

**In Today's Morning Exchange:****Initiation of Coverage**

American Superconductor Corp.

CHINA WIND TURBINE MARKET AT 10GW NOW

**Earnings Previews**

Google

THOUGHTS ON THE QUARTER AND INDUSTRY UPDATE; MAINTAIN BUY

**Company/Industry Comments**

IT Services &amp; Software

INFY LOOKS SAFER THAN CTSH HEADING INTO THE 2Q08 RELEASES

**American Superconductor Corp. (AMSC \$31.23)**  
**CHINA WIND TURBINE MARKET AT 10GW NOW****Green Technology****Theodore O'Neill, 212.292.8134**

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**Rating: BUY****Price Target: \$53****Market Cap: \$1,319.6MM**

- Last week we wrote that the Chinese wind turbine market would reach between 3,300 and 6,700 turbines per year in 2010. We have new data to suggest that the market is already approaching the high end of that range. According to a story in ECO Worldly, industry analysts at China Strategies, LLC. say the current pace of development would put it close to 10GW (6,000 turbines) by the end of 2008. It is possible, the story goes on to say, that China will get to 20GW (over 10,000 turbines) by 2010.
- American Superconductor's largest customer in China is the #2 wind turbine company in China and #8 in the world. American also has several other Chinese customers that are not scheduled to place orders until late 2008 and early 2009. We do not have exact market share data for American Superconductor but we believe it is 25%-50% of the Chinese market. Looking into 2009, AMSC could see \$100 million-\$200 million in revenue. Looking into 2010, that number could double.
- We believe that the stock could respond strongly to the upside were its other Chinese customers to place significant orders as this would likely clear up any confusion about the size and direction of the business in China. There has been a fair amount of chatter about the size of the orders Sinovel has placed with American Superconductor, but given the market share gains by Sinovel, and the estimated size of the Chinese turbine market, we feel the issue isn't whether Sinovel has the demand but whether AMSC has the supply. American's other Chinese turbine customers are scheduled to start production in late 2008 and into 2009. If these other customers turn on and the Chinese market hits the high end of the estimates, AMSC could see its order book double.
- We reiterate our BUY rating and \$53 price target, based on 30x annualized fiscal 4Q10E EPS.

**Google (GOOG \$541.55)**  
**THOUGHTS ON THE QUARTER AND INDUSTRY UPDATE; MAINTAIN**  
**BUY****Internet & Digital Media****Jason Avilio, 415.449.0106**

javilio@kbro.com

**Rating: BUY****Price Target: \$680****Market Cap: \$129,213.8MM**

- Over the last few weeks, we have spoken to a number of advertisers and agencies regarding the state of the industry. The bottom line is we believe search spending is trending ahead of estimates for GOOG, while display/brand advertising is trending toward the low end of expectations this quarter.
- Broadly speaking, our contacts are wary of the weakening economy. That said, we have heard advertisers are lightening up on budgets from channels that do not have very measurable ROI characteristics (read branded/display). Search on the other hand, has very measurable ROI characteristics, and despite the macro overhang, consumer purchasing and advertiser demand for search remain strong.
- In addition to the measurability of search as a defensive measure, we have heard that larger blue-chip advertisers, that have in the past not been as aggressive on search advertising, are pushing more of their sizable budgets toward search and away from offline channels, which we believe will help with yield (pricing and click-through rates).
- As it relates to the quarter, we believe our/Street estimates are on the conservative side, and expect to see modest upside. We are modeling for revenue and EPS of \$3.782 billion/\$4.56, while Street estimates for the quarter are at \$3.864 billion/\$4.73. GOOG has very little exposure on the display side, and we continue to expect the company to gain query market share. In addition, factoring in a full quarter of DoubleClick (acquired 03/11/08), Street estimates suggest a 2% Q/Q growth on the top line, which we believe will prove conservative.
- In terms of our estimates, we are modeling for U.S. search revenues to be down 4% Q/Q on Google sites, while the rest of the world is up 4% Q/Q, essentially implying flat revenue growth on a Q/Q basis for Google web sites. Our checks suggest that GOOG U.S. sites should be up on a Q/Q basis between 2%-5% and we are comfortable that our rest of world estimates are appropriately conservative. We are modeling network revenue to decline 3.5% on a Q/Q basis. We continue to like the shares of GOOG and maintain our BUY rating and \$680 price target, based on 27.5x our 2009 EPS estimate or 1x PEG.

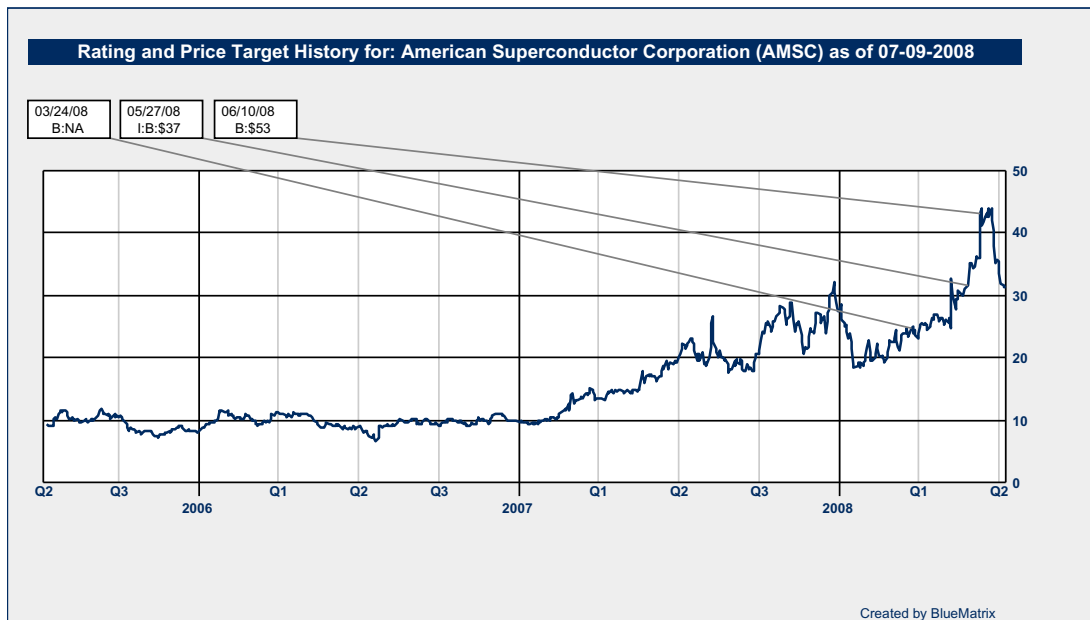
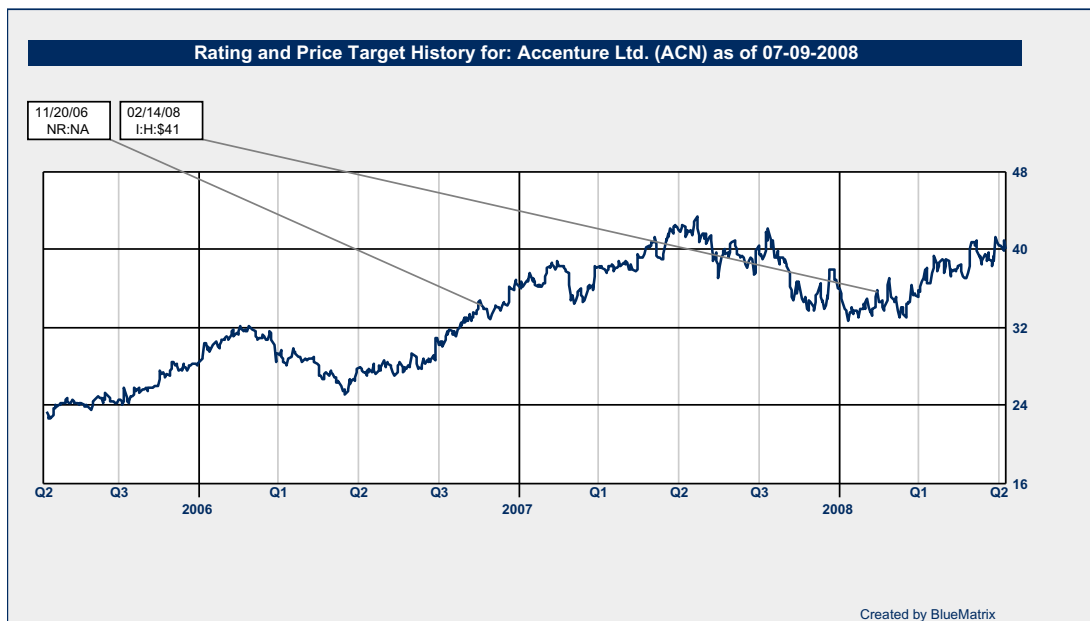
**INFY LOOKS SAFER THAN CTSH HEADING INTO THE 2Q08 RELEASES****Sector Impact:**IT Services & Software**Companies Mentioned In Full Report:**ACN CTSH INFY**Karl Keirstead, 212-292-8124**[kkeirstead@kbro.com](mailto:kkeirstead@kbro.com)

- With Infosys reporting June quarter results Friday morning, we thought we'd recap our thinking on the Indian vendors and survey the outsourcing advisory firms for their views on recent shifts in demand for offshore applications outsourcing projects. In summary, the advisory firms sounded incrementally more cautious than they did even a month or two ago. Most said that demand in 2Q08 was roughly flat with or just slightly better than in 1Q08, but most don't anticipate a real demand recovery until early 2009, whereas last quarter they were calling for a demand pick-up in 3Q08 or in 4Q08.
- Heading into the earnings calls, we feel more comfortable with Infosys than we do with Cognizant. Infosys set a reasonable 19%-21% growth target for fiscal 2009 and has sounded modestly more bullish in recent months. Cognizant, on the other hand, needs peak-level sequential revenue growth in 3Q08 and in 4Q08 to meet its 2008 revenue guidance of 38%, which is looking increasingly unrealistic given the slowdown under way in Cognizant's financial services vertical. We expect Cognizant to back off this guidance on the call.
- Bottom line, we maintain our HOLD ratings on both Infosys and Cognizant shares, on the belief that the 2H08 demand recovery will be far more muted than company expectations and the conviction that at 20x earnings the valuation multiples for both stocks offer less upside potential and less room for error than a quarter ago.

Other public companies featured in full report

Accenture Ltd. (ACN \$40.00 HOLD)  
Cognizant Technology Solutions (CTSH \$30.08 HOLD)  
Infosys Technologies Ltd (INFY \$43.83 HOLD)

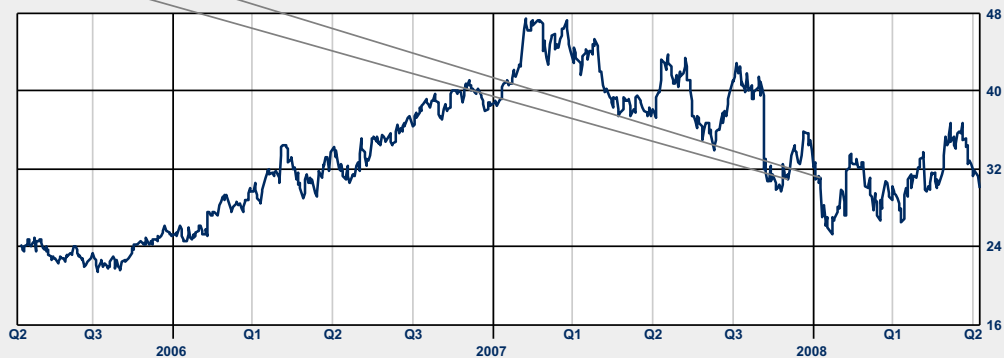
Rating and Price Target History



**Rating and Price Target History for: Cognizant Technology Solutions (CTSH) as of 07-09-2008**

12/04/07  
NR:NA

01/09/08  
I:H:\$35



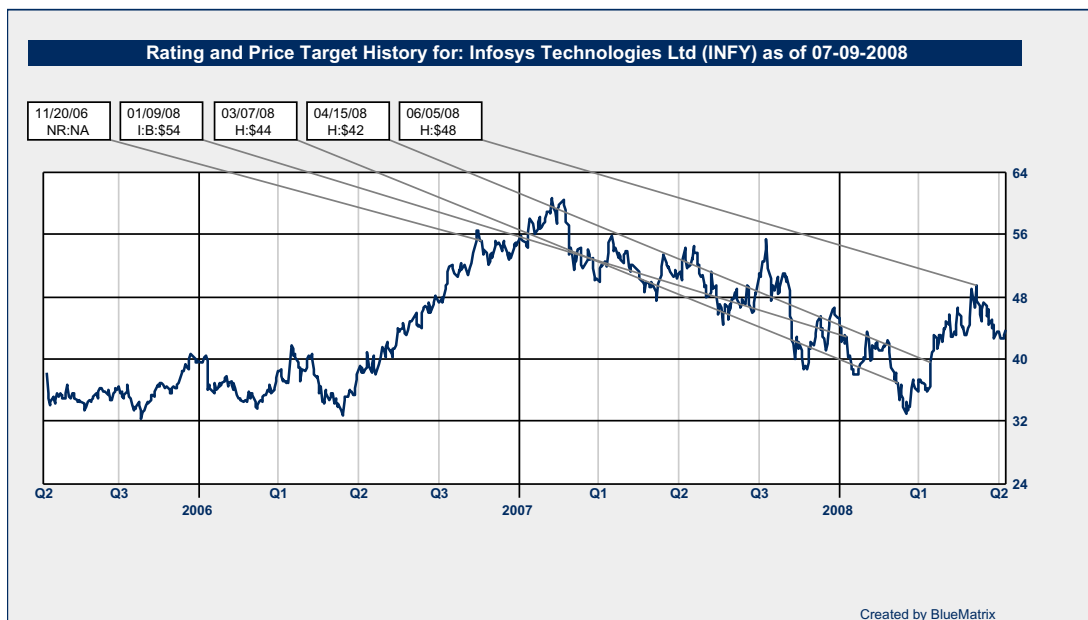
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**Rating and Price Target History for: Google Inc. (GOOG) as of 07-09-2008**

05/06/08  
I:B:\$680



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Guide to Kaufman Bros. Ratings - Distribution and Definitions\*

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	60	57.69	5	8.33
HOLD [H]	43	41.35	0	0.00
SELL [S]	1	0.96	0	0.00

**BUY:** We believe the stock will outperform its peer group over the next 12 months due to superior fundamentals and/or positive catalysts.

**HOLD:** We believe the stock will perform in line with its peer group over the next 12 months due to full valuation and/or lack of catalysts.

**SELL:** We believe the stock will underperform its peer group over the next 12 months due to overvaluation, deteriorating fundamentals, and/or negative near-term catalysts.

\* Excludes stocks with ratings under review.

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## Disclosure

Kaufman Bros., L.P. makes a market in AMSC.  
Kaufman Bros., L.P. makes a market in CTSH.  
Kaufman Bros., L.P. makes a market in GOOG.  
Kaufman Bros., L.P. makes a market in INFY.

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