

Issue Commentary

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04 JUNE 2013

International Insider Behavior

In this *Issue Commentary*, we look at nine international firms with insiders who recently engaged in unusual transaction activity, that we believe could be indicative of positive (four firms) or negative (five firms) sentiment, as opposed to simple diversification (in the case of sales).

Among the activity examined in this *Issue Commentary*, is unusual purchase activity (open-market purchases that were out of line with typical behavior and in some cases that materially increased current share holdings), exercise-and-hold activity (where insiders exercise options but do not sell the acquired shares—a bullish indicator in our view), and unusual sales activity (sales activity that is unusual by the standards of the insiders at the individual firms).

This is the first of what will be a quarterly examination of insider activity in foreign countries, drawing on our international database.

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Capita PLC (LSE:CPI)
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 London, UK
 44 20 7799 1525
 www.capita.co.uk

INDUSTRY	Human Resources & Employment Services
PRICE	GBP9.64 (06/03/13)
MARKET CAP	6.30 billion
ENT. VALUE	7.58 billion
P-E RATIO	26.28
EV/REVENUE	2.3
DEBT/EBITDA	3.0
VIEW	NEG.

Company description: Capita PLC is the United Kingdom's leading provider of customer and business process management, delivering customer, administration, and professional support services.

Outsized Q2 2013 exercise and sale activity: During Q2 2013 (all on 04/08/13, specifically), five Capita PLC insiders sold a combined 1.0 million shares of the company for GBP8.8 million. That compares to a quarterly average over the preceding five years of 250,407 shares sold.

Activity was led by CEO Paul Pindar, who sold 721,841 shares for GBP6.3 million. The sales reduced his current holdings to 849,408 shares (after awards and exercises increased them to that level—see next paragraph). Other active insiders were Group Director Vic Gysin, who sold 100,108 shares, dropping his holdings to 10,433 shares; Executive Director Maggie Bell, who sold 82,162 shares, reducing her ownership to 86,584 shares; Executive Director Andy Parker, who sold 34,115 shares, which constituted all of his share holdings; and Finance Director Gordon Hurst, who sold 72,978 shares, reducing his ownership to 59,004 shares.

The sales followed a combination of awards and option exercises that entailed each of the five insiders receiving share awards and exercising options that in combination equaled their total of shares sold. For example, Pindar received an award of 50,677 shares and exercised 671,164 shares, accounting for the 721,841 shares he sold.

The 04/08/13 activity occurred following a dip in Capita share price, as shares fell from GBP9.14 on 04/02/13 to the average price of insider sales of GBP8.69—or 4.9% lower—though longer-term trends have been upward.

TelecityGroup PLC (LSE:TCY)
 Exchange Tower 4th Fl. 2
 Harbour Exchange Sq.
 London, UK
 44 20 7001 0000
 www.telecitygroup.com

INDUSTRY	Internet Software & Services
PRICE	GBP9.64 (06/03/13)
MARKET CAP	1.95 billion
ENT. VALUE	2.21 billion
P-E RATIO	33.81
EV/REVENUE	7.8
DEBT/EBITDA	2.2
VIEW	NEG.

Company description: TelecityGroup PLC is Europe's leading provider of premium carrier-neutral data centers, operating facilities throughout Europe. Telecity's data centers provide secure and highly connected environments for the IT and telecom equipment that powers the digital economy.

Outsized Q2 2013 sale activity: During Q2 2013 (specifically on 04/08/13 and 05/07/13), five Telecity insiders sold a combined 423,632 shares of the company for GBP3.8 million. Second quarter sales activity compares to a quarterly average over the preceding five years of 159,992 shares sold.

The largest seller of Telecity shares was COO Robert Coupland, who sold 154,049 shares for GBP1.4 million, reducing his ownership to 6,138 shares in the process. Coupland had received an award of 34,239 shares and then exercised 122,610 options, all on 04/08/13. CEO Michael Tobin sold 124,105 shares of Telecity for GBP1.2 million on 05/07/13, which reduced his equity stake to 666,000 shares. Finance Director Brian McArthur Muscroft sold the third-highest volume of Telecity shares in the quarter at 98,789 shares on 04/08/13, dropping his ownership to 102,426 shares. Other sellers included Head of Division David Crowther (2,700 shares, dropping his ownership to 1,166 shares





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on 05/07/13 and 19,578 following a grant of the same size on 04/08/13) and Group Director James Tyler (24,231 shares, dropping his ownership back to 1,566 after a grant of 24,231 shares bumped it up).

The 04/08/13 sales by Coupland, Muscroft, Tyler, and Crowther all occurred at GBP8.88 per share, while Tobin and Crowther's sales on 05/07/13 occurred at prices of GBP9.50 and GBP9.44, respectively. As with Capita, Teleticity insiders sold on a dip, as shares fell from GBP9.23 on 04/03/13 to their 04/08/13 sale price of GBP8.88.

Outotec Oyj (HLSE:OTEIV)
Riihitontuntie 7 D P.O. Box 86
Espoo, Uusimaa Finland 02200
358 2052 9211
www.outotec.com

Company description: Over 80% of Outotec's business comes from the minerals and metals industry, and the rest increasingly comes from the energy industry, chemical industry, and industrial water treatment industry. Outotec services its customers globally through four business areas: non-ferrous solutions; ferrous solutions; energy, light metals, and environmental solutions; and services.

INDUSTRY	Construction & Engineering
Price	EUR10.04 (06/03/13)
Market Cap	18.01 billion
Ent. Value	28.33 billion
P-E Ratio	17.82
EV/Revenue	2.24
Debt/EBITDA	3.36
VIEW	NEG.

Outsized Q2 2013 sale activity: During Q2 2013 so far (specifically from 05/16/13 to 05/29/13), 12 Outotec insiders sold a combined 217,155 shares of the company for EUR2.4 million. That compares to a total over the preceding five years of 74,373 shares sold by insiders.

The highly outsized sales activity was broad-based in nature, with no individual seller's activity accounting for more than a fifth of the total sales (high of 15.0% by CEO/President Pertti Korhonen at 32,604 shares sold) and nine individual insiders selling between 17,000 and 32,604 shares. Insiders reduced their holdings by an average of 32.7% with the May sales.

The sales occurred at a weighted-average price of €11.16. More specifically, Executive Committee member Pekka Erkkila sold 2,000 shares at €10.35 on 05/29/13; EVP Robin Lindahl and Chief Strategy Officer Mika Saariaho sold 18,641 shares and 24,314 shares, respectively, at €10.95 on 05/21/13; Executive Committee member Jari Rosendal and CFO Mikko Puolakka sold 19,648 shares and 22,000 shares, respectively, at €10.86; and the other sales all occurred on 05/16/13 at prices of €11.34.





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AZ Electronic Materials SA
(LSE:AZEM)
 32-36 Blvd. d'Avranches
 Luxembourg, Luxembourg 1160
 352 26 4979
 www.azem.com

INDUSTRY	Specialty Chemicals
PRICE	GBP3.13 (06/03/13)
MARKET CAP	1.19 billion
ENT. VALUE	1.36 billion
P-E RATIO	21.84
EV/REVENUE	2.7
DEBT/EBITDA	1.5
VIEW	Pos.

Company description: AZ Electronic Materials SA makes high-purity, advanced specialty chemicals and materials for use in integrated circuits and devices, flat-panel displays, and photolithographic printing.

Elevated purchase activity in Q2 2013: Insiders at AZEM engaged in highly atypical buying in April 2013, as nine individuals purchased a combined total of 185,557 shares of the company for GBP0.5 million during the month. Previously, since the firm's October 2010 listing on the LSE, insiders had only purchased a total of 6,837 shares.

The buyers were Non-Executive Director Andrew J. Allner (10,000 shares on 04/09/13), Chairman John Whybrow (40,000 shares on 04/09/13), Independent Director David J. Price (10,000 shares on 04/10/13), Non-Executive Director Philana Poon (15,000 shares on 04/10/13), Division CEO Anand Nambiar (10,557 shares on 04/10/13), COO Michael Meier (5,000 shares on 04/10/13), Group Director Brian Daniels (15,000 shares on 04/10/13), CEO Geoffrey Wild (40,000 shares on 04/10/13), and Division CEO Rico Wiedenbruch (40,000 shares on 04/10/13).

The flurry of purchase activity appears to have been motivated by a nearly 30% decline in share price on the day of the purchases, prompted by the firm warning of lower-than-expected profit, driven by weaker-than-expected performance in materials used in integrated circuits. The weighted average purchase price in the quarter was GBP2.64, which is 15.7% below yesterday's close, somewhat mitigating the strength of the signal.

We note those who purchased shares have not subsequently sold their newly acquired shares. Active insiders also increased their holdings by a material amount with the purchases. Poon did not hold any shares before her April purchases, Daniels increased his holdings from 529 shares to 15,529 shares (2,835%), Allner increased his holdings by 37.3%, Whybrow increased his holdings by 50.9%, Wild increased his holdings by 5.0%, Nambiar increased his holdings by 17.8%, Meier increased his holdings by 0.6%, Price increased his holdings by 250.0%, and Wiedenbruch increased his holdings by 7.1%.





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Ausenco Ltd. (ASX:AAX)
 144 Montague Rd.
 South Brisbane, QLD Australia 4101
 61 7 3169 7000
 www.ausenco.com.au

INDUSTRY	Construction & Engineering
Price	AUD2.22 (06/03/13)
Market Cap	274.2 million
Ent. Value	284.7 million
P-E Ratio	7.01
EV/Revenue	0.4
Debt/EBITDA	0.9
VIEW	Pos.

Company description: Ausenco Ltd. is a leading provider of engineering and project-management services to the global resource and energy sectors.

Elevated purchase activity in Q2 2013: Insiders at Ausenco engaged in highly atypical buying from 05/03/13–05/24/13, as four individuals purchased a combined total of 134,000 shares of the company for AUD0.3 million. In the previous five years, insiders had purchased a total of 123,000 shares of the company (or a quarterly average of 6,150 shares).

The buyers were Non-Executive Director George Lloyd (40,000 shares on 05/13/13), Independent Director Mary Shafer-Malicki (4,000 shares on 04/09/13), Director Timothy Boyd Irving Crommelin (20,000 shares on 05/03/13), and CEO Zimi Meka (70,000 shares on 05/03/13).

The purchases increased current share holdings for the buyers by an average of 33.3%. Shafer-Malicki increased her holdings by 80.0% (from 5,000 to 9,000 shares), Crommelin increased his holdings by 35.1% (from 57,000 to 77,000 shares), Lloyd increased his holdings by 17.8% (from 224,857 to 264,857 shares), and Meka increased his holdings by 0.4% (from 16.0 million to 16.1 million shares).

The average purchase price by Ausenco insiders in May was AUD2.32, which is slightly above the most recent closing price of AUD2.22.

Silver Lake Resources Inc. (ASX:SLR)
 South Shore Centre Ste. 4, Level 3
 85 South Perth Esplanade
 South Perth, WA Australia 6151
 61 8 6313 3800
 www.silverlakeresources.com.au

INDUSTRY	Gold
Price	AUD0.90 (06/03/13)
Market Cap	341.1 million
Ent. Value	320.4 million
P-E Ratio	11.00
EV/Revenue	2.1
Debt/EBITDA	0.0
VIEW	Pos.

Company description: Silver Lake Resources Inc. is a large ASX 200 gold-producing and exploration company. Silver Lake's strategy is to develop large production centers at Mt. Monger, in the Murchison, and the Great Southern, with multiple mines at each center.

Elevated purchase activity in Q2 2013: Insiders at Silver Lake engaged in highly atypical buying from 05/06/13–05/22/13. Three individuals purchased a total of 793,092 shares for AUD0.7 million in that period. In the previous five years, insiders had purchased a total of 295,000 shares, with 95,000 of the purchases occurring in March 2013.

The purchases have come as share price has fallen from AUD3.96 on 10/10/12 to the average purchase price of AUD0.87 in May.

The buyers were Non-Executive Director Brian Kennedy (a total of 480,000 shares on 05/22/13 and 05/08/13), Chairman Paul Chapman (233,092 shares from 05/07/13–05/08/13), and Managing Director Les Davis (80,000 shares from 05/06/13–05/07/13).

The purchases increased current share holdings for the buyers by an average of 6.2%. Kennedy increased his holdings by 11.8%, Chapman increased his holdings by 4.9%, and Davis increased his holdings by 1.9%.

Silver Lake shares bounced back from the Price that Kennedy made his second





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MELFAS Inc.
(KOSE:A096640)
 Star Valley No. 906-913
 60-II Gasan-dong Geumcheon-gu
 Seoul South Korea 153-777
 82 2 865 3100
 www.melfas.com

INDUSTRY	Semiconductors
Price	KRW16,450 (06/03/13)
Market Cap	295.72 billion
Ent. Value	17.30 billion
P-E Ratio	35.21
EV/Revenue	0.8
Debt/EBITDA	0.0
VIEW	Neg.

batch of sales at (AUD0.69), and at AUD0.90 are 3.4% above the average purchase price in the quarter.

Company description: MELFAS is a leading touch-sensor solution provider. The firm develops, produces, and sells touch-sensor chips, touch-screen modules, and touch-key modules based on capacitive touch-sensing technologies in South Korea and internationally.

Elevated sales activity in Q2 2013: Five insiders at MELFAS engaged in unusual selling activity in Q2 2013 (from 04/03/13 to 04/26/13). The group sold a combined 125,000 shares of the company for KRW2.3 billion. The company IPO'd in Q4 2009. In the 15 full quarters preceding Q2 2013, insiders sold an average of 18,872 shares per quarter (or a total of 283,075). That number was skewed upward by a sale of 100,000 shares on 01/02/13 by Deputy Managing Director Dong Jin Min, who holds 2.0 million shares of MELFAS.

Interestingly, all five active insider sellers in Q2 2013 sold 100% of their share holdings over multiple transactions (except in the case of Jae Cheon Jung, who sold everything in one transaction) in the quarter. Managing Director Byeong Cheol Gi sold 100% of his ownership over five transactions, spanning 04/04/13 to 04/18/13 and involving 30,661 shares. Managing Director Gi Seop Choi sold all of his shares in the quarter in six transactions, from 04/04/13 to 04/18/13 and involving 29,339 shares. Non-Executive Director Jong Dae Jung sold all 30,000 of his shares in two transactions (04/08/13 and 04/26/13). Deputy Managing Director Su Yil Gwon sold all 30,000 of his shares in five transactions, from 04/09/13 to 04/18/13.

The average sale price in the quarter was KRW18,165, which is 10.4% above the most recent MELFAS closing price of 16,450.





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SJM Holdings Ltd. (SEHK:880)

One International Finance Centre
Stes. 3001–3006 30th Fl.
1 Harbour View St.
Central Hong Kong
852 3960 8000
www.sjmholdings.com

INDUSTRY	Casinos & Gaming
Price	HKD21.10 (06/03/13)
Market Cap	117.09 billion
Ent. Value	100.76 billion
P-E Ratio	17.00
EV/Revenue	2.0
Debt/EBITDA	0.0
VIEW	Neg.

Company description: SJM Holdings Ltd. is an investment holding company. It develops and operates casinos and related facilities in Macao Special Administrative Region in China. The company operates in two segments: Gaming Operations and Hotel and Catering Operations.

Elevated sales activity in Q2 2013: Four insiders at SJM Holdings engaged in unusual selling activity in Q2 2013 (from 05/15/13 to 05/20/13). The group sold a combined 21 million shares of the company for HKD457.6 million. Excluding highly unusual activity by Executive Chairman Hung Sun (Stanley) Ho in Q4 2010 (when he sold 3.4 billion shares), the quarterly average over the past five years is 3.6 million shares sold, and most of that occurred in Q3 2010. Excluding that activity, the quarterly average is just 270,750 shares sold per quarter by insiders. Including Ho’s Q4 2010 activity, and the elevated Q3 2010 activity, Q2 2013 insider sales volume is the third-highest of any quarter in the past five years.

Two of the four sellers—Independent Directors Hong Tsung (David) Lan and Lai Him (Abraham) Shek sold 500,000 shares each at prices of HKD21.61 and HKD21.67, respectively, on 05/20/13. In each case, the sales reduced the director’s beneficial ownership by 50%. CEO Shu Fai (Ambrose) So and Executive Director Chi Sing Ng each sold 10 million shares on 05/15/13 at prices of HKD21.80 per share, reducing their beneficial ownership by 6.1% and 7.8%, respectively. The weighted-average sales price in the quarter was HKD21.79, compared to the most recent closing price of HKD21.10.

Sandfire Resources (ASX:SFR)

31 Ventnor Ave. Level 1
West Perth, WA Australia 6005
61 8 6430 3800
www.sandfire.com.au

INDUSTRY	Diversified Metals & Mining
Price	AUD6.40 (06/03/13)
Market Cap	996.1 million
Ent. Value	1.24 billion
P-E Ratio	13.24
EV/Revenue	4.2
Debt/EBITDA	2.2
VIEW	Pos.

Company description: Sandfire Resources NL engages in the exploration, evaluation, and development of mineral tenements in Australia and South America.

Exercise-and-hold activity in Q2 2013: Two insiders at Sandfire Resources engaged in unusual option-exercise-and-hold activity in May 2013. Executive Director John W. Evans followed a sale of 600,000 shares (at AUD6.39 per share) on 05/17/13 with a larger exercise of 1.2 million options on 05/31/13. The exercise required Evans to pay AUD0.7 million along with incurred taxes and increased his current share holdings to 1.3 million shares (from 125,215 after the 05/17/13 sale and from 725,215 before the sale). On the same day, Executive Chairman Karl Simich exercised 800,000 options (at AUD1.00 per share) and did not sell any of the acquired shares.

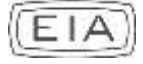
Historical transaction activity by Sandfire insiders has been minimal. Simich executed another exercise-and-hold transaction on 12/20/12, also involving 800,000 options/shares, and an “overexercise” (i.e., more options exercised than shares held, or a partial exercise-and-hold) on 09/19/12, involving 800,000 options and 300,000 shares sold. The total of all purchases by Sandfire insiders over the past five years is just 215,111 shares, while the total of all other exercises (aside from the ones already mentioned) in that period is 310,000.





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