

Gemfields Group

Jupiter sale funds buyback and special dividend

Our updated sum-of-the-parts (SOTP) valuation of Gemfields is ZAR4.91 per share before taking into account the planned buyback of up to 10% of the issued share capital. If the buyback was fully executed at the current share price of ZAR1.65/share, the SOTP would increase to ZAR5.31/share. Gemfields' agreed sale of its stake in Jupiter for A\$44.24m (US\$30.5m) funds a planned return of capital to shareholders totalling US\$24.68m, split between the share buyback and a subsequent special dividend. On the back of total H1 auction sales from Kagem and Montepuez Ruby Mining (MRM) of US\$83.2m, we have adjusted our full-year auction sale forecast down to US\$180.4m (from US\$193.7m previously).

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/17	81.7	55.8	3.9	0.0	3.0	N/A
12/18	206.1	(22.5)	(2.3)	0.0	N/A	N/A
12/19e	198.6	19.9	(0.1)	0.6	N/A	5.1
12/20e	225.0	24.0	(0.2)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Jupiter sale funds US\$24.68m buyback and dividend

In line with its stated intention to realise value from its non-core assets, Gemfields has agreed to sell its stake in Jupiter for a total of A\$44.24m (US\$30.5m) and received a dividend of A\$3.6m (US\$2.5m) from Jupiter before the sale. Those proceeds fund a significant planned return of capital to shareholders through a buyback of up to 143m shares (10% of the issued share capital) and subsequent special dividend intended to total US\$24.68m.

Kagem and MRM H1 auction sales totalled US\$83.2m

Following H1 auction sales totalling US\$83.2m (US\$33.2m at Kagem and US\$50.0m at MRM), we have adjusted our full-year auction revenue forecast to US\$180.4m, from US\$193.7m previously, with the new forecast implying a 46%:54% H1:H2 revenue split. It is not unusual to see short-term variability in product quality and/or sales at coloured gemstone mines and we see nothing in the H1 auction figures to alter our longer-term forecasts.

Valuation: Updated SOTP of ZAR4.91/share

Adjusting our SOTP valuation of Gemfields for the change to 2019 forecast cash from operations and the current rand exchange rate moves the valuation to ZAR4.91/share (from ZAR5.01/share previously). However, if the maximum potential buyback of 143m shares were executed at the current share price of ZAR1.65/share, it would move the SOTP valuation to ZAR5.31/share. We continue to value Kagem assuming the 15% export tax on precious metals in Zambia remains in place, albeit recognising this remains the subject of ongoing discussions between the mining industry and the government.

Jupiter share sale and H1 auction sales

Metals & mining

11 July 2019

Price **ZAR1.65**

Market cap **ZAR2,168m**

ZAR14.11/US\$; A\$1.45/US\$

Net cash (US\$m) at 31 December 2018 9.8

Shares outstanding 1,314m

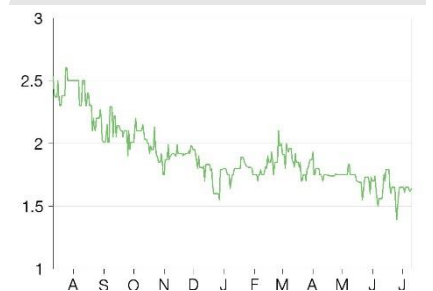
Free float 56%

Code GML

Primary exchange JSE

Secondary exchange BSX

Share price performance



% 1m 3m 12m

Abs 5.1 (5.2) (35.2)

Rel (local) 6.7 (3.9) (34.7)

52-week high/low ZAR2.6 ZAR1.4

Business description

Gemfields is a world-leading supplier of responsibly sourced coloured gemstones. It owns 75% of Montepuez Ruby Mining in Mozambique, 75% of the Kagem emerald mine in Zambia, the Fabergé jewellery business and investments in Jupiter Mines and Sedibelo Platinum.

Next events

H1 production Late July 2019

H1 results September 2019

Analysts

Alison Turner +44 (0)20 3077 5700

Russell Pointon +44 (0)20 3077 5757

Charles Gibson +44 (0)20 3077 5724

mining@edisongroup.com

[Edison profile page](#)

Gemfields Group is a research client of Edison Investment Research Limited

Jupiter stake sale, buyback and special dividend

On 15 April, Gemfields announced it had agreed to sell its 7.4% holding in ASX-listed Jupiter Mines for A\$44.24m. Gemfields also announced its intention to return the bulk of those proceeds (US\$24.68m) to shareholders through a special dividend. However, following a further decline in the company's share price, on 27 June Gemfields announced that although it intends to return the full US\$24.68m distribution pool to shareholders, the focus of the return of capital will shift to a share buyback, with up to 143m shares (10% of shares outstanding) potentially bought back and the balance of the distribution pool used for a special dividend on completion of the buyback. Given the discount to our SOTP valuation at which Gemfields shares trade, we view the share buyback as value accretive, although changes to the structure of the return of capital to shareholders relative to the previously announced intention to pay a large special dividend may have taken some by surprise.

Jupiter share sale and dividend to realise A\$47.89m in cash

Gemfields' sale of its 7.4% holding in ASX-listed Jupiter Mines for a cash consideration of A\$44.24m will be undertaken in two equal tranches. Proceeds of A\$22.12m from the first tranche sale were received in early June and the sale of the second tranche is expected to complete on 1 November 2019. In addition, in May 2019 Gemfields received A\$3.65m in dividends from Jupiter. In total the dividend and disposal will generate A\$47.89m (approximately US\$33.0m) in cash.

Most sale proceeds returned via share buyback and dividend

Gemfields had previously flagged its intention to realise value from the sale of its non-core holdings in Jupiter and Sedibelo. Having achieved the first of these, the company has decided to give the bulk of that back to shareholders through a total of US\$24.68m in share buybacks and special dividends. The allocation of the return of capital between the buyback and the special dividend will depend on the execution of the buyback (of up to 143m shares or 10% of shares in issue) and thus the precise quantum of the special dividend will be announced on completion of the buyback. If the full 143m potential shares were bought back at the current price of ZAR1.65/share, it would leave US\$8.0m available to fund a special dividend (approximately US\$0.006/share). Gemfields has also entered into a gold exploration joint venture in Mozambique close to and with the same JV partners as Montepuez (requiring a further US\$3m cash advance against future JV earnings).

H1 auction sales and 2019 revenue forecast update

In H119, Gemfields generated a total of US\$83.2m in auction sales: US\$33.2m at Kagem (US\$10.8m in February and US\$22.4m in May) and US\$50.0m at MRM. Although there were no major upsets in the H1 auction numbers, the figures for both Kagem and MRM were slightly below our expectation, suggesting our previous full-year forecast for total auction sales of US\$193.7m would leave too much to do in the second half. As discussed in more detail below, we have revised our full-year auction sales forecast down to US\$180.4m (US\$71.4m at Kagem and US\$109.1m at MRM). This implies a 46%:54% H1:H2 revenue split. It is not unusual to see short-term variations in the quality and quantity of stones recovered and sold at coloured gemstone mines and we see nothing in the H1 auction figures that would alter our view on the longer-term outlook for these assets.

Kagem H1 auction sales: Strong pricing, volumes slightly light

Kagem's February commercial-quality (CQ) auction generated total sales of US\$10.8m from the sale of 2.46Mct of emeralds (US\$4.39/ct). The high-quality (HQ) auction held in Singapore in May achieved a record average price of US\$71.85/ct with 0.31Mcts sold for total proceeds of US\$22.4m. We are reducing our forecast full-year sales volumes slightly but increasing forecast prices (to take into account the higher H1 prices and lower volumes but leaving H2 assumptions in line with our previous forecasts), resulting in forecast full-year revenue for Kagem of US\$71.4m (from US\$74.0m previously). Longer-term forecasts are unchanged.

Exhibit 1: Kagem H1 auction revenues and full-year forecasts				
		H119	Previous 2019e	New 2019e
HQ auction sales	Mct	0.31	0.70	0.67
HQ auction price	US\$/ct	71.85	64.6	68.5
HQ auction revenue	US\$m	22.4	45.2	45.8
CQ auction sales	Mct	2.46	6.9	5.9
CQ auction price	US\$/ct	4.39	4.19	4.3
CQ auction revenue	US\$m	10.8	28.7	25.5
Total Kagem auction revenue	US\$m	33.2	74.0	71.4

Source: Gemfields announcements for H119 auctions, Edison Investment Research forecasts

MRM H1 auction: Price affected by sales mix

The MRM H1 auction held in Singapore in June generated US\$50.0m in revenue from the sale of 0.96Mct of rubies at an average price of US\$51.99/ct. Although the average price was significantly below the US\$122.0/ct and US\$84/ct achieved in June and December 2018, this was partly offset by the higher volume of goods sold (0.96Mct vs 0.59Mct in June 2018 and 0.66Mct in December 2018) and the lower average pricing is most likely indicative of a lower proportion of sales of premium rubies than to any change in market conditions. Indeed, the company noted that one lot set a new price-per-carat record for a Gemfields auction. Nevertheless, in light of the H1 auction sale of US\$50m, our previous US\$119.8m full-year forecast would leave a little too much to do in the second half and we have revised this down to US\$109.1m for the full year (implying a US\$59m H2 auction).

Exhibit 2: MRM H1 auction revenues and full year forecasts				
		H119	Previous 2019e	New 2019e
Auction sales	Mct	0.96	1.50	1.75
Price	US\$/ct	51.99	79.97	62.40
Total auction revenue	US\$m	50.0	119.8	109.1

Source: Gemfields announcements for H119 auctions, Edison Investment Research forecasts

Zambian export tax uncertainty remains

As discussed in our [initiation report](#) on Gemfields, in an effort to address a mounting sovereign debt burden, in September 2018 Zambian Finance Minister Margaret Mwanakatwe announced a series of proposed changes to mining taxes (the 10th such tax change in 16 years), including an increase in all copper royalties and the introduction of a 15% export tax on precious metals and gemstones, with the potential replacement of VAT with general sales tax (GST). Discussions over the application of the export tax and GST are ongoing between companies in the mining sector, including Gemfields, and government. In the interim, Kagem auctions are subject to the tax and its continued application remains our base case for Kagem in both our forecasts and valuation.

More generally, investor confidence in the mining sector in Zambia has been dented by the escalating conflict between the Zambian government and Vedanta Resources. This came to a head in May when Zambia's High Court appointed a provisional administrator charged with selling

Konkola Copper Mines' (KCM's) assets, alleging a breach of its licence conditions including the failure to pay taxes due. Vedanta (the 80% owner of KCM) denies the claims and argues the business is not profitable due to rising taxes and electricity costs. Although the complexities of any such dispute between a government and a mining company cannot be fully understood from the outside, many have interpreted this as an unwarranted and politically motivated attack by the government on private ownership rights in the sector. The incumbent party looks to be under pressure going into elections in 2021, particularly in the Copperbelt region (where Kagem is located). Against this backdrop we do not expect any significant near-term improvement in the political climate related to the mining sector.

Valuation

As previously, for Gemfields we use an SOTP valuation based on discounted cash flow analysis of each asset (at a 10% discount rate). Our previous valuation has been adjusted for the:

- sale of Jupiter for A\$44.24m (US\$30.5m) and receipt of A\$3.65m (US\$2.5m) in dividends from Jupiter before the sale;
- US\$9m reduction in forecast 2019 cash from operations compared to our previous forecasts (longer-term forecasts unchanged); and
- change in the rand/dollar exchange rate – currently 14.11 vs our previous forecast of 14.20.

This gives us an SOTP valuation of Gemfields of US\$458m or ZAR4.91 per share before the impact of the share buyback and payment of any special dividend.

Our valuation continues to reflect our view of the long-term potential value of Gemfields' assets based on strong future production and sales growth at MRM and Kagem and the expected turnaround of the Fabergé business.

Exhibit 3: Gemfields SOTP valuation

	US\$m	ZAR/share*
Kagem (75%)	152	1.63
Montepuez Ruby Mining (75%)	361	3.87
Fabergé	59	0.64
Sedibelo (6.54%)	40	0.43
Corporate overheads	(197)	(2.11)
December 2018 net cash adjusted for Jupiter sale (net of planned share buyback before dividend)	43	0.46
SOTP valuation	458	4.91

Source: Edison Investment Research. Note: *Value per share is stated after adjusting for the company's interest in its own shares (96.276m) but before the planned share buyback.

If the planned share buyback were fully implemented (with the maximum of 143m shares bought back) at the current share price of ZAR1.65/share, it would move our SOTP valuation of the remaining shares outstanding to ZAR5.31/share. The significant gap between the current share price and our valuation strongly supports the case for returning cash to shareholders in the form of a buyback.

Financials

Lower 2019 revenue forecast offset by gain on Jupiter sale

We have adjusted our forecasts to include the reduction in our forecast Kagem and MRM auction sales and to include a forecast US\$7.3m in gains from the Jupiter dividend and profit on the sale of shares in Jupiter.

As a result, forecast revenue falls to US\$198.6m (from US\$211.9m previously) and adjusted EBITDA before share-based payments falls to US\$39.0m (from US\$47.8m previously). However, our forecast reported net loss reduces slightly to US\$4.4m from US\$6.9m previously.

Beyond 2019 we have made no changes to forecasts other than to take into account the impact of the number of shares in issue after the buyback (and the slight knock-on impact of closing 2019 cash and inventory balances). As a preliminary assumption for the purposes of our forecasts, we have assumed the maximum 143m shares are bought back at the current share price of ZAR1.65/share. This would leave US\$8.0m available to fund a special dividend (0.6 US cents per share). On completion of the buyback and finalisation of the special dividend, we would update forecasts to reflect these final figures accordingly.

Exhibit 4: Changes to 2019 forecast income statement key metrics

	Previous 2019e	New 2019e
Kagem auction revenue (US\$m)	74.0	71.4
MRM auction revenue (US\$m)	119.7	109.1
Faberge and other revenue (US\$m)	18.2	18.2
Group revenue (US\$m)	211.9	198.6
Adjusted EBITDA (before share-based payments) (US\$m)	47.8	39.0
Gain on Jupiter share sale and dividend from Jupiter (US\$m)	-	7.3
Reported profit before tax (US\$m)	18.3	16.9
Reported tax and minority interests (US\$m)	(25.2)	(21.3)
Attributable net profit (loss) – reported (US\$m)	(6.9)	(4.4)
EPS (EPS loss) – basic reported (c)	(0.5)	(0.4)

Source: Gemfields announcements for H119 auctions, Edison Investment Research forecasts

We expect Gemfields to end 2019 with net cash of US\$32.5m

The impact of the reduction in our forecast 2019 cash from operations is offset by the net impact of the receipt of US\$33.0m from the Jupiter dividend and sale, less the forecast US\$24.68m distribution of proceeds through the share buyback and dividend. As a result, we now expect a closing net cash balance of US\$32.5m (against a forecast of US\$32.1m previously).

Exhibit 5: Changes to the forecast cash flow key metrics (US\$m)

	Previous 2019e	New 2019e
Cash from operations	51.75	42.48
Capex	(25.2)	(25.2)
Net Interest	(1.5)	(1.5)
Minority dividends	(2.8)	(1.4)
Jupiter dividend and sale	-	33.0
Share buyback	-	(16.7)
Special dividend	-	(8.0)
Net change in cash	22.3	22.7
Closing net cash	32.1	32.5

Source: Gemfields announcements for H119 auctions, Edison Investment Research forecasts

Sensitivity analysis: Buyback vs special dividend

The table below shows the impact of different splits of the planned US\$24.685m distribution between share buyback and special dividend on our sum of the parts valuation and earnings forecasts (assuming that shares are bought back at the current share price of ZAR1.65/share).

Exhibit 6: Impact of Buyback on SOTP valuation and EPS forecasts

Buyback: special dividend	0%:100%	33%:67%	50%:50%	68%:32%
Shares bought back, m	0	70	105	143
Special dividend per share, c	1.75	1.23	0.95	0.63
SOTP valuation, ZAR/share	4.91	5.10	5.20	5.31
Basic reported EPS 2019e (c)	(0.3)	(0.3)	(0.3)	(0.4)
Basic reported EPS 2020e (c)	(0.4)	(0.4)	(0.4)	(0.4)
Basic reported EPS 2021e (c)	2.4	2.5	2.6	2.7

Source: Edison Investment Research analysis

Exhibit 7: Financial summary

	US\$m	2016	2017	2018	2019e	2020e	2021e	2022e	2023e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		0.0	81.7	206.1	198.6	225.0	262.6	275.1	292.8
Cost of Sales		0.0	(44.3)	(123.5)	(125.6)	(140.7)	(124.8)	(156.4)	(152.9)
Gross Profit		0.0	37.3	82.5	73.0	84.2	137.8	118.6	140.0
EBITDA		(5.9)	30.5	58.9	39.0	53.1	101.7	79.9	98.9
Normalised operating profit		(5.9)	8.3	28.2	14.0	24.6	75.1	54.9	74.5
Fair value gains (losses)		50.4	49.5	(41.9)	7.3	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	(22.6)	0.0	0.0	0.0	0.0	0.0
Share-based payments		0.0	(2.7)	(4.2)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Reported operating profit		44.5	55.1	(40.4)	18.4	21.6	72.1	51.9	71.5
Net Interest		0.0	(2.0)	(8.8)	(1.5)	(0.6)	(0.5)	0.1	0.9
Joint ventures & associates (post tax)		0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		44.6	55.8	(22.5)	19.9	24.0	74.6	54.9	75.4
Profit Before Tax (reported)		44.6	53.1	(53.9)	16.9	21.0	71.6	51.9	72.4
Reported tax		(0.0)	(7.6)	(6.5)	(20.1)	(22.7)	(32.8)	(34.8)	(39.5)
Profit After Tax (norm)		44.6	48.2	(29.0)	(0.2)	1.3	41.9	20.2	35.9
Profit After Tax (reported)		44.6	45.5	(60.4)	(3.2)	(1.7)	38.9	17.2	32.9
Minority interests		0.0	(7.2)	(1.8)	(1.2)	(3.3)	(7.4)	(8.5)	(10.9)
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		44.6	41.0	(30.8)	(1.4)	(2.0)	34.5	11.7	25.0
Net income (reported)		44.6	38.3	(62.2)	(4.4)	(5.0)	31.5	8.7	22.0
Basic average shares outstanding (m)*		760	1,039	1,314	1,248	1,171	1,171	1,171	1,171
EPS - basic normalised (c)		5.9	3.9	(2.3)	(0.1)	(0.2)	2.9	1.0	2.1
EPS - diluted normalised (c)		5.9	3.9	(2.3)	(0.1)	(0.2)	2.9	1.0	2.1
EPS - basic reported (c)		5.9	3.7	(4.7)	(0.4)	(0.4)	2.7	0.7	1.9
Dividend (c)		0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Revenue growth (%)		NA	N/A	152.4	(3.6)	13.3	16.8	4.7	6.4
Gross Margin (%)		NA	45.7	40.1	36.7	37.4	52.5	43.1	47.8
EBITDA Margin (%)		NA	37.3	28.6	19.6	23.6	38.7	29.1	33.8
Normalised Operating Margin		NA	10.2	13.7	7.1	10.9	28.6	20.0	25.4
BALANCE SHEET									
Fixed Assets		737.8	626.6	509.9	479.4	473.0	470.8	467.3	471.2
Intangible Assets		0.0	49.3	52.3	52.3	52.3	52.3	52.3	52.3
Tangible Assets		378.0	365.0	365.3	360.4	354.0	351.8	348.3	352.2
Investments & other		359.7	212.2	92.4	66.6	66.6	66.6	66.6	66.6
Current Assets		7.4	184.1	224.4	223.8	229.5	275.7	292.6	323.9
Stocks		0.0	118.8	99.2	104.7	105.6	131.3	124.8	121.0
Debtors		1.2	27.5	62.1	33.4	37.0	43.2	45.2	48.1
Cash & cash equivalents		1.2	37.8	63.0	85.7	86.9	101.2	122.5	154.8
Other		5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities		(0.2)	(37.0)	(60.6)	(60.8)	(63.1)	(67.2)	(68.6)	(69.4)
Creditors		(0.2)	(21.2)	(28.2)	(25.8)	(27.6)	(29.6)	(30.6)	(30.5)
Tax payable		0.0	(7.0)	(1.4)	(4.0)	(4.5)	(6.6)	(7.0)	(7.9)
Short term borrowings		0.0	(4.2)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)
Other		0.0	(4.6)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)	(7.9)
Long Term Liabilities		0.0	(169.6)	(123.4)	(123.4)	(123.4)	(123.4)	(123.4)	(123.4)
Long term borrowings		0.0	(59.3)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Other long-term liabilities		0.0	(110.3)	(93.4)	(93.4)	(93.4)	(93.4)	(93.4)	(93.4)
Net Assets		744.9	604.1	550.4	518.9	515.9	555.9	567.8	602.3
Minority interests		0.0	78.4	73.9	73.7	74.2	75.5	77.0	79.2
Shareholders' equity		744.9	682.5	624.3	592.6	590.1	631.3	644.8	681.4
CASH FLOW									
Op Cash Flow before WC and tax		(5.9)	30.5	58.9	39.0	53.1	101.7	79.9	98.9
Working capital		0.5	(9.7)	(29.7)	23.5	(2.1)	(27.8)	5.9	1.6
Exceptional & other		5.0	0.4	0.3	0.0	0.0	0.0	0.0	0.0
Tax		(0.0)	(7.6)	(24.4)	(20.1)	(22.7)	(32.8)	(34.8)	(39.5)
Net operating cash flow		(0.4)	13.6	5.1	42.5	28.3	41.1	51.0	61.1
Capex		0.0	(11.0)	(29.0)	(25.2)	(23.7)	(20.2)	(22.8)	(21.0)
Acquisitions/disposals		0.0	(17.9)	77.4	33.0	0.0	0.0	0.0	0.0
Net interest		0.0	(2.3)	(4.4)	(1.5)	(0.6)	(0.5)	0.1	0.9
Equity financing		0.0	(0.7)	(4.7)	(16.7)	0.0	0.0	0.0	0.0
Dividends		0.0	(5.0)	(5.9)	(9.4)	(2.8)	(6.1)	(6.9)	(8.7)
Other		0.0	(3.4)	(2.9)	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		(0.4)	(26.6)	35.7	22.7	1.2	14.3	21.3	32.2
Opening net debt/(cash)		0.0	(1.2)	25.7	(9.8)	(32.5)	(33.8)	(48.1)	(69.4)
FX		0.0	(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		(1.2)	25.7	(9.8)	(32.5)	(33.8)	(48.1)	(69.4)	(101.6)

Source: Gemfields accounts, Edison Investment Research. Note: *Shares outstanding after adjusting for treasury shares (96.276m).

General disclaimer and copyright

This report has been commissioned by Gemfields Group and prepared and issued by Edison, in consideration of a fee payable by Gemfields Group. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia