

Krsnaa Diagnostics | BUY

Robust revenue growth; margin guidance lower

Krsnaa Diagnostics reported an impressive revenue growth of +34% YoY with a sequential improvement in margins. Higher depreciation led to PAT miss of 6%. While most of the pathology tenders have now largely been executed, Rajasthan pathology tender and Maharashtra radiology tender are two large tenders pending execution, in our view. The company expects an update on on-going litigation by month-end for Rajasthan. The management remains firm on its 30% (ex-Rajasthan) revenue growth guidance ahead. However, the management now expects 25% EBITDAM (vs. 26-28% earlier) due to lower pathology margins. Krsnaa announced a few leadership changes and incorporated a WOS to focus on its B2C business. We adjust our FY25 revenue to factor in delay in Rajasthan and lower margin guidance. The receivable cycle was stretched due to delay in payment of dues from Himachal/ Manipur (they have started receiving dues now). Capex for FY25 is likely to be INR 1.5-2bn (ex-Rajasthan) and the company is contemplating asset light models to fund expansion. We remain confident of Krsnaa's execution capabilities and continue to believe that there is scope for a re-rating. We maintain BUY with a revised Dec'24 TP of INR 935.

- Strong revenue growth with slight margin recovery:** Revenues grew 34% YoY/2% QoQ in a sequentially weak quarter. EBITDA margin improved 317bps QoQ to 23.6% (JMFe: 22.3%). Krsnaa established 195 centres across the country. The on-going large-scale implementation of tenders (excluding Rajasthan) is likely to be completed post which sustainable EBITDA margin could expand to ~25%, per management guidance. The higher pathology mix, which has a lower margin profile, has led to reduction in current guidance to 25% (vs. 27% earlier). The newer radiology contracts such as Maharashtra could offset some of this impact and improve margins albeit gradually.
- Firm on 30% growth guidance; margin guidance lower at 25%:** The management remains firm on its 30% (ex-Rajasthan) revenue growth guidance. The contribution of Rajasthan tender is expected in 2HFY25 (vs. 4Q earlier). Sustainable EBITDA margin to hover around 25%. While the management expects an outcome by month-end on Rajasthan, we have reduced our FY25 revenue estimates by 8% to factor in the delay. We have also reduced our margin estimates by 2ppt, in line with management guidance. We also reduce our PAT estimates partly on account of higher depreciation costs due to heavy capex. The budgeted capex outlay for FY25 is INR 1.5-2bn excluding Rajasthan. The Rajasthan tender, if outcome positive, will lead to incremental capex of INR 1.5bn. The company is evaluating pay-per-use and lease models to reduce upfront outflows. We have built in INR 400mn (vs. INR 1.1bn earlier) from Rajasthan in FY25 leading to lower FY25 EPS.
- Key financials:** Revenue/EBITDA/PAT of INR 1583mn/374mn/130mn grew +34%/+27%/-5% YoY and were +6%/+12%/-6% vs JMFe. EBITDA margin of 23.6% were ahead of JMFe: 22.3% (-130bps YoY; +315bps QoQ). The company has a net cash position of INR 948mn. Receivable days was at 121 (vs. 97 QoQ) due to delays in receivables from Himachal and Manipur which have now started coming in.



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

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

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

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	935
Upside/(Downside)	34.1%
Previous Price Target	1,010
Change	-7.4%

Key Data – KRSNAA IN

Current Market Price	INR697
Market cap (bn)	INR22.5/US\$0.3
Free Float	53%
Shares in issue (mn)	31.4
Diluted share (mn)	31.4
3-mon avg daily val (mn)	INR90.1/US\$1.1
52-week range	789/353
Sensex/Nifty	71,555/21,743
INR/US\$	83.0

Price Performance

%	1M	6M	12M
Absolute	-1.8	36.1	67.3
Relative*	-0.4	24.2	41.3

* 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.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	4,555	4,871	6,108	7,824	9,778
Sales Growth (%)	14.9	6.9	25.4	28.1	25.0
EBITDA	1,315	1,223	1,380	1,940	2,552
EBITDA Margin (%)	28.9	25.1	22.6	24.8	26.1
Adjusted Net Profit	683	621	578	906	1,331
Diluted EPS (INR)	21.8	19.8	18.4	28.9	42.4
Diluted EPS Growth (%)	77.5	-9.1	-7.0	56.9	46.9
ROIC (%)	21.9	12.4	9.2	13.3	18.2
ROE (%)	14.9	8.7	7.5	10.8	14.0
P/E (x)	32.0	35.2	37.9	24.2	16.4
P/B (x)	3.2	3.0	2.7	2.5	2.1
EV/EBITDA (x)	14.0	15.6	14.1	9.9	7.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 13/Feb/2024

Exhibit 1. Pipeline updates

Radiology Centers 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	56	9	47
Madhya Pradesh	5	-	5
Total Radiology	73	14	59

Pathology Centers Under Implementation

State	Total Centres	Operational	Under Implementation
Mira Bhayandhar MC (Lab)	1	-	1
DMC (Lab)	1	-	1
BMC (Collection Centres)	600	472	128
Rajasthan (Lab)	150	-	150
Rajasthan (Collection Centres)	1,295	-	1,295
Assam (Lab)	10	7	3
Assam (Collection Centres)	1,256	98	1,158
Total Pathology	3,313	577	2,736

Source: Company, JM Financial

Exhibit 2. 3Q24 Review

Krsnaa - P&L (INR mn)	3QFY23A	3QFY24E	% YoY	3QFY24E	% Delta vs JMFe	2QFY24A	% QoQ
Total Revenue	1,181	1,583	34%	1,500	6%	1,554	2%
COGS	192	344	79%	278	24%	359	-4%
Gross Profit	989	1,240	25%	1,195	4%	1,195	4%
% of revenue	83.8%	78.3%	-545 bps	79.7%		76.9%	140 bps
Staff Cost	190	297	56%	247	20%	264	12%
Other expenses	505	569	13%	613	-7%	613	-7%
EBITDA	294	374	27%	335	12%	318	18%
EBITDA margin (%)	24.9%	23.6%	-128 bps	22.3%	130 bps	20.4%	317 bps
Other Income	45	41	-10%	45	-9%	42	-2%
Finance Cost	23	41		31		31	
Depreciation	139	212		180		195	
PBT	178	161	-9%	169	-5%	134	20%
Exceptional Items	0	0		0		0	
Tax	41	31		31		29	
Tax Rate (%)	23.3%	19.4%		18.3%		21.8%	
PAT (Reported)	136	130	-5%	138	-6%	105	24%
PAT margin (%)	11.6%	8.2%	-336 bps	9.2%	-102 bps	6.8%	144 bps
EPS	4.3	4.1	-5%	4.4	-6%	3.3	24%
Krsnaa - Cost margins	3QFY23A	3QFY24E	% YoY	3QFY24E	% Delta vs JMFe	2QFY24A	% QoQ
COGS/sales	16.2%	21.7%	545 bps	18.5%	319 bps	23.1%	-140 bps
Staff cost/sales	16.1%	18.7%	260 bps	16.5%	223 bps	17.0%	172 bps
Other expenditure/sales	42.7%	35.9%	-678 bps	40.9%	-493 bps	39.4%	-349 bps

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	4,555	4,871	6,108	7,824	9,778
Sales Growth	14.9%	6.9%	25.4%	28.1%	25.0%
Other Operating Income	0	0	0	0	0
Total Revenue	4,555	4,871	6,108	7,824	9,778
Cost of Goods Sold/Op. Exp	603	742	1,301	1,659	2,073
Personnel Cost	547	746	1,075	1,291	1,535
Other Expenses	2,089	2,161	2,352	2,934	3,618
EBITDA	1,315	1,223	1,380	1,940	2,552
EBITDA Margin	28.9%	25.1%	22.6%	24.8%	26.1%
EBITDA Growth	40.1%	-7.0%	12.9%	40.6%	31.5%
Depn. & Amort.	414	538	764	906	994
EBIT	901	685	617	1,034	1,558
Other Income	149	194	201	233	250
Finance Cost	185	77	95	120	124
PBT before Excep. & Forex	865	802	722	1,147	1,685
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	865	802	722	1,147	1,685
Taxes	182	181	144	241	354
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	683	621	578	906	1,331
Adjusted Net Profit	683	621	578	906	1,331
Net Margin	15.0%	12.8%	9.5%	11.6%	13.6%
Diluted Share Cap. (mn)	31.4	31.4	31.4	31.4	31.4
Diluted EPS (INR)	21.8	19.8	18.4	28.9	42.4
Diluted EPS Growth	77.5%	-9.1%	-7.0%	56.9%	46.9%
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

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	865	802	722	1,147	1,685
Depn. & Amort.	414	538	764	906	994
Net Interest Exp. / Inc. (-)	62	-82	-106	-113	-126
Inc (-) / Dec in WCap.	-7	-356	28	16	-97
Others	16	-8	0	0	0
Taxes Paid	-66	-131	-144	-241	-354
Operating Cash Flow	1,284	763	1,264	1,715	2,102
Capex	-1,322	-1,414	-1,750	-1,500	-1,500
Free Cash Flow	-38	-651	-486	215	602
Inc (-) / Dec in Investments	-1,265	157	0	0	0
Others	180	168	201	233	250
Investing Cash Flow	-2,406	-1,089	-1,549	-1,267	-1,250
Inc / Dec (-) in Capital	3,853	-69	0	0	0
Dividend + Tax thereon	0	-78	0	0	0
Inc / Dec (-) in Loans	-1,894	-91	-50	-50	-50
Others	-200	-93	-95	-120	-124
Financing Cash Flow	1,760	-331	-145	-170	-174
Inc / Dec (-) in Cash	637	-657	-430	278	678
Opening Cash Balance	247	884	227	-203	75
Closing Cash Balance	2,418	1,088	657	936	1,614

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	6,844	7,387	7,965	8,871	10,202
Share Capital	157	157	157	157	157
Reserves & Surplus	6,687	7,230	7,808	8,714	10,045
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	410	325	275	225	175
Def. Tax Liab. / Assets (-)	70	114	114	114	114
Total - Equity & Liab.	7,324	7,826	8,354	9,210	10,491
Net Fixed Assets	4,140	4,962	5,948	6,541	7,048
Gross Fixed Assets	4,908	6,291	8,041	9,541	11,041
Intangible Assets	23	28	28	28	28
Less: Depn. & Amort.	1,075	1,612	2,376	3,283	4,276
Capital WIP	283	255	255	255	255
Investments	3	3	3	3	3
Current Assets	4,611	4,121	3,877	4,482	5,551
Inventories	92	251	314	403	503
Sundry Debtors	579	731	837	1,050	1,313
Cash & Bank Balances	2,419	1,088	657	936	1,614
Loans & Advances	0	0	0	0	0
Other Current Assets	1,522	2,051	2,069	2,093	2,121
Current Liab. & Prov.	1,430	1,259	1,475	1,817	2,111
Current Liabilities	794	970	1,186	1,528	1,823
Provisions & Others	636	289	289	289	289
Net Current Assets	3,182	2,861	2,403	2,665	3,440
Total - Assets	7,324	7,826	8,353	9,209	10,490

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	15.0%	12.8%	9.5%	11.6%	13.6%
Asset Turnover (x)	0.8	0.6	0.7	0.9	1.0
Leverage Factor (x)	1.3	1.1	1.1	1.1	1.1
RoE	14.9%	8.7%	7.5%	10.8%	14.0%

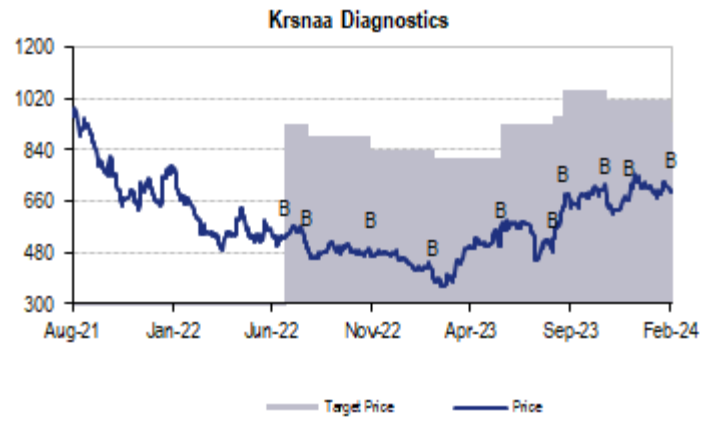
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	218.0	235.3	253.7	282.5	324.9
ROIC	21.9%	12.4%	9.2%	13.3%	18.2%
ROE	14.9%	8.7%	7.5%	10.8%	14.0%
Net Debt/Equity (x)	-0.5	-0.3	-0.3	-0.3	-0.3
P/E (x)	32.0	35.2	37.9	24.2	16.4
P/B (x)	3.2	3.0	2.7	2.5	2.1
EV/EBITDA (x)	14.0	15.6	14.1	9.9	7.2
EV/Sales (x)	4.0	3.9	3.2	2.5	1.9
Debtor days	46	55	50	49	49
Inventory days	7	19	19	19	19
Creditor days	87	62	65	73	74

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
17-Aug-23	Buy	960	3.2
1-Sep-23	Buy	1,050	9.4
6-Nov-23	Buy	1,010	-3.8
11-Dec-23	Buy	1,010	0.0
13-Feb-24	Buy	935	-7.4

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.