

Industrial

November 25, 2011

Industry Comment

**Ben Cherniavsky** | 604.659.8244 | ben.cherniavsky@raymondjames.ca  
**Theoni Pilarinos** CFA (Associate) | 604.659.8234 | theoni.pilarinos@raymondjames.ca  
**Greg Jackson** (Associate) | 604.659.8262 | greg.jackson@raymondjames.ca

Infrastructure & Construction | Equipment Distributors

Equipment Dealers: Capitalizing on Consolidation

Amidst all of today’s macroeconomic uncertainty and financial market volatility it has become increasingly difficult to have strong conviction in any particular ‘call’ about the future. Nevertheless, when it comes to our universe of equipment distribution companies, there is one trend that we very confidently predict will continue—namely, consolidation. Investors may recall that in our comprehensive report on the sector last year (see our Oct-14-10 Report *Canada’s Equipment Distribution Stocks: Deal Me In!*), we identified an abundance of acquisition opportunities as one of several factors that would support growth for many of the equipment dealerships that we cover. The consolidation theme has, in fact, unfolded conspicuously since then with all but one of the six dealerships that we cover completing meaningful acquisitions of complementary franchises over the past eighteen months. Looking more broadly at the sector (i.e. outside the realm of the public dealers in Canada), there has been equally convincing evidence that OEMs are facilitating—however tacitly—a consolidation of their respective distribution channels (see Exhibit 1).

Exhibit 1: Dealer Consolidation Activity (2011 YTD)

Date	Consolidator	Target	Target's Concentration	Target Territory
03-Jan-11	Titan Machinery Inc.	Fairbanks International Inc.	Case IH/New Holland	Nebraska
04-Jan-11	Rocky Mountain Dealerships	Agritrac Equipment Ltd.	Case IH	Alberta
26-Jan-11	Tri Green Tractor	Green Power of Harper Implement Jackson-Lee Pearson	John Deere John Deere John Deere	Indiana
08-Feb-11	Rocky Mountain Dealerships	J&B Equipment Ltd.	Case IH	Saskatchewan
08-Feb-11	MacAllister Machinery	Michigan Tractor	CAT	Michigan
18-Feb-11	Strongco	Chadwick-BaRoss Inc.	Volvo	Westbrook, Maine
28-Feb-11	Titan Machinery Inc.	Tri-State Implement	New Holland	South Dakota
14-Mar-11	Titan Machinery Inc.	Schoffman's Inc.	Case IH	Minnesota
21-Mar-11	Titan Machinery Inc.	*ABC Rental	N.M.	North Dakota, Montana
22-Mar-11	Blanchard Equipment	Guess Farm Equipment	John Deere	South Carolina
15-Apr-11	Hoober Inc.	Chambersburg Farm Service	Case IH	Pennsylvania
15-Apr-11	21st Century Equipment	Kay Jan Inc.	John Deere	Colorado
19-Apr-11	Titan Machinery Inc.	Carlson Tractor & Equipment	New Holland	Minnesota
02-May-11	Titan Machinery Inc.	St. Joseph Equipment Inc.	Case IH/New Holland	Minnesota/Wisconsin
08-Aug-11	A.C. McCartney	Kuhns Equipment Co.	AGCO	Illinois
10-Aug-11	Titan Machinery Inc.	Virgl Implement	Case IH	Nebraska
10-Aug-11	Titan Machinery Inc.	Victors Inc.	Case IH	Nebraska
09-Sep-11	Doggett Heavy Machinery Services	Rush Equipment	John Deere	Texas
21-Sep-11	Titan Machinery Inc.	Jewell Implement Co.	Case IH	Iowa
21-Sep-11	Precision Equipment	Elder Implement Farmers Implement	John Deere John Deere	Iowa
07-Nov-11	Papé Group	Columbia Tractor Inc.	Case IH	Idaho/Washington
17-Nov-11	Foley Equipment	Dean Machinery	CAT	Kansas City
17-Nov-11	Titan Machinery Inc.	AgroExpert	Case IH	Romania

\*rental company  
 \*\*equipment rental software

Source: Raymond James Ltd.

We believe there are several important forces behind this trend. The first is simply demographics. The equipment dealership business is an old, fragmented business that has been built primarily on a legacy of independently operated franchises scattered across relatively small geographic territories. In many cases, the operations and ownership of these franchises have been passed down through the lineage of a family, ultimately reaching a point where the third or fourth generation is no longer interested in running ‘grandpa’s business.’ In these situations, the logical solution is to sell the dealership, which requires the franchisee to alert the franchisor of his intentions. The latter party (i.e. the OEM) will then seek and solicit interest from new potential owners of the business. This solicited party is almost always another member of the existing dealer network—often in a contiguous territory—rather than an outsider (such as private equity) who would know little about the intricacies of selling and servicing heavy equipment. This transaction process effectively facilitates a controlled bidding environment, which mitigates many of the risks that the buyer over-pays.

Two other related factors that can lead to dealer consolidation are duress and underperformance. Embedded in almost all dealership franchising agreements is an effective ‘call option’ that allows the franchisor to buyback, or rescind, the dealership rights under either of these circumstances. When this occurs, the OEM will often turn to another, stronger dealer in the network to take over the repossessed territory. Economic downturns—such as the one that occurred in 2009—often facilitate these kinds of transactions, as was the case when Finning acquired the dealership rights for Ireland last year (Finning’s acquisition of the Argentinian CAT dealer in 2002 was also done at the nadir of that country’s financial crisis). But even when the equipment markets are healthy, there are always going to be relative underperformers to weed out. Although these types of distressed transactions tend to be less common, they often end up being the most lucrative to the buyer, who has the opportunity to restructure operations, recapitalize the balance sheet, improve market share, and generally drive revenues and profits higher.

The third and final variable that we believe is driving industry consolidation is the increasing benefit related to economies of scale. Historically, running an equipment dealership was a pretty simple business. However, it has gradually become much more complicated over the years. Selling and servicing today’s machines, which now feature very sophisticated technology, requires greater investments in software, hardware, and—most importantly—technician training. Also, the broadening of OEM product lines, as well as the growth of rental, are both putting additional demands on the dealers, especially their capital requirements. Amidst these industry trends, it has become increasingly evident that bigger dealers are generally better dealers. Accordingly, even though few of them will state it explicitly, most OEMs are beginning to see that the benefits of a more concentrated distribution channel outweigh the drawbacks of putting more power into the hands of fewer dealers. Indeed, even CAT, which already boasts the strongest and most concentrated dealer network in the world, is permitting—if not encouraging—slow but steady dealer consolidation (see Exhibit 2). We believe that any of the OEMs that still resist this trend will eventually fall into line as they slowly lose market share to the competitors that boast a bigger and better distribution channel.

**Exhibit 2: CAT Dealer Consolidation (last 15 years)**

Date	Consolidating CAT Dealer	Existing Territories	Targeted CAT Dealer	Target Territory
2011	MacAllister Machinery	Indiana	Michigan Tractor and Machinery	Michigan
2010	Finning International	Western Canada, UK, Chile	McCormick Macnaughton	Northern Ireland
2010	Peterson Machinery Co.	Eugene, Oregon	Halton Co.	Portland, Oregon
2009	Whayne Supply Co.	Kentucky, Southern Indiana	Walker Machinery Co.	West Virginia, Southern Ohio
2009	Foley Equipment	Western Kansas	Martin Tractor	Topeka, Kan
2007	Compagnia Generale Trattori	Northern Italy	Maia Due S.P.A.	Southern Italy
2005	Cleveland Bros.	Pennsylvania, W. Virginia	Beckwith Machinery	Pennsylvania
2004	Pon Holdings	Netherlands	Various CAT dealers	Sweden, Norway, Denmark, NL
2004	Milton	Northeast U.S.	Syracuse Supply	Upstate NY
2003	Ohio Machinery Co.	Eastern Ohio	Holt Caterpillar	Western Ohio
2003	Macrosa	Brazil	Bahema	Brazil
2003	Finning International	Western Canada, UK, Chile	Matreq Ferreyros	Bolivia
2002	Finning International	Western Canada, UK, Chile	Macrosa General Machinery	Argentina
2002	Wagner Equipment	Colorado	Rust Tractor	New Mexico,
2002	West Texas Equipment	Oklahoma, Texas	Darr Equipment Co.	Oklahoma
2001	Sotreq	Brazil	Lion	Brazil
2001	Toromont Industries	Ontario, Newfoundland	Powell Equip. Ltd.	Manitoba,
1999	Barloworld Equipment	South Africa	Greenfield	Siberia
1997	Finning International	Western Canada, Chile	Leverton	United Kingdom
1997	Toromont Industries	Ontario	Nfld. Tractor & Equip.	Newfoundland

Source: Raymond James Ltd.

Although it is difficult for us to predict exactly what, where, and when any of the dealers that we cover will acquire next, we are highly confident that consolidation will remain an important growth driver for equipment distributors over the long term. As we have discussed, moving into a neighbouring territory would be among the most common developments to expect, although—as Cervus proved with its recent foray into New Zealand—there is nothing to stop a dealer from breaking into an entirely new region. Similarly, while dealers frequently expand the representation of their existing brands into new geographies, it is not uncommon for them to acquire additional products to represent within their current territories. This is most common for multi-line dealers. However, in theory, even CAT dealers are permitted to represent another line of equipment provided it does not compete with anything that the OEM already offers. In practice, this is becoming increasingly difficult to do as Caterpillar continues to expand its product line. For example, in mining, CAT, with the addition of the Bucyrus products, now manufactures almost every type of machine used in both open pit and underground mines (see Appendix 1). In this respect, the pending negotiations between CAT and its dealers for the distribution rights of the Bucyrus product line is another example of dealer consolidation—albeit in a rather unconventional form.

Even in the short-term, we see opportunities for the consolidation trend to serve as a potential catalyst for stocks in this sector. Cervus and Toromont are, in our view, particularly well-positioned to acquire additional dealership rights sometime in the next 6-12 months. For Toromont, we believe the recent spinoff of the compression business—which we argued was in part done to eliminate conflict of interest and facilitate acquisitions (see our Nov-09-10 report, price \$30.27, for details)—positions the company for growth on the dealership side. Its very high performance track record and essentially debt free balance further bolster its case for an acquisition and form some of the basis behind our Strong Buy rating on the stock (see our Nov-01-11 upgrade piece, *Strong 3Q11 Results from One of Our 'Top Picks'*, price \$19.38, for more details). Amongst the smaller cap dealers, we believe Cervus, which we rate Strong Buy for similar reasons to Toromont including an impeccable track record and unlevered

balance sheet, is the next in line to complete an acquisition. Our belief is in part fuelled by Deere's announcement made in February this year to double its revenue to \$50 bln by 2018. The only way to accomplish this goal will be to allow its best and strongest dealers, such as Cervus, to continue to grow, in our view. That said, we do not eliminate the option of growth outside of the Deere channel for the company given its multi-line distribution status. While we have the highest degree of confidence that a dealer acquisition is imminent for these two names, we point out that all the dealers in our universe rank in the moderate to high category in terms of readiness to acquire over the long-term (see Exhibit 3).

The bottom line for investors is that all of the equipment stocks that we cover will, in our view, be presented with compelling acquisition opportunities over the next few years. At a time when the visibility around end market demand has become much more opaque, we believe this will provide an attractive and relatively secure growth avenue for each company to leverage. Assuming integration and valuation risks are managed appropriately, we see the consolidation train as a good one to ride.

**Exhibit 3: Analysis of Acquisition Readiness for Canada's Equipment Dealers**

Dealer	Most recent acquisition	Current financial capacity (MRQ debt to equity ratio)	Probability of near-term acquisition (6-12 months)	Probability of long-term acquisition (next 3-5 yrs)	Comments
TIH	Jul-01: Powell Equipment Ltd (Manitoba)	High (0.3x)	High	Moderate to High	High performance track record and the recent spin-off of the compression business positions the company for growth on the dealership side. Bay street rumours have been circulating that a potential target may be the CAT dealer in SK. Quebec is the only other private dealer that remains in Canada. We believe any location / country outside of the U.S. is likely in the near-term.
CVL	Jul-10: Agriturf Limited (NZ)	High (0.1x)	High	High	In February, Deere announced its goal to double its revenue to \$50 bln by 2018; the only way to accomplish this will be to allow its strongest dealers such as CVL to continue to grow, in our view. Growth outside of the Deere channel is also an option for this multi-line dealer.
WJX	May-11: Harper Power Products	High (0.4x)	Moderate	High	As a multi-line dealer, WJX has a broad range of acquisition opportunities. Management is looking at underground mining equipment to replace the LeTourneau wheel loader product but acknowledges that the related profits stream will likely be less. Additional acquisitions in the power systems business is also likely near-term.
SQP	Feb 2011: Chadwick Boss	Low (1.8x)	Moderate	High	SQP is also a multi-line dealer with a variety of acquisition opportunities. Under new management the co. has a keen interest to expand in both the US and Canada. Additional (contiguous) Volvo franchises around the US North East is a likely next step, although the current balance sheet suggests that this may not occur in the near-term.
RME	Apr-11: Agritrac Equipment	Low (1.3x)	Low to Moderate	High	Rocky Mountain has been an active consolidator of Case and NH dealership in Western Canada since 2007. The company has taken a pause to integrate and improve the performance of its recent acquisitions before recommencing its growth strategy (targeted for 2H12).
FTT	Aug-10: McCormick McNaughton Group (Ireland)	Low (1.2x)	Low	Moderate	FTT's current debt levels, ERP woes, and focus on securing the Bucyrus rights make a near-term CAT dealer acquisition unlikely, in our view. The fact that it is already CAT's biggest dealer further complicates the matter. However, we believe FTT will play a continued role in the consolidation of CAT dealers over the long-run, especially in mining intensive regions.

Source: Raymond James Ltd.

## Appendix 1: CAT's Mining Product Offering

Company	Surface Mining Equipment										Underground Mining Equipment						
	Dozers & Graders	Wheel Loaders	Mining Trucks	Hydraulic Shovels	Highwall Miners	Surface Drills	Rope Shovels	Dragliners	Surface Belt Systems	Belt Systems	Roof Supports	Armored Face Conveyors	Shearers	Drills	Truck & Loaders	Continuous Miners	Diesel Transport
Caterpillar																	
Joy Global																	
Komatsu																	
Hitachi																	
Liebherr																	

Source: Caterpillar Inc., Raymond James Ltd.

## Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
AGCO Corporation	AGCO	NYSE			NC	
Caterpillar Inc.	CAT	NYSE	US\$	87.76	2	RJ LTD.
Cervus Equipment Corp.	CVL	TSX	C\$	14.96	1	RJ LTD.
Deere & Co.	DE	NYSE			NC	
Finning International	FTT	TSX	C\$	20.64	3	RJ LTD.
Hitachi Ltd.	HIT	NYSE			NC	
Joy Global Inc.	JOYG	NASDAQ			NC	
Ritchie Bros. Auctioneers	RBA	NYSE	US\$	19.18	2	RJ LTD.
Rocky Mountain Dealerships Inc.	RME	TSX	C\$	8.95	2	RJ LTD.
Strongco Corp.	SQP	TSX	C\$	5.20	2	RJ LTD.
Titan Machinery Inc.	TITN	NASDAQ			NC	
Toromont Industries	TIH	TSX	C\$	19.53	1	RJ LTD.
Wajax Corp.	WJX	TSX	C\$	36.00	2	RJ LTD.

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US\$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

## Important Investor Disclosures

**Raymond James** is the global brand name for Raymond James & Associates (RJA) and its non-US affiliates worldwide. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Affiliates include the following entities, which are responsible for the distribution of research in their respective areas. In Canada, Raymond James Ltd., Suite 2200, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200. In Latin America, Raymond James Latin America, Ruta 8, km 17, 500, 91600 Montevideo, Uruguay, 00598 2 518 2033. In Europe, Raymond James European Equities, 40, rue La Boetie, 75008, Paris, France, +33 1 45 61 64 90.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation nor does it take into account the particular investment objectives, financial situations, or needs of individual clients. Information in this report should not be construed as advice designed to meet the individual objectives of any particular investor. **Investors should consider this report as only a single factor in making their investment decision.** Consultation with your investment advisor is recommended. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

With respect to materials prepared by Raymond James Ltd. ("RJL"), all expressions of opinion reflect the judgment of the Research Department of RJL, or its affiliates, at this date and are subject to change. RJL may perform investment banking or other services for, or solicit investment banking business from, any company mentioned in this document.

All Raymond James Ltd. research reports are distributed electronically and are available to clients at the same time via the firm's website (<http://www.raymondjames.ca>). Immediately upon being posted to the firm's website, the research reports are then distributed electronically to clients via email upon request and to clients with access to Bloomberg (home page: RJLC), First Call Research Direct and Reuters. Selected research reports are also printed and mailed at the same time to clients upon request. Requests for Raymond James Ltd. research may be made by contacting the Raymond James Product Group during market hours at (604) 659-8000.

In the event that this is a compendium report (i.e., covers 6 or more subject companies), Raymond James Ltd. may choose to provide specific disclosures for the subject companies by reference. To access these disclosures, clients should refer to: <http://www.raymondjames.ca> (click on Equity Capital Markets / Equity Research / Research Disclosures) or call toll-free at 1-800-667-2899.

### Analyst Information

**Analyst Compensation:** Equity research analysts and associates at Raymond James are compensated on a salary and bonus system. Several factors enter into the compensation determination for an analyst, including i) research quality and overall productivity, including success in rating stocks on an absolute basis and relative to the local exchange composite Index and/or a sector index, ii) recognition from institutional investors, iii) support effectiveness to the institutional and retail sales forces and traders, iv) commissions generated in stocks under coverage that are attributable to the analyst's efforts, v) net revenues of the overall Equity Capital Markets Group, and vi) compensation levels for analysts at competing investment dealers.

**Analyst Stock Holdings:** Effective September 2002, Raymond James equity research analysts and associates or members of their households are forbidden from investing in securities of companies covered by them. Analysts and associates are permitted to hold long positions in the securities of companies they cover which were in place prior to September 2002 but are only permitted to sell those positions five days after the rating has been lowered to Underperform. **The Analyst and/or**

**Associate or a member of his/their household has a long position in the securities of Caterpillar Inc. The Analyst and/or Associate or a member of his/their household has a long position in the securities of Finning International. The Analyst and/or Associate or a member of his/their household has a long position in the securities of Ritchie Bros. Auctioneers. The Analyst and/or Associate or a member of his/their household has a long position in the securities of Toromont Industries.**

---

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

---

## Ratings and Definitions

### Raymond James Ltd. (Canada) definitions

**Strong Buy (SB1)** The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. **Outperform (MO2)** The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. **Market Perform (MP3)** The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. **Underperform (MU4)** The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

### Raymond James & Associates (U.S.) definitions

**Strong Buy (SB1)** Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months. **Outperform (MO2)** Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months. **Market Perform (MP3)** Expected to perform generally in line with the S&P 500 over the next 12 months. **Underperform (MU4)** Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold. **Suspended (S)** The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

### Raymond James Latin American rating definitions

**Strong Buy (SB1)** Expected to appreciate and produce a total return of at least 25.0% over the next twelve months. **Outperform (MO2)** Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months. **Market Perform (MP3)** Expected to perform in line with the underlying country index. **Underperform (MU4)** Expected to underperform the underlying country index. **Suspended (S)** The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon. In transacting in any security, investors should be aware that other securities in the Raymond James research coverage universe might carry a higher or lower rating. Investors should feel free to contact their Financial Advisor to discuss the merits of other available investments.

### Raymond James European Equities rating definitions

**Strong Buy (1)** Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months. **Outperform (2)** Expected to appreciate and outperform the Stoxx 600 over the next 12 months. **Market Perform (3)** Expected to perform generally in line with the Stoxx 600 over the next 12 months. **Underperform (4)** Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.

### Suitability Categories (SR)

For stocks rated by Raymond James & Associates only, the following Suitability Categories provide an assessment of potential risk factors for investors. Suitability ratings are not assigned to stocks rated Underperform (Sell). Projected 12-month price targets are assigned only to stocks rated Strong Buy or Outperform.

**Total Return (TR)** Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

**Growth (G)** Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

**Aggressive Growth (AG)** Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

**High Risk (HR)** Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

**Venture Risk (VR)** Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

## Rating Distributions

	Coverage Universe Rating Distribution			Investment Banking Distribution		
	RJL	RJA	RJ LatAm	RJL	RJA	RJ LatAm
<b>Strong Buy and Outperform (Buy)</b>	73%	58%	39%	51%	14%	27%
<b>Market Perform (Hold)</b>	26%	36%	55%	25%	5%	3%
<b>Underperform (Sell)</b>	1%	6%	6%	33%	6%	0%

## Raymond James Relationship Disclosures

Raymond James Ltd. or its affiliates expects to receive or intends to seek compensation for investment banking services from all companies under research coverage within the next three months.

Company Name	Disclosure
Cervus Equipment Corp.	Raymond James Ltd. has provided non-investment banking securities-related services within the last 12 months with respect to Cervus Equipment Corp.. Raymond James Ltd. has received compensation for services other than investment banking within the last 12 months with respect to Cervus Equipment Corp.. Raymond James Ltd. makes a market in the securities of Cervus Equipment Corp..
Joy Global Inc.	Raymond James & Associates makes a NASDAQ market in shares of JOYG.
Ritchie Bros. Auctioneers	Raymond James Ltd. makes a market in the securities of Ritchie Bros. Auctioneers.
Rocky Mountain Dealerships Inc.	Raymond James Ltd. has received compensation for investment banking services within the last 12 months with respect to Rocky Mountain Dealerships Inc..
Toromont Industries	Raymond James Ltd - within the last 12 months, Toromont Industries has paid for all or a material portion of the travel costs associated with a site visit by the analyst and/or associate.

## Stock Charts, Target Prices, and Valuation Methodologies

**Valuation Methodology:** The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences.

## Risk Factors

**General Risk Factors:** Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation.

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available for Raymond James at [rjcapitalmarkets.com/SearchForDisclosures\\_main.asp](http://rjcapitalmarkets.com/SearchForDisclosures_main.asp) and for Raymond James Limited at [www.raymondjames.ca/researchdisclosures](http://www.raymondjames.ca/researchdisclosures).

## International Disclosures

### For clients in the United States:

Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details.

Raymond James Ltd. is not a U.S. broker-dealer and therefore is not governed by U.S. laws, rules or regulations applicable to U.S. broker-dealers. Consequently, the persons responsible for the content of this publication are not licensed in the U.S. as research analysts in accordance with applicable rules promulgated by the U.S. Self Regulatory Organizations.

Any U.S. Institutional Investor wishing to effect trades in any security should contact Raymond James (USA) Ltd., a U.S. broker-dealer affiliate of Raymond James Ltd.

### For clients in the United Kingdom:

**For clients of Raymond James & Associates (RJA) and Raymond James Financial International, Ltd. (RJFI):** This report is for distribution only to persons who fall within Articles 19 or Article 49(2) of the Financial Services and Markets Act (Financial Promotion) Order 2000 as investment professionals and may not be distributed to, or relied upon, by any other person.

**For clients of Raymond James Investment Services, Ltd.:** This report is intended only for clients in receipt of Raymond James Investment Services, Ltd.'s Terms of Business or others to whom it may be lawfully submitted.

For purposes of the Financial Services Authority requirements, this research report is classified as objective with respect to conflict of interest management. RJA, Raymond James Financial International, Ltd., and Raymond James Investment Services, Ltd. are authorized and regulated in the U.K. by the Financial Services Authority.

### For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

### Proprietary Rights Notice: By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate or commercially exploit the information contained in this report, in printed, electronic or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec.501 et seq, provides for civil and criminal penalties for copyright infringement.

Additional information is available upon request. This document may not be reprinted without permission.

RJL is a member of the Canadian Investor Protection Fund. ©2011 Raymond James Ltd.