Krsnaa Diagnostics | BUY

JM FINANCIAL

Rajasthan tender affirms stellar growth trajectory

Krsnaa Diagnostics reported strong adj. revenue growth of +50%YoY driven by ramp up of RHP tenders primarily Punjab and Himachal. EBITDA margins were subdued due to new centre costs- Krsnaa opened 6 labs, 1 radiology centre and over 300 collection centres. Krsnaa is likely to execute the Rajasthan agreement, after a favourable order by the Hon'ble Rajasthan High Court, by Aug-end and expects INR 250mn revenue in 4Q and INR 3bn in FY25 from this tender alone. Krsnaa's guidance was better than anticipated: (1) FY24 revenue guidance remains 30-35% growth (excl. Rajasthan) with ~25% EBITDA margin; and (2) FY25 revenue guidance is INR 10bn with 28% EBITDA margin. We have conservatively built in 25% growth in FY24 and 40% growth in FY25 factoring INR 1.5bn contribution from Rajasthan. We remain confident of Krsnaa's robust execution and believe there is significant scope to re-rate. We maintain BUY with a revised Mar'24 Price Target of INR 960.

- **Massive revenue growth, margins to recover in FY25:** Non-Covid revenues grew 24%YoY/5%QoQ with negligible Covid contribution. Adjusted for INR 200mn Rajasthan contribution in the base, 1Q revenue growth was a massive +50%YoY. This was driven by ramp up of RHP tenders primarily Punjab and Himachal. EBITDA margins declined 215bps YoY to 22.5% (JMFe: 25%) due to new centre costs. Krsnaa added 6 labs, 1 radiology centre, 300+ collection centres in 1Q and added 200+ collection centres in Jul'23. This along with the large scale tenders of Rajasthan and Assam will keep margins in check (adj. EBITDAM 24%).

- **Strong guidance ups confidence, execution remains key:** At present, Krnaa has to deploy 51 CT scans, 2 MRIs, 168 labs and 3537 collection centres under various contracts won including Rajasthan. Krsnaa has operationalised nearly all BMC and Orissa collection centres with ramp up over the next few quarters. Krsnaa is also participating in new large tenders and will disclose in subsequent quarters. **FY24 guidance:** The management expects revenue growth of 30-35% (excl. Rajasthan). The contribution of Rajasthan tender expected in 4Q (vs. 3Q earlier) is INR 250mn. The management now anticipates INR 3bn revenue contribution in FY25 (vs. INR 1.5bn earlier). The EBITDA margins will remain subdued due to large scale new centre additions at 24-25%. **FY25 guidance:** With Rajasthan coming in, the management aspires to reach INR 10bn revenue with 28% EBITDA margin as operating leverage plays out.

- **The Rajasthan Saga**: Krsnaa, after expiry of earlier Rajasthan tender in Aug'22 and 2 fresh rounds of bidding, emerged as the L1 bidder and received the Letter of Award ('LOA'). Surprisingly, the department cancelled the LOA due to disagreements over submission of performance guarantee (which the company was willing to provide). Aggrieved by the department's action, Krsnaa filed a writ petition in the Rajasthan High Court wherein the the Hon'ble Court ruled in favour of the company. Krsnaa has submitted the additional performance guarantees as directed by the Court and they believe that the agreement will be executed by Aug-end. The Rajasthan tender size was increased to cover 50 districts vs. 35 earlier and hence anticipates INR 3bn contribution in FY25. While this is

Cyndrella Carvalho
cyndrella.carvalho@jmfl.com | Tel: (91 22) 66303056
Jainil Shah
jainil.shah@jmfl.com | Tel: (91 22) 66303155

We acknowledge the support of Raghav Vedanarayanan in the preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	960
Upside/(Downside)	98.0%
Previous Price Target	930
Change	3.2%

Key Data – KRSNAA IN

Current Market Price	INR485
Market cap (bn)	INR15.2/US$0.2
Free Float	50%
Shares in issue (mn)	31.4
Diluted share (mn)	31.4
3-mon avg daily val (mn)	INR72.4/US$0.9
52-week range	609/353
Sensex/Nifty	65,151/19,365
INR/US$	83.2

Price Performance

%	1M	6M	12M
Absolute	-11.9	29.2	5.8
Relative*	-9.7	21.0	-2.0

* To the BSE Sensex

Financial Summary (INR mn)

Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Net Sales	3,965	4,555	4,871	6,108	8,530
Sales Growth (%)	53.4	14.9	6.9	25.4	39.6
EBITDA	938	1,315	1,223	1,558	2,303
EBITDA Margin (%)	23.7	28.9	25.1	25.5	27.0
Adjusted Net Profit	315	683	621	769	1,255
Diluted EPS (INR)	12.3	21.8	19.8	24.5	40.0
Diluted EPS Growth (%)	1.2	77.5	-9.1	23.9	63.1
ROIC (%)	41.1	21.9	12.4	12.6	18.6
ROE (%)	180.8	14.9	8.7	9.9	14.3
P/E (x)	39.6	22.3	24.5	19.8	12.1
P/B (x)	2.4	2.2	2.1	1.9	1.6
EV/EBITDA (x)	16.6	9.0	10.3	8.1	5.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 17/Aug/2023 significantly ahead of our expectations, we have conservatively built in INR 1.5bn (vs. INR 1bn earlier) from the same and increased our revenue/ earnings to that extent. The tenure of this contract is 5 years (3+2). This project has an outlay of INR 2bn and the company is exploring vendor financing options as well.

- Key Financials: Revenue/EBITDA/PAT of INR 1.4bn/314mn/146mn grew 24%/13%/3%YoY and were +3%/-7%/-10% vs. JMFe respectively. EBITDA margin declined 215bps YoY to 22.5% (JMFe: 25%; adj. margin: 24%) as new centre costs weighed in. The company has a net cash position of INR 2.25bn. Receivable days were at 79 (vs. 86 QoQ). Capex for the quarter was INR 310mn and the company expects INR 1.2-1.3bn spend in bal. FY24 and FY25 each.

Exhibit 1. Status of projects

Radiology Centres Operational / Under Implementation

State	Total Centres	Operational	Under Implementation
Uttar Pradesh	8	4	4
Delhi	1	-	1
DMC	1	-	1
Mira Bhayandhar MC	1	-	1
Rajasthan	1	-	1
Maharashtra	39	-	39
Total Radiology	**51**	**4**	**47**

Pathology Centres Operational / Under Implementation

State	Total Centres	Operational	Under Implementation
Mira Bhayandhar MC (Lab)	1	-	1
OD (Lab)	6	4	2
OD (Collection Centres)	386	317	69
DMC (Lab)	1	-	1
BMC (Collection Centres)	600	428	172
Rajasthan (Lab)	150	-	150
Rajasthan (Collection Centres)	1,295	-	1,295
Assam (Lab)	10	-	10
Assam (Collection Cetres)	1,256	-	1,256
Total Pathology	**3,705**	**749**	**2,956**

Source: Company

Exhibit 2. Revenue build up (JMFe)

JMFe	FY22	FY23	FY24	FY25
Base	4200	4271	4613	5074
Base growth assumption		1.7%	8.0%	10.0%
RHP		600	800	1000
Maharashtra/Orissa			450	600
Others			250	350
Rajasthan				1,500
Total (rounded off)	4200	4870	6110	8520

Source: JM Financial

Exhibit 3. 1Q24 Review

Krsnaa - P&L (INR mn)	Q1FY23A	1Q24A	% YoY	1Q24E	% Delta vs JMFe	Q4FY23A	% QoQ
Total Revenue	**1,129**	**1,396**	**24%**	**1,354**	**3%**	**1,332**	**5%**
COGS	120	278	132%	257	8%	257	8%
Gross Profit	**1,009**	**1,118**	**11%**	**1,097**	**2%**	**1,075**	**4%**
% of revenue	**89.4%**	**80.1%**	-929 bps	**81.0%**		**80.7%**	-61 bps
Staff Cost	161	229	42%	217	6%	211	9%
Other expenses	570	575	1%	542	6%	519	11%
EBITDA	**278**	**314**	**13%**	**339**	**-7%**	**345**	**-9%**
EBITDA margin (%)	24.6%	22.5%	-215 bps	25.0%	-253 bps	25.9%	-341 bps
Other Income	46	42	-9%	55	-24%	59	-29%
Finance Cost	14	20		23		22	
Depreciation	124	157		160		146	
PBT	**187**	**179**	**-4%**	**211**	**-15%**	**236**	**-24%**
Exceptional Items	0	0		0		0	
Tax	45	32		49		47	
Tax Rate (%)	23.9%	18.2%		23.0%		19.8%	
PAT (Reported)	**142**	**146**	**3%**	**163**	**-10%**	**189**	**-23%**
PAT margin (%)	12.6%	10.5%	-210 bps	12.0%	-152 bps	14.2%	-371 bps
EPS	**4.5**	**4.7**	**3%**	**5.2**	**-10%**	**6.0**	**-23%**

Krsnaa - Cost margins	Q1FY23A	1Q24A	% YoY	1Q24E	% Delta vs JMFe	Q4FY23A	% QoQ
COGS/sales	10.6%	19.9%	929 bps	19.0%	89 bps	19.3%	61 bps
Staff cost/sales	14.3%	16.4%	215 bps	16.0%	42 bps	15.8%	58 bps
Other expenditure/sales	50.5%	41.2%	-929 bps	40.0%	121 bps	39.0%	223 bps

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Net Sales	3,965	4,555	4,871	6,108	8,530
Sales Growth	53.4%	14.9%	6.9%	25.4%	39.6%
Other Operating Income	0	0	0	0	0
Total Revenue	**3,965**	**4,555**	**4,871**	**6,108**	**8,530**
Cost of Goods Sold/Op. Exp	837	603	742	1,099	1,578
Personnel Cost	296	547	746	916	1,237
Other Expenses	1,893	2,089	2,161	2,535	3,412
EBITDA	**938**	**1,315**	**1,223**	**1,558**	**2,303**
EBITDA Margin	23.7%	28.9%	25.1%	25.5%	27.0%
EBITDA Growth	49.3%	40.1%	-7.0%	27.4%	47.9%
Depn. & Amort.	374	414	538	701	836
EBIT	564	901	685	856	1,467
Other Income	2,650	149	194	221	260
Finance Cost	259	185	77	91	99
PBT before Excep. & Forex	2,955	865	802	986	1,627
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,955	865	802	986	1,627
Taxes	1,105	182	181	217	373
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,849	683	621	769	1,255
Adjusted Net Profit	**315**	**683**	**621**	**769**	**1,255**
Net Margin	8.0%	15.0%	12.8%	12.6%	14.7%
Diluted Share Cap. (mn)	25.7	31.4	31.4	31.4	31.4
Diluted EPS (INR)	**12.3**	**21.8**	**19.8**	**24.5**	**40.0**
Diluted EPS Growth	1.2%	77.5%	-9.1%	23.9%	63.1%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Shareholders' Fund	2,319	6,844	7,387	8,157	9,411
Share Capital	65	157	157	157	157
Reserves & Surplus	2,254	6,687	7,230	8,000	9,254
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	2,027	410	325	275	225
Def. Tax Liab. / Assets (-)	107	70	114	114	114
Total - Equity & Liab.	**4,453**	**7,324**	**7,826**	**8,545**	**9,750**
Net Fixed Assets	3,122	4,140	4,962	5,760	6,424
Gross Fixed Assets	3,733	4,908	6,291	7,791	9,291
Intangible Assets	12	23	28	28	28
Less: Depn. & Amort.	661	1,075	1,612	2,314	3,150
Capital WIP	37	283	255	255	255
Investments	3	3	3	3	3
Current Assets	2,920	4,611	4,121	4,340	5,282
Inventories	72	92	251	314	439
Sundry Debtors	725	579	731	917	1,280
Cash & Bank Balances	1,529	2,419	1,088	1,041	1,459
Loans & Advances	0	0	0	0	0
Other Current Assets	594	1,522	2,051	2,069	2,103
Current Liab. & Prov.	1,593	1,430	1,259	1,559	1,959
Current Liabilities	888	794	970	1,270	1,671
Provisions & Others	705	636	289	289	289
Net Current Assets	1,327	3,182	2,861	2,782	3,323
Total – Assets	**4,453**	**7,324**	**7,826**	**8,545**	**9,750**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profit before Tax	2,955	865	802	986	1,627
Depn. & Amort.	374	414	538	701	836
Net Interest Exp. / Inc. (-)	140	62	-82	-130	-161
Inc (-) / Dec in WCap.	148	-7	-356	33	-122
Others	-2,515	16	-8	0	0
Taxes Paid	-77	-66	-131	-217	-373
Operating Cash Flow	**1,026**	**1,284**	**763**	**1,373**	**1,808**
Capex	-668	-1,322	-1,414	-1,500	-1,500
Free Cash Flow	357	-38	-651	-127	308
Inc (-) / Dec in Investments	-57	-1,265	157	0	0
Others	114	180	168	221	260
Investing Cash Flow	**-611**	**-2,406**	**-1,089**	**-1,279**	**-1,240**
Inc / Dec (-) in Capital	7	3,853	-69	0	0
Dividend + Tax thereon	0	0	-78	0	0
Inc / Dec (-) in Loans	555	-1,894	-91	-50	-50
Others	-254	-200	-93	-91	-99
Financing Cash Flow	**308**	**1,760**	**-331**	**-141**	**-149**
Inc / Dec (-) in Cash	**723**	**637**	**-657**	**-47**	**419**
Opening Cash Balance	-476	247	884	227	180
Closing Cash Balance	1,529	2,418	1,088	1,041	1,459

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Net Margin	8.0%	15.0%	12.8%	12.6%	14.7%
Asset Turnover (x)	0.8	0.8	0.6	0.7	0.9
Leverage Factor (x)	28.6	1.3	1.1	1.1	1.1
RoE	180.8%	14.9%	8.7%	9.9%	14.3%

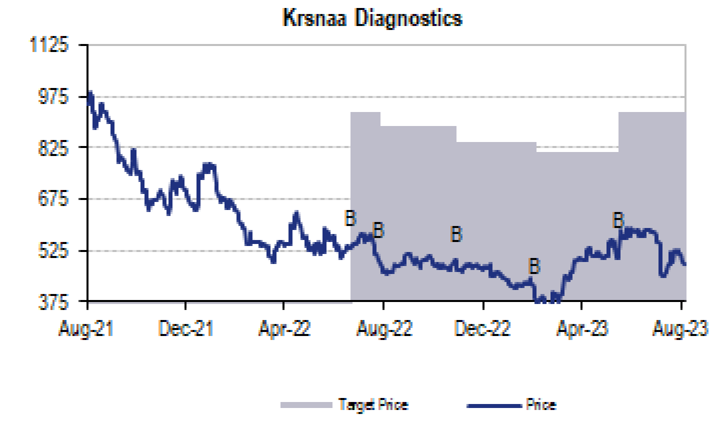
Key Ratios					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
BV/Share (INR)	201.1	218.0	235.3	259.8	299.7
ROIC	41.1%	21.9%	12.4%	12.6%	18.6%
ROE	180.8%	14.9%	8.7%	9.9%	14.3%
Net Debt/Equity (x)	0.2	-0.5	-0.3	-0.3	-0.3
P/E (x)	39.6	22.3	24.5	19.8	12.1
P/B (x)	2.4	2.2	2.1	1.9	1.6
EV/EBITDA (x)	16.6	9.0	10.3	8.1	5.2
EV/Sales (x)	3.9	2.6	2.6	2.1	1.4
Debtor days	67	46	55	55	55
Inventory days	7	7	19	19	19
Creditor days	95	87	62	74	77

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Jul-22	Buy	930	
7-Aug-22	Buy	885	-4.8
10-Nov-22	Buy	840	-5.1
15-Feb-23	Buy	810	-3.6
29-May-23	Buy	930	14.8

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: +9122 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% 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.

* REIT 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 members of their household 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 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.

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 Harborside Financial Center, 2500 Plaza 5, 25th Floor, Office No. 2558, Jersey City, NJ 07311. Telephone +1 (201) 633-3610 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.