

Suprajit Engineering | BUY

Healthy Qtr; New order wins / restructuring to drive performance

Suprajit Engineering (SEL) reported consolidated EBITDAM margin of 12.1% (flat QoQ), broadly in-line with JMFe. Reported revenue was 6% above JMFe led by new order execution in SCD and SED division. Restructuring at PLD has started yielding results. Company indicated that new order wins for SCD and SED division remain healthy led by its strategy of 'beyond cables products'. Non-automotive segment has stabilised and is expected to witness gradual recovery in cables demand further supported by expansion in 'beyond cables products'. Near-term margin performance is expected to be supported by better mix, operating efficiencies and cost control measures. We expect revenue / EPS CAGR of 12% / 37% over FY24-26E. Maintain BUY with Mar'25 TP of INR 460 (1yr fwd PE: 20x). Inability to deliver healthy performance at subsidiaries is a key risk.

- 4QFY24 – Revenue ahead; margins in line:** SEL's consol. net sales stood at INR 7.8bn (+12% YoY, +8% QoQ), 6% above JMFe. EBITDA stood at INR 944mn (+8% YoY & QoQ). EBITDA margin stood at 12.1% (-40bps YoY, flat QoQ), broadly in-line with JMFe. Margin improvement in Phoenix Lamps and LDC-China (led by operating efficiencies owing to completion of restructuring exercise) was offset by unfavourable mix in DCD. Adj. PAT came-in at INR 591mn (+44% YoY, +47% QoQ), led by higher other income (owing to forex gains) and lower tax expenses. Gross debt was flattish QoQ at INR 6.2bn. Company has guided for a capex of INR 1.8bn in FY25 towards new product development, capacity addition and maintenance.
- Suprajit Controls Division (SCD):** Revenue for 4Q stood at INR 3.7bn (+4% YoY; +19% QoQ). EBITDA margin improved 110bps QoQ to 7.3% (-290bpsYoY). Poor pricing in certain historical contracts, wage increase in Mexico, China import duties and cross currencies impact was a drag on margins. Non-automotive cables business has now stabilised at lower levels. New business wins and expansion of beyond-cable products (eg: Rotary sensors) is expected to drive growth in non-automotive business going ahead. China plant relocation / restructuring is complete and the management is working towards new business development. During 4Q, SEL won an order worth USD 8mn / year from a US customer based on "No China Content" requirement. The strategy of 'One Suprajit' as a global platform has led to multiple new business wins (across both Auto & non-Auto cables and Actuators) and is expected to drive healthy growth going forward.
- Domestic cable division (DCD):** Revenue for 4Q stood at INR 2.8bn (+15% YoY; -3% QoQ). Margin came at 17.3% (-100bps YoY; -110bps QoQ). Margin decline was due to unfavourable mix. The company indicated growth in the DCD vertical is led by PVs as well as 2Ws. Aftermarket segment continued to remain tepid owing to higher competitive intensity from unorganised players (in grey market). But the company expects a gradual recovery going ahead. DCD vertical has started winning new 'non-cable' businesses (includes CBS, actuators, latch assembly etc) some of which are commercialised and expected to ramp-up in the coming qtrs.
- Phoenix Lamps division (PLD):** Revenue stood at INR 1bn (+9% YoY, -2% QoQ). Margin came in at 15.1% (+650bps YoY, +270bps QoQ), 310bps above JMFe. YoY growth was led by with strong inroads into the aftermarkets, direct exports and through Luxlite.



Ronak Mehta

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

Vivek Kumar

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

We acknowledge the support services of Dev Jogani in preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	460
Upside/(Downside)	5.1%
Previous Price Target	420
Change	9.5%

Key Data – SEL IN

Current Market Price	INR438
Market cap (bn)	INR60.6/US\$0.7
Free Float	52%
Shares in issue (mn)	138.4
Diluted share (mn)	138.5
3-mon avg daily val (mn)	INR76.2/US\$0.9
52-week range	457/353
Sensex/Nifty	73,886/22,489
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	3.6	15.0	12.1
Relative*	4.4	4.3	-5.0

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	18,405	27,524	28,959	32,896	36,343
Sales Growth (%)	12.2	49.5	5.2	13.6	10.5
EBITDA	2,599	3,126	3,230	4,264	4,980
EBITDA Margin (%)	14.1	11.4	11.2	13.0	13.7
Adjusted Net Profit	1,614	1,521	1,673	2,532	3,176
Diluted EPS (INR)	11.7	11.0	12.1	18.3	22.9
Diluted EPS Growth (%)	14.3	-5.8	9.9	51.4	25.4
ROIC (%)	15.3	12.7	11.4	15.9	18.0
ROE (%)	15.6	13.2	12.9	17.2	18.4
P/E (x)	37.5	39.8	36.3	23.9	19.1
P/B (x)	5.6	5.0	4.5	3.8	3.3
EV/EBITDA (x)	22.8	19.9	19.0	14.1	11.6
Dividend Yield (%)	0.5	0.5	0.5	0.6	0.6

Source: Company data, JM Financial. Note: Valuations as of 30/May/2024

JM Financial Institutional Securities Limited

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.

Restructuring at PLD has started yielding results as restructuring at Trifa and Luxlite is largely complete. The company reiterated its stance to be the last man standing for PLD and expects aftermarket segment to drive growth.

- **Suprajit Electronics Division and Technology Centre (SED & STC):** The segment has started ramping-up with revenue at INR 268mn (vs. INR 191mn in 3Q). EBITDA margins also improved sequentially to c.12.8% (vs. 11% in 3Q). Deliveries of actuators, digital clusters and throttle position controls to marquee EV/ICE 2W and 3W supported growth. SED continues to win new orders for multiple products like Digital Clusters, Electro Mechanical Actuators, Rotary Sensors, Throttle Position Sensors, etc. from traditional and new-age OEMs. SEL continues to receive positive customer interest and these products are at different levels of approval with prospective customers.
- **Other Highlights:** 1) Revenue contribution from Automotive / 2W / Aftermarket / Non-Automotive stood at 36% / 27% / 18% /19% for FY24. 2) SEL is in process to relocate some of its products manufactured in SCD segment in Mexico to India owing to high wage pressure in Mexico.

Exhibit 1. Quarterly financial result (consolidated)

(INR mn)	4QFY24	4QFY23	% YoY	3QFY24	% QoQ	4QFY24E	% A/E
Sales	7,831	6,990	12.0	7,242	8.1	7,347	6.6
RM	4,641	3,907	18.8	4,234	9.6	4,276	8.5
As a % of sales	59.3	55.9	340bps	58.5	80bps	58.2	110bps
Employee Exp	1,597	1,484	7.6	1,510	5.8	1,514	5.5
As a % of sales	20.4	21.2	-80bps	20.8	-50bps	20.6	-20bps
Other Costs	649	728	-10.9	626	3.8	661	-1.8
As a % of sales	8.3	10.4	-210bps	8.6	-40bps	9.0	-70bps
Expenditure	6,887	6,119	12.6	6,369	8.1	6,451	6.8
Adj. EBITDA	944	871	8.4	873	8.2	896	5.3
Adj. EBITDA Margin	12.1	12.5	-40bps	12.1	0bps	12.2	-10bps
Other Income	194	56	246.6	90	116.2	100	93.6
Interest	128	115	11.6	132	-3.0	125	2.4
Depreciation	275	231	19.0	258	6.5	260	5.9
PBT	734	581	26.4	572	28.4	611	20.1
Tax	143	171	-16.3	169	-15.6	183	-22.1
Tax rate (%)	19.5	29.4	-990bps	29.6	-1020bps	30.0	-1050bps
PAT Reported	591	410	44.2	402	47.0	428	38.2
PAT (Adjusted)	591	410	44.2	402	47.0	428	38.2
PAT Margin (%)	7.6	5.9	170bps	5.6	200bps	5.8	170bps
EPS (INR)	4.3	3.0	44.2	2.9	47.0	3.1	38.2

Source: Company, JM Financial

Exhibit 2. Segmental performance

(INR mn)	4QFY24	4QFY23	% YoY	3QFY24	% QoQ
Suprajit Controls Division (SCD)					
Net sales	3,744	3,609	3.7	3,136	19.4
EBITDA	272	367	-25.8	193	40.8
EBITDA Margin	7.3	10.2	-290bps	6.2	110bps
Domestic Cable Division (DCD)					
Net sales	2,811	2,453	14.6	2,886	-2.6
EBITDA	485	449	8.1	530	-8.6
EBITDA Margin	17.3	18.3	-100bps	18.4	-110bps
Phoenix lamps					
Net sales	1,009	929	8.7	1,029	-1.9
EBITDA	153	80	91.5	128	19.5
EBITDA Margin	15.1	8.6	650bps	12.4	270bps
Suprajit Electronics Division (SED)					
Net sales	268	NA	NA	191	39.9
EBITDA	34	NA	NA	21	61.7
EBITDA Margin	12.8	NA	NA	11	170bps

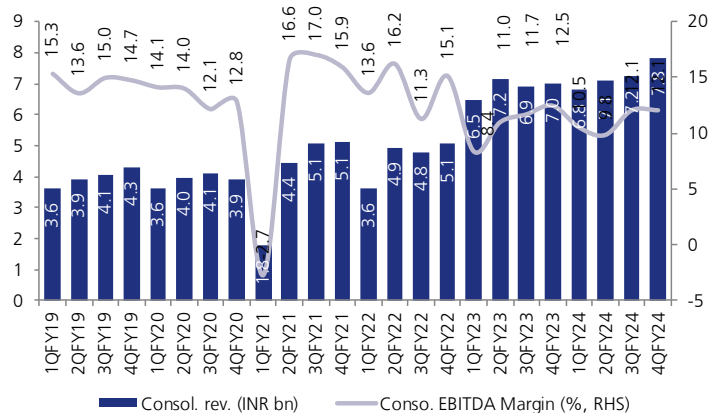
Source: Company, JM Financial

Exhibit 3. Quarterly financial result (standalone)

(INR mn)	4QFY24	4QFY23	% YoY	3QFY24	% QoQ	4QFY24E	% A/E
Net revenue	4,128	3,395	21.6	4,052	1.9	4,194	-1.6
RM	2,536	2,073	22.4	2,502	1.4	2,579	-1.7
As a % of sales	61.4	61.0	40bps	61.7	-30bps	61.5	-10bps
Employee Exp	538	435	23.6	535	0.5	554	-2.9
As a % of sales	13.0	12.8	20bps	13.2	-20bps	13.2	-20bps
Other Costs	290	261	11.3	271	7.0	277	4.9
As a % of sales	7.0	7.7	-70bps	6.7	30bps	6.6	40bps
Expenditure	3,364	2,768	21.5	3,308	1.7	3,410	-1.3
EBITDA	764	627	21.9	744	2.6	784	-2.6
EBITDA Margin (%)	18.5	18.5	0bps	18.4	10bps	18.7	-20bps
PAT (Adjusted)	690	386	79.0	573	20.4	577	19.6
EPS (INR)	5.0	2.8	79.0	4.1	20.4	4.2	19.6

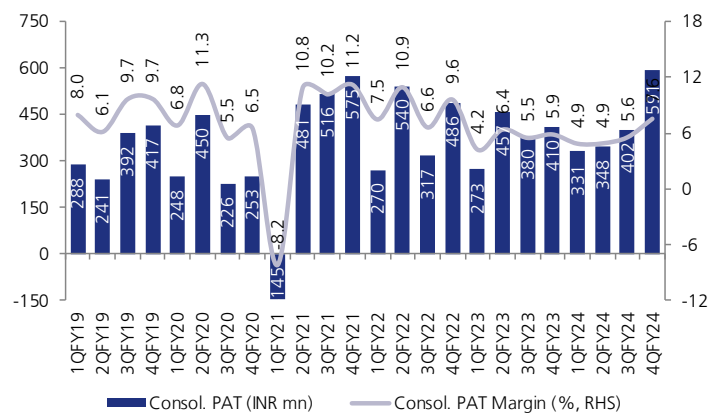
Source: Company, JM Financial

Exhibit 4. Consolidated revenue and margin trend



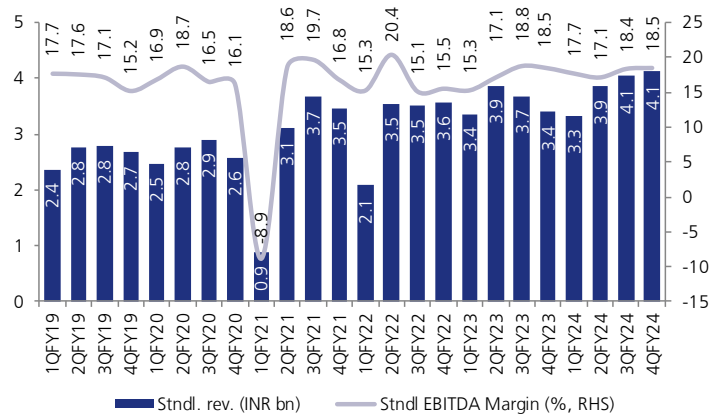
Source: Company, JM Financial

Exhibit 5. Consolidated profit trend



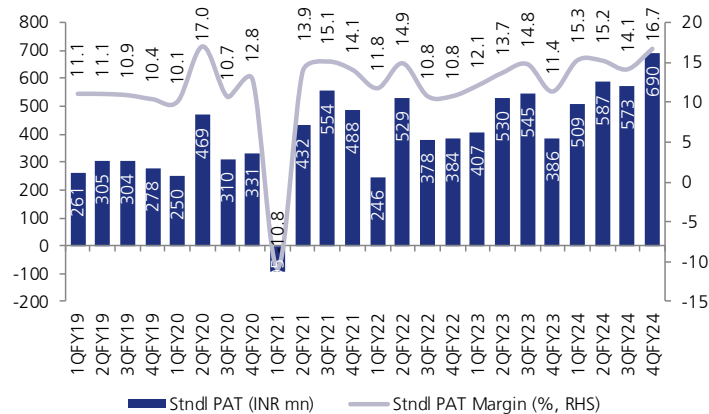
Source: Company, JM Financial

Exhibit 6. Standalone revenue and margin trend



Source: Company, JM Financial

Exhibit 7. Standalone profit trend



Source: Company, JM Financial

Exhibit 8. SEL - change in assumptions (Consolidated)

SEL - Consolidated	New assumption		Old assumption		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue (INR mn)	32,896	36,343	31,880	34,577	3%	5%
EBITDA (INR mn)	4,264	4,980	4,046	4,628	5%	8%
EBITDAM (%)	13.0%	13.7%	12.7%	13.4%	30bps	30bps
PAT (INR mn)	2,532	3,176	2,364	2,918	7%	9%
EPS (INR)	18.3	22.9	17.1	21.1	7%	9%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	18,405	27,524	28,959	32,896	36,343
Sales Growth	12.2%	49.5%	5.2%	13.6%	10.5%
Cost of Goods Sold/Op. Exp	10,787	16,169	16,982	19,211	21,188
Personnel Cost	3,364	5,744	6,206	6,703	7,239
Other Expenses	1,655	2,484	2,540	2,718	2,935
EBITDA	2,599	3,126	3,230	4,264	4,980
EBITDA Margin	14.1%	11.4%	11.2%	13.0%	13.7%
EBITDA Growth	9.8%	20.3%	3.3%	32.0%	16.8%
Depn. & Amort.	585	955	1,037	1,115	1,201
EBIT	2,014	2,172	2,192	3,149	3,779
Other Income	366	386	599	689	792
Finance Cost	145	356	514	456	330
PBT before Excep. & Forex	2,235	2,202	2,278	3,382	4,242
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,235	2,202	2,278	3,382	4,242
Taxes	621	681	605	850	1,066
Extraordinary Inc./Loss(-)	-116	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,498	1,521	1,673	2,532	3,176
Adjusted Net Profit	1,614	1,521	1,673	2,532	3,176
Net Margin	8.8%	5.5%	5.8%	7.7%	8.7%
Diluted Share Cap. (mn)	138.4	138.4	138.5	138.5	138.5
Diluted EPS (INR)	11.7	11.0	12.1	18.3	22.9
Diluted EPS Growth	14.3%	-5.8%	9.9%	51.4%	25.4%
Total Dividend + Tax	277	298	318	346	346
Dividend Per Share (INR)	2.0	2.2	2.3	2.5	2.5

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	10,840	12,245	13,622	15,808	18,638
Share Capital	138	138	138	138	138
Reserves & Surplus	10,701	12,106	13,483	15,670	18,500
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	3,365	7,175	7,081	5,581	3,581
Def. Tax Liab. / Assets (-)	554	482	303	303	303
Total - Equity & Liab.	14,759	19,902	21,006	21,692	22,523
Net Fixed Assets	5,978	8,353	8,587	9,272	9,571
Gross Fixed Assets	7,411	10,461	11,921	13,721	15,221
Intangible Assets	1,261	1,364	1,382	1,382	1,382
Less: Depn. & Amort.	2,795	3,750	4,788	5,903	7,104
Capital WIP	102	278	72	72	72
Investments	2,619	4,451	5,127	5,127	5,127
Current Assets	8,788	11,416	11,916	12,564	13,731
Inventories	3,433	4,826	4,449	5,054	5,584
Sundry Debtors	2,972	4,608	5,186	5,408	5,974
Cash & Bank Balances	1,879	1,068	1,186	966	994
Loans & Advances	327	646	818	859	902
Other Current Assets	178	267	277	277	277
Current Liab. & Prov.	2,626	4,318	4,624	5,271	5,907
Current Liabilities	1,980	3,007	3,335	3,765	4,147
Provisions & Others	646	1,311	1,289	1,506	1,759
Net Current Assets	6,162	7,098	7,292	7,293	7,825
Total - Assets	14,759	19,902	21,006	21,692	22,523

Source: Company, JM Financial

Cash Flow Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	2,235	2,202	2,278	3,382	4,242
Depn. & Amort.	585	955	1,037	1,115	1,201
Net Interest Exp. / Inc. (-)	145	356	514	456	330
Inc (-) / Dec in WCap.	111	-3,622	-722	-221	-504
Others	-116	0	0	0	0
Taxes Paid	-621	-681	-605	-850	-1,066
Operating Cash Flow	2,339	-791	2,501	3,883	4,204
Capex	-532	-3,329	-1,272	-1,800	-1,500
Free Cash Flow	1,807	-4,120	1,229	2,083	2,704
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-145	-356	-514	-456	-330
Investing Cash Flow	-678	-3,685	-1,786	-2,256	-1,830
Inc / Dec (-) in Capital	-1	0	0	0	0
Dividend + Tax thereon	-277	-298	-318	-346	-346
Inc / Dec (-) in Loans	-212	3,810	-94	-1,500	-2,000
Others	-233	153	-186	0	0
Financing Cash Flow	-723	3,665	-598	-1,846	-2,346
Inc / Dec (-) in Cash	938	-811	117	-219	28
Opening Cash Balance	941	1,879	1,068	1,186	966
Closing Cash Balance	1,879	1,068	1,186	966	994

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin	8.8%	5.5%	5.8%	7.7%	8.7%
Asset Turnover (x)	1.3	1.6	1.4	1.5	1.6
Leverage Factor (x)	1.4	1.5	1.6	1.5	1.3
RoE	15.6%	13.2%	12.9%	17.2%	18.4%

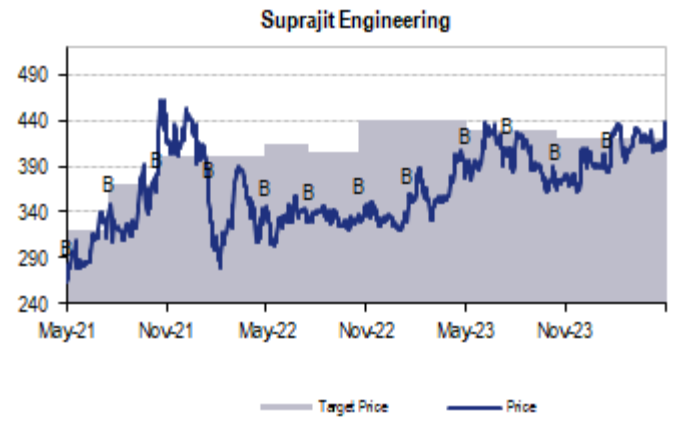
Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)	78.3	88.5	98.4	114.2	134.6
ROIC	15.3%	12.7%	11.4%	15.9%	18.0%
ROE	15.6%	13.2%	12.9%	17.2%	18.4%
Net Debt/Equity (x)	-0.1	0.1	0.1	0.0	-0.1
P/E (x)	37.5	39.8	36.3	23.9	19.1
P/B (x)	5.6	5.0	4.5	3.8	3.3
EV/EBITDA (x)	22.8	19.9	19.0	14.1	11.6
EV/Sales (x)	3.2	2.3	2.1	1.8	1.6
Debtor days	59	61	65	60	60
Inventory days	68	64	56	56	56
Creditor days	45	44	47	47	48

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
3-Feb-20	Buy	230	
13-Apr-20	Buy	170	-26.1
16-Jun-20	Buy	165	-2.9
20-Jul-20	Buy	190	15.2
24-Aug-20	Buy	245	28.9
13-Nov-20	Buy	245	0.0
14-Jan-21	Buy	280	14.3
11-Feb-21	Buy	310	10.7
31-May-21	Buy	320	3.2
15-Aug-21	Buy	370	15.6
11-Nov-21	Buy	400	8.1
14-Feb-22	Buy	400	0.0
26-May-22	Buy	415	3.8
15-Aug-22	Buy	405	-2.4
15-Nov-22	Buy	440	8.6
14-Feb-23	Buy	440	0.0
30-May-23	Buy	430	-2.3
15-Aug-23	Buy	430	0.0
12-Nov-23	Buy	420	-2.3
15-Feb-24	Buy	420	0.0

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.