

# Sona BLW Precision Forgings | BUY



## Healthy operating performance; robust order book to drive growth

Sona BLW Precision Forgings (Sona Comstar) consol. revenue was broadly in-line. EBTIDA margin at 28.2% was 50bps above our estimate. Margin improvement (+40bps QoQ) was led by favourable mix and higher operating leverage. Management indicated that US / EU / India light vehicle market remains healthy. EV revenue grew 12.5% QoQ led by ramp-up of new programs. Share of EV revenue stood healthy at 27% during 1H and the company continues to win new EV orders (c.78% of net order book). Strong net order book (INR 221bn as on Sept'23) and expansion in product portfolio (added 7 new products during 2Q) is expected to aid growth. Higher operating leverage is expected to support margins (LT guidance remains in the range of 25-27%). Diversified revenue, increasing share of EVs and strong order book makes Sona Comstar one of the best plays in the EV space. We expect Sona Comstar to post a c.28% / 36% revenue / EPS CAGR over FY23-26E. We maintain our BUY rating with Sept'24 TP of INR 700 (based on DCF). Key risks are delayed adoption of EVs and inability to win order for new products.

- 2QFY24 - margin beats estimates:** Sona Comstar reported consolidated revenue of INR 7.9bn (+20% YoY, +8%QoQ), broadly in-line with JMFe led by new order execution. Total revenue growth was ahead of the light vehicle sales growth in key markets (NA, India and Europe) owing to scale-up of revenue from new programs. EBITDA margin stood at 28.2% (+300bps YoY, +40bps QoQ), 50bps higher than JMFe. QoQ improvement in margin was led by favourable product mix and higher operating leverage. EBITDA came-in at INR 2.2bn (+35% YoY, +10% QoQ), 3% ahead of JMFe. Adjusted PAT stood at INR 1.3bn (+40%YoY, +13%QoQ), 6% ahead of JMFe.
- EV business:** EV revenue during 2Q increased +58% YoY (+12.5% QoQ) to INR 2.07bn. Sequential improvement in EV business was due to ramp-up of new program related to E2W traction motor. Share of EV revenue stood at 27% during 1H (26% in 1QFY24). The company added two new EV programs - 1) To supply rotor embedded differential sub-assemblies for high-performance electric PV worth INR 1.7bn (SOP in 2QFY25) to a new-age NA EV OEM, 2) To supply mid-drive traction motors for E3Ws worth INR 3.7bn (SOP 3QFY25) to an Indian OEM of PVs, CVs, OHVs and EVs; totalling to 48 BEV programs with 28 different customers. Of these, 15 programs are in ramp-up phase and production is yet to commence for 23 programs.
- Demand outlook:** Management highlighted UAW strike had some impact on revenue growth for 2Q and expects strike to end in the next few days. Overall, demand remains healthy (LV production grew by 14%) across key geographies like North America, EU and India. Aggregate value of the net order book increased by 1bn QoQ to INR 221bn (added INR 6bn worth new orders); orders for EV/ PHEVs stood at 78% of the net order book as at the end of 2QFY24. The company also indicated that EV Traction Motor programs are in ramp-up phase and expects Sensors' business (consolidated from Sept'23) to be the third pillar of growth going ahead.
- Other highlights:** 1) During 2Q, the company added 7 new products, 2 each in Driveline and Motor segment and 3 products in Sensors' business. 2) The company is currently validating and testing design and performance of Equipmake products to check its suitability in Indian conditions and the product launch in India is expected by

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	700
Upside/Downside	36.5%
Previous Price Target	700
Change	0.0%

### Key Data – SONACOMS IN

Current Market Price	INR513
Market cap (bn)	INR300.2/US\$3.6
Free Float	64%
Shares in issue (mn)	586.4
Diluted share (mn)	586.4
3-mon avg daily val (mn)	INR772.2/US\$9.3
52-week range	626/397
Sensex/Nifty	64,049/19,122
INR/US\$	83.2

### Price Performance

%	1M	6M	12M
Absolute	-9.9	11.6	6.3
Relative*	-7.3	5.0	-1.1

\* To the BSE Sensex

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.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	20,525	25,875	33,348	42,100	53,831
Sales Growth (%)	37.9	26.1	28.9	26.2	27.9
EBITDA	5,589	6,958	9,703	12,812	16,422
EBITDA Margin (%)	26.2	26.0	28.0	29.0	29.2
Adjusted Net Profit	3,236	3,953	5,421	7,440	9,980
Diluted EPS (INR)	5.5	6.8	9.2	12.7	17.0
Diluted EPS Growth (%)	38.5	21.9	36.9	37.2	34.1
ROIC (%)	17.5	18.4	21.9	25.7	30.6
ROE (%)	19.6	18.4	21.7	25.0	27.5
P/E (x)	92.6	76.0	55.5	40.4	30.1
P/B (x)	15.0	13.1	11.1	9.2	7.5
EV/EBITDA (x)	53.9	43.2	31.0	23.4	18.0
Dividend Yield (%)	0.3	0.4	0.5	0.6	0.8

Source: Company data, JM Financial. Note: Valuations as of 25/Oct/2023

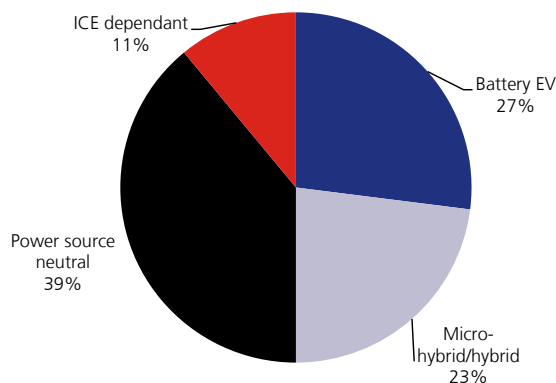
4QCY25/1QCY26. 3) No customer is >20% of overall revenue. 4) The management indicated PLI benefit is linked with product approval and the company's product approval is in pipeline.

**Exhibit 1. Quarterly financial performance - consolidated**

(INR mn)	Q2FY24	Q2FY23	% YoY	Q1FY24	% QoQ	Q2FY24E	Var (%)
<b>Sales</b>	<b>7,908</b>	<b>6,574</b>	<b>20.3</b>	<b>7,322</b>	<b>8.0</b>	<b>7,798</b>	<b>1.4</b>
RM	3,553	3,089	15.0	3,153	12.7	3,431	3.6
as a % of sales	44.9	47.0	-210bps	43.1	190bps	44.0	90bps
Employee Exp	550	442	24.6	491	12.0	522	5.3
as a % of sales	7.0	6.7	20bps	6.7	20bps	6.7	30bps
Other Costs	1,572	1,386	13.4	1,644	(4.4)	1,684	(6.7)
as a % of sales	19.9	21.1	-120bps	22.4	-260bps	21.6	-170bps
Expenditure	5,675	4,917	15.4	5,288	7.3	5,638	0.7
<b>EBITDA</b>	<b>2,233</b>	<b>1,657</b>	<b>34.8</b>	<b>2,034</b>	<b>9.8</b>	<b>2,160</b>	<b>3.4</b>
<b>EBITDA Margin (%)</b>	<b>28.2</b>	<b>25.2</b>	<b>300bps</b>	<b>27.8</b>	<b>40bps</b>	<b>27.7</b>	<b>50bps</b>
Other Income	61	28	115.7	54	14	60	1.9
Interest	60	43	39.0	53	12	65	(7.6)
Depreciation	534	429	24.5	511	5	526	1.6
PBT	1,700	1,213	40.1	1,523	12	1,629	4.3
Tax	401	287	39.4	375	7	407	(1.6)
Exceptional item	(59)	(0)	nmf	(28)	nmf	-	nmf
<b>PAT (Adjusted)</b>	<b>1,299</b>	<b>926</b>	<b>40.4</b>	<b>1,149</b>	<b>13.1</b>	<b>1,222</b>	<b>6.3</b>
<b>EPS (INR)</b>	<b>2.2</b>	<b>1.6</b>	<b>37.4</b>	<b>2.0</b>	<b>13.1</b>	<b>2.1</b>	<b>6.3</b>

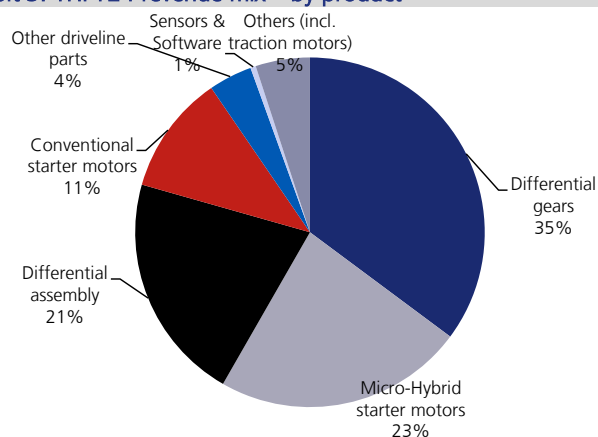
Source: Company, JM Financial

**Exhibit 2. 1HFY24 revenue mix – by powertrain**



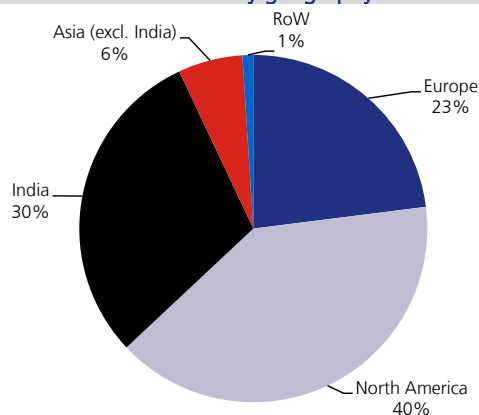
Source: Company, JM Financial

**Exhibit 3. 1HFY24 revenue mix – by product**



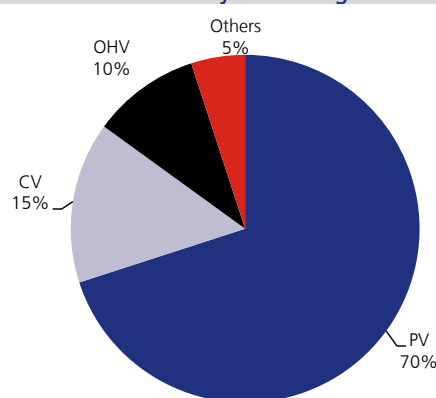
Source: Company, JM Financial

**Exhibit 4. 1HFY24 revenue mix – by geography**



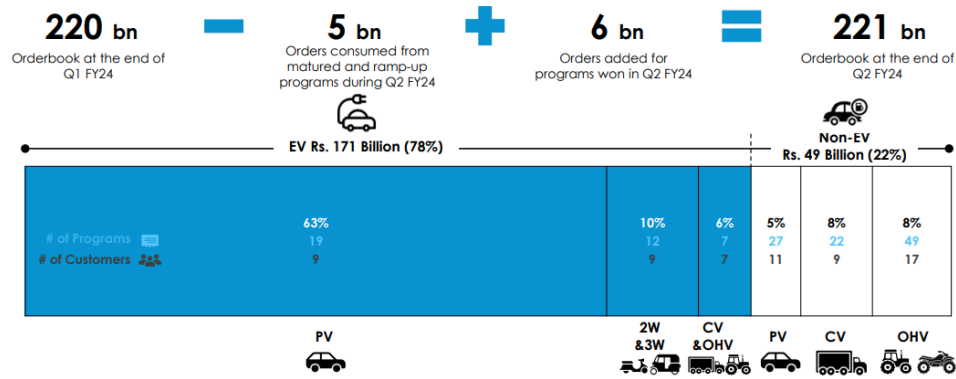
Source: Company, JM Financial

**Exhibit 5. 1HFY24 revenue mix by vehicle segment**



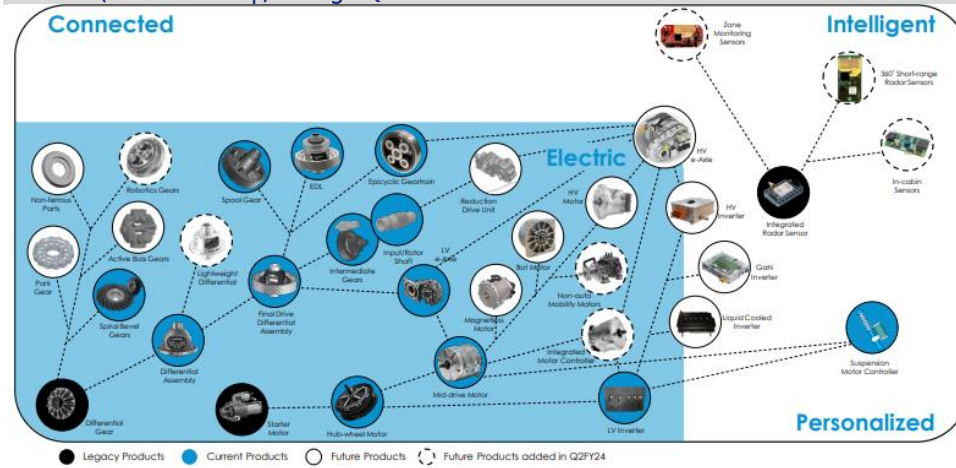
Source: Company, JM Financial

**Exhibit 6. Net order book at INR 221bn over next 10 years**



Source: Company, JM Financial; Note: net order book means the aggregate revenue from awarded programs which are either yet to start production or are yet to fully ramp up, in the next 10 years, after adjusting for the negative impact of all programs that are expected to reach end of life or be phased out. The company has also applied a discount to accommodate any unforeseen delays or changes in program launches that may happen in the future.

**Exhibit 7. Added 7 new products - 2 each in Driveline and Motor business and 3 in Sensors business (via Novelic acq.) during 2QFY24**



Source: Company, JM Financial

**Exhibit 8. DCF based valuation**

	Value (INR bn)	Per share value (INR)
Enterprise value (based on DCF)	411	699
Less: Net debt (FY23)	-1	-1
<b>Fair value</b>		<b>700</b>

Source: Company, JM Financial

**Exhibit 9. Sona BLW Precision Forgings - Change in estimates**

Sona Comstar	New assumption			Old assumption			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue (INR mn)	34,647	44,163	56,256	35,557	45,180	57,362	-3%	-2%	-2%
EBITDA (INR mn)	9,703	12,812	16,422	9,959	13,083	16,732	-3%	-2%	-2%
EBITDA margin (%)	28.0%	29.0%	29.2%	28.0%	29.0%	29.2%	0bps	0bps	0bps
PAT (INR mn)	5,421	7,440	9,980	5,593	7,627	10,173	-3%	-2%	-2%
<b>EPS (INR)</b>	<b>9.2</b>	<b>12.7</b>	<b>17.0</b>	<b>9.6</b>	<b>13.0</b>	<b>17.4</b>	<b>-3%</b>	<b>-3%</b>	<b>-2%</b>

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	20,525	25,875	33,348	42,100	53,831	
Sales Growth	37.9%	26.1%	28.9%	26.2%	27.9%	
Other Operating Income	780	881	1,299	2,064	2,425	
<b>Total Revenue</b>	<b>21,306</b>	<b>26,756</b>	<b>34,647</b>	<b>44,163</b>	<b>56,256</b>	
Cost of Goods Sold/Op. Exp	9,456	12,200	15,180	18,895	24,356	
Personnel Cost	1,689	1,804	2,268	2,819	3,533	
Other Expenses	4,571	5,794	7,495	9,638	11,945	
<b>EBITDA</b>	<b>5,589</b>	<b>6,958</b>	<b>9,703</b>	<b>12,812</b>	<b>16,422</b>	
EBITDA Margin	26.2%	26.0%	28.0%	29.0%	29.2%	
EBITDA Growth	26.7%	24.5%	39.4%	32.0%	28.2%	
Depn. & Amort.	1,420	1,780	2,347	2,741	3,113	
EBIT	4,169	5,178	7,356	10,071	13,308	
Other Income	90	116	137	154	199	
Finance Cost	183	169	253	288	288	
PBT before Excep. & Forex	4,077	5,125	7,239	9,936	13,219	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,077	5,125	7,239	9,936	13,219	
Taxes	841	1,171	1,819	2,496	3,239	
Extraordinary Inc./Loss(-)	377	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	3,613	3,953	5,421	7,440	9,980	
<b>Adjusted Net Profit</b>	<b>3,236</b>	<b>3,953</b>	<b>5,421</b>	<b>7,440</b>	<b>9,980</b>	
Net Margin	15.2%	14.8%	15.6%	16.8%	17.7%	
Diluted Share Cap. (mn)	584.4	585.4	586.4	586.4	586.4	
<b>Diluted EPS (INR)</b>	<b>5.5</b>	<b>6.8</b>	<b>9.2</b>	<b>12.7</b>	<b>17.0</b>	
Diluted EPS Growth	38.5%	21.9%	36.9%	37.2%	34.1%	
Total Dividend + Tax	907	1,200	1,355	1,860	2,495	
Dividend Per Share (INR)	1.6	2.1	2.3	3.2	4.3	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	4,077	5,125	7,239	9,936	13,219	
Depn. & Amort.	1,420	1,780	2,347	2,741	3,113	
Net Interest Exp. / Inc. (-)	183	169	253	288	288	
Inc (-) / Dec in WCap.	-746	-646	-1,635	-2,188	-1,997	
Others	377	0	0	0	0	
Taxes Paid	-841	-1,171	-1,819	-2,496	-3,239	
<b>Operating Cash Flow</b>	<b>4,470</b>	<b>5,257</b>	<b>6,386</b>	<b>8,282</b>	<b>11,384</b>	
Capex	-3,737	-3,252	-3,761	-4,385	-4,254	
Free Cash Flow	733	2,004	2,625	3,897	7,130	
Inc (-) / Dec in Investments	-72	-2,288	1,767	-1,500	-2,500	
Others	0	0	-1,744	0	0	
<b>Investing Cash Flow</b>	<b>-3,809</b>	<b>-5,541</b>	<b>-3,738</b>	<b>-5,885</b>	<b>-6,754</b>	
Inc / Dec (-) in Capital	114	11	0	0	0	
Dividend + Tax thereon	-907	-1,200	-1,355	-1,860	-2,495	
Inc / Dec (-) in Loans	-3,138	1,271	689	-339	-336	
Others	3,767	128	44	46	48	
<b>Financing Cash Flow</b>	<b>-164</b>	<b>210</b>	<b>-622</b>	<b>-2,153</b>	<b>-2,783</b>	
<b>Inc / Dec (-) in Cash</b>	<b>497</b>	<b>-74</b>	<b>2,025</b>	<b>244</b>	<b>1,847</b>	
Opening Cash Balance	276	773	698	2,723	2,967	
Closing Cash Balance	772	698	2,723	2,967	4,814	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	20,003	22,902	26,968	32,548	40,033	
Share Capital	5,844	5,854	5,854	5,854	5,854	
Reserves & Surplus	14,159	17,048	21,114	26,694	34,179	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	1,511	2,952	3,894	3,843	3,795	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
<b>Total - Equity &amp; Liab.</b>	<b>21,514</b>	<b>25,854</b>	<b>30,861</b>	<b>36,391</b>	<b>43,828</b>	
Net Fixed Assets	13,557	15,029	16,443	18,087	19,228	
Gross Fixed Assets	15,438	19,253	23,425	27,810	32,064	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	3,355	5,135	7,482	10,223	13,337	
Capital WIP	1,474	911	500	500	500	
Investments	130	2,418	652	2,152	4,652	
Current Assets	12,271	13,151	19,609	23,025	28,244	
Inventories	3,634	3,229	4,691	5,813	7,351	
Sundry Debtors	4,452	6,089	7,247	9,225	10,983	
Cash & Bank Balances	773	698	2,723	2,967	4,814	
Loans & Advances	0	0	0	0	0	
Other Current Assets	3,412	3,134	4,947	5,020	5,096	
Current Liab. & Prov.	4,443	4,744	5,842	6,873	8,296	
Current Liabilities	3,353	3,629	4,671	5,644	7,005	
Provisions & Others	1,090	1,115	1,171	1,229	1,291	
Net Current Assets	7,827	8,406	13,767	16,152	19,948	
<b>Total - Assets</b>	<b>21,514</b>	<b>25,854</b>	<b>30,861</b>	<b>36,391</b>	<b>43,828</b>	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		15.2%	14.8%	15.6%	16.8%	17.7%
Asset Turnover (x)		1.0	1.1	1.2	1.3	1.4
Leverage Factor (x)		1.2	1.1	1.2	1.2	1.1
RoE		19.6%	18.4%	21.7%	25.0%	27.5%

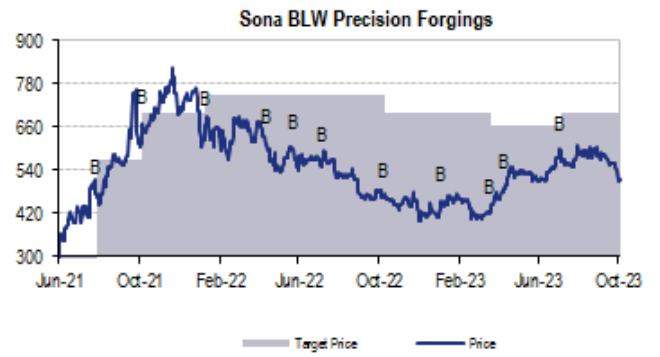
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		34.2	39.1	46.1	55.6	68.4
ROIC		17.5%	18.4%	21.9%	25.7%	30.6%
ROE		19.6%	18.4%	21.7%	25.0%	27.5%
Net Debt/Equity (x)		0.0	0.0	0.0	0.0	-0.1
P/E (x)		92.6	76.0	55.5	40.4	30.1
P/B (x)		15.0	13.1	11.1	9.2	7.5
EV/EBITDA (x)		53.9	43.2	31.0	23.4	18.0
EV/Sales (x)		14.1	11.2	8.7	6.8	5.2
Debtor days		76	83	76	76	71
Inventory days		62	44	49	48	48
Creditor days		78	67	68	66	64

Source: Company, JM Financial

**History of Recommendation and Target Price**

Date	Recommendation	Target Price	% Chg.
19-Aug-21	Buy	570	
28-Oct-21	Buy	700	22.8
1-Feb-22	Buy	750	7.1
5-May-22	Buy	750	0.0
15-Jun-22	Buy	750	0.0
28-Jul-22	Buy	750	0.0
30-Oct-22	Buy	700	-6.7
25-Jan-23	Buy	700	0.0
10-Apr-23	Buy	665	-5.0
3-May-23	Buy	665	0.0
27-Jul-23	Buy	700	5.3

**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 (NISIM) 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.