

OTC Markets Group

Clear focus on longer-term aims

FY17 results

OTCM Markets Group (OTCM) reported FY17 results in line with our expectations, with 7% revenue growth and a lower tax charge driving earnings growth of over 17%. OTCM remains consistent in its focus on positioning itself as a cost-effective, transparent and less onerous way of accessing capital markets. To this end, it has introduced new products, invested in IT, made strategic alliances and continued to work towards further Blue Sky recognitions.

Year end	Revenue (\$m)	PBT (\$m)	EPS* (\$)	DPS** (\$)	P/E (x)	Yield (%)
12/16	50.9	16.9	0.90	1.16	30.3	4.2
12/17	54.7	18.4	1.06	1.16	25.9	4.2
12/18e	57.7	20.1	1.29	1.19	21.3	4.3
12/19e	60.2	21.1	1.34	1.24	20.4	4.5

Note: *Fully diluted and calculated after restricted stock award allocation. **Including special declared dividends of \$0.60 for 2016 and 2017, and an estimated \$0.63 and \$0.66 for 2018 and 2019 respectively.

FY17 results

OTCM reported overall revenues up 7%, primarily driven by the Corporate Services segment where stronger sales and lower churn at OTCQB, and a price increase for OTCQX clients contributed to growth of nearly 18%. Operating expenses grew at a slightly slower pace, allowing pre-tax profit growth of more than 8%. The tax charge was lower leading to fully diluted EPS growth of 17% to \$1.06. A maintained quarterly dividend of \$0.14 was announced and, including the special dividend of \$0.60, this gave a total dividend of \$1.16 for the full year (unchanged). Net cash of \$23.7m at the year-end was only modestly lower after increased capex and returns to shareholders through dividends and share buybacks up 5% to \$16.5m.

Market background and outlook

The economic and equity market background for OTCM have been generally favourable over the last year despite macro uncertainties and some qualms over market valuation. The correction seen in early 2018 could be a forerunner of further volatility but, with the economic backdrop still generally robust, the signs are for the moment are still positive. Potential competitive pressures and challenges for broker-dealers in the shape of margin pressure and regulatory costs could cause headwinds. Against this, new product offerings, including the launch of an ECN platform, should help retain broker-dealer participants, while alliances such as those with Issuer Direct and the Canadian Stock Exchange broaden services for corporate clients. On a long view, development of online capital raising could increase the population of corporates for which OTCM's services will be a good fit.

Valuation

On a peer comparison basis OTCM remains in line with or below the ratings accorded to exchange and information providers. Taking this and a discounted cash flow valuation into account, we have increased our fair value assessment from c \$26 to c \$29 (page 7).

Financial services

21 March 2018

Price **US\$27.40**
Market cap **US\$315m**

Net cash (\$m) at end Dec 2017	23.7
Shares in issue	11.4m
Free float	60%
Code	OTCM
Primary exchange	OTCQX
Secondary exchange	N/A

Share price performance



Business description

OTC Markets Group operates the OTCQX, OTCQB and Pink financial markets for c 10,000 US and global securities. OTC Link LLC, a member of FINRA, operates OTC Link ATS and OTC Link ECN, both SEC-registered Alternative Trading Systems. We estimate c 80% of revenues are on a subscription basis.

Next events

Q118 May 2018

Analysts

Andrew Mitchell +44 (0)20 3681 2500
 Martyn King +44 (0)20 3077 5745

financials@edisongroup.com

[Edison profile page](#)

**OTC Markets Group is a
 research client of Edison
 Investment Research Limited**

FY17 and Q417 results analysis

OTCM reported **revenues** up by more than 7% for FY17 (Exhibit 1). The main driver was a near-18% increase in Corporate Services revenue reflecting good sales and reduced churn for the OTCQB Venture market, together with price increases at OTCQX Best market that more than offset a reduced client count as 91 companies were downgraded for failing to meet the market's higher standards. The 5% decline in OTC Link ATS revenues resulted from the continuing contraction in the number of broker-dealer members, while the 4% increase for Market Data Licensing was the net result of price increases, sales of new products and a small reduction in the number of professional users.

Expenses for the full year grew at a slightly slower pace than revenues, allowing pre-tax profits to increase by 8%. **Net income** for FY17, benefiting from a lower tax rate, increased by 19%. The company announced a quarterly **dividend** of \$0.14, the twelfth payment at this level and 37th consecutive quarterly dividend payment. Including the special dividend of \$0.60, the total dividend for the year of \$1.16 was also maintained.

Exhibit 1: Q417/FY17 results summary								
\$000s unless stated	Q416	Q317	Q417	% change vs Q416	% change vs Q317	FY16	FY17	% change
OTC Link ATS	2,631	2,413	2,546	(3.2)	5.5	10,573	10,074	(4.7)
Market data licensing	5,218	5,505	5,445	4.4	(1.1)	21,054	21,922	4.1
Corporate services	5,029	5,704	5,898	17.3	3.4	19,254	22,660	17.7
Gross revenues	12,878	13,622	13,889	7.9	2.0	50,881	54,656	7.4
Re-distribution fees and rebates	(583)	(584)	(646)	10.8	10.6	(2,317)	(2,480)	7.0
Net revenue	12,295	13,038	13,243	7.7	1.6	48,564	52,176	7.4
Operating expenses	(7,683)	(8,448)	(8,591)	11.8	1.7	(31,638)	(33,872)	7.1
Income from operations	4,612	4,590	4,652	0.9	1.4	16,926	18,304	8.1
Other income / net interest	2	5	6	200.0	20.0	9	47	422.2
Pre-tax income	4,614	4,595	4,658	1.0	1.4	16,935	18,351	8.4
Taxes	(1,921)	(1,107)	(1,742)	(9.3)	57.4	(6,407)	(5,792)	(9.6)
Net income	2,693	3,488	2,916	8.3	(16.4)	10,528	12,559	19.3
Diluted EPS (\$)	0.23	0.29	0.24	6.1	(16.5)	0.90	1.06	17.1
Operating margin	38%	35%	35%			35%	35%	
Tax rate	42%	24%	37%			38%	32%	

Source: OTCM, Edison Investment Research

Looking at **the final quarter result** compared with Q416, the trends in revenue in the three segments were in line with the full year comments above. For this period increased expenses reflecting headcount investment and bonuses driven by increased sales meant that pre-tax profit lagged revenues showing a 1% increase. Again, a lower tax rate resulted in 8% growth at the net income level.

On the **tax** charge there was a sharp increase (from 24% to 37%) between Q317 and Q417, which resulted from the negative impact on tax assets of the reduction in US corporate tax rates. Prospectively, the lower general level of corporate tax rates and continuing modest benefits from the federal Domestic Production Activities Deduction, and the lower rate available in New York State for Qualifying Emerging Technology companies, is likely to contribute to an effective tax rate put at between 22% and 24% by OTCM.

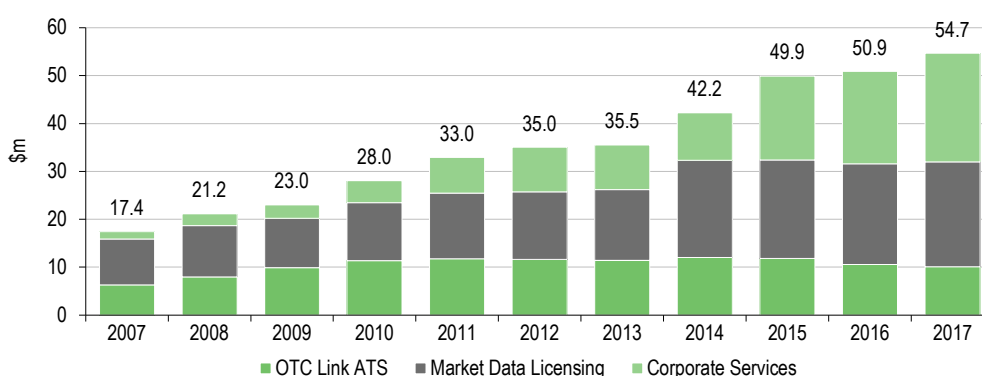
OTCM launched **OTC Link ECN** in December 2017 to provide broker dealers with an anonymous order matching and routing system as an alternative to the existing fully attributable quotation platform, OTC Link ATS. It is still too early to gauge the likely uptake of the ECN (Electronic Communications Network) and its impact on revenues. Nevertheless, the additional offering is one of the steps OTCM is taking to enhance the services it offers to broker dealers, which in turn helps to address competition, including Global OTC ATS. Global OTC ATS (a subsidiary of ICE/NYSE)

began competing more directly with OTC Link ATS in May last year when it withdrew its quotations from OTC Link ATS. Global OTC ATS, like OTC Link ECN, operates a maker/taker fee model. In its annual report OTCM indicated that this development had a de minimus impact on revenue in 2017. Global OTC ATS data show that although the current market share of c 11% is above a low of around 7% recorded in May/June last year, it is still within the two-year range, which peaked at over 12% in 2016.

OTCM initiatives to improve the transparency of its markets and ease the experience of corporate clients include the Transfer Agent Verified Shares programme and the Issuer Direct and Canadian Stock Exchange alliances. The **Transfer Agent Verified Shares** programme makes public current information on share issuance making clear, for example, where there has been dilutive share issuance; there are 15 transfer agents participating. The **Issuer Direct** alliance gives corporates easy access to communications and compliance service. The strategic alliance with the **Canadian Stock Exchange** enables corporates to list on the CSE and then develop secondary trading in the US in a cost-effective manner through OTCQX or OTCQB.

The next chart shows the evolution of revenue since 2007, a period over which total revenue grew at a compound rate of 12%. As can be seen, the Corporate Services segment has expanded significantly, accounting for 41% of revenues in 2017 compared with 23% in 2014. This mainly reflects the development of revenues from the premium OTCQX and OTCQB markets, most of which derive from application and annual fees.

Exhibit 2: Gross revenue evolution and analysis



Source: OTCM, Edison Investment Research

Exhibit 3 shows a summary of operating and related revenue data for the three segments. The figures for OTC Link ATS confirm the reduction in the number of active participants, reflecting consolidation and withdrawal from the market as broker-dealers face the challenges of increased automation, margin pressures and rising regulatory costs. Nevertheless, there appears to have been a tempering of this trend with the number of participants stable at 94 for Q317 and Q417.

Market Data Licensing has also felt some effect of consolidation and cost pressures among market users, resulting in a small contraction in the number of professional terminals during 2017. In contrast, the number of non-professional terminals saw a 15% increase, a gain that OTCM indicates mirrors increased retail participation in the US equity market.

The Corporate Services metrics show an 8% reduction in the number of OTCQX clients between FY16 and FY17, which was the net result of lower churn (non-renewal), higher new additions (83 versus 60) and increased compliance downgrades (83 versus 60). The number of OTCQB clients increased by nearly 8%, with new sales up (249 versus 227) and churn and compliance downgrades down (272 versus 351).

Not shown in the table below, but an important operating metric is OTCM's achievement of a third year of 100% uptime in its core systems in 2017, validating the investment made in IT systems while supporting the company's reputation and competitive position.

Exhibit 3: Operating and related revenue data

	Q416	Q317	Q417	% change vs Q416	% change vs Q317	FY16	FY17	% change
OTC Link ATS								
Number of securities quoted	9,633	9,991	10,286	6.8	3.0	9,633	10,286	6.8
Number of active participants	104	94	94	(9.6)	0.0	104	94	(9.6)
Revenue per security quoted (\$)	273	242	248	(9.4)	2.5	1,098	979	(10.8)
Revenue per average active participant (\$)	24,821	25,267	27,085	9.1	7.2	93,566	101,758	8.8
Revenue bps of volume traded	0.46	0.45	0.31	(32.1)	(30.7)	0.55	0.41	(25.5)
Corporate Services								
Number of corporate clients								
OTCQX	398	355	366	(8.0)	3.1	398	366	(8.0)
OTCQB	872	923	938	7.6	1.6	872	938	7.6
Pink	665	727	755	13.5	3.9	665	755	13.5
Total	1,935	2,005	2,059	6.4	2.7	1,935	2,059	6.4
Revenue per client (\$)	2,599	2,845	2,864	10.2	0.7	9,950	11,005	10.6
Market Data Licensing								
Market data professional users	20,628	20,512	20,390	(1.2)	(0.6)	20,628	20,390	(1.2)
Market data non-professional users	12,839	14,012	14,801	15.3	5.6	12,839	14,801	15.3
Revenue per terminal (\$)	156	159	155	(0.8)	(3.0)	629	623	(1.0)

Source: OTCM, Edison Investment Research

OTCM continues to work towards increased **Blue Sky recognition** for its premium markets and national recognition for OTCQX. Since the Q317 announcement a further two states, Louisiana and Tennessee, have granted recognition to both markets (see Exhibit 4 for full list) taking the totals to 29 states for OTCQX and 26 for OTCQB. The company notes that Michigan and Oklahoma both have rule proposals that could lead to recognition in due course.

Exhibit 4: Blue Sky recognition for OTCQX and OTCQB

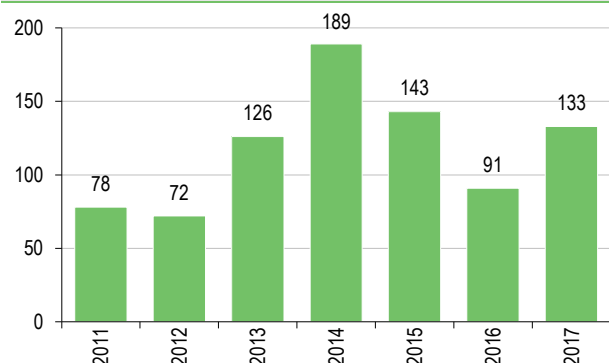
State	Recognition	State	Recognition
Alaska	Both	New Mexico	Both
Arkansas	Both	Pennsylvania	Both
Colorado	Both	Ohio	Both
Delaware	Both	Oregon	Both
Georgia	Both	Rhode Island	Both
Hawaii	Both	South Dakota	Both
Idaho	OTCQX only	Tennessee	Both
Indiana	Both	Texas	Both
Iowa	Both	Utah	Both
Kansas	OTCQX only	Vermont	OTCQX only
Louisiana	Both	Washington	Both
Maine	Both	West Virginia	Both
Mississippi	Both	Wisconsin	Both
Nebraska	Both	Wyoming	Both
New Jersey	Both		

Source: OTCM. Note: The two new states added since Q317 announcement are in bold.

Current trading environment and outlook

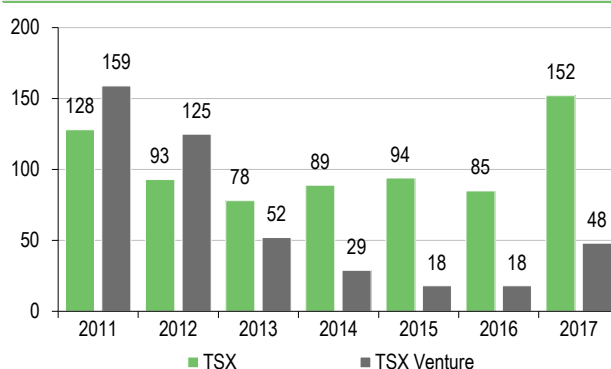
As in previous notes, we include charts showing the number of IPOs on Nasdaq, the Canadian TSX and TSX Venture exchanges and AIM in the UK to give a flavour of the broader corporate activity levels in a selection of equity markets.

Exhibit 5: Nasdaq – number of IPOs



Source: Nasdaq

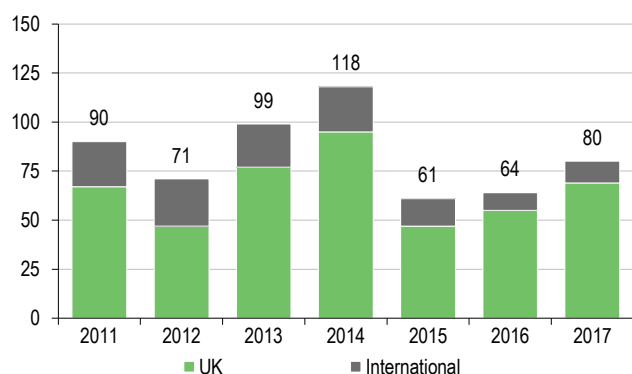
Exhibit 6: TSX and TSX Venture – number of IPOs



Source: TMX

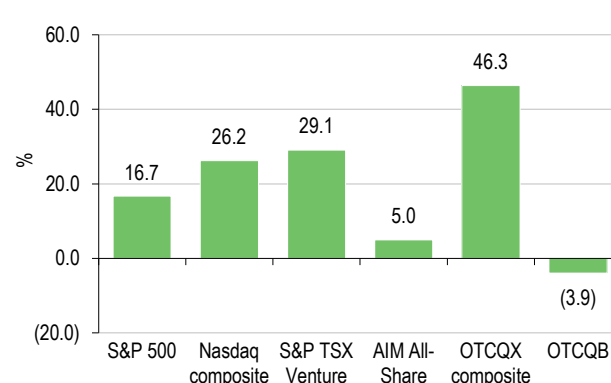
In all three markets there was a positive comparison between 2017 and 2016 despite an uncertain geopolitical background during the year. Factors likely to have contributed to this include the generally favourable economic background and positive market performances. One-year index performances to mid-March are shown in Exhibit 8 and these are still mainly positive, even after the correction seen in the current year. While questions continue to be raised over market valuation, absent a more sustained market correction the background for new issues appears to remain satisfactory.

Exhibit 7: AIM number of admissions



Source: AIM

Exhibit 8: One-year index performance (US\$ terms)



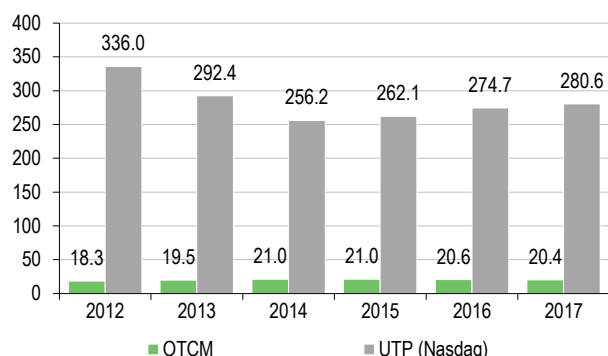
Source: Bloomberg. Note: Total return, to 20 March 2018.

This should broadly create a positive read-across for OTCM's corporate segment. Activity in this area will also be affected by factors such as the appetite of international corporates for US market exposure and whether the higher new sales rate and lower churn seen in 2017 can be maintained. For OTCQB, the current year will benefit from an increase in the annual fee announced in October 2017 (20% for those paying annually and 8% on a quarterly basis).

Exhibits 9 and 10 show the trends in data users with OTCM users compared with figures for UTP (Nasdaq) users. OTCM professional users have fallen modestly and this trend may continue, although the decline is not steep and could be reversed if appetite for OTCM increases, allowing its modest market share versus UTP to increase (from 7.3% at end 2017). The number of non-professional users has been on a strong upward trend, as noted earlier, and we suspect this

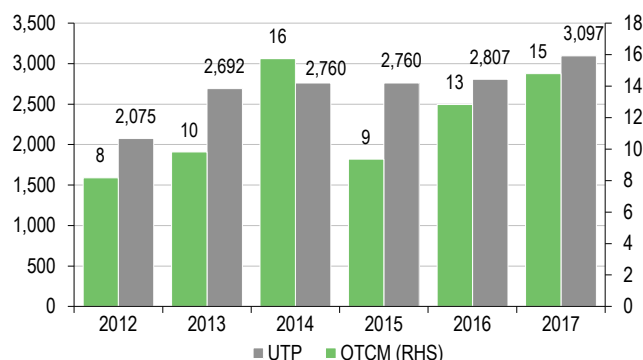
increased penetration could see noticeable positive or negative variation subject to equity market conditions.

Exhibit 9: OTCM and UTP (Nasdaq) professional users



Source: OTCM, UTP Plan, Edison Investment Research (000s)

Exhibit 10: OTCM and UTP non-professional users



Source: OTCM, UTP Plan, Edison Investment Research (000s)

We have noted the challenges faced by the broker-dealer participants in OTC Link ATS and the new OTC Link ECN and these seem unlikely to reverse. However, OTCM's development of new products such as the ECN and prospectively new functionality on both the ATS and ECN should help customer retention and strengthen the competitive position of the business. Sensitivities for the business remain the risk that a competitor adopts more aggressive behaviour or that there is an adverse regulatory development that could affect the number of participants and data licence revenue.

OTCM has set out its five main objectives for 2018, demonstrating consistency and a clear focus:

1. increased functionality on its platforms for broker dealers;
2. continued focus on reliability of core systems;
3. work towards further recognition of its two premium markets;
4. improve corporate client experience further on OTCQX and OTCQB; and
5. continue efforts to become venue of choice for secondary trading of equities issued through online capital raising (under Regulation A+ and facilitated by JOBS Act).

Financials

Exhibit 11 sets out changes in our estimates including actual versus estimated for 2017 and fresh estimates for 2019. The variations for 2017 and 2018 in revenue and PBT are minor, while EPS for 2018 increases substantially reflecting lower prospective tax rate.

Exhibit 11: Estimate revisions

	Gross revenue (\$m)			PBT (\$m)			EPS (\$)			Dividend (\$)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
2017	54.4	54.7	0%	18.3	18.4	0%	1.06	1.06	-0.3%	1.16	1.16	0%
2018e	57.6	57.7	0%	19.8	20.1	1%	1.07	1.29	20.1%	1.19	1.19	0%
2019e	N/A	60.2	N/A	N/A	21.1	N/A	N/A	1.34	N/A	N/A	1.24	N/A

Source: Edison Investment Research. Note: For 2017 "old" numbers are estimates and "new" actual reported.

At the year end the cash position stood at \$23.7m compared with \$25.0m at end 2016. Operating cash flow was up from \$15.7m to \$16.5m with increased capital spending and returns to shareholders being the main offsetting factors. Capital expenditure and spending on intangibles for 2017 nearly trebled to \$1.2m with the increase including \$440,000 invested to re-platform the OTCM website and \$100,000 for the launch of the OTC Link ECN. Returns to shareholders (dividends and share buybacks) increased by 5% to \$15.4m. Otherwise there was a small

allocation of cash (\$0.5m) as collateral held at clearing organisations against obligations arising from the operation of OTC Link ECN, which acts as agent in transactions (OTC Link ATS is not an intermediary, instead transmitting messages facilitating trades between subscribers). OTCM indicates that even were the ECN to scale up considerably, the level of cash restricted is unlikely to increase proportionately. We have assumed small additional amounts are restricted in this way within our forecasts.

Valuation

We have updated our comparative P/E table including global exchanges and information providers, MSCI and Markit, which can be seen as having some parallel with OTCM's subscription-based fees and market data income (Exhibit 12). As in previous reports, OTCM trades on multiples below or similar to the consensus averages for the exchanges and information providers. On a longer view, success in OTCM's mission to provide painless access to capital markets for new corporates, particularly those using online capital-raising techniques, could be a key driver of earnings and valuation. Potentially a medium-term source of positive surprise would be increasing reputation and traction with corporates as OTCM's premium markets gain Blue Sky recognition from an increasing number of states.

Exhibit 12: OTCM comparative multiples

	Estimated P/E ratios (x)	
	FY18e	FY19e
MSCI	30.9	26.1
Markit	21.8	19.1
Average information providers	26.3	22.6
Average global exchanges	26.6	21.7
S&P 500	17.4	15.8
OTCM	21.3	20.4

Source: Bloomberg, Edison Investment Research. Note: Prices as at 20 March 2018.

Using a discounted cash flow model based on our current estimates and adjusting assumptions to match the current share price (\$27.40, 20 March 2018), one combination producing this value would be a discount rate of just over 10%, a long-term growth rate of 4% and a terminal OCF multiple of 16.5x (compares with a current year value of 17.4x). A sensitivity table below shows how the DCF valuation changes with discount rate and growth assumptions. Reflecting the roll over to a new year since we last published and taking into account peer multiples, we increase our fair value estimate from c \$26 to c \$29.

Exhibit 13: Discounted cash flow valuation sensitivity (\$ per share)

Discount rate (right)	7%	8%	9%	10%	11%
2020-28e growth					
2%	30.2	28.1	26.2	24.5	23.0
3%	32.0	29.8	27.8	26.0	24.3
4%	34.0	31.6	29.4	27.5	25.7
5%	36.2	33.6	31.2	29.1	27.2

Source: Edison Investment Research

Exhibit 14: Financial summary

\$000s	2015	2016	2017	2018e	2019e
Year end 31 December					
PROFIT & LOSS					
OTC Link ATS	11,796	10,573	10,074	9,973	9,874
Market Data Licensing	20,610	21,054	21,922	22,908	23,939
Corporate Services	17,503	19,254	22,660	24,813	26,426
Revenue	49,909	50,881	54,656	57,694	60,238
Re-distribution fees and rebates	(2,379)	(2,317)	(2,480)	(2,654)	(2,771)
Net revenue	47,530	48,564	52,176	55,041	57,467
Operating expenses	(28,972)	(30,032)	(32,511)	(33,974)	(35,333)
EBITDA	18,558	18,532	19,665	21,067	22,135
Depreciation	(1,692)	(1,606)	(1,361)	(1,040)	(1,071)
Operating profit (before amort. and except).	16,866	16,926	18,304	20,027	21,063
Net interest	27	9	47	30	35
Profit before tax	16,893	16,935	18,351	20,057	21,098
Tax	(6,635)	(6,407)	(5,792)	(4,613)	(4,853)
Profit after tax	10,258	10,528	12,559	15,444	16,246
Profit after tax and allocation to RSAs	9,971	10,252	12,241	15,126	15,928
Fully diluted av. No. of shares (m)	11.3	11.3	11.6	11.7	11.8
Basic EPS (c)	90.6	92.4	109.9	131.6	137.4
Fully diluted EPS (c)	88.3	90.4	105.8	128.8	134.5
Dividend per share (c)	108.0	116.0	116.0	119.0	124.0
EBITDA Margin (%)	39	38	38	38	39
Operating profit margin (%)	35	35	35	36	37
BALANCE SHEET					
Non-current assets					
Intangible assets	291	291	362	401	501
Property and other	4,187	3,267	3,506	3,316	3,145
Current assets					
Debtors	6,082	6,262	6,450	6,450	6,450
Cash & cash investments	23,925	25,034	23,683	27,766	31,468
Other current assets	1,729	1,789	2,316	2,316	2,316
Current liabilities					
Deferred revenues	(12,737)	(14,664)	(15,531)	(16,000)	(16,000)
Other current liabilities	(5,063)	(5,372)	(5,644)	(5,644)	(5,644)
Long-term liabilities					
Tax, rent and other	(867)	(1,101)	(1,351)	(1,351)	(1,351)
Net assets	17,547	15,506	13,791	17,254	20,885
NAV per share (\$)	1.55	1.36	1.21	1.49	1.79
CASH FLOW					
Operating cash flow	22,400	21,752	21,629	23,297	23,835
Net Interest	27	9	47	30	35
Tax	(5,320)	(6,021)	(5,193)	(4,613)	(4,853)
Capex / intangible investment	(940)	(415)	(1,165)	(750)	(800)
Financing / investments	(420)	(1,157)	(3,407)	(261)	(200)
Dividends	(12,094)	(13,059)	(13,262)	(13,619)	(14,315)
Net cash flow	3,653	1,109	(1,351)	4,083	3,701
Opening net (debt)/cash	20,272	23,925	25,034	23,683	27,766
Closing net (debt)/cash	23,925	25,034	23,683	27,766	31,468

Source: OTC Markets Group accounts, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by OTC Markets Group and prepared and issued by Edison for publication globally. 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. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US 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. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and 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 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. This document is provided 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. Edison has a restrictive policy relating to personal dealing. 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. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. 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. 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 (ie 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. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "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.