

August 24, 2021

HOLD (no change)

| | |
|------------------------------|-----------|
| Stock code: | SOMAU |
| Price: | A\$2.39 |
| 12-month target price: | A\$2.61 |
| Previous target price: | A\$2.55 |
| Up/downside to target price: | 9.2% |
| Dividend yield: | 0.00% |
| 12-month TSR*: | 9.2% |
| Market cap: | A\$197.8m |
| Average daily turnover: | A\$0.06m |
| Index inclusion: | N/A |

* Total stock return – Up/downside to target price + 12-month forward dividend yield.

Price performance

| (%) | 1M | 3M | 12M | 3Y |
|----------------|-----|-----|------|------|
| Absolute | 3.9 | 8.1 | 63.7 | 41 |
| Rel ASX/S&P200 | 2.6 | 1.6 | 41.1 | 21.1 |


Financial summary

| | Jun-21A | Jun-22F | Jun-23F | Jun-24F |
|---------------------------|---------|---------|---------|---------|
| Revenue (A\$m) | 62.7 | 74.7 | 85.6 | 102.5 |
| EBITDA Norm (A\$m) | 2.74 | -0.46 | 6.95 | 10.43 |
| Net Profit (A\$m) | -0.96 | -2.79 | 2.20 | 4.64 |
| EPS Norm (A\$) | -0.012 | -0.034 | 0.026 | 0.056 |
| EPS Growth Norm (%) | 119% | 190% | | 112% |
| P/E Norm (x) | NA | NA | 90.37 | 42.72 |
| DPS (A\$) | 0.000 | 0.000 | 0.000 | 0.000 |
| Dividend Yield (%) | 0% | 0% | 0% | 0% |
| EV/EBITDA (x) | 65.56 | NA | 26.62 | 17.45 |
| Gearing (Net Debt/EBITDA) | -6.85 | 26.19 | -1.92 | -1.57 |

Source: Company data, Morgans estimates

Related research
[SOM \(HOLD - TP A\\$2.55\) - 15 Jun 2021](#)
[SOM \(ADD - TP A\\$2.55\) - 27 Apr 2021](#)
Iain WILKIE

(61) 7 3334 4521

iain.wilkie@morgans.com.au
Scott POWER

Analyst(s) own shares in the following stocks mentioned in this report:

– N/A

SomnoMed

Buyers on weakness

- SOM reported its FY21 result which was a miss on our sales forecasts although stronger product margins aided an in-line underlying EBITDA result.
- A decline in profitability measures were logged in-line with FY20 AGM guidance of increasing focus on sales and technology initiatives, with a number of strategic roles increasing corporate expenses 53%, as well as the impact of reduced government support in the period.
- Looking forward however, SOM has provided an increased level of guidance with >15% sales growth (COVID withstanding) and a focus on the delivery of a new technology piece.
- SOM expects the development of the new technology to cost ~A\$8m in FY22, and will reinvest profits from core range (overall FY22 EBITDA breakeven guidance) into R&D and marketing for the new products. More details expected by late CY21.
- Management tone positive on technology piece. Likely to be a positive catalyst.
- Our target price rises marginally to A\$2.61 and we retain a Hold recommendation. Holding at these levels but buyers on any weakness prior to the November AGM.

Event:

- SOM posted a marginally stronger topline result with core revenues increasing 9% to A\$62.7m and gross margins expanding to 60% (from 58% on the pcp).
- Underlying EBITDA declined 17% to A\$3.9m with a number of key recruitments aligning to the new technology piece (corporate + head office expenses increased to A\$7.8m vs A\$5.1m on the pcp) and lower levels of government assistance (A\$0.7m vs A\$2.3m on the pcp).
- Regionally, Europe continues to be the engine room for sales growth while North America resumes choppy quarterly trade. Europe up 20%, North America down 9%, and APAC up 17% on the pcp.
- The company maintains a strong balance sheet with A\$21.0m in cash and no debt
- With a strong cash balance, profitable core business, and a likely further A\$10m debt facility at its disposal, SOM has sufficient cash to continue its investment in the new technology piece and respond to prolonged periods of instability in global markets.

Forecast and valuation update:

- Our existing revenue model assumptions remain largely unchanged although pulled through higher corporate and R&D expenses in line with updated guidance and EBITDA neutral position for FY22. Minor changes to long-term sales growth.
- Changes to our model reflects the reduction of near-term profitability but long-term model remains with upside potential. DCF valuation increases slightly to A\$2.61 and Hold recommendation retained.

Investment view:

- We look to the 1Q22 trading update for continuation of strong 4Q21 trend and further evidence of stabilisation of the North American segment. Management tone and commentary suggests this has continued into FY22 (seasonally adjusted).
- Our focus will soon turn to the detail on the new technological improvements (late CY21) to further solidify its market leading position in its segment where we view is likely to generate significant interest.
- Given the unknowns in this regard we reserve upside potential (new product opportunity dependent). Happy to Hold at these levels but buyers on any weakness prior to the November AGM.

Price catalysts:

- Release of new technology (late CY21), quarterly sales reports.

Risks:

- Downside risks lie in additional waves of shutdowns in dental / sleep facilities across major jurisdictions, prolonging the expected time-frame to a resumption of normal trading.
- Upside risk lies in faster-than-expected release of pent-up demand and faster stabilisation in North American sales.

SomnoMed

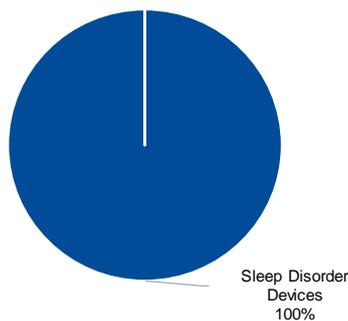
as at August 24, 2021

| | | | |
|-------------------------|-------------|----------------------------------|------|
| Rating | HOLD | Price (A\$): | 2.39 |
| Market cap (A\$m): | 197.8 | 12-month target price (A\$): | 2.61 |
| Shares outstanding (m): | 83.02 | Up/downside to target price (%): | 9.2 |
| Free float (%): | 67.1 | Dividend yield (%): | 0.00 |

Company description

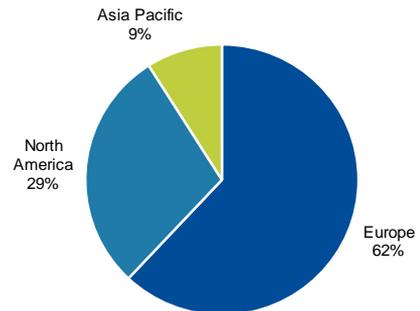
SomnoMed Limited (SOM) provides treatment solutions for sleep-related breathing disorders including obstructive sleep apnea, snoring and bruxism. The SomnoDent® product range involves a custom fitted, comfortable, clinically researched oral appliance worn at night to treat obstructive sleep apnea. The SomnoDent® product has a number of innovative designs including a Avant, Fusion Flex and Classic. The SomnoDent® is designed for the patients who suffers from mild to moderate OSA and includes the proprietary BFlex soft inner liner for unparalleled comfort and retention.

Business segmentation by revenue



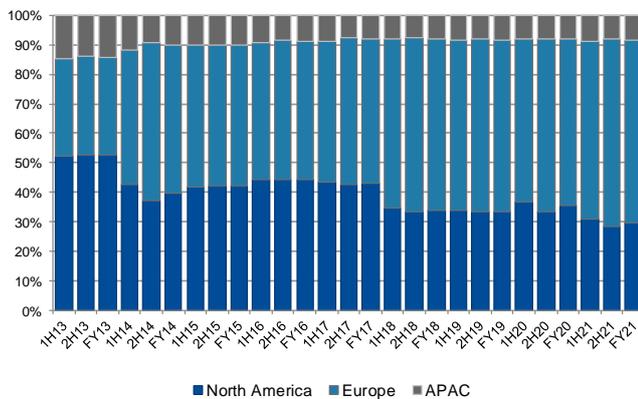
Source: Morgans estimates, company data

Geographical segmentation by revenue



Source: Morgans estimates, company data

Revenue splits by geography (core business)



Source: Morgans estimates, company data

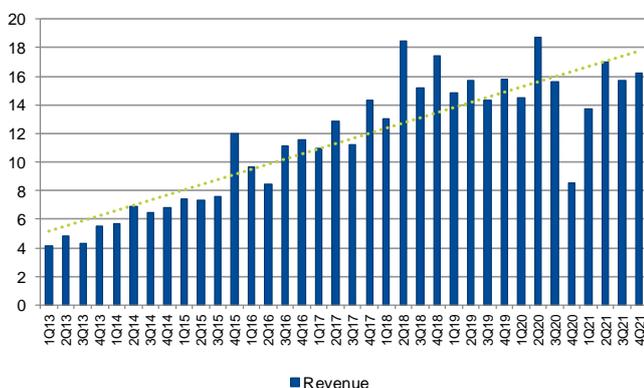
COVID-19 RISKS

The specific risks associated with the Coronavirus (COVID 19) event are:

- Patients not being able to seek diagnosis and obtain treatment and people not wanting or able to visit dentists
- Inability to collect accounts receivable from customers whose practices have been temporarily closed
- Manufacturing risk such that there is an inability to have technicians physically able to come to work and perform their duties
- Third party supply disruption of necessary raw material
- Executive management contracting COVID 19 and remaining sick or no longer being able to fulfil their duties in any capacity
- Prolonged periods of lock down in SomnoMed's sales markets
- Ongoing support of current finance providers

Source: Morgans estimates, company data

Quarterly sales revenue



Source: Morgans estimates, company data

Key drivers / risks

Key Drivers

- Compliance** - Higher compliance rates (80% for COAT vs <50% for CPAP) and lower cost than CPAP competitors.
- Expansion** - European expansion continuing to show strong growth. Underserved market for treatment modality
- Turnaround** - Watching for evidence of a US turnaround after a direct retail channel move was received poorly by existing wholesale customers.

Key risks:

- FX** - Majority of revenues generated outside of Australia.
- Substitution** - A number of new and existing alternative products exist in the sleep apnea space which may impact SOM's ability to gain market share.
- Reimbursement** - Risk that insurance companies/governments which partially or fully subsidise the products reduce or exclude the reimbursement for the treatment.

Source: Morgans estimates, company data

Figure 1: Financial summary

| Income statement | | | | | | Valuation metrics | | | | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-----------------------------|--------|----------------------------|--------|-------|--------------------|---------------------------|-------|
| | FY20A | FY21F | FY22F | FY23F | FY24F | | | | | | Price Target (A\$) | \$2.61 | |
| Total revenue | 57.3 | 62.7 | 74.7 | 85.6 | 102.5 | DCF valuation inputs | | | | | | | |
| EBITDA | 4.7 | 2.7 | -0.5 | 7.0 | 10.4 | Rf | 3.00% | 10-year rate | | | | | 3.00% |
| Associate income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Rm-Rf | 6.00% | Margin | | | | | 2.0% |
| Depreciation | -3.1 | -3.8 | -3.8 | -3.8 | -3.8 | Beta | 1.27 | Kd | | | | | 3.50% |
| EBITA | 1.6 | -1.1 | -4.3 | 3.1 | 6.6 | CAPM (Rf+Beta(Rm-Rf)) | 10.6% | Ke | | | | | 13.3% |
| Amortisation/impairment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Equity (E/EV) | 60.0% | NPV cash flow (A\$m) | | | | | 193.4 |
| EBIT | 1.6 | -1.1 | -4.3 | 3.1 | 6.6 | Debt (D/EV) | 40.0% | Minority interest (A\$m) | | | | | 0.0 |
| Net interest expense | -0.5 | 0.6 | 0.4 | 0.2 | 0.2 | Interest rate | 3.50% | Net debt (A\$m) | | | | | -22.7 |
| Pre-tax profit | 0.7 | -0.6 | -4.0 | 3.1 | 6.6 | Tax rate (t) | 30.0% | Investments (A\$m) | | | | | 0.0 |
| Income tax expense | -1.2 | -0.3 | 1.2 | -0.9 | -2.0 | WACC | 9.4% | Equity market value (A\$m) | | | | | 216.1 |
| After-tax profit | -0.4 | -1.0 | -2.8 | 2.2 | 4.6 | | | | | | | Diluted no. of shares (m) | 82.8 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | \$2.61 | |
| NPAT | -0.4 | -1.0 | -2.8 | 2.2 | 4.6 | | | | | | | | |
| Significant items | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| NPAT post abnormals | -1.1 | -1.0 | -2.8 | 2.2 | 4.6 | | | | | | | | |
| Cash flow statement | | | | | | Multiples | | | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F | | FY20A | FY21F | FY22F | FY23F | FY24F | | |
| EBITDA | 4.7 | 2.7 | -0.5 | 7.0 | 10.4 | Enterprise value (A\$m) | 158.5 | 144.3 | 137.7 | 138.9 | 141.9 | | |
| Change in working capital | 9.1 | -1.8 | -3.1 | -0.8 | -1.4 | EV/Sales (x) | 2.8 | 2.3 | 1.8 | 1.6 | 1.4 | | |
| Net interest (pd)/rec | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | EV/EBITDA (x) | 33.6 | 52.7 | -297.2 | 20.0 | 13.6 | | |
| Taxes paid | 1.2 | 0.3 | -1.2 | 0.9 | 2.0 | EV/EBIT (x) | 96.8 | -131.3 | -32.0 | 44.6 | 21.5 | | |
| Other oper cash items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | PE (x) | -276.0 | -125.8 | -43.4 | 55.2 | 26.1 | | |
| Cash flow from ops (1) | 15.0 | 1.3 | -4.7 | 7.1 | 11.1 | PEG x) | -0.4 | -1.1 | -0.2 | -0.3 | 0.2 | | |
| Capex (2) | -3.1 | -3.8 | -3.8 | -3.8 | -3.8 | | | | | | | | |
| Disposals/(acquisitions) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Other investing cash flow | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Cash flow from investing (3) | -3.1 | -3.8 | -3.8 | -3.8 | -3.8 | | | | | | | | |
| Incr/(decr) in equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Incr/(decr) in debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Ordinary dividend paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Preferred dividends (4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Other financing cash flow | -2.5 | -2.4 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Cash flow from fin (5) | -2.5 | -2.4 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Forex and disc ops (6) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Inc/(decr) cash (1+3+5+6) | 9.5 | -4.9 | -8.6 | 3.3 | 7.2 | | | | | | | | |
| Equity FCF (1+2+4) | 12.0 | -2.5 | -8.6 | 3.3 | 7.2 | | | | | | | | |
| Balance sheet | | | | | | Per share data | | | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F | | FY20A | FY21F | FY22F | FY23F | FY24F | | |
| Cash & deposits | 30.2 | 21.1 | 14.5 | 15.7 | 18.8 | No. shares | 82.8 | 83.0 | 83.0 | 83.0 | 83.0 | | |
| Trade debtors | 7.7 | 10.6 | 9.2 | 10.6 | 12.6 | EPS (cps) | -0.5 | -1.2 | -3.4 | 2.6 | 5.6 | | |
| Inventory | 2.2 | 2.3 | 0.0 | 0.0 | 0.0 | Dividend per share (c) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Dividend payout ratio (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Dividend yield (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | |
| Other intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Fixed assets | 3.9 | 4.7 | 4.7 | 4.7 | 4.7 | | | | | | | | |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Other assets | 17.7 | 17.4 | 17.4 | 17.4 | 17.4 | | | | | | | | |
| Total assets | 61.7 | 56.2 | 45.8 | 48.4 | 53.5 | | | | | | | | |
| Short-term borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Trade payables | 8.7 | 10.6 | 3.8 | 4.3 | 5.1 | | | | | | | | |
| Long-term borrowings | 7.5 | 2.3 | 2.3 | 2.3 | 2.3 | | | | | | | | |
| Other term liabilities | 8.7 | 7.6 | 7.6 | 7.6 | 7.6 | | | | | | | | |
| Other liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Total liabilities | 27.9 | 24.0 | 17.2 | 17.7 | 18.5 | | | | | | | | |
| Share capital | 73.9 | 74.3 | 74.3 | 74.3 | 74.3 | | | | | | | | |
| Other reserves | 8.6 | 7.8 | 7.8 | 7.8 | 7.8 | | | | | | | | |
| Retained earnings | -48.7 | -49.9 | -53.4 | -51.4 | -47.0 | | | | | | | | |
| Other equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Total equity | 33.8 | 32.2 | 28.6 | 30.6 | 35.0 | | | | | | | | |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Total shareholders' equity | 33.8 | 32.2 | 28.6 | 30.6 | 35.0 | | | | | | | | |
| Total liabilities & SE | 61.7 | 56.2 | 45.8 | 48.4 | 53.5 | | | | | | | | |
| Operating performance | | | | | | Growth ratios | | | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F | | FY20A | FY21F | FY22F | FY23F | FY24F | | |
| Asset turnover (%) | 29.7 | 26.6 | 36.6 | 45.5 | 50.3 | Sales growth | -3% | 9% | 19% | 15% | 20% | | |
| EBITDA margin (%) | 8.2 | 4.4 | -0.6 | 8.1 | 10.2 | Operating cost growth | -3% | 14% | 25% | 5% | 17% | | |
| EBIT margin (%) | 2.9 | -1.8 | -5.8 | 3.6 | 6.4 | EBITDA growth | -5% | -42% | -117% | 1601% | 50% | | |
| Net profit margin (%) | -0.8 | -1.5 | -3.7 | 2.6 | 4.5 | EBITA growth | -53% | -167% | -291% | 172% | 112% | | |
| Return on net assets (%) | 1.3 | -14.4 | -22.4 | 19.6 | 4.8 | EBIT growth | -53% | -167% | -291% | 172% | 112% | | |
| Net debt (A\$m) | -22.7 | -18.8 | -12.1 | -13.4 | -16.4 | NPAT growth | -1012% | -120% | -190% | 179% | 112% | | |
| Net debt/equity (%) | -67.1 | -58.3 | -42.4 | -43.6 | -46.9 | Normalised EPS growth | 736% | 119% | 190% | -179% | 112% | | |
| Net interest/EBIT cover (x) | | | | | | | | | | | | | |
| Invested capital | 20.3 | 11.6 | 13.4 | 16.5 | 17.3 | | | | | | | | |
| ROIC (%) | -2.2 | -8.3 | -20.8 | 13.3 | 26.9 | | | | | | | | |
| Internal liquidity | | | | | | Operating performance | | | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F | | FY20A | FY21F | FY22F | FY23F | FY24F | | |
| Current ratio (x) | 4.6 | 3.2 | 6.3 | 6.1 | 6.2 | Asset turnover (%) | 29.7 | 26.6 | 36.6 | 45.5 | 50.3 | | |
| Receivables turnover (x) | 6.2 | 6.8 | 7.5 | 8.7 | 8.8 | EBITDA margin (%) | 8.2 | 4.4 | -0.6 | 8.1 | 10.2 | | |
| Payables turnover (x) | 6.2 | 6.2 | 10.5 | 19.4 | 19.6 | EBIT margin (%) | 2.9 | -1.8 | -5.8 | 3.6 | 6.4 | | |
| | | | | | | Net profit margin (%) | -0.8 | -1.5 | -3.7 | 2.6 | 4.5 | | |
| | | | | | | Return on net assets (%) | 1.3 | -14.4 | -22.4 | 19.6 | 4.8 | | |
| | | | | | | Net debt (A\$m) | -22.7 | -18.8 | -12.1 | -13.4 | -16.4 | | |
| | | | | | | Net debt/equity (%) | -67.1 | -58.3 | -42.4 | -43.6 | -46.9 | | |
| | | | | | | Net interest/EBIT cover (x) | | | | | | | |
| | | | | | | Invested capital | 20.3 | 11.6 | 13.4 | 16.5 | 17.3 | | |
| | | | | | | ROIC (%) | -2.2 | -8.3 | -20.8 | 13.3 | 26.9 | | |

Source: Morgans estimates, company data

Changes to forecasts

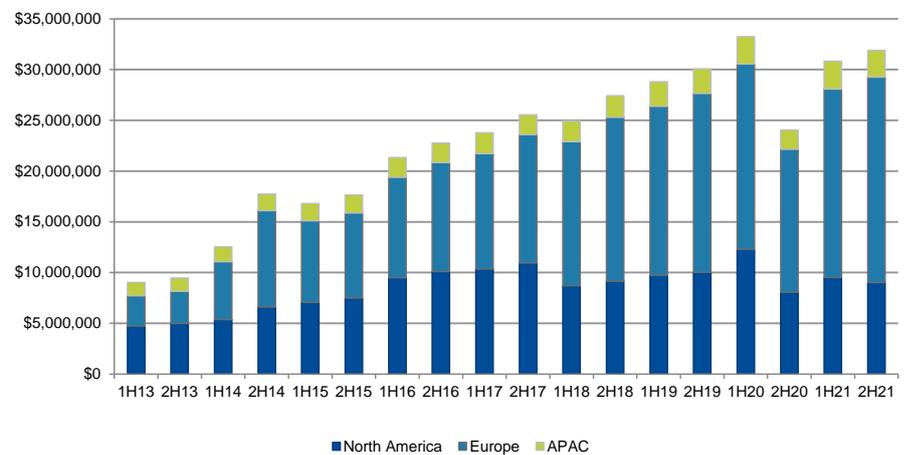
Figure 2: Changes to forecasts

| Metric | FY21A | | FY22F | | FY23F | |
|--------------------|----------|--------|-------|-------|-------|------|
| | Forecast | Actual | Old | New | Old | New |
| Revenue | 65.5 | 62.7 | 74.7 | 74.7 | 85.6 | 85.6 |
| % change | | -4.3% | | 0% | | 0% |
| EBITDA | 4.2 | 3.6 | 7.4 | (0.5) | 10.2 | 7.0 |
| % change | | -14.2% | | -106% | | -32% |
| NPAT (normalised) | 1.6 | 0.2 | 3.3 | (2.8) | 5.3 | 2.2 |
| % change | | -86.1% | | -184% | | -59% |
| EPS (c) normalised | 1.9 | 0.3 | 4.0 | (3.4) | 6.4 | 2.6 |
| % change | | -86.2% | | -184% | | -59% |
| DPS (c) | 0 | 0 | 0 | 0 | 0 | 0 |
| % change | | 0% | | 0% | | 0% |

Source: Morgans estimates, company data

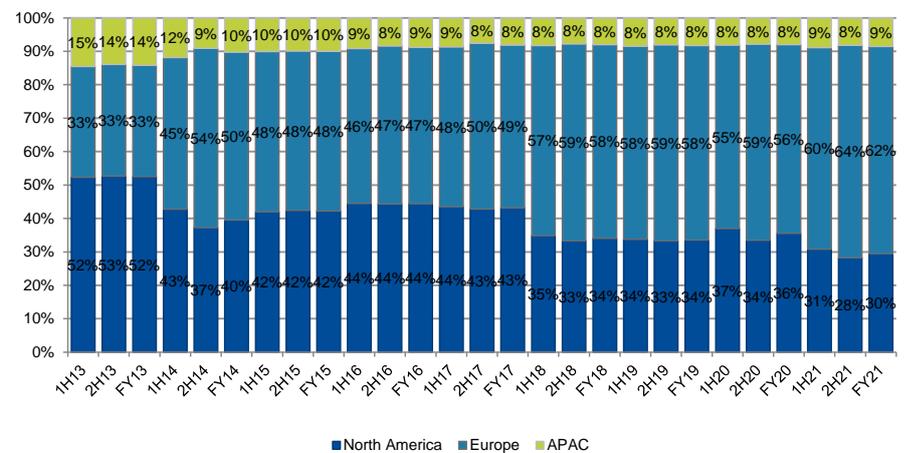
Geographical shift – EU the engine room

Figure 3: Revenue stack by geography since FY13



Source: Morgans estimates, company data

Figure 4: Geographical shifts to revenue mix



Source: Morgans estimates, company data

| Queensland | | New South Wales | | Victoria | | Western Australia | |
|---|-----------------|---|-----------------|---|-----------------|---|-----------------|
| Brisbane | +61 7 3334 4888 | Sydney | +61 2 9043 7900 | Melbourne | +61 3 9947 4111 | West Perth | +61 8 6160 8700 |
| Stockbroking, Corporate Advice, Wealth Management | | Stockbroking, Corporate Advice, Wealth Management | | Stockbroking, Corporate Advice, Wealth Management | | Stockbroking, Corporate Advice, Wealth Management | |
| Brisbane: Edward St | +61 7 3121 5677 | Sydney: Grosvenor Place | +61 2 8215 5000 | Brighton | +61 3 9519 3555 | Perth | +61 8 6462 1999 |
| Brisbane: Tynan | +61 7 3152 0600 | | | Camberwell | +61 3 9813 2945 | | |
| Partners | | Sydney: Reynolds | +61 2 9373 4452 | Domain | +61 3 9066 3200 | South Australia | |
| Brisbane: North Quay | +61 7 3245 5466 | Securities | | Geelong | +61 3 5222 5128 | Adelaide | +61 8 8464 5000 |
| Bundaberg | +61 7 4153 1050 | Sydney: Currency House | +61 2 8216 5111 | Richmond | +61 3 9916 4000 | Exchange Place | +61 8 7325 9200 |
| Cairns | +61 7 4222 0555 | | | South Yarra | +61 3 8762 1400 | Norwood | +61 8 8461 2800 |
| Caloundra | +61 7 5491 5422 | Armidale | +61 2 6770 3300 | Southbank | +61 3 9037 9444 | Unley | +61 8 8155 4300 |
| Gladstone | +61 7 4972 8000 | Ballina | +61 2 6686 4144 | Traralgon | +61 3 5176 6055 | | |
| Gold Coast | +61 7 5581 5777 | Balmain | +61 2 8755 3333 | Warmambool | +61 3 5559 1500 | | |
| Holland Park | +61 7 3151 8300 | Bowral | +61 2 4851 5555 | | | | |
| Ipswich/Springfield | +61 7 3202 3995 | Chatswood | +61 2 8116 1700 | Australian Capital Territory | | | |
| Kedron | +61 7 3350 9000 | Coffs Harbour | +61 2 6651 5700 | Canberra | +61 2 6232 4999 | | |
| Mackay | +61 7 4957 3033 | Gosford | +61 2 4325 0884 | | | | |
| Milton | +61 7 3114 8600 | Hurstville | +61 2 8215 5079 | Northern Territory | | | |
| Newstead | +61 7 3151 4151 | Merimbula | +61 2 6495 2869 | Darwin | +61 8 8981 9555 | | |
| Noosa | +61 7 5449 9511 | Mona Vale | +61 2 9998 4200 | | | | |
| Redcliffe | +61 7 3897 3999 | Neutral Bay | +61 2 8969 7500 | Tasmania | | | |
| Rockhampton | +61 7 4922 5855 | Newcastle | +61 2 4926 4044 | Hobart | +61 3 6236 9000 | | |
| Spring Hill | +61 7 3833 9333 | Orange | +61 2 6361 9166 | | | | |
| Sunshine Coast | +61 7 5479 2757 | Port Macquarie | +61 2 6583 1735 | | | | |
| Toowoomba | +61 7 4639 1277 | Scone | +61 2 6544 3144 | | | | |
| Townsville | +61 7 4725 5787 | Wollongong | +61 2 4227 3022 | | | | |

Disclaimer

The information contained in this report is provided to you by Morgans Financial Limited as general advice only, and is made without consideration of an individual's relevant personal circumstances. Morgans Financial Limited ABN 49 010 669 726, its related bodies corporate, directors and officers, employees, authorised representatives and agents ("Morgans") do not accept any liability for any loss or damage arising from or in connection with any action taken or not taken on the basis of information contained in this report, or for any errors or omissions contained within. It is recommended that any persons who wish to act upon this report consult with their Morgans investment adviser before doing so. Those acting upon such information without advice do so entirely at their own risk.

This report was prepared as private communication to clients of Morgans and is not intended for public circulation, publication or for use by any third party. The contents of this report may not be reproduced in whole or in part without the prior written consent of Morgans. While this report is based on information from sources which Morgans believes are reliable, its accuracy and completeness cannot be guaranteed. Any opinions expressed reflect Morgans judgement at this date and are subject to change. Morgans is under no obligation to provide revised assessments in the event of changed circumstances. This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever.

Disclosure of interest

Morgans may from time to time hold an interest in any security referred to in this report and may, as principal or agent, sell such interests. Morgans may previously have acted as manager or co-manager of a public offering of any such securities. Morgans affiliates may provide or have provided banking services or corporate finance to the companies referred to in the report. The knowledge of affiliates concerning such services may not be reflected in this report. Morgans advises that it may earn brokerage, commissions, fees or other benefits and advantages, direct or indirect, in connection with the making of a recommendation or a dealing by a client in these securities. Some or all of Morgans Authorised Representatives may be remunerated wholly or partly by way of commission.

Regulatory disclosures

Analyst owns shares in the following mentioned company(ies): N/A

Recommendation structure

For a full explanation of the recommendation structure, refer to our website at morgans.com.au/research_disclaimer

Research team

For analyst qualifications and experience, refer to our website at morgans.com.au/research-and-markets/our-research-team

Research coverage policy

For an overview on the stock selection process, refer to our website at morgans.com.au/research-and-markets/company-analysis/Research-Coverage-Policy

Research independence statement

morgans.com.au/Research-Independence-Statement

Stocks under coverage

For a full list of stocks under coverage, refer to our website at morgans.com.au/research-and-markets/company-analysis/ASX100-Companies-under-coverage and morgans.com.au/research-and-markets/company-analysis/EX-100-Companies-under-coverage

If you no longer wish to receive Morgans publications please contact your local Morgans branch or write to GPO Box 202 Brisbane QLD 400 1 and include your account details.

morgans.com.au