

Steady show; credible EV strategy at play

In 3QFY24, TVS Motor (TVSL) reported EBITDA margin of 11.2% (+110bps YoY, +20bps QoQ), broadly in-line with JMFe led by cost reduction efforts. Domestic 2W demand, so far, is led by urban regions and there are early signs of revival in the rural demand. Affordability and currency related challenges in the international markets have largely bottomed out. With respect to EVs, TVSL plans to ramp-up EV business by introducing new products and expanding dealer network going ahead. Overall, we expect TVSL's outperformance to continue on the volume front (led by premiumization and EV product launches), while higher operating leverage and astute cost management would help on the margin front. We estimate revenue / EPS CAGR of 16%/30% over FY23-26E. We maintain BUY with a Mar'25 TP of INR 2,100 (30x Mar'26E EPS [25x earlier]). Prolonged slowdown in international markets remain a key risk.

- 3QFY24 – In-line performance:** In 3QFY24, TVS Motor reported net sales of INR 82.5bn (+26% YoY, +1% QoQ), c.3% below JMFe. Volumes increased 25% YoY (2.5% QoQ). Blended realisation was flattish YoY / -1% QoQ. EBITDA margin stood at 11.2% (+110bps YoY, +20bps QoQ), broadly in-line with JMFe. Reported EBITDA stood at INR 9.2bn (+40%YoY, +3%QoQ). Adj. PAT for the quarter was INR 5.9bn (+68% YoY, +11% QoQ), 4% above JMFe, mainly led by lower than expected interest expense and higher other income (incl. gain on fair value of an investment).
- Demand environment:** Domestic 2W volumes are gradually improving and demand recovery was led by premium segment (125cc+) in the semi-urban and urban region. The management indicated that there are early signs of revival in rural demand (as witnessed by strong festive growth) and expects recovery to be gradual. Improvement in retail financing (c.65% during 3Q) is aiding the volume recovery. Dealer inventory stands at an optimum level, below c.30 days. Overall, the management expects TVSL to outperform the industry in both domestic and export segments led by its extensive product portfolio. Demand in the international market continues to remain impacted by high inflation, and currency depreciation. However, management highlighted that the worst is behind and it expects steady recovery in exports going forward. The company remains watchful of the Red Sea and its possible impact in the near-term.
- Margin outlook:** 110bps YoY EBITDA margin expansion during 3Q was led by cost reduction initiatives (incl. RM cost) partially offset by higher marketing spends. The company indicated that it will continue to judiciously invest towards brand building and marketing efforts. Overall, TVSL expects a) richer product mix, b) cost-reduction initiatives, c) higher operating leverage (especially for EVs) to be additional levers for margin expansion.
- Update on EV initiatives:** The company indicated that ramp-up in iQube sales is led by positive customer response. Currently, TVS iQube is present across 400 touchpoints and the company plans to double its presence by Mar'24. The company plans multiple new launches (starting 4QFY24) and build a complete EV product portfolio over next 8 qtrs. Launch of E3W is also expected soon. TVSL's increasing focus on the EV segment through

Vivek Kumar

vivek.kumar@jmfl.com | Tel: (91 22) 66303019

Ronak Mehta

ronak.mehta@jmfl.com | Tel: (91 22) 66303125

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,100
Upside/(Downside)	5.0%
Previous Price Target	1,650
Change	27.3%

Key Data – TVSL IN

Current Market Price	INR2,001
Market cap (bn)	INR950.6/US\$11.4
Free Float	47%
Shares in issue (mn)	475.0
Diluted share (mn)	475.0
3-mon avg daily val (mn)	INR1,911.5/US\$23.0
52-week range	2,109/971
Sensex/Nifty	71,060/21,454
INR/US\$	83.1

Price Performance

%	1M	6M	12M
Absolute	1.7	53.1	103.4
Relative*	1.8	43.0	74.5

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	2,07,905	2,63,781	3,17,446	3,66,981	4,11,203
Sales Growth (%)	24.1	26.9	20.3	15.6	12.1
EBITDA	19,617	26,747	35,431	43,610	50,121
EBITDA Margin (%)	9.4	10.1	11.2	11.9	12.2
Adjusted Net Profit	9,237	14,910	21,678	27,824	32,468
Diluted EPS (INR)	19.4	31.4	45.6	58.6	68.4
Diluted EPS Growth (%)	50.9	61.3	45.4	28.4	16.7
ROIC (%)	72.9	68.3	80.0	107.8	132.7
ROE (%)	20.5	27.4	31.2	31.0	28.2
P/E (x)	102.9	63.7	43.8	34.2	29.3
P/B (x)	19.7	15.7	12.1	9.4	7.4
EV/EBITDA (x)	49.2	36.4	27.3	21.8	18.6
Dividend Yield (%)	0.2	0.2	0.4	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 24/Jan/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

new launches as well as strategic tie-ups globally will help build scale. The company started exporting iQube during 3Q in select geographies. PLI application is in advanced stages of approval.

- **Investment, capex and subsidiary performance:** 1) Capex guidance for FY24 stands at INR c.10bn. Investment guidance for FY24 stands at INR c.11bn. The management reiterated that all recent investment has been towards future mobility business and this will yield returns over the coming years. The investments will also help the company to enter and expand in developed markets. 2) TVS Credit: AUM stands at INR253bn; Disbursements during 3Q were at INR 70bn; GNPA as on Dec 31, 2023 stood at 3.1%; PBT came-in at INR 2.29bn vs. INR 1.80bn QoQ.

Exhibit 1. Quarterly financial results

	3QFY24	3QFY23	% YoY	2QFY24	% QoQ	3QFY24E	% A/E
Operating Matrices							
2W (Units)	1,062,777	835,938	27.1	1,031,372	3.0	1,062,777	0.0
3W (Units)	38,066	43,485	-12.5	43,006	-11.5	38,066	0.0
Total Volumes (Units)	1,100,843	879,423	25.2	1,074,378	2.5	1,100,843	0.0
Domestic (Units)	852,297	633,071	34.6	797,356	6.9	852,297	0.0
Exports (Units)	248,546	246,352	0.9	277,022	-10.3	248,546	0.0
Average Realisation (Net, INR)	74,897	74,429	0.6	75,808	-1.2	77,324	-3.1
Sales	82,450	65,454	26.0	81,446	1.2	85,121	-3.1
RM	60,756	49,429	22.9	60,276	0.8	63,160	-3.8
As a % of sales	73.7	75.5	-180bps	74.0	-30bps	74.2	-50bps
Employee Exp	4,036	3,409	18.4	3,929	2.7	4,086	-1.2
As a % of sales	4.9	5.2	-30bps	4.8	10bps	4.8	10bps
Other Costs	8,414	6,027	39.6	8,244	2.1	8,427	-0.2
As a % of sales	10.2	9.2	100bps	10.1	10bps	9.9	30bps
EBITDA	9,244	6,589	40.3	8,998	2.7	9,448	-2.2
EBITDA Margin (%)	11.2	10.1	110bps	11.0	20bps	11.1	10bps
Other Income	734	65	1031.0	462	58.7	500	46.8
Interest	448	316	41.5	523	-14.4	550	-18.6
Depreciation	1,781	1,583	12.5	1,701	4.7	1,775	0.3
PBT	7,750	4,755	63.0	7,237	7.1	7,623	1.7
Exceptional Item	0	0	NA	0	NA		NA
Tax	1,817	1,227	48.0	1,871	-2.9	1,915	-5.1
Tax rate (%)	23.4	25.8	-240bps	25.9	-240bps	25.1	-170bps
PAT (Reported)	5,934	3,528	68.2	5,366	10.6	5,708	3.9
PAT (Adjusted)	5,934	3,528	68.2	5,366	10.6	5,708	3.9
EPS (INR)	12.5	7.4	68.2	11.3	10.6	12.0	3.9

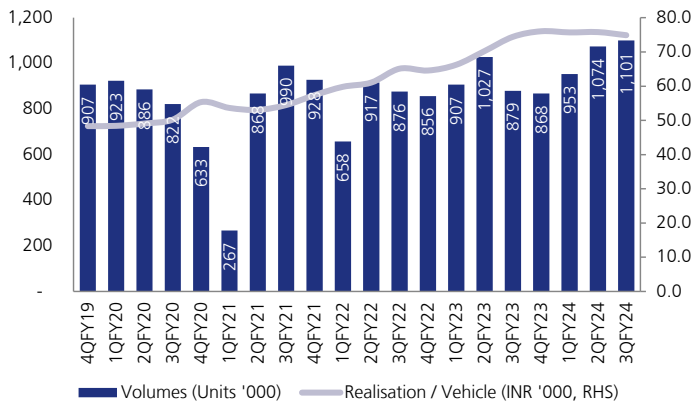
Source: Company, JM Financial

Exhibit 2. TVSL - change in assumptions (standalone)

TVSL	New assumption			Old assumption			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue (INR mn)	317,446	366,981	411,203	312,069	361,059	401,809	1.7%	1.6%	2.3%
Volume (mn units)	4.2	4.7	5.1	4.1	4.6	5.0	1.2%	1.1%	1.8%
Growth (%)	13.7%	11.2%	8.8%	12.4%	11.3%	7.9%			
EBITDA (INR mn)	35,431	43,610	50,121	34,955	43,009	49,029	1.4%	1.4%	2.2%
EBITDAM (%)	11.2%	11.9%	12.2%	11.2%	11.9%	12.2%	-	-	-
PAT (INR mn)	21,678	27,824	32,468	20,687	26,623	30,959	4.8%	4.5%	4.9%
EPS (INR)	45.6	58.6	68.4	43.6	56.0	65.2	4.8%	4.5%	4.9%

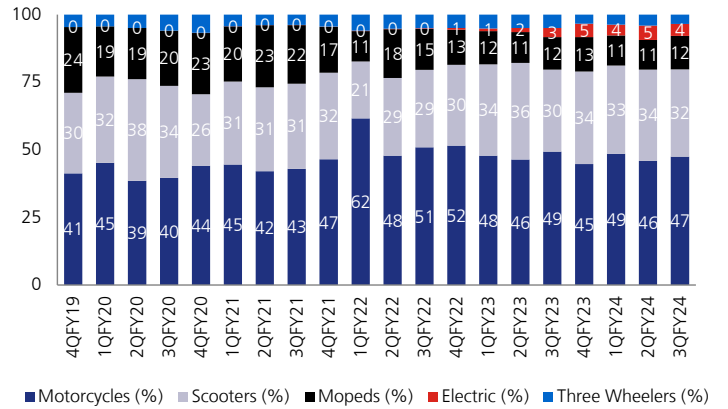
Source: Company, JM Financial

Exhibit 3. Quarterly volume and realisation



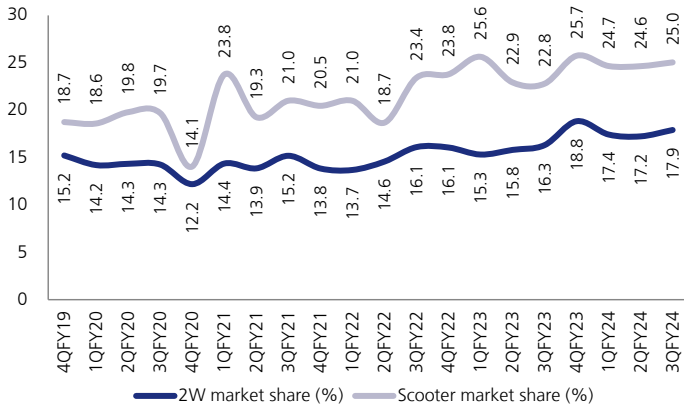
Source: Company, JM Financial

Exhibit 4. Volume mix trend



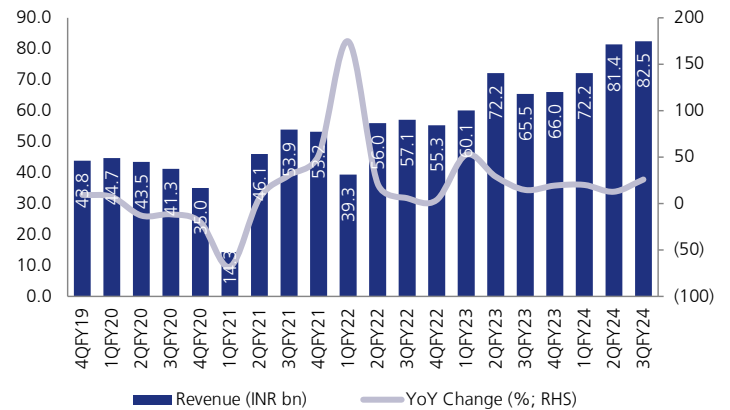
Source: Company, JM Financial

Exhibit 5. TVSL – market share trend



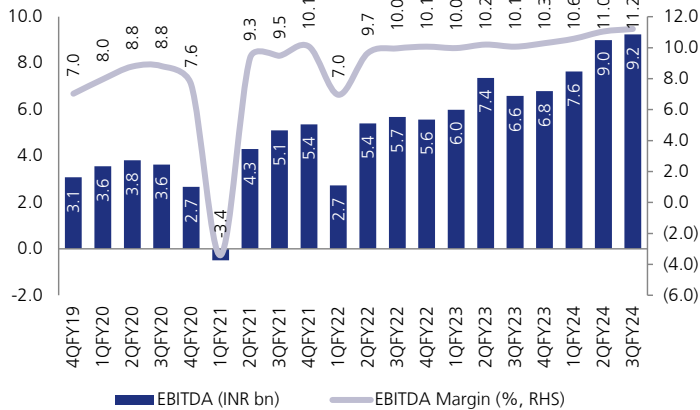
Source: Company, JM Financial

Exhibit 6. Revenue and growth trend



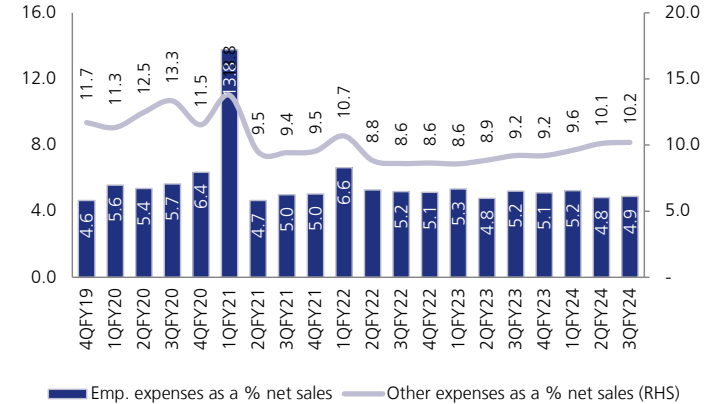
Source: Company, JM Financial

Exhibit 7. EBITDA and EBITDA margin



Source: Company, JM Financial

Exhibit 8. Cost trends



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	2,07,905	2,63,781	3,17,446	3,66,981	4,11,203	
Sales Growth	24.1%	26.9%	20.3%	15.6%	12.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	2,07,905	2,63,781	3,17,446	3,66,981	4,11,203	
Cost of Goods Sold/Op. Exp	1,58,082	1,99,928	2,34,343	2,68,807	3,00,167	
Personnel Cost	11,364	13,451	15,872	17,777	19,910	
Other Expenses	18,842	23,655	31,799	36,788	41,006	
EBITDA	19,617	26,747	35,431	43,610	50,121	
EBITDA Margin	9.4%	10.1%	11.2%	11.9%	12.2%	
EBITDA Growth	37.3%	36.3%	32.5%	23.1%	14.9%	
Depn. & Amort.	6,114	6,312	6,932	7,724	8,487	
EBIT	13,503	20,435	28,499	35,886	41,634	
Other Income	-1,069	-401	24	724	1,087	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	12,434	20,034	28,524	36,610	42,721	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	12,434	20,034	28,524	36,610	42,721	
Taxes	3,197	5,123	6,846	8,786	10,253	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	9,237	14,910	21,678	27,824	32,468	
Adjusted Net Profit	9,237	14,910	21,678	27,824	32,468	
Net Margin	4.4%	5.7%	6.8%	7.6%	7.9%	
Diluted Share Cap. (mn)	475.0	475.0	475.0	475.0	475.0	
Diluted EPS (INR)	19.4	31.4	45.6	58.6	68.4	
Diluted EPS Growth	50.9%	61.3%	45.4%	28.4%	16.7%	
Total Dividend + Tax	2,138	2,375	3,800	4,750	4,750	
Dividend Per Share (INR)	4.5	5.0	8.0	10.0	10.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	48,220	60,478	78,356	1,01,430	1,29,148	
Share Capital	475	475	475	475	475	
Reserves & Surplus	47,745	60,003	77,881	1,00,955	1,28,673	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	19,627	26,634	26,634	21,634	19,134	
Def. Tax Liab. / Assets (-)	1,979	1,982	1,982	1,982	1,982	
Total - Equity & Liab.	69,826	89,094	1,06,972	1,25,046	1,50,264	
Net Fixed Assets	37,311	42,236	44,811	46,659	48,270	
Gross Fixed Assets	72,309	81,514	91,791	1,01,299	1,10,870	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	39,243	45,555	52,487	60,211	68,698	
Capital WIP	4,245	6,277	5,507	5,571	6,098	
Investments	47,160	56,839	67,839	77,839	87,839	
Current Assets	34,007	40,849	61,193	77,130	99,583	
Inventories	11,227	12,363	17,394	20,109	22,532	
Sundry Debtors	9,507	9,551	14,785	16,087	18,025	
Cash & Bank Balances	4,013	2,420	10,847	20,951	37,045	
Loans & Advances	9,260	16,515	18,167	19,983	21,982	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	48,651	50,830	66,871	76,582	85,429	
Current Liabilities	39,914	41,306	56,531	65,353	73,228	
Provisions & Others	8,737	9,524	10,339	11,229	12,201	
Net Current Assets	-14,645	-9,981	-5,678	548	14,155	
Total - Assets	69,826	89,094	1,06,972	1,25,046	1,50,264	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	12,434	20,034	28,524	36,610	42,721	
Depn. & Amort.	6,114	6,312	6,932	7,724	8,487	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	-1,422	-6,257	4,124	3,879	2,487	
Others	0	0	0	0	0	
Taxes Paid	-3,197	-5,123	-6,846	-8,786	-10,253	
Operating Cash Flow	13,930	14,966	32,734	39,426	43,442	
Capex	-10,536	-11,238	-9,507	-9,571	-10,098	
Free Cash Flow	3,394	3,728	23,227	29,855	33,344	
Inc (-) / Dec in Investments	-14,015	-9,679	-11,000	-10,000	-10,000	
Others	0	0	0	0	0	
Investing Cash Flow	-24,550	-20,916	-20,507	-19,571	-20,098	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-2,138	-2,375	-3,800	-4,750	-4,750	
Inc / Dec (-) in Loans	8,037	7,006	0	-5,000	-2,500	
Others	-589	-277	0	0	0	
Financing Cash Flow	5,311	4,354	-3,800	-9,750	-7,250	
Inc / Dec (-) in Cash	-5,310	-1,596	8,427	10,105	16,094	
Opening Cash Balance	9,298	4,013	2,420	10,847	20,951	
Closing Cash Balance	3,988	2,417	10,846	20,951	37,045	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		4.4%	5.7%	6.8%	7.6%	7.9%
Asset Turnover (x)		3.3	3.3	3.2	3.2	3.0
Leverage Factor (x)		1.4	1.5	1.4	1.3	1.2
RoE		20.5%	27.4%	31.2%	31.0%	28.2%

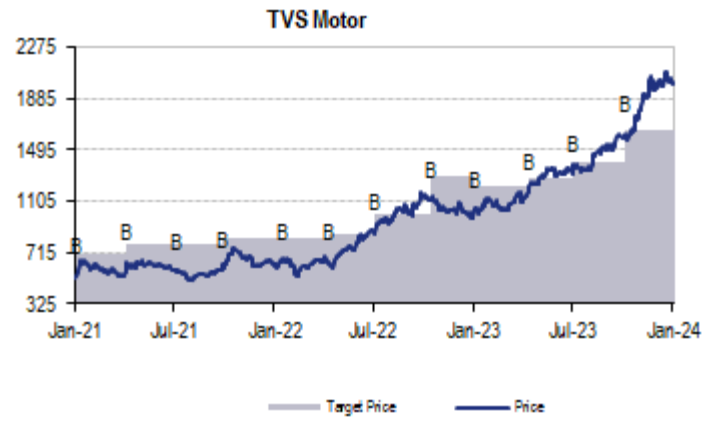
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		101.5	127.3	165.0	213.5	271.9
ROIC		72.9%	68.3%	80.0%	107.8%	132.7%
ROE		20.5%	27.4%	31.2%	31.0%	28.2%
Net Debt/Equity (x)		0.3	0.4	0.2	0.0	-0.1
P/E (x)		102.9	63.7	43.8	34.2	29.3
P/B (x)		19.7	15.7	12.1	9.4	7.4
EV/EBITDA (x)		49.2	36.4	27.3	21.8	18.6
EV/Sales (x)		4.6	3.7	3.0	2.6	2.3
Debtor days		17	13	17	16	16
Inventory days		20	17	20	20	20
Creditor days		77	64	73	74	74

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Feb-20	Hold	490	
13-Apr-20	Hold	325	-33.7
28-May-20	Hold	360	10.8
30-Jul-20	Hold	395	9.7
24-Aug-20	Buy	560	41.8
30-Oct-20	Buy	615	9.8
28-Jan-21	Buy	700	13.8
28-Apr-21	Buy	780	11.4
29-Jul-21	Buy	780	0.0
21-Oct-21	Buy	825	5.8
7-Feb-22	Buy	825	0.0
5-May-22	Buy	850	3.0
28-Jul-22	Buy	1,000	17.6
6-Nov-22	Buy	1,300	30.0
25-Jan-23	Buy	1,225	-5.8
4-May-23	Buy	1,275	4.1
24-Jul-23	Buy	1,400	9.8
30-Oct-23	Buy	1,650	17.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who 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, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.