

Britannia Industries | BUY



Inline quarter; depiction of FY25 template quite encouraging

Britannia's Mar-Q performance was broadly inline with our estimate, though still soft. Volumes grew c.6% (inline) with pricing down 2-3% yoy during the quarter. While FY24 overall has been soft, the depiction of FY25 template by the management (in Varun's own words 'getting back to normal way of doing business') was quite encouraging especially when compared to subdued or cautious optimism sounded by staple peers who have reported so far. Britannia will aggressively focus on driving volume growth - looking at mid-single digit in near term & targeting double digit volume growth post-elections; aided by likely normal monsoons, RTM/distribution led initiatives and scale up in adjacencies. Moreover, commodity outlook for FY25 is likely to be inflationary (post elections) but manageable at c.3-4%, hence negative pricing (c.3% in 2HFY24) is now largely behind; which should also aid overall revenue growth. While company will also step up brand investments to drive volume growth, it expects to sustain current margin trajectory. Britannia's historically-proven ability to grow SG&A at a very low clip has not played out in FY23/24 and a better execution here can be an additional lever to earnings. We expect stock to remain buoyant; execution on volume growth will be key going ahead.

- Inline quarter, encouraging outlook – targeting double digit volume growth in 2HFY24:** Britannia's 4QFY24 consolidated sales grew 3.1% to INR 40.1 bn while EBITDA and net profit declined by 1.7%/3.6% to INR 7.9bn/INR 5.4bn respectively. Overall revenue for the quarter was inline with our forecasts – with volume growth of c.6% (inline). Volume growth for the quarter was offset by lower realisations – down c.3% yoy - owing to anniversarisation plus some reversals of the steep price-hikes taken during FY23 – these were necessary to improve price-value equation given higher competitive intensity in the space. For FY25, focus will be on driving volume growth aggressively - in the near term, management expects volume growth trend to be similar to current trends; however, post elections & a likely normal monsoons along with RTM related initiatives, it expects trajectory to improve and will be targeting double digit volume growth. Moreover, it expects c.3-4% inflation (post 1Q) for FY25 and hence negative pricing impact is unlikely (RM flattish currently) vs c.3% price cut seen in 2HFY24.
- Positive surprise on gross margins continues to support profitability:** Britannia's gross margin performance surprised positively yet again - consolidated gross margin expanded 107bps yoy to 44.1% (76bps higher vs our expectation), led by softer input-costs environment (inflation in sugar/flour offset by benign palm-oil, laminates, corrugated boxes prices). Interestingly, gross margin expanded by a further 113bps qoq despite price-corrections of c.2-2.5% taken to help improve price-value equation. Staff costs were controlled well, declining by 5% yoy vs 12% growth in 9MFY24. Other expenses grew at higher rate vs our forecasts – a function of intensified investment behind brands. Other operating income was 58% lower yoy as base quarter benefitted from bunched-up PLI incentives (which had a c.200bps +ve impact on EBITDA in base quarter). As a result, reported EBITDA declined by 1.7% yoy and margin was 96bps lower at 19.6% (JMFe:19.4%). On an intrinsic basis, however, margin was c.90bps higher vs year-ago level resulting in EBITDA growth of c.8.5% yoy, as per our workings.

Mehul Desai
mehul.desai@jmfl.com | Tel: (91 22) 66303065
Sumanyu Saraf
sumanyu.saraf@jmfl.com | Tel: (91 22) 66303077

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	5,475
Upside/(Downside)	15.4%
Previous Price Target	5,380
Change	1.8%

Key Data – BRIT IN

Current Market Price	INR4,745
Market cap (bn)	INR1,142.8/US\$13.7
Free Float	43%
Shares in issue (mn)	240.0
Diluted share (mn)	240.9
3-mon avg daily val (mn)	INR1,609.4/US\$19.3
52-week range	5,386/4,348
Sensex/Nifty	73,878/22,476
INR/US\$	83.4

Price Performance

%	1M	6M	12M
Absolute	-1.9	4.5	4.8
Relative*	-1.4	-8.1	-13.4

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	139,447	159,849	165,462	180,884	199,876
Sales Growth (%)	8.2	14.6	3.5	9.3	10.5
EBITDA	22,015	28,309	31,698	35,364	39,348
EBITDA Margin (%)	15.6	17.4	18.9	19.3	19.4
Adjusted Net Profit	15,255	19,462	21,419	24,454	27,475
Diluted EPS (INR)	63.3	80.8	88.9	101.5	114.0
Diluted EPS Growth (%)	-18.2	27.6	10.1	14.2	12.4
ROIC (%)	74.1	87.2	83.2	85.0	91.3
ROE (%)	50.0	63.9	57.3	56.8	53.5
P/E (x)	74.9	58.7	53.4	46.7	41.6
P/B (x)	44.7	32.3	29.0	24.5	20.5
EV/EBITDA (x)	51.8	39.9	35.7	31.8	28.4
Dividend Yield (%)	1.5	1.5	1.5	1.6	1.8

Source: Company data, JM Financial. Note: Valuations as of 03/May/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.

Exhibit 1. 4QFY24 result snapshot – Overall performance largely inline with our expectations (INR mn)

	CONSOLIDATED FINANCIALS					PARENT COMPANY		
	4QFY24	4QFY23	YoY growth	4QFY24E	% var	4QFY24	4QFY23	YoY growth
Net Sales	40,141	38,920	3.1%	40,197	-0.1%	38,629	37,587	2.8%
Other Operating Income	553	1,312	-57.8%	800	-30.9%	613	1,360	-54.9%
Gross Profit	18,269	18,073	1.1%	18,236	0.2%	16,974	16,789	1.1%
Gross Profit Margin - % of Net Sales	44.1%	43.1%	107 bps	43.4%	76 bps	42.4%	41.0%	130 bps
Staff Cost	1,620	1,706	-5.0%	1,889	-14.2%	1,249	1,365	-8.5%
Other Expenses	8,774	8,358	5.0%	8,531	2.8%	8,021	7,477	7.3%
EBITDA	7,875	8,009	-1.7%	7,815	0.8%	7,704	7,947	-3.1%
EBITDA margin - % of Net Sales	19.6%	20.6%	-96 bps	19.4%	17 bps	19.9%	21.1%	-120 bps
Depreciation	799	653	22.3%	784	2.0%	727	575	26.4%
EBIT	7,075	7,356	-3.8%	7,031	0.6%	6,977	7,372	-5.4%
Interest Expense	264	349	-24.2%	300	-11.9%	258	296	-12.7%
Other Income	573	564	1.7%	603	-4.9%	552	532	3.6%
PBT	7,384	7,571	-2.5%	7,334	0.7%	7,270	7,608	-4.4%
Net Profit	5,383	5,587	-3.6%	5,443	-1.1%	5,302	5,582	-5.0%

Source: Company, JM Financial

Exhibit 2. Costs breakdown (%)

% of sales	CONSOLIDATED FINANCIALS			PARENT COMPANY	
	4QFY24	4QFY23	4QFY24E	4QFY24	4QFY23
Cost of Goods Sold	55.9%	56.9%	56.6%	57.6%	59.0%
Staff Cost	4.0%	4.4%	4.7%	3.2%	3.6%
Other Expenses	21.9%	21.5%	21.2%	20.8%	19.9%
Depreciation	2.0%	1.7%	2.0%	1.9%	1.5%

Source: Company, JM Financial

Exhibit 3. Subsidiaries performance snapshot (INR mn)

Subsidiaries	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY
Sales (incl excise)	1,834	1,929	1,901	1,333	1,456	1,502	1,604	1,511	13.4%
YoY	8%	5%	-6%	-39%	-21%	-22%	-16%	13%	
Gross Profit	1,403	1,461	1,444	1,332	1,309	1,375	1,396	1,355	1.7%
% GPM	76.5%	75.7%	75.9%	99.9%	89.9%	91.6%	87.0%	89.6%	
EBITDA	309	243	278	62	223	315	282	171	175.2%
% OPM	16.8%	12.6%	14.6%	4.7%	15.3%	21.0%	17.6%	11.3%	
YoY	3%	-11%	2%	-78%	-28%	29%	2%	175%	
PAT	158	7	1,655	5	145	171	180	81	1526.0%

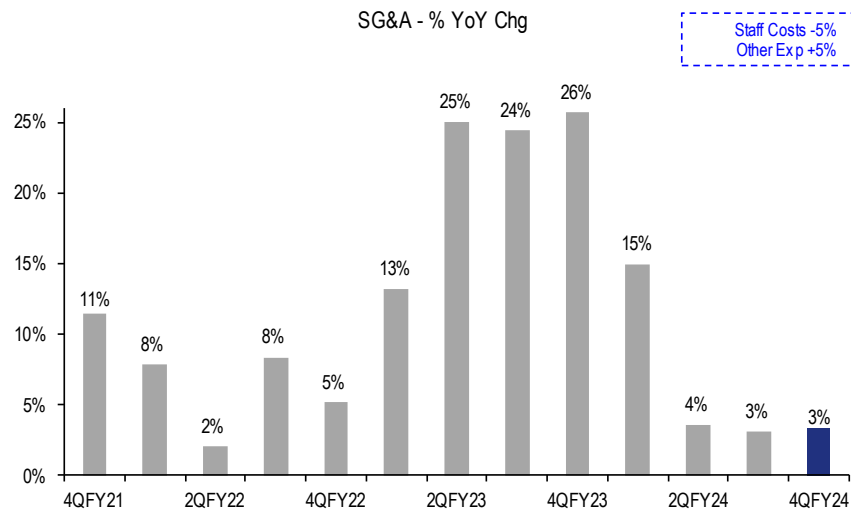
Source: Company, JM Financial

Exhibit 4. Drop in other op income and higher other expenses were partially offset by GPM expansion and lower staff cost, resulting in reported OPM compression of 96bps



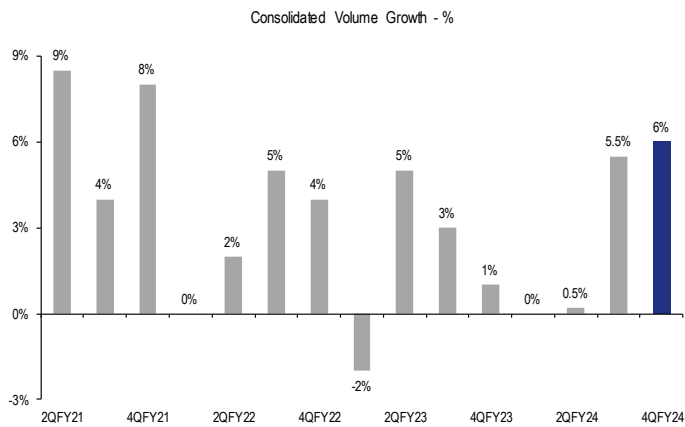
Source: Company, JM Financial

Exhibit 5. SG&A growth remained at 3% during 4Q



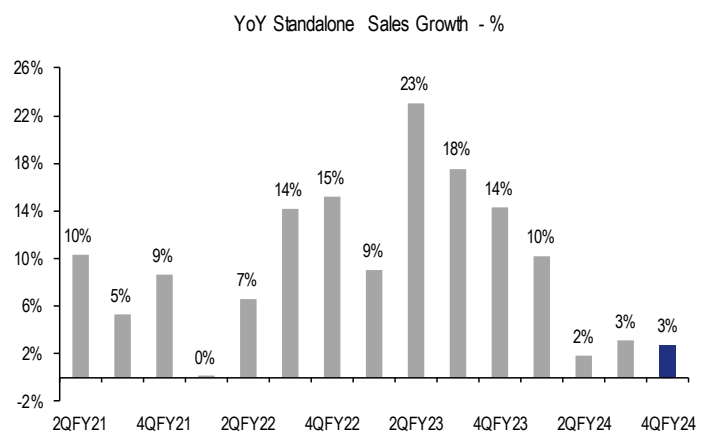
Source: Company, JM Financial

Exhibit 6. Volumes improved to 6% during the quarter



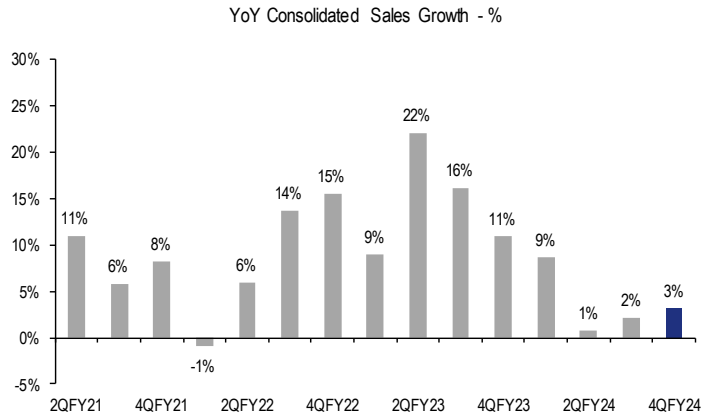
Source: Company, JM Financial

Exhibit 7. Standalone sales grew 3% yoy



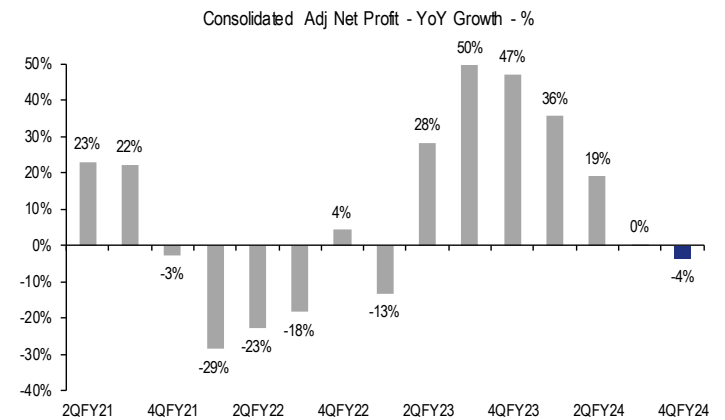
Source: Company, JM Financial

Exhibit 8. Consolidated sales too remained fairly muted at 3% with c.6% volume growth offset by lower pricing



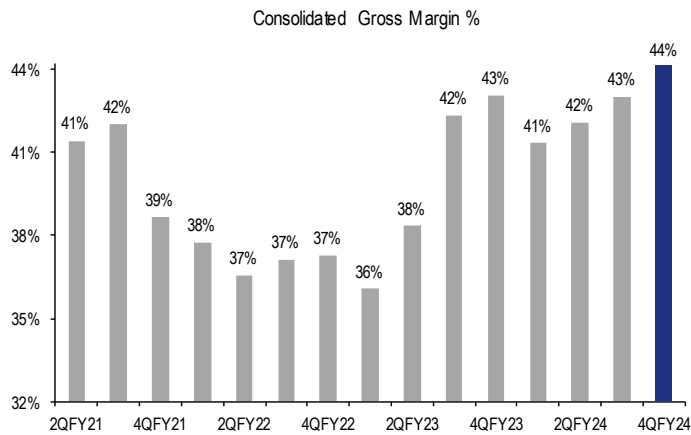
Source: Company, JM Financial

Exhibit 9. Bottomline declined 4% during the quarter



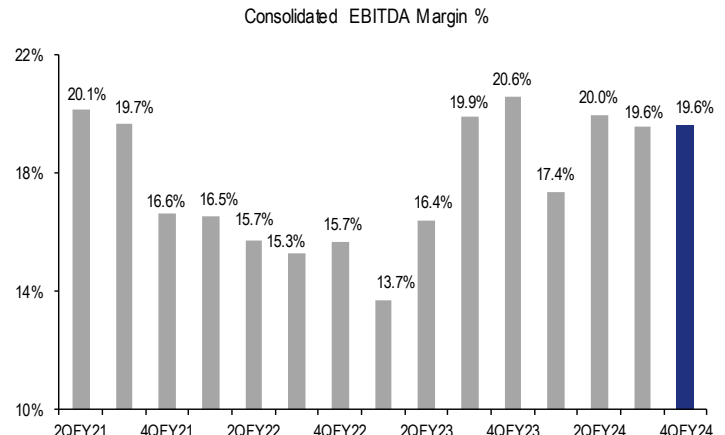
Source: Company, JM Financial

Exhibit 10. GPM expanded c.110bps yoy as well as qoq



Source: Company, JM Financial

Exhibit 11. Reported EBITDA margin down 96bps yoy but flattish qoq



Source: Company, JM Financial

Exhibit 12. Britannia one-year forward PE



Source: Company, Bloomberg, JM Financial

Financial Tables (Consolidated)

Profit & Loss Statement					
	(INR mn)				
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E
Sales (net of taxes)	139,447	159,849	165,462	180,884	199,876
Sales Growth	8.2%	14.6%	3.5%	9.3%	10.5%
Other Operating Income	1,916	3,157	2,231	2,333	2,578
Total Revenue	141,363	163,006	167,693	183,218	202,454
Cost of Goods Sold/Op. Exp.	87,603	95,913	94,920	102,832	113,629
Personnel cost	5,423	6,584	7,087	7,748	8,501
Other expenses	26,322	32,200	33,987	37,275	40,977
EBITDA	22,015	28,309	31,698	35,364	39,348
EBITDA (%)	15.6%	17.4%	18.9%	19.3%	19.4%
EBITDA Growth (%)	-12.3%	28.6%	12.0%	11.6%	11.3%
Depn & Amort	2,005	2,259	3,005	3,234	3,575
EBIT	20,010	26,050	28,694	32,130	35,772
Other Income	2,228	2,159	2,142	1,784	1,942
Finance Cost	1,443	1,691	1,640	1,065	784
PBT before Excep & Forex	20,795	26,518	29,196	32,849	36,930
Excep & forex Inc/Loss(-)	-10	3,756	-29	0	0
PBT	20,785	30,274	29,167	32,849	36,930
Taxes	5,624	7,165	7,793	8,543	9,604
Extraordinary Inc/Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	86	109	24	148	149
Reported Net profit	15,248	23,218	21,398	24,454	27,475
Adjusted Net Profit	15,255	19,462	21,419	24,454	27,475
Net Margin (%)	10.9%	12.2%	12.9%	13.5%	13.7%
Diluted share capital (mn)	240.9	240.9	240.9	240.9	240.9
Diluted EPS (Rs)	63.3	80.8	88.9	101.5	114.0
Diluted EPS Growth	-18.2%	27.6%	10.1%	14.2%	12.4%
Total Dividend + Tax	16,622	17,345	17,118	18,341	20,606
Dividend Per Share (Rs)	69.0	72.0	71.1	76.1	85.5

Source: Company, JM Financial

Cash Flow Statement					
	(INR mn)				
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	20,785	30,274	29,167	32,849	36,930
Depn. & Amort.	2,005	2,259	3,005	3,234	3,575
Net Interest Exp. / Inc. (-)	-785	-468	-502	-719	-1,158
Inc (-) / Dec in WCap.	-3,273	4,057	1,611	982	663
Others	131	-3,602	98	0	0
Taxes Paid	-5,869	-7,258	-7,649	-8,376	-9,400
Operating Cash Flow	12,995	25,262	25,730	27,970	30,611
Capex	-5,470	-6,330	-4,970	-4,932	-5,896
Free Cash Flow	7,525	18,932	20,760	23,038	24,714
-Inc/dec in investments	10,480	-10,249	5,802	4,150	-1,176
Other current assets	4,099	1,408	3,923	1,905	2,101
Investing Cash Flow	9,109	-15,171	4,755	1,123	-4,971
Inc/(dec) in capital	0	0	0	0	0
Dividend+Tax Thereon	-24,849	-13,592	-17,325	-17,118	-18,341
Inc/dec in loans	3,599	5,182	-9,402	-9,000	0
Other assets	-1,208	-1,874	-1,578	-1,059	-777
Financing Cash Flow	-22,458	-10,284	-28,305	-27,177	-19,118
Inc / Dec (-) in Cash	-354	-192	2,180	1,916	6,521
Opening cash balance	2,203	2,172	2,284	4,464	6,379
Closing cash balance	1,849	1,980	4,464	6,379	12,901

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	25,581	35,343	39,415	46,751	55,885
Share capital	241	241	241	241	241
Reserves & Surplus	25,340	35,102	39,174	46,510	55,644
Preference Share Capital	0	0	0	0	0
Minority Interest	275	302	245	218	228
Total Loans	24,655	29,805	20,412	11,412	11,412
Def. Tax Liab / Assets (-)	-509	-554	-418	-350	-274
Total - Equity & Liab	50,003	64,896	59,654	58,031	67,251
Net Fixed Assets	22,732	27,434	29,349	31,041	33,356
Gross Fixed Assets	28,073	40,183	44,330	49,937	55,833
Intangible Assets	1,396	1,282	1,298	1,298	1,298
Less: Depn. & Amort.	11,937	14,926	17,931	21,165	24,740
Capital WIP & Net lease assets	5,201	895	1,652	971	964
Investments	25,604	40,342	27,667	23,517	24,693
Current Assets	26,265	25,010	33,043	36,917	45,982
Inventories	13,675	11,933	11,812	12,418	13,174
Sundry Debtors	3,319	3,289	3,933	4,176	4,614
Cash & Bank Balances	1,849	1,980	4,464	6,379	12,901
Loans & Advances	5,048	5,192	10,846	11,857	13,102
Other Current Assets	2,374	2,617	1,988	2,087	2,192
Current Liab. & Prov.	24,598	27,890	30,405	33,445	36,780
Current Liabilities	19,001	21,815	23,578	26,040	28,726
Provisions & Others	5,597	6,075	6,827	7,405	8,054
Net Current Assets	1,667	-2,880	2,638	3,472	9,202
Application of Funds	50,003	64,896	59,654	58,031	67,251

Source: Company, JM Financial

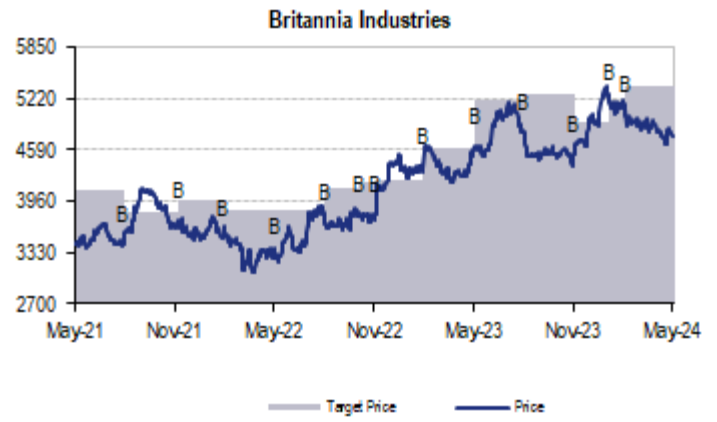
Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	10.9%	12.2%	12.9%	13.5%	13.7%
Asset Turnover (x)	2.6	2.8	2.7	3.1	3.2
Leverage Factor (x)	1.8	1.9	1.7	1.4	1.2
RoE	50.0%	63.9%	57.3%	56.8%	53.5%
Key Ratios					
Year-ended March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	106.2	146.7	163.6	194.1	232.0
ROIC (%)	74.1%	87.2%	83.2%	85.0%	91.3%
ROE (%)	50.0%	63.9%	57.3%	56.8%	53.5%
Net Debt-equity ratio (x)	0.3	0.6	-0.1	-0.3	-0.3
PER	74.9	58.7	53.4	46.7	41.6
PBV	44.7	32.3	29.0	24.5	20.5
EV/EBITDA	51.8	39.9	35.7	31.8	28.4
EV/Net Sales	8.2	7.1	6.8	6.2	5.6
Debtor days	9	8	9	8	8
Inventory days	36	27	26	25	24
Creditor days	17	16	18	18	18

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Jul-20	Buy	3,490	
17-Jul-20	Buy	3,870	10.9
8-Oct-20	Buy	3,870	0.0
19-Oct-20	Buy	3,970	2.6
1-Jan-21	Buy	4,105	3.4
5-Feb-21	Buy	4,095	-0.2
27-Apr-21	Buy	4,095	0.0
31-Jul-21	Buy	3,830	-6.5
8-Nov-21	Buy	3,980	3.9
29-Jan-22	Buy	3,850	-3.3
3-May-22	Buy	3,850	0.0
5-Aug-22	Buy	4,120	7.0
7-Oct-22	Buy	4,200	1.9
5-Nov-22	Buy	4,210	0.2
1-Feb-23	Buy	4,620	9.7
6-May-23	Buy	5,190	12.3
4-Aug-23	Buy	5,270	1.5
2-Nov-23	Buy	4,925	-6.5
8-Jan-24	Buy	5,190	5.4
6-Feb-24	Buy	5,380	3.7

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.