



RECOMMENDATION: BUY

Highlights:

- Golden Meditech is an excellent company that is growing through key acquisitions and partnerships.
- The company is currently working on new products, such as a Frozen Red Blood Cell Processor, to help expand the current product line.
- Golden Meditech has an excellent gross margin (70%) and they are expected to grow EBITDA at 30% in the next fiscal year.

Introduction

Golden Meditech began in the early 1990's by investing in the research and development of the autologous blood recovery system. Golden Meditech Company Limited was established in 2000 and is listed on the Hong Kong Exchange. Recently, the Chinese economy has experienced excellent growth. Golden Meditech has been able to capitalize on this growth by expanding the company through acquisitions and product developments. Some of the company's key businesses include: the development and manufacturing of medical devices, haematopoietic stem cell storage and applications, Chinese herbal medicine, tumor treatment, and medical device distribution and sales. The table below shows Golden Meditech's percent ownership in each business segment.³

Business Segment	Percent Ownership (%)
Medical Device	100.0
Cord Blood Bank	51.0
Chinese Herbal Medicine	51.0
Medical Device Distribution	37.8
Tumor Treatment	18.3

Segments and Product Lines

The medical device segment is currently developing a Frozen Red Blood Cell Processor. It will be used to help store blood in China's strategic reserves. The segment's biggest product is the Autologous Blood Recovery System (ABRS), which is a replacement for traditional blood transfusion methods. The medical device segment grew by about 13% and had a gross margin of about 70% for the 2005 first quarter. The growth estimate for next quarter is 10% while the fiscal year 2006 estimate is 30%.

Meditech's cord blood bank checks, matches, and stores haematopoietic stem cells. It is one of only two companies permitted to do this by China's Ministry of Health. The cord blood bank segment grew by about 45% and had a gross margin of about 65% for the 2005 first quarter. This growth estimate for the next quarter is 15% while the fiscal year 2006 estimate is 40%.

The Chinese herbal medicine segment is currently engaged in the research and development of proprietary Chinese herbal medicines. One of its products is TangHerb, which is used to strengthen the immune system of HIV and AIDS patients. The gross margin was 50% for the first quarter 2005. The growth estimate for the next quarter is 15% while the fiscal year 2006 estimate is 35%.

Golden Meditech partnered with the China National Medical Equipment Industry Corporation to strengthen the company's distribution network. It is the first Sino-foreign joint venture in the medical device distribution business. The medical device distribution segment growth estimate for the next quarter is 15% while the fiscal year 2006 estimate is 40%.

Golden Meditech has partnered with GE Medical Systems in the company's tumor treatment segment. The segment's main product is the High Intensity Focused Ultrasonic tumor therapy device. It provides a painless, non-intrusive method of destroying tumor cells. The tumor treatment segment grew by 142%. The growth estimate for the next quarter is 20%, while the fiscal year 2006 estimate is 50%.²

EBITDA is expected to grow by approximately 30% in the next fiscal year. This growth will mainly come from the following segments: cord blood bank, Chinese herbal medicine and medical device distribution. This is because the cord blood bank has excellent expansion potential and the herbal medicine and medical device distribution segments are new and just beginning to grow.⁴

Business Strategy

Golden Meditech's growth strategy is strategic investment. In an industry such as high tech medical devices, this is a very effective strategy because there is a large amount of research and development required. By investing in other companies, Golden Meditech can gain new technologies and products and use the company's distribution channels to get these new products to the market. It is an effective strategy for both companies. Golden Meditech gets new products without having to spend large amounts of money in research and development and the other company benefits from Golden Meditech's large distribution network. This strategy has helped Golden Meditech maintain a competitive advantage by building synergies throughout the company.¹

ADR

In order to be a successful ADR, we would advise Golden Meditech to concentrate on a few issues. The first issue is to make sure that Golden Meditech informs the public of the company's listing. The company also needs to make sure the potential investors are not swayed away from investing by uncertainties. Investors may be less likely to invest in countries that have political and economic unrest. Some investors do not want the extra risk that is associated with this. Another factor that can potentially effect ADR's is the currency rate variability.



RATING: NEUTRAL

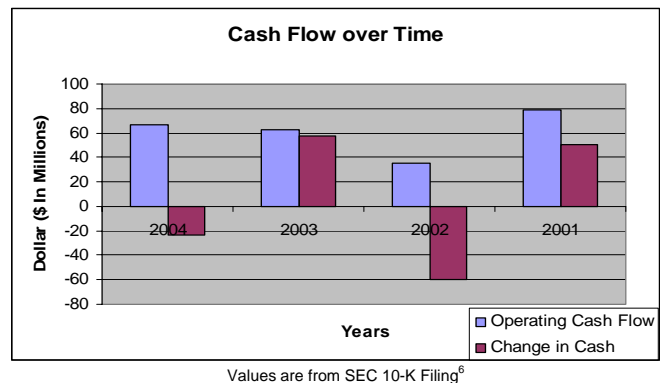
FUNDAMENTALS			
Price (10/30/05) ⁵	\$27.77	Gross Margin ⁵	6.56%
Target Price	\$27.29	ROE ⁵	29.73%
Market Cap. ⁵	\$914.22 M	ROA ⁵	15.21%
EV ⁵	\$801.66 M	EPS ⁵	\$1.93
P/E ⁵	\$14.43	Shares Outstanding ⁵	32.92 M

Highlights:

- Winnebago shows that it is a shareholder friendly company by making share repurchases and increasing the dividends that the company pays out.
- WGO currently does not have any long term debt.
- Using a discount rate of 12%, our discounted cash flow analysis returned a target price of \$27.29.

Overview

The company's balance sheet is in good condition. The company currently does not have any long term debt. The treasury stock has increased due to Winnebago's share buyback in recent years. Winnebago's management also shows that they have the shareholders interest in mind by increasing the amount of dividends that the company pays out to \$0.36 per share in fiscal 2005. Winnebago's operations are currently generating cash flow. In fact, during 2004 the company generated 66.7⁶ million dollars in cash from operating activities. However, the company has less cash at the end of the year than it did at the beginning of the year. This was mainly due to the fact that Winnebago paid \$77.7⁶ million to repurchase shares of stock. If you exclude the cash spent on Winnebago's share repurchases, the company's cash flow has increased for the last three years. It is a positive sign that Winnebago's operations are able to generate cash. This shows that the products are selling and creating cash, not the financing and investing activities.



Short Term

Winnebago has quite a few factors influencing the company's RV sales in the short term. Obviously, the interest rates influence people's buying patterns, especially large, expensive purchases. However, historically Winnebago has not experience any negative significant effect on sales because the company has been able to adjust the price of the RV to reflect any impact that inflation has put on the cost to manufacture.

The increased cost of gas also has the possibility to influence Winnebago's RV sales. In this time of higher than normal gas prices, people might be less likely to buy a vehicle that does not get good gas mileage. Instead, potential customers may opt to purchase a more gas friendly vehicle such as an automobile.

A recession has the potential to negatively influence Winnebago's sales since an RV is considered a luxury good, and not a necessity. Customers that are tight on money are not likely to buy an RV, but, instead will purchase products that are needed. Just as high gas prices will drive customers to purchase a reliable and affordable car, a recession will also have the same effect. A customer that must have transportation to work will be more likely to opt to purchase a car, not an RV.

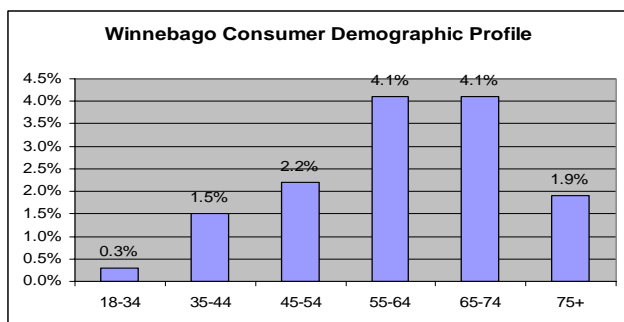
Long Term

The RV business is good, but has the potential to be cyclical. Winnebago needs large manufacturing plants to design and construct the recreational vehicles. This leads to high fixed costs that the company must pay even when sales are down. However, a barrier exists to enter the industry. Winnebago has already built up the company's brand recognition. This is an immeasurable asset to the company. Customers also worry about quality with a company that they are not familiar with. Winnebago has decades of experience to prove to potential customers that the RVs the company constructs are a quality vehicle. Another barrier to entry is the cost of capital required to enter the industry. It would not be cheap for another company to begin constructing RVs. The material alone would be incredibly costly. The RV business also already has tight competition and profit margins, which should prevent potential

competitors from deciding to pursue entering the industry.

The recreational vehicle business is very competitive in both price and quality. Winnebago directly competes with five companies⁷. The RV business does not have supplier power because of the number of suppliers in the industry in combination with the customer's price and quality sensitivity. However, Winnebago leads the other five companies in ROE, ROA, ROIC, Net Income, and Operating Income. Winnebago also has the largest market share for Class A and Class C motor homes.⁷

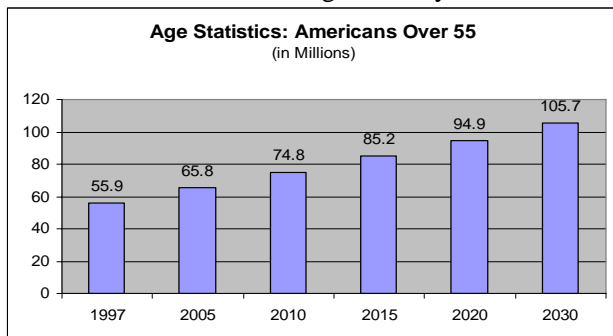
Recreational vehicles sales are expected to grow in the future. Over 80 percent of Winnebago's sales are to customers that are over the age of 50. Approximately 350,000 United States people turn 50 each month in the United States, adding to the potential customers. Winnebago is expected to generate more sales from people under fifty in the future. Recent trends show that customer under the age of 35 are also starting to buy RVs. Revenue growth is also expected from customers that are over 65.⁷



Graph from Annual Report⁷

Growth

There are three main growth assumptions built into our Discounted Cash Flow analysis. The first is an increasing demand for RVs and Mobile Homes. Nearly 80% of Winnebago's customers are over the age of 50 and approximately 350,000 people turn 50 each month in the United States. We feel that the Baby Boomers reaching retirement will provide substantial long-term growth for Winnebago. In the graph below, the U.S. Census Bureau estimates in increase of approximately 14% in Americans over the age of 55 by 2010.⁷



Graph from Annual Report⁷

Other factors include the high cost of gasoline and rising interest rates. Because almost two thirds of Winnebago customers finance their purchases, raising interest rates could push current RV and Motor Home prices out of the reach of a good portion of the company's customers.

Discounted Cash Flow Analysis

WGO - DCF Derived Fair Market Value Matrix (in Millions \$)

FCF Growth Rate	2%	3%	4%
PV of FCF (2004)	68.25	68.25	68.25
PV of FCF ('05E-'10E)	377.33	377.33	377.33
PV or Terminal Value	320.10	359.16	407.97
Aggregate Value	765.68	804.73	853.55
Aggregate value per share	26.13	27.29	28.74

For a more detailed view of our Discounted Cash Flow analysis, please refer to the following page. We have set our discount rate at 12% which derived a target price of \$27.29. We therefore believe Winnebago is currently priced correctly at \$27.77 (10/30/05)⁵. If current trends in rising interest rates and the high price of gasoline change, then we would consider increasing our growth estimates for Winnebago Industries. But at this time we feel that the company is fairly priced.

References

1. Golden Meditech Annual Report, Filed 6/30/05,
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5. Yahoo Finance, Accessed 10/30/05 at 5:00 p.m., <http://finance.yahoo.com/q?s=wgo>
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7. Winnebago 2004 Annual Report, <http://www.winnebagoind.com/html/company/anrreports/annual04/index.htm>
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Winnebago Industries Inc. - Discounted Cash Flow Model (in thousands)

Income Statement Projections	Years Ended August 28,										
					n=	1	2	3	4	5	6
	2,003	2,004	2005Q1	2005Q2	2005Q3	2005E	2006E	2007E	2008E	2009E	2010E
Class A and C Motor Homes	801,027	1,070,264	-	-	-	-	-	-	-	-	-
Other Vehicle Revenues	17,285	15,199	-	-	-	-	-	-	-	-	-
Other Manufactured Revenues	26,898	28,691	-	-	-	-	-	-	-	-	-
Total Revenues	845,210	1,114,154	266,133	239,359	255,022	1,014,019	1,115,421	1,282,734	1,475,144	1,622,658	1,622,658
COGS	731,832	951,987	226,069	207,305	222,621	874,660	959,262	1,090,324	1,253,872	1,379,259	1,379,259
Gross Profits	113,378	162,169	40,064	32,054	32,401	139,359	156,159	192,410	221,272	243,399	243,399
Sales and Marketing	36,084	51,371	10,111	10,362	8,839	39,083	44,617	64,137	73,757	81,133	81,133
Total Operating Expenses	36,084	51,371	10,111	10,362	8,839	39,083	44,617	64,137	73,757	81,133	81,133
Operating Income	77,294	110,798	29,953	21,692	23,562	100,276	111,542	128,273	147,514	162,266	162,266
Dep.& Amortization	8,786	9,628	2,444	2,487	2,503	9,912	10,000	10,000	10,000	10,000	10,000
Taxes	29,961	41,593	10,903	7,965	8,538	36,541	40,000	40,000	40,000	40,000	40,000
Capital Expenditures	23,487	10,588	1,498	2,680	2,488	8,888	10,000	10,000	10,000	10,000	10,000
Free Cash Flow	32,632	68,245	19,996	13,534	15,039	64,759	71,542	88,273	107,514	122,266	122,266
PV of Free Cash Flow						57,820	57,033	62,831	68,327	69,377	61,944
PV of Terminal Value											359,156

PV of FCFs	\$445,577
PV of Terminal Value	\$359,156
Total Value	\$804,734
Less:	
Total Debt	
Plus:	
Cash	\$112,580
Total Fair Market Value	\$917,314
Diluted Shares Outstanding	33,612
Fair Market Value/Share	\$27.29

WACC	12.0%
Long Term Growth Rate	3.0%

DCF Derived Fair Market Value Matrix

	WACC v. LT Growth Rate		
	2%	3%	4%
10.5%	\$30.34	\$32.24	\$34.73
11.0%	\$28.76	\$30.36	\$32.42
11.5%	\$27.37	\$28.73	\$30.45
12.0%	\$26.13	\$27.29	\$28.74
12.5%	\$25.03	\$26.02	\$27.26
13.0%	\$24.04	\$24.90	\$25.95
13.5%	\$23.15	\$23.89	\$24.80

Operating Assumptions	2002	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E
Class A and C Motor Homes			33.6%	-	-	-	-	-	-
Other Vehicle Revenues			-12.1%	-	-	-	-	-	-
Other Manufactured Revenues			6.7%	-	-	-	-	-	-
Revenue Growth		2.0%	31.8%	-9.0%	10.0%	15.0%	15.0%	10.0%	0.0%
Gross Margins	14.4%	13.4%	14.6%	13.7%	14.0%	15.0%	15.0%	15.0%	15.0%
Operating Expenses as % of Rev.	4.6%	4.3%	4.6%	3.9%	4.0%	5.0%	5.0%	5.0%	5.0%