cursory checks suggest that PMC-Sierra will not see a material improvement in SAS opportunities in coming quarters. Although we believe PMC-Sierra has demonstrated technology strength in this area, we believe the SAS market opportunity is evolving only slowly for itself and rivals LSI Logic and Vitesse.
- **802.11n due for another standards debate in March**  
Intel claims its 802.11n silicon efforts are on track, but gave little color on a standards resolution.

## Communications Equipment Electronic Analyzer Introducing UBS Global Analyzer Product

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- **UBS electronic analyzer tool for the comm. equipment sector**  
We are introducing the UBS Global Comm. Equipment Electronic Analyzer, a spreadsheet tool for comparing various financial metrics across the equipment universe in one easy to use format. This product builds on the depth of UBS's equipment stock coverage, including vendors in the Americas, Europe, and Asia.
- **How the product works**  
Analyzer data is in spreadsheet format and can be easily sorted to rank companies by key income statement, balance sheet, cash flow, and valuation metrics, among others. The analyzer also allows for comparisons in different foreign currencies across the various equipment sub sectors (wireline, wireless, data networking, etc.).
- **Data can be ported to other spreadsheets**  
In addition to comparisons across the sector, double clicking on any comm. equipment company on any spreadsheet tab will bring up a company-specific summary data page. Finally, we note that the data from this product can be copied and used by clients in other spreadsheet formats.
- **Bi-weekly updates to be distributed with Global Telebits**  
We plan to update and send out our global electronic analyzer product every two weeks along with our Global Telebits report. However, clients may request an updated copy at any time by contacting their UBS representative.

## EMS Industry

### Highlights From UBS-Hosted Lean Six Sigma (Q-Series) Panel Discussion

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Michael Urlocker, CFA.....+1-416-350 2805

#### ■ UBS Panel Discussion Featured Two Veteran Lean Experts

Yesterday, we hosted a panel discussion on the topic of Lean and Six Sigma in the EMS industry. The panel was done in conjunction with our 48-page Q-Series report published earlier this week. Joining us were two Lean manufacturing experts - George Koenigsaecker (Pres., Lean Inv. LLC and former group pres., Danaher) and Jim Lanigan (Director of Ops & Engineering, Preco Electronics -- EMS).

#### ■ Highlights From UBS Lean Six Sigma Call

Some of the key takeaways from our call include: 1) typical improvements from Lean Six Sigma are in the 10-30% range per year; 2) two critical success factors are senior mgmt leadership and understanding of the philosophy; 3) cultural difference actually work in favor of lower cost regions; and 4) starting with a showcase plant sets an example for the rest of the firm to follow.

#### ■ Reiterate Buy 2 Ratings on CLS and SLR

Based on our analysis, we believe that Lean Six Sigma alone can drive 75-100 bp improvements in EBIT margins for CLS and SLR by year-end CY06. Sales growth and restructuring efforts should further boost margin expansion. We also expect reductions in inventory levels to generate an incremental \$200-300M in free cash flow. Hence, our estimates for both CLS and SLR are notably above the Street.

## Novellus Systems Inc (NVLS.O)

### Reiterates 1Q05 Order Guidance during Mid Qtr Update

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4086

#### ■ 1Q visibility remains limited due to lumpy Japanese orders

Novellus' 1Q05 order guidance of \$285M to \$310M (-6% to -14% q/q) remains unchanged as the timing of orders from Japanese customers remain in flux. Similar to Applied Materials, our industry checks suggest Spansion (flash memory) likely pushed out orders leaving potential 1Q05 swing orders, to achieve the high end of the range, to be from Elpida (DRAM) and Fujitsu (logic).

#### ■ Concerns over sustained gross margin improvements linger

While Novellus' 1Q05 revenue and EPS estimates were guided slightly higher, we estimate gross margin likely trended down 240bps q/q to around 47%. We believe Novellus is committed to its PVD (physical vapor deposition) products and continues to invest in manufacturing, but likely needs a higher revenue run rate, deeper into the upcycle to deliver more consistent results.

#### ■ No change to EPS estimates

Despite the slightly higher than expected revenue and EPS guidance in 1Q05, we have left our 05 and 06 EPS estimates unchanged at \$0.95 and \$1.61 respectively. We continue to expect semiconductor capital equipment orders to bottom in 2Q05 and a new upcycle to start in 2H05, but look for increased traction in PVD and sustainable gross margin improvements before warming to the stock.

#### ■ Valuation: Neutral 2 (RRD) and Price Target of \$29

Our price target is based on applying an 18x multiple to our CY06 EPS estimate of \$1.61.

Price (28 Feb 05)..... US\$29.54

Rating.....Neutral 2\* (Unchanged)

P. Target..... US\$29.00

Market Cap..... US\$4.47bn

#### Full-Year EPS

2005E.....US\$0.95 (Unchanged)

2006E.....US\$1.61 (Unchanged)

\*Rating/return divergence - see page 14

Intel (INTC.O)

IDF Day 1 – Open Display of Platforms and Multicore Processors

■ Intel Investment Thesis

We believe that Intel has the opportunity through its platform strategy to increase the dollar amount of silicon it sells per platform. We also believe that through enabling new compelling applications, Intel's multicore processor road map can be the catalyst for Intel's platform strategy to drive double digit EPS growth.

■ Supporting the Thesis – Intel Shows the Goods:

- 1) Intel demonstrated 5 dual-core processors and has 10 multicore processors in development
- 2) Intel provided a refreshing level of openness as to how it will implement its strategy including its road map into 2007, new platform technologies, and processor implementation details
- 3) Reiteration of its commitment to increase processor performance by 10x in the next 4 years.

■ Key Takeaway – Intel is Executing

In summary, we believe that Intel is credibly demonstrating its ability to execute platforms based on multicore processors in the most advanced process technology. Additionally, this better understanding of Intel's road map sheds additional light on Dell's choice to maintain its Intel-only purchasing strategy.

■ Valuation: Target Price \$32

Our 12-month target price is \$32 based on a target PE multiple of 22x applied to our 2006 EPS estimate of \$1.45. We maintain our Buy 2 rating.

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Price (01 Mar 05)..... US\$24.62

Rating.....Buy 2 (Unchanged)

P. Target..... US\$32.00

Market Cap..... US\$156bn

Full-Year EPS

2005E..... US\$1.27

2006E..... US\$1.45

This package contains summaries of UBS research content. For a complete copy of the non-summarized version, please contact your UBS sales representative.

### UBS Investment Research: Global Equity Ratings Definitions and Allocations

| UBS rating       | Definition  | Rating category     | Coverage <sup>1</sup> | IB services <sup>2</sup> |
|------------------|---|---------------------|-----------------------|--------------------------|
| <b>Buy 1</b>     | FSR is > 10% above the MRA, higher degree of predictability             | <b>Buy</b>          | 36%                   | 32%                      |
| <b>Buy 2</b>     | FSR is > 10% above the MRA, lower degree of predictability              |                     |                       |                          |
| <b>Neutral 1</b> | FSR is between -10% and 10% of the MRA, higher degree of predictability | <b>Hold/Neutral</b> | 53%                   | 35%                      |
| <b>Neutral 2</b> | FSR is between -10% and 10% of the MRA, lower degree of predictability  |                     |                       |                          |
| <b>Reduce 1</b>  | FSR is > 10% below the MRA, higher degree of predictability             | <b>Sell</b>         | 11%                   | 29%                      |
| <b>Reduce 2</b>  | FSR is > 10% below the MRA, lower degree of predictability              |                     |                       |                          |

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 December 2004.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003 the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).

**Predictability Level** The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Rating/Return Divergence (RRD)** This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

### EXCEPTIONS AND SPECIAL CASES

**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE):** Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

## Companies Mentioned

| Company Name                                     | Reuters  | Rating          | Price      |
|--|----------|-----------------|------------|
| AirTran Holdings <sup>16</sup>                   | AAI.N    | Neutral 2 (RRD) | US\$7.98   |
| Alaska Air <sup>16</sup>                         | ALK.N    | Reduce 2        | US\$28.36  |
| American Axle <sup>2a,16</sup>                   | AXL.N    | Neutral 2       | US\$26.42  |
| America West Hldgs <sup>13,16</sup>              | AWA.N    | Buy 2           | US\$4.90   |
| AMR Corp. <sup>6b,7,13,16</sup>                  | AMR.N    | Buy 2           | US\$8.49   |
| Apollo Group <sup>16</sup>                       | APOL.O   | Reduce 2        | US\$73.64  |
| Bear Stearns <sup>2c,6b,6c,7,16</sup>            | BSC.N    | Neutral 2       | US\$99.50  |
| Beazer Homes <sup>2b,4b,6a,13,16</sup>           | BZH.N    | Neutral 1 (RRD) | US\$171.92 |
| Benchmark Elect. <sup>16</sup>                   | BHE.N    | Neutral 2       | US\$32.52  |
| Broadcom <sup>4a,16</sup>                        | BRCM.O   | Buy 2           | US\$32.50  |
| Building Materials <sup>16</sup>                 | BMHC.O   | Not rated       | US\$46.14  |
| Burlington Resources <sup>16</sup>               | BR.N     | Buy 1 (RRD)     | US\$49.63  |
| Career Education <sup>16</sup>                   | CECO.O   | Reduce 2        | US\$34.15  |
| Celanese <sup>2b,4b,5,13,16</sup>                | CE.N     | Neutral 2       | US\$16.70  |
| Celestica <sup>16</sup>                          | CLS.N    | Buy 2           | US\$12.86  |
| Centex Corp. <sup>2a,4a,16</sup>                 | CTX.N    | Buy 1           | US\$63.59  |
| Citigroup <sup>2b,4b,5,6a,6b,6c,7,8,16,18a</sup> | C.N      | Buy 2           | US\$47.72  |
| Continental <sup>2c,16</sup>                     | CAL.N    | Buy 2           | US\$10.71  |
| Corinthian Colleges <sup>16</sup>                | COCO.O   | Neutral 2       | US\$17.29  |
| CS Group <sup>2a,4b,5,16</sup>                   | CSGN.VX  | Buy 2           | CHF50.65   |
| D.R. Horton <sup>2b,4b,6a,16</sup>               | DHI.N    | Buy 2 (RRD)     | US\$43.76  |
| Dana Corp. <sup>2b,4a,6a,6c,7,16</sup>           | DCN.N    | Buy 2           | US\$14.42  |
| DCX <sup>2a,4a,9,13,16</sup>                     | DCXGn.F  | Neutral 2       | €35.18     |
| Dell <sup>4b,6a,6b,6c,7,16</sup>                 | DELL.O   | Neutral 1       | US\$40.40  |
| Delphi <sup>2a,4b,6a,16</sup>                    | DPH.N    | Reduce 2        | US\$6.87   |
| Delta Air <sup>16</sup>                          | DAL.N    | Buy 2           | US\$4.64   |
| Deutsche Bank <sup>4b,13,16</sup>                | DBKGn.DE | Neutral 2       | €66.30     |
| Education Management <sup>16</sup>               | EDMC.O   | Neutral 1       | US\$29.32  |
| First Data Corp. <sup>16</sup>                   | FDC.N    | Neutral 2       | US\$41.02  |
| Flextronics <sup>2b,4b,6a,6b,6c,7,14,16</sup>    | FLEX.O   | Buy 2           | US\$13.35  |
| Ford <sup>2b,4b,6a,6b,6c,7,14,16</sup>           | F.N      | Neutral 2       | US\$12.65  |
| Gentex Corp. <sup>16</sup>                       | GNTX.O   | Reduce 2        | US\$33.91  |
| GM <sup>2b,4b,5,6a,6b,6c,7,14,16</sup>           | GM.N     | Neutral 2       | US\$35.67  |
| Goldman Sachs <sup>2c,6b,6c,7,16</sup>           | GS.N     | Buy 2 (RRD)     | US\$108.80 |
| Hovnanian <sup>2b,4b,16</sup>                    | HOV.N    | Buy 1           | US\$55.00  |
| Intel <sup>6b,6c,7,8,16,18a</sup>                | INTC.O   | Buy 2           | US\$24.62  |
| Jabil <sup>16</sup>                              | JBL.N    | Neutral 2       | US\$25.71  |
| JB Hunt Transport <sup>16</sup>                  | JBHT.O   | Buy 2           | US\$47.19  |
| JetBlue Airways <sup>2b,4a,6a,8,16</sup>         | JBLU.O   | Reduce 2        | US\$17.98  |
| JPMorgan Chase <sup>2b,4b,5,6a,6b,6c,7,16</sup>  | JPM.N    | Neutral 2       | US\$36.55  |
| KB Home <sup>2a,4a,6a,16</sup>                   | KBH.N    | Buy 1 (RRD)     | US\$124.80 |
| Lear Corp. <sup>16</sup>                         | LEA.N    | Buy 2           | US\$52.15  |
| Lehman Brothers <sup>2b,4b,5,6a,6b,6c,7,16</sup> | LEH.N    | Buy 2           | US\$91.18  |
| Lennar <sup>2a,4a,6a,16</sup>                    | LEN.N    | Buy 2 (RRD)     | US\$60.82  |
| Marsh & McLennan <sup>16</sup>                   | MMC.N    | Neutral 1       | US\$32.65  |
| Marvell Technology <sup>16</sup>                 | MRVL.O   | Reduce 2        | US\$37.46  |
| McDonalds <sup>6b,7,16</sup>                     | MCD.N    | Buy 2 (RRD)     | US\$33.08  |
| MEMC Electronic <sup>2a,4a,6a,16</sup>           | WFR.N    | Buy 2           | US\$12.98  |
| Meritage Corp. <sup>2b,4a,5,6a,16,18c</sup>      | MTH.N    | Neutral 1       | US\$73.23  |
| Merrill Lynch <sup>2b,4b,6b,6c,7,16</sup>        | MER.N    | Buy 2           | US\$58.58  |
| Millipore <sup>2a,16</sup>                       | MIL.N    | Buy 2           | US\$45.26  |
| Morgan Stanley <sup>2a,6b,6c,7,16</sup>          | MWD.N    | Neutral 2       | US\$56.47  |
| Northwest Airlines <sup>16</sup>                 | NWAC.O   | Buy 2           | US\$7.03   |
| Novellus Systems Inc <sup>16</sup>               | NVLS.O   | Neutral 2 (RRD) | US\$29.54  |
| NVR <sup>16</sup>                                | NVR.A    | Neutral 1       | US\$792.25 |
| Pall <sup>2a,4b,6a,6b,7,12,16</sup>              | PLL.N    | Buy 2           | US\$27.07  |
| Plexus <sup>6b,6c,7,16</sup>                     | PLXS.O   | Neutral 2       | US\$10.60  |
| PMC-Sierra <sup>16</sup>                         | PMCS.O   | Buy 2           | US\$10.22  |
| Pulte Homes <sup>2b,4b,5,6a,6b,6c,7,16</sup>     | PHM.N    | Buy 1           | US\$78.02  |
| Ryland Group <sup>2b,4b,5,6a,6b,7,16</sup>       | RYL.N    | Neutral 2       | US\$69.55  |
| Sanmina-SCI <sup>2a,5,16</sup>                   | SANM.O   | Neutral 2       | US\$5.51   |
| Soletron <sup>16</sup>                           | SLR.N    | Buy 2           | US\$4.95   |
| Southwest <sup>2b,4b,6a,6b,7,8,16</sup>          | LUV.N    | Buy 2           | US\$13.85  |
| Standard Pacific <sup>2b,4a,16</sup>             | SPF.N    | Not rated       | US\$80.00  |
| Superior Industries <sup>4a,16</sup>             | SUP.N    | Reduce 2        | US\$26.48  |
| Technical Olympic <sup>2a,4a,6a,16</sup>         | TOA.N    | Buy 1 (RRD)     | US\$30.32  |
| Temple-Inland <sup>2b,4b,5,6a,6b,7,16</sup>      | TIN.N    | Neutral 1       | US\$80.20  |



**Companies Mentioned**

| Company Name                                     | Reuters  | Rating      | Price     |
|--|----------|-------------|-----------|
| <b>Toll Brothers</b> <sup>2c,16</sup>            | TOL.N    | Buy 1 (RRD) | US\$88.05 |
| <b>UAL Corp</b>                                  | UALAQ.OB | Reduce 2    | US\$1.01  |
| <b>UBS</b> <sup>2b,4a,8,13,18b</sup>             | UBSN.VX  | Not rated   | CHF100.90 |
| <b>US Airways</b> <sup>16</sup>                  | UAIRQ.OB | Not rated   | US\$1.05  |
| <b>WCI Communities</b> <sup>2a,2c,4a,6a,16</sup> | WCI.N    | Buy 1       | US\$34.70 |
| <b>Wendy's Intl.</b>                             | WEN.N    | Neutral 1   | US\$37.85 |
| <b>Yum! Brands</b> <sup>16</sup>                 | YUM.N    | Neutral 2   | US\$48.78 |

Price(s) as of 01 March 2005

- 2a. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company or one of its affiliates within the past three years.
- 2b. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company or one of its affiliates within the past 12 months.
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8. The equity analyst covering this company, a member of his or her team, or one of their household members has a long common stock position in this company.
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12. A director or an employee of UBS AG, its affiliates or subsidiaries is a director of this company.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
14. UBS Limited acts as broker to this company.
16. UBS Securities LLC and/or UBS Capital Markets LP makes a market in the securities and/or ADRs of this company.
- 18a. The UBS Financial Services Inc. equity strategist, a member of her team, or one of their household members, has a long common stock position in this company.
- 18b. UBS AG has acquired RWE's 20% stake in Motor Columbus and its 1.23% stake on Atel.
- 18c. UBS Securities LLC is acting as dealer-manager on the announced tender for the Meritage Corp 9.75% Nts due 2011.

Unless otherwise indicated, please refer to the clearly labelled Valuation and Risk sections contained within the body of this report.

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