

Gokaldas Exports | BUY

Long term story intact; capacity expansion to drive earnings

Gokaldas Exports reported a revenue increase of 4.4% QoQ to INR6.1bn, driven by excellence in execution and optimal utilization of capacity. EBITDA decreased 5.6% QoQ to INR723mn, with margin at 11.8% during the quarter. The company reported a PAT of INR394mn in 1Q. Net cash position further improved QoQ to INR2.2bn aided by reduced working capital days. Gokaldas Exports delivered a resilient performance despite challenging macro-economic business environment and seasonally weak 1H. The company expects near term uncertainties on account of inflation and recessionary sentiments. However, order book for 2HFY23 (still in progress) is attracting reasonable traction aided by falling raw material prices. Despite the near term headwinds, the company is well placed to sustain its growth journey aided by structural drivers like a) shift of business away from China b) increasing consolidation of supplier base across most brands c) announcement of PLI d) supply side instabilities in countries like Sri Lanka, Pakistan and Myanmar. The company's decision to invest consistently towards modernisation and superior supply chain efficiency is likely to benefit the company in the long run. Further, FTAs with UK/EU over time is likely to increase the addressable market size and we believe Gokaldas exports is ideally positioned to capture this market backed by strong management leadership of Mr Sivaramakrishnan Ganapathi. Maintain BUY with revised target price of INR530/sh (refer exhi. 3/4).

- **Revenue growth continues, aided by improved execution:** Gokaldas Exports reported a revenue increase of 4.4% QoQ to INR6.1bn, driven by excellence in execution and optimal utilization of capacity. Newly commissioned manufacturing units in Karnataka and Tamil Nadu are ramping up well. EBITDA decreased 5.6% QoQ to INR723mn, with margin at 11.8% during the quarter. The company reported a PAT of INR394mn in 1Q. Net cash position further improved QoQ to INR2.2bn aided by reduced working capital days due to inventory management and early realization of receivables.
- **Resilient performance amidst challenging business environment:** Gokaldas Exports continued its growth trajectory, despite challenging macro-economic business environment. Seasonally H1 is relatively weak for the Indian apparel industry, as brands source synthetic apparel for Autumn/Winter, while India is strongly rooted in the cotton fibre ecosystem. Further, company witnessed supply chain disruptions from China during the quarter given dependence for imported fabrics and trims. Delays in raw material supplies due to lockdowns in China affected factory operations. However, the company was able to mitigate these risks in co-operation with suppliers and customers.
- **Near term uncertainty amidst recessionary fears:** US monthly apparel store sales have increased consistently resulting in retail offtake being higher than the Q1 of past years. However, the present trend may slow down in the near term, on account of inflation and recessionary sentiments. Large brands are wary of slower consumer off take in the upcoming seasons. They are also battling higher levels of inventory from last year. This may likely impact imports in the short run. Recent decline of cotton and crude oil prices (20% from the recent high) will likely ease price pressure on the textile value chain enabling companies to steer through difficult times.

Financial Summary					(INR mn)
Y/E March	FY20A	FY21A	FY22A	FY23E	FY24E
Net Sales	13,709	12,107	17,903	22,284	26,176
Sales Growth (%)	16.7	-11.7	47.9	24.5	17.5
EBITDA	858	1,015	2,055	2,588	3,048
EBITDA Margin (%)	6.3	8.4	11.5	11.6	11.6
Adjusted Net Profit	105	265	1,054	1,256	1,416
Diluted EPS (INR)	1.7	4.3	17.0	20.3	22.9
Diluted EPS Growth (%)	-55.1	153.4	298.0	19.1	12.7
ROIC (%)	5.0	8.3	23.8	18.3	17.3
ROE (%)	4.5	10.3	21.1	16.0	14.9
P/E (x)	223.6	88.2	22.2	18.6	16.5
P/B (x)	10.3	8.1	3.3	2.7	2.3
EV/EBITDA (x)	32.0	25.6	11.3	8.8	7.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 25/Jul/2022



Ashutosh Somani

ashutosh.somani@jmfl.com | Tel: (91 22) 66303083

Heet Vora

heet.vora@jmfl.com | Tel: (91 22) 66303018

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	530
Upside/(Downside)	40.3%
Previous Price Target	610
Change	-13.1%

Key Data – GEXP IN

Current Market Price	INR378
Market cap (bn)	INR22.9/US\$0.3
Free Float	75%
Shares in issue (mn)	61.8
Diluted share (mn)	61.8
3-mon avg daily val (mn)	INR359.7/US\$4.5
52-week range	520/181
Sensex/Nifty	55,766/16,631
INR/US\$	79.7

Price Performance

%	1M	6M	12M
Absolute	6.3	-1.0	102.0
Relative*	0.5	2.7	91.4

* 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.

- **Gokaldas Exports to continue its growth journey:** Gokaldas Exports is well placed to sustain its growth journey aided by structural drivers like a) shift of business away from China b) increasing consolidation of supplier base across most brands c) announcement of PLI d) supply side instabilities in countries like Sri Lanka, Pakistan and Myanmar. The company's decision to invest consistently towards modernisation and superior supply chain efficiency is likely to benefit the company in the long run. Further, FTAs with UK/EU over time is likely to increase in addressable market size and we believe Gokaldas exports is ideally positioned to capture this market backed by strong management leadership of Mr Sivaramakrishnan Ganapathi.

Exhibit 1. Consolidated financial performance**(INR mn)**

(INR mn)	1QFY23	1QFY23E	VAR %	1QFY22	YoY %	4QFY22	QoQ %
Net Sales	6,106	6,123	(0.3)	2,410	153.4	5,850	4.4
Other op. income							
Total income from operations	6,106	6,123		2,410	153.4	5,850	4.4
Expenditure	5,384	5,449	(1.2)	2,230	141.4	5,084	5.9
Raw materials	3,293	3,321	(0.8)	1,139	189.0	3,088	6.6
Gross margin (%)	46.1	45.8		52.7		47.2	
Staff cost	1,707	1,665	2.5	857	99.1	1,538	11.0
Other expenses	384	464	(17.1)	234	64.0	458	-16.2
EBITDA	723	674	7.3	179	303.3	766	-5.6
EBITDA (%)	11.8	11.0		7.4		13.1	
Other income	21	30		20		30	
Depreciation	171	183	(6.7)	124	37.5	178	-4.0
EBIT	572	521	10.0	75	661.9	618	-7.3
Interest	64	90		101	-36.1	94	-31.4
PBT	508	431		(26)	-2091.0	524	-3.0
Tax	114	108		-		33	
Eff. Tax rate (%)	22.5	25.0		-		6.2	
XO items	-	-		-		118	
PAT- Reported	394	323		(26)	NA	609	-35.3
PAT- Adjusted	394	323	22	(26)	NA	491	-19.8
Diluted EPS (INR)	6.4	5.2		(0.4)	NA	7.9	-19.8
Net Debt	-2,198	0		1,662		-1,190	

Source: Company, JM Financial

Exhibit 2. Operational performance

	1QFY23	1QFY23E	VAR(bps)	1QFY22	YoY (bps)	4QFY22	QoQ (bps)
Gross margin (%)	46.1	45.8	31.3	52.7	(665)	47.2	(114)
Staff cost as % of rev. (%)	28.0	27.2	75.9	35.6	(762)	26.3	166
Other exp. as % of rev. (%)	6.3	7.6	(128.0)	9.7	(343)	7.8	(155)
Currency (INR/USD)	77.2	77.2		73.7	4.7	75.2	2.7

Source: Company, JM Financial

Exhibit 3. Change in estimates (INR mn)

INR mn	Old		New	
	FY23E	FY24E	FY23E	FY24E
PAT	1,197	1,508	1,256	1,416

Source: JM Financial

Exhibit 4. Target price

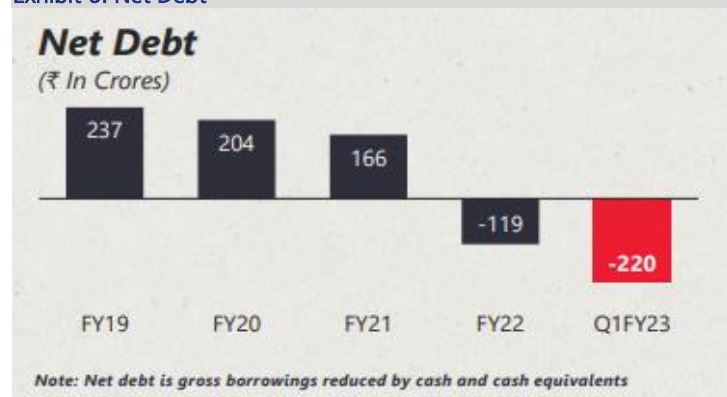
	FY24E
EPS (INR)	22.9
P/E multiple	23
Fair value (INR/share)	530

Source: JM Financial

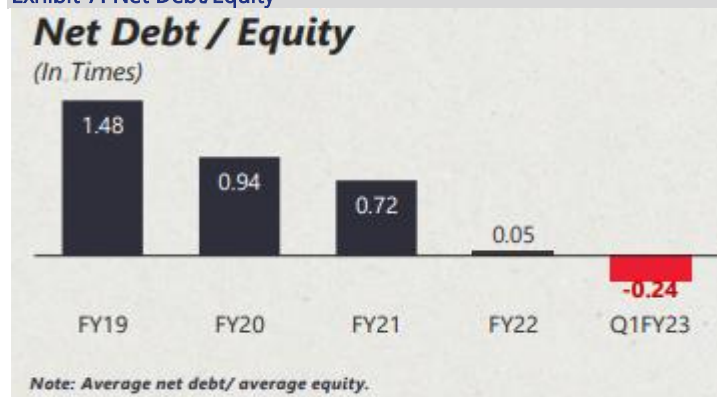
Exhibit 5. Capex plan (INR Cr)

YEAR	MODERNIZATION AND UPGRADES	NEW CAPACITY AND NEW PROJECTS	NEW INITIATIVES	TOTAL
FY22	28	44	12	84
Q1 FY23	10	7	15	32
9m FY23e	10	68	52	130
FY24e	20	40	60	120
Total	68	159	139	366

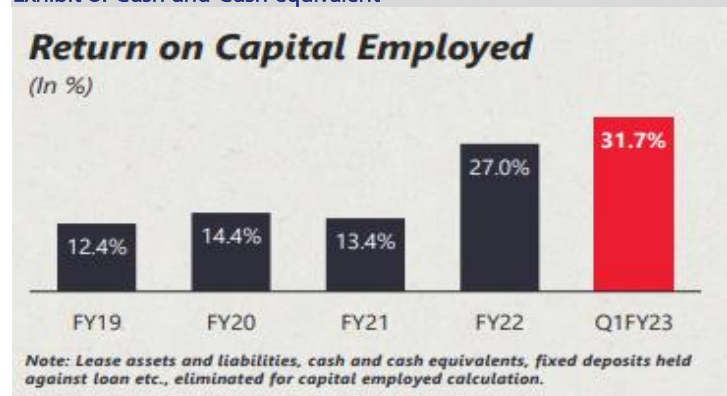
Source: Company

Exhibit 6. Net Debt

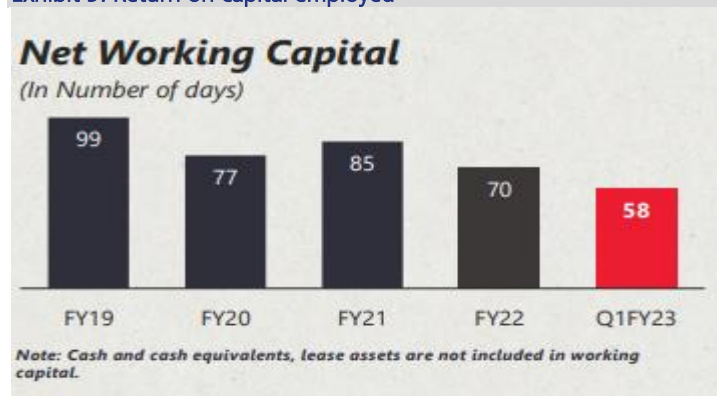
Source: Company

Exhibit 7. Net Debt/Equity

Source: Company

Exhibit 8. Cash and Cash equivalent

Source: Company

Exhibit 9. Return on capital employed

Source: Company

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY20A	FY21A	FY22A	FY23E	FY24E
Net Sales	13,709	12,107	17,903	22,284	26,176
Sales Growth	16.7%	-11.7%	47.9%	24.5%	17.5%
Other Operating Income	0	0	0	0	0
Total Revenue	13,709	12,107	17,903	22,284	26,176
Cost of Goods Sold/Op. Exp	6,920	6,050	8,882	11,235	13,695
Personnel Cost	4,674	3,716	5,388	6,753	7,393
Other Expenses	1,258	1,326	1,577	1,708	2,038
EBITDA	858	1,015	2,055	2,588	3,048
EBITDA Margin	6.3%	8.4%	11.5%	11.6%	11.6%
EBITDA Growth	54.5%	18.3%	102.5%	25.9%	17.8%
Depn. & Amort.	548	526	589	767	1,019
EBIT	310	489	1,467	1,821	2,030
Other Income	163	122	107	90	110
Finance Cost	368	345	402	236	252
PBT before Excep. & Forex	105	266	1,171	1,675	1,888
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	105	266	1,171	1,675	1,888
Taxes	0	1	-1	419	472
Extraordinary Inc./Loss(-)	199	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	304	265	1,172	1,256	1,416
Adjusted Net Profit	105	265	1,054	1,256	1,416
Net Margin	0.8%	2.2%	5.9%	5.6%	5.4%
Diluted Share Cap. (mn)	61.8	61.8	61.8	61.8	61.8
Diluted EPS (INR)	1.7	4.3	17.0	20.3	22.9
Diluted EPS Growth	-55.1%	153.4%	298.0%	19.1%	12.7%
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	FY20A	FY21A	FY22A	FY23E	FY24E
Profit before Tax	105	266	1,171	1,675	1,888
Depn. & Amort.	548	526	589	767	1,019
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	519	1,502	-823	-29	-1,077
Others	199	0	0	0	0
Taxes Paid	0	-1	1	-419	-472
Operating Cash Flow	1,371	2,293	938	1,994	1,358
Capex	-1,186	-1,168	-840	-1,600	-1,200
Free Cash Flow	185	1,125	98	394	158
Inc (-) / Dec in Investments	-355	-1,484	-128	0	0
Others	-432	329	-520	618	0
Investing Cash Flow	-1,974	-2,323	-1,488	-982	-1,200
Inc / Dec (-) in Capital	0	0	80	5	5
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	613	59	-2,590	750	250
Others	0	0	3,034	-581	37
Financing Cash Flow	613	60	523	174	292
Inc / Dec (-) in Cash	11	30	-26	1,186	450
Opening Cash Balance	112	123	153	127	1,312
Closing Cash Balance	123	153	127	1,312	1,762

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY20A	FY21A	FY22A	FY23E	FY24E
Shareholders' Fund	2,266	2,901	7,081	8,639	10,357
Share Capital	214	214	294	299	304
Reserves & Surplus	2,052	2,686	6,787	8,340	10,053
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	4,462	4,521	1,930	2,680	2,930
Def. Tax Liab. / Assets (-)	-7	-68	-118	-118	-118
Total - Equity & Liab.	6,720	7,353	8,894	11,202	13,170
Net Fixed Assets	1,732	2,374	2,990	4,083	4,525
Gross Fixed Assets	2,784	3,960	5,054	5,899	7,359
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	1,060	1,586	2,175	2,942	3,960
Capital WIP	8	0	110	1,125	1,125
Investments	355	1,839	1,967	1,967	1,967
Current Assets	7,152	5,618	7,039	9,072	10,946
Inventories	2,892	2,592	4,336	4,579	5,379
Sundry Debtors	1,435	1,798	922	1,526	2,151
Cash & Bank Balances	123	153	127	1,312	1,762
Loans & Advances	2,702	1,075	1,654	1,654	1,654
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	2,519	2,478	3,101	3,919	4,267
Current Liabilities	1,296	1,117	1,179	1,997	2,344
Provisions & Others	1,223	1,361	1,922	1,922	1,922
Net Current Assets	4,633	3,141	3,937	5,153	6,679
Total - Assets	6,720	7,353	8,894	11,202	13,170

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY20A	FY21A	FY22A	FY23E	FY24E
Net Margin	0.8%	2.2%	5.9%	5.6%	5.4%
Asset Turnover (x)	2.1	1.7	2.2	2.2	2.1
Leverage Factor (x)	2.8	2.7	1.6	1.3	1.3
RoE	4.5%	10.3%	21.1%	16.0%	14.9%

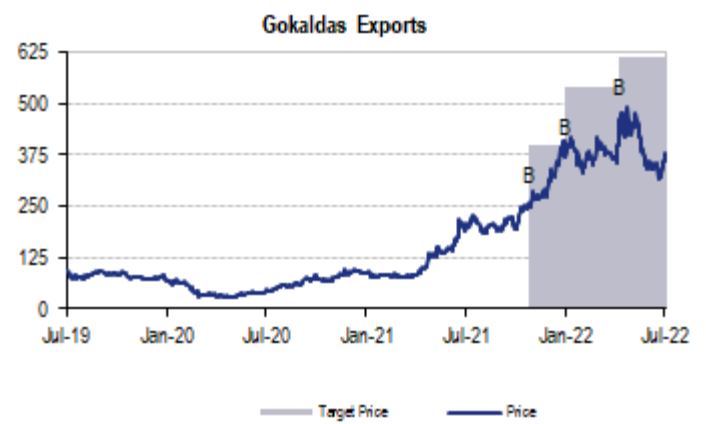
Key Ratios					
Y/E March	FY20A	FY21A	FY22A	FY23E	FY24E
BV/Share (INR)	36.6	46.9	114.5	139.7	167.5
ROIC	5.0%	8.3%	23.8%	18.3%	17.3%
ROE	4.5%	10.3%	21.1%	16.0%	14.9%
Net Debt/Equity (x)	1.8	0.9	0.0	-0.1	-0.1
P/E (x)	223.6	88.2	22.2	18.6	16.5
P/B (x)	10.3	8.1	3.3	2.7	2.3
EV/EBITDA (x)	32.0	25.6	11.3	8.8	7.4
EV/Sales (x)	2.0	2.1	1.3	1.0	0.9
Debtor days	38	54	19	25	30
Inventory days	77	78	88	75	75
Creditor days	37	37	27	37	37

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
17-Nov-21	Buy	400	
24-Jan-22	Buy	540	35.0
2-May-22	Buy	610	13.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +9122 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Mr. Sunny Shah | Tel: +91 22 6630 3383 | Email: sunny.shah@jmfl.com

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for large-cap stocks* 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 large-cap* stocks 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.

* Large-cap stocks refer to securities with market capitalisation in excess of INR200bn. 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), National Stock Exchange of India Ltd. (NSE) and Metropolitan Stock Exchange of India Ltd. (MSEI). 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.

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.

Persons who receive this report from JM Financial Singapore Pte Ltd may contact Mr. Ruchir Jhunjunwala (ruchir.jhunjunwala@jmfi.com) on +65 6422 1888 in respect of any matters arising from, or in connection with, this report.

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.

JM Financial Institutional Securities only accepts orders from major U.S. institutional investors. Pursuant to its agreement with JM Financial Institutional Securities, JM Financial Securities effects the transactions for major U.S. institutional investors. Major U.S. institutional investors may place orders with JM Financial Institutional Securities directly, or through JM Financial Securities, in the securities discussed in this research report.

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.