

August 6, 2010

**Dear clients and colleagues,**

As some of you may be aware, we launched a new EAFE small cap fund at the end of last December. So far, performance has been outstanding, with a since-inception return outperforming the MSCI EAFE small cap by 7.3%. Our investment strategy is basically the same as that of our global small cap fund, except that there are no U.S.-listed companies in our EAFE fund.

One stock that we have been holding in our EAFE fund since the beginning and that has been a great contributor to performance, generating a healthy 45% return in local terms, is Ipsos. Ipsos is the European leader in the market research industry. The company focuses its expertise exclusively on survey-based research. In 2008, it was ranked no. 2 worldwide in its field, with a 7% market share. Ipsos has built its business around five specialty areas: marketing research, ad research, media research, as well as social and customer satisfaction.

**Target market size**

The advertising research represents a US\$32.5B market opportunity, at the end of 2008, with North America and Europe representing 75% of the total. While emerging countries constitute only 20% of the market, ad research spending progresses twice as fast there as it does in mature countries. The survey research segment alone accounts for two thirds of the global market research industry, with the rest consisting of panel studies.

**Competitive advantage**

Ipsos is one of the very few companies that have the capacity to manage worldwide market research programs. It is the fastest growing company in its market niche, and the one that has the highest emerging market exposure, with close to 30% of its revenue. Stability of the management team makes it unique in comparison to its peers. It is the only listed company in this industry whose founder still owns and controls the company.

**Growth strategy**

The company will continue to grow internationally by assisting its North American and European clients to develop their business, especially in Asia and Latin America. Small acquisitions in emerging countries also are to be anticipated. In terms of service offering, it is likely to continue to launch new programs over time as consumer behavior evolves.

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### **Risk**

The industry is somewhat exposed to the cyclical nature of its clients' advertising budget. Given that it should further consolidate, new players could emerge and compete more aggressively with Ipsos.

### **Investment theme**

The themes we have identified for Ipsos include Internet, outsourcing and emerging market consumer.

### **Valuation**

Based on a WACC of 8.0% and a terminal growth of 2%, our target price is €48 for an expected return of 54%.

[www.ipsos.fr](http://www.ipsos.fr)

Market cap: €1000 million, P/E (TTM): 11.9x, P/E (forward): 13.0x, EV/EBITDA (forward): 9.6x, net debt to EBITDA: 1.6x, Expected sales growth: 7%-10%, Free cash flow yield: 7.2%

Regards,

The Global Alpha Team

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