

Techno Electric | BUY

Opportunity holds strong across segments

Techno Electric (TECHNOE), reported better than expected revenue and margins. Revenue at INR 4.2bn (up 9.6%) was above JMFe of INR 3.9bn, while EBITDA margins came in at 13.7% (JMFe 12.8%). Order book stands at INR 91bn (5.2x TTM EPC revenue), with L1 in orders worth INR 12bn, from T&D sectors. Bagged two TBCB order for Gogamukh and Bokajan line worth INR 28bn over its concession period. Capex for this project together would be INR 7.5bn. Bid pipeline for next couple of quarter stands at INR 50bn and company expects to bag order worth INR 30bn, from segments like AMI (smart metering and T&D). 1st phase of Chennai Data Center is expected to be completed by early 3QFY25. During the quarter company has raised equity worth INR 12.5bn, which will be utilised mostly towards executing projects for smart meter, data center and TBCB orders. Management maintained its revenue guidance of INR 25bn for FY25 and INR 35bn for FY26, with EBITDA margin to be at 13-15%, with EPS of INR 50+ for FY26. We remain positive on stock in long run given strong order book, pipeline and expected revenue pickup from Data Center.

- **Execution of opening order books drives revenue:** Std. Revenue grew 19.6% YoY to INR 4.2bn above JMFe of INR 3.9bn. Gross margins expanded 220bps YoY to 23.5%. EBITDA grew 19% YoY to INR 565mn (JMFe INR 501mn), while EBITDA margins was flat YoY at 13.7% (JMFe 12.8%), which was partly impacted due to higher other expenses as % of sales (6.7% vs 4.5% YoY). PAT grew 3.2% YoY to INR 556mn (JMFe INR 564mn), impacted due to lower other income down (24.3% YoY to INR 232mn).
- **Order book stands healthy:** As on end of 1QFY25, order book stands at INR 910bn (up 138% YoY), 5.2x TTM EPC revenue providing healthy revenue visibility going forward. Additionally it is also L1 in orders worth INR 12bn, comprising of 1) two PGCIL order worth INR 4.8bn, 2) From Assam Electricity Grid Corporation (AEGCL) worth INR 5.2bn and 3) order from Adani worth INR 1.4bn.
- **Railtel order provides entry into edge data center:** TECHNOE bagged order to setup 102 edge data center from Railtel for Tier1/2/3 cities. Order is on DBOT model with initial stage of five year would be construction of data center followed with 20 years of maintenance. Company will be commissioning 20 data center/year which adds revenue of C.INR 1bn/year.
- **Maintain Buy with TP of INR 1,735:** We believe TEEC strong execution track record, technical capabilities, presence across power value chain and diversified sector, augurs well for company to capitalise on upcoming opportunity in T&D, FGD, smart metering and Data Center. We expect standalone revenue/earnings CAGR of 44%/38% over FY24 to FY26E. We maintain Buy rating on stock with SoTP of INR 1,735, valuing EPC business at 30x FY26E (27x FY26E earlier), implying PE of 36x FY26E.
- **Key Risk:** Slowdown in ordering activity in T&D, increased competition in smart metering and arising BS risk due to asset heavy model (smart meters and data center).



Deepak Agarwal

deepak.agarwal@jmfl.com | Tel: (91 22) 66303037

Nilesh Soni

nilesh.soni@jmfl.com | Tel: (91 22) 66303372

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,735
Upside/(Downside)	10.6%
Previous Price Target	1,485
Change	16.8%

Key Data – TECHNOE IN

Current Market Price	INR1,569
Market cap (bn)	INR168.8/US\$2.0
Free Float	38%
Shares in issue (mn)	107.6
Diluted share (mn)	107.6
3-mon avg daily val (mn)	INR406.4/US\$4.8
52-week range	1,777/440
Sensex/Nifty	79,106/24,144
INR/US\$	84.0

Price Performance

%	1M	6M	12M
Absolute	8.4	102.2	238.7
Relative*	10.6	84.2	180.0

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	9,991	9,666	16,809	25,130	35,084
Sales Growth (%)	0.0	-3.3	73.9	49.5	39.6
EBITDA	1,582	1,184	2,269	3,464	5,117
EBITDA Margin (%)	15.8	12.3	13.5	13.8	14.6
Adjusted Net Profit	2,395	1,281	2,723	3,687	5,184
Diluted EPS (INR)	21.8	11.9	25.3	34.3	48.2
Diluted EPS Growth (%)	0.0	-45.3	112.5	35.4	40.6
ROIC (%)	32.9	13.5	26.7	27.5	31.4
ROE (%)	26.1	6.8	13.1	15.8	19.5
P/E (x)	72.1	131.8	62.0	45.8	32.6
P/B (x)	9.4	8.6	7.7	6.8	5.9
EV/EBITDA (x)	106.8	141.8	74.1	48.4	32.7
Dividend Yield (%)	0.1	0.4	0.4	0.5	0.8

Source: Company data, JM Financial. Note: Valuations as of 14/Aug/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. Change in estimates

INR mn	Revised Estimates		Previous Estimates		% Change	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Sales	25,130	35,084	25130	35084	0%	0%
EBITDA	3,464	5,117	3464	4916	0%	4%
EBITDA margin	13.8	14.6	13.8	14.0	0bps	60bps
Adj. PAT	3,687	5,184	3,667	4,905	1%	6%

Source: Company, JM Financial

Exhibit 2. Quarterly Performance

Y/E March (INR mn)	1QFY24	1QFY25	% YoY	4QFY24	QoQ (%)	4QFY24E	Var (%)
Net Sales	3,461	4,137	19.6	4,827	-14.3	3,911	5.8
Expenditure	2,986	3,572	19.6	4,238	-15.7	3,411	4.7
EBITDA	475	565	19.0	588	-3.9	501	12.9
EBITDA (%)	13.7	13.7	-10bps	12.2	150bps	12.8	90bps
Other income	306	232	-24.3	309	-24.8	316	-26.5
Depreciation	18	18	1.2	19	-2.9	19	-3.6
EBIT	763	779	2.1	878	-11.3	797	-2.3
Interest	42	22	-49.0	43	-49.4	44	-50.5
PBT before Eol	721	757	5.1	836	-9.4	754	0.5
Extraordinary item	0	0		0		0	
PBT after Eol	721	757	5.1	836	-9.4	754	0.5
Tax	182	201	10.6	142	42.2	190	6.0
Tax rate (%)	25.3	26.6		16.9		25.2	
Adjusted PAT	539	556	3.2	694	-19.9	564	-1.4
Adjusted EPS (INR)	5.0	5.2	3.2	6.4	-19.9	5.1	0.8

Source: Company, JM Financial

Exhibit 3. Cost Breakup

Y/E March (INR mn)	1QFY24	1QFY25	% YoY	4QFY24	QoQ (%)	4QFY24E	Var (%)
COGS	2,724	3,164	16.2	3,795	-16.6	0	#DIV/0!
as a % of sales	78.7	76.5	-220bps	78.6	210bps	0.0	-7650bps
Staff Cost	105	132	24.8	127	3.7	117	12.2
as a % of sales	3.0	3.2	10bps	2.6	-60bps	3.0	-20bps
Other Expenditure	157	276	76.3	317	-12.8	223	23.8
as a % of sales	4.5	6.7	210bps	6.6	-10bps	5.7	-100bps

Source: Company, JM Financial

Exhibit 4. SoTP Valuation

Business	Valuation basis	PAT/BV (INRmn)	No: of shares (mn)	Value/sh (INR)
EPC segment	30x Mar'26E PAT	5,184	107.6	1,445
Data Centre	1.5x P/B	13,280	107.6	185
Cash+invst	1xMar'24	11,641	107.6	108
		Target Price		1,735

Source: Company, JM Financial

Concall Highlights

- Maintained guidance of INR 25bn for FY25 and INR 35bn for FY26 with EPS of INR 35 and INR 50.
- Order book stands at INR 91bn (5.2x TTM EPC revenue), up 138% YoY.
- Additionally L1 in orders worth INR 12bn, comprising of 1) two PGCIL order worth INR 4.8bn, 2) From Assam Electricity Grid Corporation (AEGCL) worth INR 5.2bn and 3) order from Adani worth INR 1.4bn.
- Bid pipeline is worth INR 50bn and company expects to bag order worth INR 30bn.
- Opportunity size remains strong for AMI (smart meter), Transmission and Data Center.
- **Railtel order:** Received order from Railtel to build 102 edge data center in Tier1/2/3 cities. Company will be commissioning 20 data center per year with revenue opportunity of INR 1bn/year.
- **Transmission:** Expect to bag orders worth INR 20-25bn/ year for next couple of years. Order book as on Jun'24 stands at INR 49bn (including TBCB order).
- Bagged two TBCB order for Gogamukh and Bokajan line worth INR 28bn over its concession period. Capex for this projects together would be INR 7.5bn.
- **Smart Metering:** Expects order inflows of INR 15-20bn/year (expect 2mn smart meter order).
- **Data Center:** 1st phase of Data Center is expected to be completed by early 3QFY25.
- **Capex:** Planned capex of INR 80-100bn over next 3-4 years towards smart metering, data center and TBCB projects.

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	9,991	9,666	16,809	25,130	35,084	
Sales Growth	0.0%	-3.3%	73.9%	49.5%	39.6%	
Other Operating Income	0	0	0	0	0	
Total Revenue	9,991	9,666	16,809	25,130	35,084	
Cost of Goods Sold/Op. Exp	7,463	7,323	13,232	19,350	27,014	
Personnel Cost	339	422	462	557	602	
Other Expenses	607	736	846	1,759	2,351	
EBITDA	1,582	1,184	2,269	3,464	5,117	
EBITDA Margin	15.8%	12.3%	13.5%	13.8%	14.6%	
EBITDA Growth	0.0%	-25.1%	91.6%	52.6%	47.7%	
Depn. & Amort.	71	72	75	94	96	
EBIT	1,511	1,112	2,194	3,370	5,021	
Other Income	1,544	743	1,315	1,415	1,670	
Finance Cost	64	107	164	176	211	
PBT before Excep. & Forex	2,991	1,749	3,345	4,609	6,480	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	2,991	1,749	3,345	4,609	6,480	
Taxes	596	467	622	922	1,296	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,395	1,281	2,723	3,687	5,184	
Adjusted Net Profit	2,395	1,281	2,723	3,687	5,184	
Net Margin	24.0%	13.3%	16.2%	14.7%	14.8%	
Diluted Share Cap. (mn)	110.0	107.6	107.6	107.6	107.6	
Diluted EPS (INR)	21.8	11.9	25.3	34.3	48.2	
Diluted EPS Growth	0.0%	-45.3%	112.5%	35.4%	40.6%	
Total Dividend + Tax	220	646	753	922	1,296	
Dividend Per Share (INR)	2.0	6.0	7.0	8.6	12.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	3,263	2,881	3,310	4,609	6,480	
Depn. & Amort.	409	242	75	94	96	
Net Interest Exp. / Inc. (-)	-128	-196	-123	-176	-211	
Inc (-) / Dec in WCap.	1,045	-363	-4,878	-2,170	-3,621	
Others	-1,338	-1,119	-2,481	0	0	
Taxes Paid	-656	-1,119	723	-922	-1,296	
Operating Cash Flow	2,595	326	-3,374	1,435	1,449	
Capex	-16	-7	-220	-200	-200	
Free Cash Flow	2,579	319	-3,594	1,235	1,249	
Inc (-) / Dec in Investments	-1,958	740	4,253	0	0	
Others	0	0	0	0	0	
Investing Cash Flow	-1,974	733	4,033	-200	-200	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-440	-220	-646	-922	-1,296	
Inc / Dec (-) in Loans	-400	0	0	0	0	
Others	-64	-810	-164	176	211	
Financing Cash Flow	-904	-1,030	-810	-746	-1,086	
Inc / Dec (-) in Cash	-283	29	-151	489	163	
Opening Cash Balance	737	454	483	1,360	1,849	
Closing Cash Balance	466	1,461	1,360	1,849	2,012	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	18,330	19,580	21,917	24,683	28,571	
Share Capital	220	215	215	215	215	
Reserves & Surplus	18,110	19,365	21,702	24,467	28,356	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	1,224	724	698	698	698	
Total - Equity & Liab.	19,555	20,304	22,616	25,381	29,269	
Net Fixed Assets	4,257	492	442	548	652	
Gross Fixed Assets	7,103	1,048	1,073	1,273	1,473	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	2,846	557	631	725	821	
Capital WIP	0	0	0	0	0	
Investments	10,518	13,387	11,899	11,899	11,899	
Current Assets	10,352	14,089	16,280	22,917	31,136	
Inventories	271	865	259	413	577	
Sundry Debtors	5,840	6,413	7,411	9,295	12,496	
Cash & Bank Balances	466	1,461	1,360	1,849	2,012	
Loans & Advances	1,222	1,439	351	1,377	1,634	
Other Current Assets	2,552	3,912	6,901	9,983	14,418	
Current Liab. & Prov.	5,572	7,663	6,006	9,983	14,418	
Current Liabilities	4,187	5,500	5,498	7,918	11,054	
Provisions & Others	1,384	2,164	508	2,066	3,364	
Net Current Assets	4,780	6,426	10,274	12,934	16,718	
Total - Assets	19,555	20,304	22,616	25,381	29,269	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	24.0%	13.3%	16.2%	14.7%	14.8%	
Asset Turnover (x)	1.0	0.5	0.8	1.0	1.3	
Leverage Factor (x)	1.1	1.1	1.0	1.0	1.0	
RoE	26.1%	6.8%	13.1%	15.8%	19.5%	

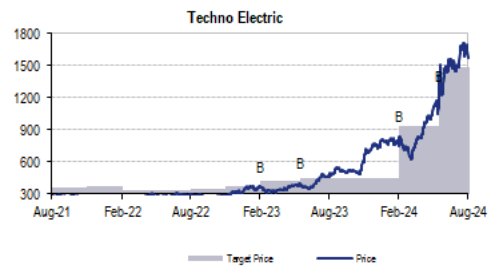
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	166.6	181.9	203.7	229.4	265.5	
ROIC	32.9%	13.5%	26.7%	27.5%	31.4%	
ROE	26.1%	6.8%	13.1%	15.8%	19.5%	
Net Debt/Equity (x)	0.0	-0.1	-0.1	-0.1	-0.1	
P/E (x)	72.1	131.8	62.0	45.8	32.6	
P/B (x)	9.4	8.6	7.7	6.8	5.9	
EV/EBITDA (x)	106.8	141.8	74.1	48.4	32.7	
EV/Sales (x)	16.9	17.4	10.0	6.7	4.8	
Debtor days	213	242	161	135	130	
Inventory days	10	33	6	6	6	
Creditor days	182	237	138	133	135	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Jan-20	Buy	320	
10-Feb-20	Buy	325	1.6
9-Apr-20	Buy	250	-23.1
1-Jul-20	Buy	250	0.0
1-Sep-20	Buy	235	-6.0
13-Nov-20	Buy	255	8.5
16-Feb-21	Buy	315	23.5
30-Jun-21	Buy	365	15.9
17-Aug-21	Buy	365	0.0
15-Nov-21	Buy	370	1.4
15-Feb-22	Buy	340	-8.1
31-May-22	Buy	340	0.0
16-Aug-22	Buy	350	2.9
15-Nov-22	Buy	370	5.7
15-Feb-23	Buy	420	13.5
31-May-23	Buy	450	7.1
16-Feb-24	Buy	930	106.7
30-May-24	Buy	1,485	59.7

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.