

# Ipsca Laboratories | BUY

## Exports subdued; Growth to return

IPCA reported a mixed set of numbers, revenue missed estimates however EBITDA and PAT managed a beat driven by higher Gross margins and improved operating efficiencies. While domestic formulations delivered an in-line performance, growing 12% YoY to INR 8.7bn, exports missed JMF by 10%, declining 4% YoY. This miss was driven by logistics challenges and API supply issues. Management believes that going ahead growth should return and overall topline should grow at 10.5-11% for the remaining quarters. However due to a sub-par 1Q, FY25 revenue guidance was cut to 9% (previously 10.5-11%). EBITDA margin beat was driven by raw material procurement efficiencies combined with improvement in manufacturing related costs. As part of the Unichem integration the management have addressed the low hanging fruits, however structural changes such as API process improvements and new product launches etc are still 1.5-2 years away. IPCA's US business is at an inflection point – supplies have begun and 12-13 launches are expected over the next two years. Given the imminent US turnaround, strong domestic franchise and margin improvement, we maintain BUY with a revised Sep'25 TP of INR 1,545.

- Cuts revenue guidance; margins to improve:** The management reduced their guidance for FY25 revenue growth (standalone basis) by ~200bps to 9%, however increased margin guidance by 50-100bps to 21.5-22%. Management believe that 10.5-11% growth (standalone) is possible for the remaining quarters.
- Robust India formulations growth:** Domestic formulations reported largely in-line revenue of INR 8.7bn (+12% YoY). The company continued to outperform the IPM, as per IQVIA IPCA grew 15% during the quarter while IPM growth was ~9%. This was drive by the chronic portfolio, chronic and acute portfolio grew 20%/12% respectively (per IQVIA) vs. market growth of 11%/8% respectively. The company market share increased to 2.17% (+11 bps YoY). The company improved its MR productivity by 7% YoY to INR 0.45mn p.c.p.m during the quarter; this was despite increasing field force by 8% to 6,500. The company plans to increase field force by adding another division in its Pain therapy.
- Exports are a mixed bag:** Exports declined 4% YoY (10% miss) led by 4% YoY decline in Generics business, 1% YoY decline in branded business while institutional business recovered (+19% YoY). The decline in exports is due to major challenges in freight as the company struggled to get access to containers in a timely manner and faced issues on the supply chain side as well. In the regulated market of Australia and New Zealand the company witnessed sharp decline of INR 400mn due to supply chain issues on the API side. The API segment growth remains subdued (10% miss) and faced decline of 10% YoY to INR 2bn.
- Unichem cracking low hanging fruits:** The company's strategy of targeting the low hanging fruits is yielding results. The gross margins have improved as they could lower pricing on the procurement side by combining forces with IPCA – thus realising better prices through higher volumes. Additionally, the company achieved operating efficiencies through improved manufacturing and utility costs. Cost savings can be achieved through

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	62,069	76,604	90,370	1,02,507	1,15,256
Sales Growth (%)	7.6	23.4	18.0	13.4	12.4
EBITDA	9,268	13,212	17,722	21,135	24,578
EBITDA Margin (%)	14.8	17.1	19.5	20.5	21.2
Adjusted Net Profit	4,713	6,228	9,984	12,672	15,284
Diluted EPS (INR)	18.6	24.5	39.4	49.9	60.2
Diluted EPS Growth (%)	-46.7	32.1	60.3	26.9	20.6
ROIC (%)	8.3	9.5	12.2	15.1	17.5
ROE (%)	8.3	10.2	14.8	16.4	17.2
P/E (x)	72.6	55.0	34.3	27.0	22.4
P/B (x)	5.9	5.4	4.8	4.1	3.6
EV/EBITDA (x)	36.9	27.5	19.9	16.2	13.5
Dividend Yield (%)	0.3	0.1	0.4	0.6	0.7

Source: Company data, JM Financial. Note: Valuations as of 14/Aug/2024



**Amey Chalke**

amey.chalke@jmfl.com | Tel: (91 22) 66303056

**Jainil Shah**

jainil.shah@jmfl.com | Tel: (91 22) 66303155

**Raghav Vedanarayanan**

raghav.vedanarayanan@jmfl.com | Tel: (91 22) 62241851

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,545
Upside/(Downside)	14.5%
Previous Price Target	1,365
Change	13.2%

### Key Data – IPCA IN

Current Market Price	INR1,349
Market cap (bn)	INR342.2/US\$4.1
Free Float	54%
Shares in issue (mn)	253.7
Diluted share (mn)	253.7
3-mon avg daily val (mn)	INR713.0/US\$8.5
52-week range	1,414/847
Sensex/Nifty	79,106/24,144
INR/US\$	84.0

### Price Performance

%	1M	6M	12M
Absolute	10.3	16.8	52.5
Relative*	12.4	6.4	26.1

\* 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

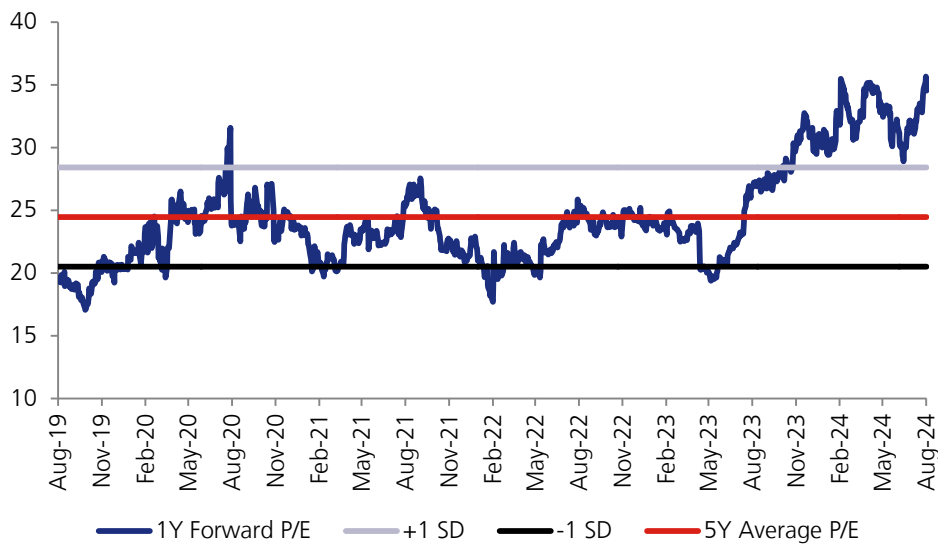
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

changing freight mix (higher share of sea freight) as well. However at present this will not reflect in numbers due to heightened shipping rates due to on-going Red sea crisis.

#### ■ Key financials:

- Revenue/EBITDA/Adj.PAT of INR 20.9bn/3.9bn/ 1.9bn grew +32%/+28%/+18% YoY and were -3%/+7%/+11% vs. JMFe. The YoY financials are not comparable due to Unichem acquisition.
- EBITDA margin contracted 60 bps YoY to 18.8% (JMFe: 17%)
- India formulations grew 12% YoY to INR 8.7bn (in line).
- Overall exports declined 4% YoY (10% miss) due to decline in generics of 4% YoY (13% miss)
- Export API sales were INR 2bn (-10% YoY) and were 10% below estimates

#### Exhibit 1. Valuation



Source: Company, JM Financial

## Exhibit 2. 1QFY25 review

Ipca P&L (INR mn)	1QFY24A	1QFY25A	% YoY	1QFY25E	% Delta vs JMFe	1QFY25E (cons)	% Delta vs Cons.	4QFY24A	% QoQ
<b>Total Income</b>	<b>15,876</b>	<b>20,926</b>	<b>32%</b>	<b>21,577</b>	<b>-3%</b>	<b>21,680</b>	<b>-3%</b>	<b>20,330</b>	<b>3%</b>
Raw material	5,153	6,435	25%	7,185	-10%			6,859	-6%
Gross Profit	10,723	14,491	35%	14,392	1%			13,471	8%
% Gross Profit Margin	68%	69%	171 bps	67%	255 bps			66%	299 bps
Staff cost	3,575	4,879	36%	4,790	2%			4,660	5%
Mfg & Other expense	4,071	5,686	40%	5,934	-4%			5,592	2%
<b>EBITDA</b>	<b>3,076</b>	<b>3,927</b>	<b>28%</b>	<b>3,668</b>	<b>7%</b>	<b>3,820</b>	<b>3%</b>	<b>3,219</b>	<b>22%</b>
<b>% EBITDA Margin</b>	<b>19.4%</b>	<b>18.8%</b>	<b>-61 bps</b>	<b>17.0%</b>	<b>177 bps</b>	<b>17.6%</b>		<b>15.8%</b>	<b>293 bps</b>
Other income	449	206	-54%	250	-18%			189	9%
Interest Expense	314	241	-23%	330	-27%			294	-18%
Depreciation	693	989	43%	1,040	-5%			981	1%
Extraordinary income (expense)		0		0				-1,367	
Other foreign exchange gain (loss)									
Profit Before Tax (PBT)	2,518	2,904	15%	2,548	14%			766	279%
Tax	856	914	7%	764	20%			737	24%
% Tax rate	34%	31%		30%				96%	
Minority Interest	-34	-67		-50				567	
<b>Reported PAT</b>	<b>1,628</b>	<b>1,922</b>	<b>18%</b>	<b>1,734</b>	<b>11%</b>			<b>596</b>	<b>223%</b>
<b>Adj. PAT</b>	<b>1,628</b>	<b>1,922</b>	<b>18%</b>	<b>1,734</b>	<b>11%</b>	<b>1,890</b>	<b>2%</b>	<b>1,649</b>	<b>17%</b>
<b>Reported EPS</b>	<b>6.4</b>	<b>7.6</b>	<b>18%</b>	<b>6.8</b>	<b>11%</b>			<b>2.3</b>	<b>223%</b>
<b>% Cost Ratios</b>	<b>1QFY24A</b>	<b>1QFY25A</b>	<b>% YoY</b>	<b>1QFY25E</b>	<b>% Delta vs JMFe</b>			<b>4QFY24A</b>	<b>% QoQ</b>
Raw Materials	32.5	30.8	-171 bps	33.3	-255 bps			33.7	299 bps
Staff cost	22.5	23.3	79 bps	22.2	111 bps			22.9	-39 bps
Mfg & Other expense	25.6	27.2	153 bps	27.5	-33 bps			27.5	34 bps
<b>Sales Break-up</b>	<b>1QFY24A</b>	<b>1QFY25A</b>	<b>% YoY</b>	<b>1QFY25E</b>	<b>% Delta vs JMFe</b>			<b>4QFY24A</b>	<b>% QoQ</b>
<b>Domestic</b>	<b>8,604</b>	<b>9,659</b>	<b>12%</b>	<b>9,582</b>	<b>1%</b>			<b>7,664</b>	<b>26%</b>
Formulations	7,827	8,734	12%	8,767	0%			6,898	27%
API	777	925	19%	816	13%			766	21%
<b>Exports</b>	<b>6,153</b>	<b>5,909</b>	<b>-4%</b>	<b>6,576</b>	<b>-10%</b>			<b>7,314</b>	<b>-19%</b>
Formulations	3,979	3,954	-1%	4,402	-10%			4,737	-17%
- Generic	2,354	2,249	-4%	2,590	-13%			2,303	-2%
- Branded	1,140	1,128	-1%	1,231	-8%			1,619	-30%
- Institutional	484	577	19%	581	-1%			814	-29%
API	2,174	1,955	-10%	2,174	-10%			2,577	-24%

Source: Company, JM Financial





## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	62,069	76,604	90,370	1,02,507	1,15,256	
Sales Growth	7.6%	23.4%	18.0%	13.4%	12.4%	
Other Operating Income	374	447	514	591	680	
<b>Total Revenue</b>	<b>62,443</b>	<b>77,050</b>	<b>90,884</b>	<b>1,03,098</b>	<b>1,15,935</b>	
Cost of Goods Sold/Op. Exp	23,065	25,758	30,264	34,022	38,259	
Personnel Cost	12,876	17,084	19,358	21,135	23,535	
Other Expenses	17,234	20,997	23,539	26,805	29,563	
<b>EBITDA</b>	<b>9,268</b>	<b>13,212</b>	<b>17,722</b>	<b>21,135</b>	<b>24,578</b>	
EBITDA Margin	14.8%	17.1%	19.5%	20.5%	21.2%	
EBITDA Growth	-29.2%	42.6%	34.1%	19.3%	16.3%	
Depn. & Amort.	2,616	3,572	4,285	4,623	4,913	
EBIT	6,652	9,639	13,437	16,512	19,666	
Other Income	1,256	1,248	1,727	1,959	2,203	
Finance Cost	455	1,383	1,159	870	710	
PBT before Excep. & Forex	7,453	9,504	14,005	17,601	21,158	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	7,453	9,504	14,005	17,601	21,158	
Taxes	2,534	3,135	3,921	4,928	5,924	
Extraordinary Inc./Loss(-)	0	-1,078	0	0	0	
Assoc. Profit/Min. Int.(-)	-53	-307	400	500	550	
Reported Net Profit	4,713	5,473	9,984	12,672	15,284	
<b>Adjusted Net Profit</b>	<b>4,713</b>	<b>6,228</b>	<b>9,984</b>	<b>12,672</b>	<b>15,284</b>	
Net Margin	7.5%	8.1%	11.0%	12.3%	13.2%	
Diluted Share Cap. (mn)	253.7	253.7	253.7	253.7	253.7	
<b>Diluted EPS (INR)</b>	<b>18.6</b>	<b>24.5</b>	<b>39.4</b>	<b>49.9</b>	<b>60.2</b>	
Diluted EPS Growth	-46.7%	32.1%	60.3%	26.9%	20.6%	
Total Dividend + Tax	1,015	507	1,498	1,901	2,293	
Dividend Per Share (INR)	4.0	2.0	5.9	7.5	9.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	58,420	63,322	71,808	82,580	95,571	
Share Capital	254	254	254	254	254	
Reserves & Surplus	58,167	63,068	71,554	82,326	95,317	
Preference Share Capital	0	0	0	0	0	
Minority Interest	733	13,948	14,198	14,448	14,698	
Total Loans	14,575	13,875	12,875	10,875	8,875	
Def. Tax Liab. / Assets (-)	1,856	3,062	3,062	3,062	3,062	
<b>Total - Equity &amp; Liab.</b>	<b>75,584</b>	<b>94,207</b>	<b>1,01,943</b>	<b>1,10,965</b>	<b>1,22,206</b>	
Net Fixed Assets	28,669	46,800	46,476	46,083	45,683	
Gross Fixed Assets	39,781	66,030	70,492	75,222	80,235	
Intangible Assets	3,687	4,326	4,326	4,326	4,326	
Less: Depn. & Amort.	16,020	26,792	31,078	35,701	40,614	
Capital WIP	1,222	3,236	2,736	2,236	1,736	
Investments	6,260	8,620	8,620	8,620	8,620	
Current Assets	51,300	55,550	65,490	76,272	89,436	
Inventories	17,434	24,696	26,145	28,246	31,763	
Sundry Debtors	9,890	16,865	17,430	16,948	19,058	
Cash & Bank Balances	12,579	2,089	11,786	20,614	27,799	
Loans & Advances	32	94	94	94	94	
Other Current Assets	11,366	11,806	10,035	10,370	10,722	
Current Liab. & Prov.	10,644	16,763	18,644	20,010	21,533	
Current Liabilities	5,424	8,170	9,530	10,662	11,939	
Provisions & Others	5,220	8,593	9,114	9,348	9,594	
Net Current Assets	40,656	38,787	46,846	56,262	67,902	
<b>Total - Assets</b>	<b>75,584</b>	<b>94,207</b>	<b>1,01,943</b>	<b>1,10,965</b>	<b>1,22,206</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	7,453	8,427	14,005	17,601	21,158	
Depn. & Amort.	2,616	3,572	4,285	4,623	4,913	
Net Interest Exp. / Inc. (-)	-338	753	-568	-1,089	-1,493	
Inc (-) / Dec in WCap.	490	-916	1,758	-587	-4,456	
Others	74	573	150	250	300	
Taxes Paid	-2,237	-2,963	-3,921	-4,928	-5,924	
<b>Operating Cash Flow</b>	<b>8,058</b>	<b>9,447</b>	<b>15,709</b>	<b>15,870</b>	<b>14,498</b>	
Capex	-4,945	-4,106	-3,962	-4,230	-4,513	
Free Cash Flow	3,113	5,341	11,747	11,640	9,984	
Inc (-) / Dec in Investments	-453	390	0	0	0	
Others	-1,852	-9,202	1,606	1,959	2,203	
<b>Investing Cash Flow</b>	<b>-7,250</b>	<b>-12,918</b>	<b>-2,356</b>	<b>-2,271</b>	<b>-2,311</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-1,015	-507	-1,498	-1,901	-2,293	
Inc / Dec (-) in Loans	6,577	-3,569	-1,000	-2,000	-2,000	
Others	-490	-1,449	-1,159	-870	-710	
<b>Financing Cash Flow</b>	<b>5,072</b>	<b>-5,526</b>	<b>-3,656</b>	<b>-4,771</b>	<b>-5,003</b>	
<b>Inc / Dec (-) in Cash</b>	<b>5,880</b>	<b>-8,997</b>	<b>9,697</b>	<b>8,828</b>	<b>7,185</b>	
Opening Cash Balance	2,752	12,579	2,089	11,786	20,614	
Closing Cash Balance	12,579	2,089	11,786	20,614	27,799	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		7.5%	8.1%	11.0%	12.3%	13.2%
Asset Turnover (x)		0.9	0.9	0.9	1.0	1.0
Leverage Factor (x)		1.3	1.4	1.5	1.4	1.3
RoE		8.3%	10.2%	14.8%	16.4%	17.2%

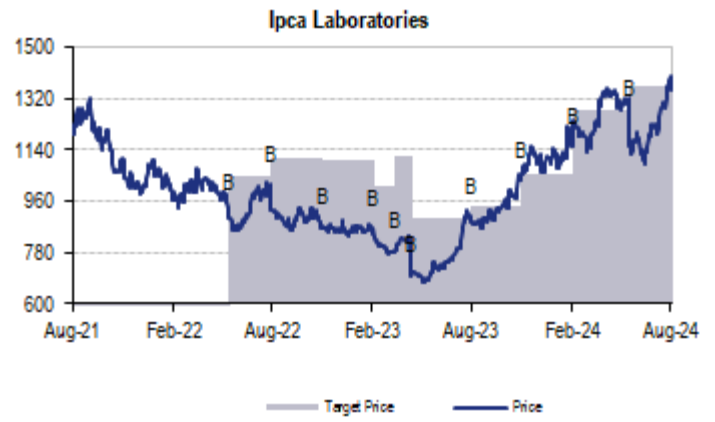
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		230.3	249.6	283.0	325.5	376.7
ROIC		8.3%	9.5%	12.2%	15.1%	17.5%
ROE		8.3%	10.2%	14.8%	16.4%	17.2%
Net Debt/Equity (x)		0.0	0.1	-0.1	-0.2	-0.3
P/E (x)		72.6	55.0	34.3	27.0	22.4
P/B (x)		5.9	5.4	4.8	4.1	3.6
EV/EBITDA (x)		36.9	27.5	19.9	16.2	13.5
EV/Sales (x)		5.5	4.7	3.9	3.3	2.9
Debtor days		58	80	70	60	60
Inventory days		102	117	105	100	100
Creditor days		36	44	46	46	46

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
26-May-22	Buy	1,050	
11-Aug-22	Buy	1,110	5.7
14-Nov-22	Buy	1,105	-0.5
16-Feb-23	Buy	1,010	-8.6
27-Mar-23	Buy	1,115	10.4
26-Apr-23	Buy	900	-19.3
13-Aug-23	Buy	940	4.4
12-Nov-23	Buy	1,055	12.2
15-Feb-24	Buy	1,280	21.3
30-May-24	Buy	1,365	6.6

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.