

Target Healthcare REIT

Trading update

Growing portfolio performing well

Real estate

7 February 2019

Price 115.5p
Market cap £445m

During the three months to 31 December 2018 (Q219), Target made good progress with deploying available capital resources, including the £50m gross proceeds from the November share placement. The portfolio also continues to perform well, delivering a 2.3% quarterly NAV total return (9.5% annualised). The attractive dividend yield is backed by very long leases, mostly RPI-linked, and supported by careful asset and operator selection. We continue to forecast a fully covered dividend in FY20.

Year end	Revenue (£m)	Adj. net earnings* (£m)	Adjusted EPS* (p)	EPRA NAV/ share (p)	DPS (p)	P/NAV per share (x)	Yield (%)
06/17	23.6	13.2	5.23	101.9	6.28	1.13	5.4
06/18	28.4	15.7	5.54	105.7	6.45	1.09	5.6
06/19e	34.9	21.1	5.71	106.3	6.58	1.09	5.7
06/20e	43.4	25.9	6.72	110.0	6.71	1.05	5.8
06/21e	44.7	26.6	6.92	114.2	6.84	1.01	5.9

Note: *Adjusted earnings exclude revaluation movements, non-cash income arising from the accounting treatment of lease incentives and guaranteed rent review uplifts, acquisition costs and performance fees, and include development interest under forward fund agreements.

Net debt (£m) at 31 December 2018	43.3
Gross LTV at 31 December 2018	15.3%
Shares in issue	385.1m
Free float	96.7%
Code	THRL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	7.9	6.4	6.4
Rel (local)	2.6	4.9	6.3
52-week high/low		116.0p	101.5p

Business description

Target Healthcare REIT invests in modern, purpose-built residential care homes in the UK let on long leases to high-quality care providers. It selects assets according to local demographics and intends to pay increasing dividends underpinned by structural growth in demand for care.

Next events

Q219 DPS payment	22 February 2019
------------------	------------------

Analysts

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

financials@edisongroup.com

[Edison profile page](#)

**Target Healthcare REIT is a
 research client of Edison
 Investment Research Limited**

NAV total return of 2.3% in Q219

End-Q219 EPRA NAV per share increased to 106.9p (end-Q119: 106.1p) after deducting the Q119 DPS of 1.6448p paid to qualifying shareholders during the period. The portfolio increased 14.9% to £463.9m, mainly reflecting investments but also a 1.6% like-for-like valuation gain. An aggregate £50.8m was committed to three new homes in the period. Annualised rent roll has reached £28.0m, including a 0.7% like-for-like quarterly increase in rents. Pre-let, forward-funded developments and forward purchases will add £5.3m on completion. Our revised forecasts assume a re-gearing towards the company's target LTV of 25%, with £55m of future debt-funded acquisitions from a continuing strong pipeline of opportunities. Our progressive DPS forecasts remain the same and, allowing for the November share issuance, our forecast adjusted EPS is little changed.

Demographics support long-term growth

Demographics should support growing care home demand for years to come, while there is an undersupply of the modern, well-designed homes, fully equipped with en-suite wet rooms and suitable communal spaces, that differentiate Target's investment strategy. Investors continue to be attracted by long lease lengths and upwards-only, RPI-linked rental growth, with strong competition for assets. Although increasing asset prices have a positive impact on the NAV, they make Target's disciplined approach to acquisitions, targeting 'future-proof assets', an essential ingredient in delivering attractive and sustainable long-term returns.

Valuation: Income visibility and growth

Target offers a growing dividend, with visible inflation-linked potential for growth, which we expect to be fully covered by adjusted earnings in FY20. The dividend represents a highly attractive yield (almost 6%) that supports the c 8% premium to Q219 NAV.

Portfolio growth and strong return

During the three months to 31 December 2018 (Q219), Target made good progress with deploying available capital resources, including the £50m gross proceeds from the November share placement. An aggregate £50.8m (including costs) was committed to three modern, well-designed homes, fully equipped with en-suite wet rooms and suitable communal spaces. This comprises the acquisition of one new operational home (£13.8m) and two sites on which pre-let homes will be constructed through forward-funded development agreements (£37.0m). We discuss these new investments in more detail in the next section after briefly discussing the highlights of the quarter, which saw the group continue to generate a good level of NAV total return, 2.3% during the quarter or an annualised 9.5%.

Exhibit 1: Summary of quarterly NAV per share movement

	Dec-18	Sep-18
Pence per share (p) unless stated otherwise	Q219	Q119
EPRA NAV per share at start of period	106.1	105.7
Property revaluation	1.7	1.2
Property acquisition costs & other capital items	(0.7)	(0.5)
Net gains/(losses) on investment property revaluation	1.0	0.7
Net effect of equity issuance	0.1	0.0
Movement in revenue reserve	1.1	1.3
Dividends paid, per share outstanding at period end*	(1.4)	(1.6)
EPRA NAV per share at end of period	106.9	106.1
Dividends paid, per qualifying share**	1.6448	1.6125
NAV total return	2.3%	1.9%

Source: Target Healthcare REIT. Note: *Reflects the Q1 DPS paid during Q2 divided by the increased share count including 45.9m placing shares in November 2018. **Reflects the Q1 DPS paid to qualifying shareholders.

- End-Q219 EPRA NAV per share increased to 106.9p (end-Q119: 106.1p) after deducting the Q119 DPS of 1.6448p paid to qualifying shareholders during the period.
- Compared with end-Q119, the portfolio value increased by £60.2m or 14.9% to £463.9m. The majority of the increase reflects the acquisition of standing assets, and further investment into existing and new forward-funded developments (adding 13.3% to the portfolio, net of acquisition costs and other capital adjustments), while like-for-like revaluation gains added 1.6% (equivalent to 1.7p per share). The other capital adjustments represent the discount applied to accumulated development costs of assets under construction, anticipated to unwind as the assets reach practical completion.
- Like-for-like revaluation gains were supported by rental uplifts and also benefited from yield tightening. Nine rent reviews were completed at an average 3.3% uplift, resulting in a 0.7% like-for-like increase in contracted rent roll. In aggregate, the annualised contract rent roll increased by 6.1% from £26.4m to £28.0, additionally benefiting from the acquisition of standing assets (adding 3.1%) and the completion of one of the development assets at Wetherby in West Yorkshire (adding 2.3%). The end-Q219 valuation reflects an EPRA topped-up net initial yield of 6.32% compared with 6.41% at end-Q119.
- There are seven pre-let, forward-funded development projects under construction, and one agreed forward purchase, which will add an additional £5.3m to the annualised rent roll when completed, and will further diversify the tenant base.
- The Q118 DPS of 1.64475p paid during the period was an increase of 2% on the FY18 quarterly DPS level of 1.6125p. Reflecting the dividend increase, the near-term impact of the November share placing, and the forward funded/forward purchased assets that are yet to contribute to rental income, DPS is not currently fully covered by recurring income earnings. We forecast full cover in FY20 as continuing acquisitions and development completions

contribute. A second interim dividend in respect of Q219 has been declared for payment on 22 February 2019.

- At end-Q219, £71.0m of the £130m in borrowing facilities currently available to the group had been drawn, giving a gross loan-to-value ratio (LTV) of 15.3% or a net LTV of 9.2% after adjusting for cash of £28.8m. The weighted average cost of the drawn debt, inclusive of the amortisation of loan arrangement costs, was 3.09%, with a weighted average term to expiry of 2.8 years.

Exhibit 2: Balance sheet summary

	Dec-18	Sep-18
£m	Q219	Q119
Investment properties*	463.9	403.7
Cash	28.8	24.0
Net current assets/(liabilities)	(10.2)	(1.9)
Bank loan	(71.0)	(66.0)
Net assets	411.5	359.8

Source: Target Healthcare REIT. Note: *At valuation before lease incentive adjustments.

Investment activity and portfolio update

At 31 December 2018, the portfolio comprised 61 homes (September: 58), of which 54 (52) were completed, operational homes and seven (six) were pre-let development sites under construction through forward funding commitments with established development partners. As well as increasing in scale, the portfolio continues to further diversify by tenant, geography and resident payment profile. Hamberley Group will become Target's 22nd tenant when two recently acquired developments complete (see below).

The continued growth of the portfolio reflects Target's approach to investment in the sector and its desire to provide stable and sustainable, long-duration rental income with which to support dividend policy. To this end, it puts a very strong focus on the quality of the physical asset and its location, alongside an in-depth assessment of the operational capabilities and financial performance of the tenant, both before and after investment. Target believes that modern, purpose-built homes with flexible layouts and high-quality residential facilities, including single-occupancy bedrooms complete with en-suite wet rooms, not only provide the best environment for residents and their care providers, but are more likely to provide sustainable, long-duration rental income. Target only invests in these 'future-proof' homes and avoids older adapted properties, and homes with small bedrooms and poor en-suite facilities, a lack of public and private space, and narrow corridors with stairs.

During the period the construction of a new home at Wetherby in West Yorkshire was completed and is now fully operational, generating rental income on a long-duration, 35-year lease with upwards-only, RPI-linked rental increases subject to a cap and collar. It is a 66-bed, residential care home, completed to a high standard, with the inclusion of full en-suite wet room facilities, and large public spaces. The home is operated by Ideal Carehomes, Target's largest tenant. Target has identified positive underlying demographics and good levels of affordability in the local area to underpin the investment. The cost has not been disclosed for reasons of commercial sensitivity, although Target says that the yield is slightly lower than the overall portfolio average, reflecting the underlying financial covenant which benefits from the tenant's presence in the sector.

The £50.8m of new investment commitments undertaken during Q219 comprised:

- The £13.8m (including costs) acquisition of a modern, purpose-built care home in East Sussex was announced on 19 November 2018. The home was opened in September 2017 and comprises 62 bedrooms with full en-suite wet room facilities. It is designed around a residents' courtyard, complemented by a small garden to the rear of the building and a balcony on the

first floor. Internally, the home provides a number of lounges, dining rooms and activity rooms, as well as a cinema and a hair salon. The home is let on a 35-year lease with RPI-linked cap and collar to a subsidiary of Caring Homes Group, an existing Target tenant. Target says that the yield on the investment is representative of assets of a similar high standard and location within the existing portfolio. A short rent-free period has been agreed, which will assist the tenant's cash flows during the early trading period.

- The acquisition of two well-advanced developments, with an aggregate transaction value of £37m (including transaction costs and the future development costs to completion) was announced on 7 November 2018. The homes are at Cumnor Hill, Oxford, and Badgers Mount, near Sevenoaks in Kent, and both are due to complete by mid-2019 when they will be let to Hamberley Group, a developer and operator of luxury care homes and a new tenant to the group, backed by Patron Capital on a 35-year occupational lease including upwards-only, RPI-linked rental uplifts subject to a cap and collar. The properties will provide a combined 130 beds and will be completed to a high standard, including full en-suite wet room facilities, large communal areas and extensive on-site facilities, with the investment underpinned by the strong wealth characteristics and positive underlying demographics of the local areas. Rental payments will commence when the homes are completed and occupied, and Target says that the yield on the investment is representative of assets of a similar standard and location within the existing portfolio.

Pipeline update

The £50.8m of Q219 investment commitment broadly matches the £50m (gross) of new equity raised in November 2018. However, with net LTV at 9.2% and undrawn debt facilities of £59m, Target has existing capital resources, and headroom for additional debt resources consistent with its gearing targets, to make significant further acquisitions/investment commitments (we estimate £55m), while funding the completion of existing development assets and the forward purchase (we estimate £31m of cash investment remaining).

Target says that it continues to have a healthy pipeline of assets under assessment for investment, including near-term opportunities in advanced due diligence, which are expected to progress to completion over the coming months.

Financials

We have updated our forecasts to take account of the November share placement, progress with capital deployment and our increased expectation for future acquisitions, together with the outline financial data contained in the recently published Q219 NAV report.

Following the November share placing, and with a continuing strong acquisition pipeline, we expect Target to re-gear its balance sheet towards an LTV of c 25% by the end of the current financial year. The increase in assumed future acquisitions, discussed below, drives faster revenue growth, particularly in FY20 and FY21, as forward-funded developments complete and contribute fully to rental income. Our progressive DPS forecasts are unchanged and we continue to expect full cover, on a fully invested/developed basis, by FY20.

Exhibit 3: Estimate revisions

	Revenue (£m)			Adjusted EPS (p)			EPRA NAV/share (p)			DPS (p)		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
06/19e	34.4	34.9	1.6	6.01	5.71	-4.9	106.3	106.3	0.0	6.58	6.58	0.0
06/20e	39.3	43.4	10.4	6.80	6.72	-1.1	108.8	110.0	1.1	6.71	6.71	0.0
06/21e	40.3	44.7	10.9	6.98	6.92	-0.9	111.5	114.2	2.5	6.84	6.84	0.0

Source: Edison Investment Research

The key forecasting assumptions that we make relate to asset growth and funding:

- We expect all of the seven pre-let, forward-funded development assets currently under construction to complete by the end of Q120 (by end September 2019). Additionally, we expect the forward purchase of a pre-let, purpose-built home in Newtown, Powys, Wales to complete by the end of the current financial year. We estimate a future cash outflow of c £31m related to these transactions and an increase in rent roll of £5.3m.
- For the forward-funded developments (but not the forward purchase asset), we include in adjusted earnings the non-cash development interest that accrues on the funding advanced during the construction phase. This rolls up until completion and is offset against the purchase value of the property.
- We assume £55m of further investment commitment, an amount that is consistent with re-gearing the balance sheet to a c 25% LTV, and have assumed that this is all directed towards operational assets at a cash yield on acquisition (including costs) of 5.75%. This is a slightly higher yield than we had previously assumed for standing assets (5.25%), but we estimate that it is consistent with recent experience. Should the mix of future investment commitment shift towards forward-funded development assets, we would anticipate a higher yield (6% or more). The rental income and contribution to IFRS earnings would be deferred until completion, but adjusted earnings would capture development interest.
- We also assume 3.0% pa rent growth (previously 2.0%), consistent with current UK RPI inflation and the mostly RPI-linked (or fixed uplift) nature of the leases. We assume that rental growth is reflected in capital values. As a result of the assumed yield on additions to the completed portfolio being lower than the current portfolio average, the blended, topped-up EPRA net initial yield reflected in our forecasts reduces from 6.32% at end-Q219 to 6.23% at end-FY21. We estimate that the positive impact on valuations of a 0.25% tightening of market yields would be c 6p, with a broadly similar negative impact from any yield softening.
- Combining the expected cash outflow from existing commitments with the assumed future acquisitions, we forecast c £86m in cash investment by the middle of FY20. We estimate a £75m requirement for additional debt funding, fully utilising the undrawn facilities at end-Q219 (£59m) and requiring additional debt facilities of at least £16m, in line with the manager's comment that it will seek additional debt capital that will allow it to achieve its gearing targets. We forecast a gross LTV of c 25% (peak of 25.8% at end FY20).

Valuation

Target's long-term leases and upwards-only, RPI-linked rent reviews, backed by demographic trends and demand/supply imbalances, provide investors with considerable visibility over a growing stream of contracted rental income with considerable protection against inflation.

The annualised run rate of quarterly DPS is 6.58p, a yield of 5.7%, which is well ahead of the average c 5.0% yield on the broad range of property companies and REITs that we track. Although the dividend is not fully covered by either EPRA or adjusted earnings (we estimate 86% covered by adjusted earnings in the current year), management's aim, consistent with our analysis, is for a progressive dividend, fully covered by earnings when the group is fully invested. We forecast full cover by adjusted earnings in FY20 and FY21.

In Exhibit 4, we show the key valuation and performance metrics for Target and a group of companies that similarly target long-lease exposures across a range of property types, including healthcare property, 'big box' distribution centres, supermarkets and leisure assets. Although all of these companies are focused on generating long-term income and have weighted average unexpired lease terms (WAULTs) that are above the average of the broad property sector, there are

considerable differences in terms of asset type and the tenant covenants that support the long-term contractual income. Compared with this narrow peer group of long income investors, in addition to having the longest WAULT, Target offers a yield that is also above the average for a broadly similar P/NAV. The average share price performance of the group has been stronger than that of the broad property sector and the FTSE All-Share Index over the past year, and the performance of Target shares has been stronger than this average.

Exhibit 4: Summary of long-lease REITS

	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
					One month	Three months	12 months	From 12-month high
Assura	59	1422	1.13	4.5	10%	6%	1%	-5%
Impact Healthcare	104	199	1.01	5.8	0%	1%	-2%	-4%
PHP	116	903	1.12	4.7	3%	6%	3%	-1%
MedicX Fund	90	397	1.10	6.7	18%	14%	10%	-1%
Secure Income	400	1286	1.05	3.6	6%	7%	12%	-1%
Supermarket Income	100	184	1.04	5.5	3%	0%	0%	-6%
Tritax Big Box	139	2046	0.95	4.8	5%	-1%	-3%	-11%
Average			1.05	5.1	7%	5%	3%	-4%
Average exc. MedicX Fund				4.8	5%	3%	2%	-5%
Target Healthcare	114	439	1.07	5.7	6%	4%	5%	-2%
UK property index	1,686			5.1	8%	-2%	-3%	-10%
FTSE All-Share Index	3,906			4.5	5%	0%	-3%	-10%

Source: Historical data. Note: Priced as at 5 February 2019.

Exhibit 5: Financial summary

Year to 30 June (£000s)	2014	2015	2016	2017	2018	2019e	2020e	2021e
INCOME STATEMENT								
Rent revenue	3,817	9,898	12,677	17,760	22,029	28,523	36,989	38,279
Movement in lease incentive or rent review	1,547	3,760	4,136	5,127	6,334	6,400	6,400	6,400
Rental income	5,364	13,658	16,813	22,887	28,363	34,923	43,389	44,679
Other income	0	66	61	671	3	0	0	0
Total revenue	5,364	13,724	16,874	23,558	28,366	34,923	43,389	44,679
Gains/(losses) on revaluation	(2,233)	(839)	425	2,211	6,434	89	8,140	9,458
Cost of corporate acquisitions	0	(174)	(998)	(626)	0	0	0	0
Total income	3,131	12,711	16,301	25,143	34,800	35,012	51,529	54,137
Management fee	(648)	(1,524)	(2,654)	(3,758)	(3,734)	(5,009)	(5,255)	(5,453)
Other expenses	(780)	(880)	(992)	(1,236)	(1,458)	(1,500)	(1,600)	(1,600)
Total expenditure	(1,428)	(2,404)	(3,646)	(4,994)	(5,192)	(6,509)	(6,855)	(7,053)
Profit before finance and tax	1,703	10,307	12,655	20,149	29,608	28,503	44,674	47,084
Net finance cost	190	(716)	(929)	(808)	(2,010)	(3,079)	(4,512)	(4,576)
Profit before taxation	1,893	9,591	11,726	19,341	27,598	25,423	40,162	42,507
Tax	(4)	(39)	(24)	(219)	11	0	0	0
Profit for the year	1,889	9,552	11,702	19,122	27,609	25,423	40,162	42,507
Average number of shares in issue (m)	105.2	119.2	171.7	252.2	282.5	369.8	385.1	385.1
IFRS earnings	1,889	9,552	11,702	19,122	27,609	25,423	40,162	42,507
Adjust for rent arising from recognising guaranteed rent review uplifts + lease incentives	(1,547)	(3,760)	(4,136)	(5,127)	(6,334)	(6,400)	(6,400)	(6,400)
Adjust for valuation changes	2,233	839	(425)	(2,211)	(6,434)	(89)	(8,140)	(9,458)
Adjust for corporate acquisitions	0	174	998	420	0	0	0	0
EPRA earnings	2,575	6,805	8,139	12,204	14,841	18,934	25,621	26,650
Adjust for development interest under forward fund agreements					261	2193	275	0
Adjust for performance fee	150	466	871	997	550	0	0	0
Group adjusted earnings	2,725	7,271	9,010	13,201	15,652	21,127	25,896	26,650
IFRS EPS (p)	1.80	8.02	6.81	7.58	9.77	6.87	10.43	11.04
Adjusted EPS (p)	2.59	6.10	5.25	5.23	5.54	5.71	6.72	6.92
EPRA EPS (p)	2.45	5.71	4.74	4.84	5.25	5.12	6.65	6.92
Dividend per share (declared) (p)	6.00	6.12	6.18	6.28	6.45	6.58	6.71	6.84
BALANCE SHEET								
Investment properties	81,422	138,164	200,720	266,219	362,918	512,848	528,820	538,277
Other non-current assets	0	2,530	3,742	3,988	27,139	35,122	42,966	49,594
Non-current assets	81,422	140,694	204,462	270,207	390,057	547,970	571,785	587,871
Cash and equivalents	17,125	29,159	65,107	10,410	41,400	4,485	5,617	6,309
Other current assets	6,524	6,457	13,222	25,629	3,365	3,365	3,365	3,365
Current assets	23,649	35,616	78,329	36,039	44,765	7,850	8,982	9,674
Bank loan	(11,764)	(30,865)	(20,449)	(39,331)	(64,182)	(134,682)	(145,182)	(145,682)
Other non-current liabilities	0	(2,530)	(4,058)	(3,997)	(4,673)	(4,673)	(4,673)	(4,673)
Non-current liabilities	(11,764)	(33,395)	(24,507)	(43,328)	(68,855)	(139,355)	(149,855)	(150,355)
Trade and other payables	(3,089)	(3,623)	(5,002)	(5,981)	(7,360)	(7,360)	(7,360)	(7,360)
Current Liabilities	(3,089)	(3,623)	(5,002)	(5,981)	(7,360)	(7,360)	(7,360)	(7,360)
Net assets	90,218	139,292	253,282	256,937	358,607	409,106	423,552	439,830
Period end shares (m)	95.2	142.3	252.2	252.2	339.2	385.1	385.1	385.1
IFRS NAV per ordinary share	94.7	97.9	100.4	101.9	105.7	106.2	110.0	114.2
EPRA NAV per share	94.7	97.9	100.6	101.9	105.7	106.3	110.0	114.2
CASH FLOW								
Cash flow from operations	3,172	8,081	8,906	4,394	23,627	20,430	28,691	30,998
Net interest paid	161	(514)	(681)	(615)	(1,366)	(2,579)	(4,012)	(4,076)
Tax paid	0	(47)	(164)	(543)	(122)	0	0	0
Net cash flow from operating activities	3,333	7,520	8,061	3,236	22,139	17,851	24,678	26,921
Purchase of investment properties	(51,894)	(51,736)	(34,833)	(37,698)	(89,981)	(149,841)	(7,832)	0
Acquisition of subsidiaries	0	(5,845)	(27,091)	(25,552)	0	0	0	0
Net cash flow from investing activities	(51,894)	(57,581)	(61,924)	(63,250)	(89,981)	(149,841)	(7,832)	0
Issue of ordinary share capital (net of expenses)	44,520	46,644	97,501	0	91,729	48,792	0	0
(Repayment)/drawdown of loans	8,646	22,525	(12,808)	20,906	24,456	70,000	10,000	0
Dividends paid	(4,364)	(7,074)	(9,681)	(15,589)	(17,353)	(23,717)	(25,715)	(26,229)
Other	0	0	14,799	0	0	0	0	0
Net cash flow from financing activities	48,802	62,095	89,811	5,317	98,832	95,075	(15,715)	(26,229)
Net change in cash and equivalents	241	12,034	35,948	(54,697)	30,990	(36,915)	1,132	692
Opening cash and equivalents	16,884	17,125	29,159	65,107	10,410	41,400	4,485	5,617
Closing cash and equivalents	17,125	29,159	65,107	10,410	41,400	4,485	5,617	6,309
Balance sheet debt	(11,764)	(30,865)	(20,449)	(39,331)	(64,182)	(134,682)	(145,182)	(145,682)
Unamortised loan arrangement costs	(497)	(645)	(551)	(669)	(1,818)	(1,318)	(818)	(318)
Net cash/(debt)	4,864	(2,351)	44,107	(29,590)	(24,600)	(131,515)	(140,383)	(139,691)
Gross LTV	15.1%	22.8%	10.5%	14.2%	17.1%	25.0%	25.8%	25.0%
Net LTV	0.0%	1.7%	0.0%	10.5%	6.4%	24.2%	24.8%	23.9%

Source: Company data, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Target Healthcare REIT and prepared and issued by Edison, in consideration of a fee payable by Target Healthcare REIT. Edison Investment Research standard fees are £49,500 p 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 Edison analyst 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 Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). 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

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or an part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

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 (nor will such persons be able to purchase shares in the placing).

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.