

BUY

TP: Rs 150 | ▲ 48%

GAIL

| Oil & Gas

| 25 June 2020

Trading margins surprise

GAIL's Q4FY20 PAT was well above estimates at Rs 29bn (+266% YoY). Gross margins outperformed across segments with EBITDA up 47% YoY. Q4 highlights: (a) gas trading EBITDA rose 7.3% YoY on higher margins, (b) gas transmission EBITDA outperformed at Rs 11.6bn (+13% YoY) on higher tariffs, (c) LPG profits beat estimates on lower gas prices. Volumes have retraced to pre-Covid levels. Concerns from the transmission-marketing business split look overdone. We raise our Mar'21 TP to Rs 150 (vs. Rs 140) on higher investment value.

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

Robust transmission volumes: Gas transmission volumes at 109mmscmd were better than expected (flat YoY and QoQ). Tariffs were slightly above estimates at ~Rs 1.6/scm (+6.3% YoY). Our outlook on GAIL's volumes remains buoyant, supported by (a) low spot LNG prices that could accelerate demand recovery, with additional offtake from the power sector, (b) commissioning of new pipelines (such as Kochi-Mangaluru and Jagdishpur-Haldia by end-FY22), which could add ~15mmscmd to volumes from FY22 with consequent availability of LNG regasification capacity, and (c) incremental domestic gas production (ONGC/RIL: 20-30mmscmd by FY23/FY24).

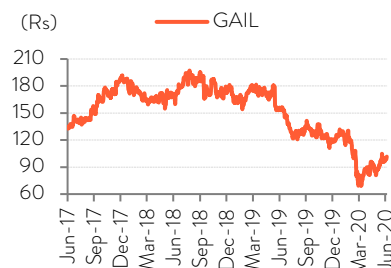
Gas trading margins surprise: Q4 gas trading EBITDA was at Rs 6.3bn (+7% YoY, +20% QoQ) as the company was able to circumvent the potential hit from a mismatch in US LNG price (vs. spot LNG). As the blended price across GAIL's LNG contracts has declined to ~US\$ 3/mmbtu, we see potential for volumes to accelerate backed by higher power and fertiliser demand.

Reiterate BUY: At 7.5x FY22E EPS, GAIL offers attractive risk-reward, pricing in most of the concerns. The government's move to separate the transmission and marketing businesses may further help unlock value. Our SOTP target price of Rs 150 builds in worst-case assumptions across segments.

Ticker/Price	GAIL IN/Rs 101
Market cap	US\$ 6.0bn
Shares o/s	4,510mn
3M ADV	US\$ 20.9mn
52wk high/low	Rs 157/Rs 65
Promoter/FPI/DII	52%/16%/32%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20P	FY21E	FY22E
Total revenue (Rs mn)	574,866	802,836	718,710	462,382	536,546
EBITDA (Rs mn)	76,339	95,556	84,710	90,626	95,378
Adj. net profit (Rs mn)	46,000	63,525	49,658	58,123	61,167
Adj. EPS (Rs)	10.2	14.1	11.0	12.9	13.6
Adj. EPS growth (%)	43.1	38.1	(21.8)	17.0	5.2
Adj. ROAE (%)	11.7	15.1	11.3	12.9	12.8
Adj. P/E (x)	9.9	7.2	9.2	7.9	7.5
EV/EBITDA (x)	6.4	4.8	5.3	5.3	5.2

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – QUARTERLY PERFORMANCE (STANDALONE)

(Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Net sales	177,531	187,634	(5.4)	177,673	(0.1)	719,864	751,263	(4.2)
Purchase of traded goods	133,144	136,034	(2.1)	133,632	(0.4)	535,789	546,623	(2.0)
% of sales	75.0	72.5	-	75.2	-	74.4	72.8	-
Other expenditure	19,634	34,759	(43.5)	23,318	(15.8)	99,243	109,089	(9.0)
% of sales	11.1	18.5	-	13.1	-	13.8	14.5	-
EBITDA	24,754	16,841	47.0	20,724	19.4	84,831	95,551	(11.2)
EBITDA margin (%)	13.9	9.0	-	11.7	-	11.8	12.7	-
Depreciation and amortisation	5,016	4,574	9.7	5,349	(6.2)	18,819	15,502	21.4
EBIT	19,738	12,267	60.9	15,375	28.4	66,012	80,049	(17.5)
Interest	329	263	25.1	242	36.3	1,085	1,385	(21.7)
Other income	5,132	8,659	(40.7)	3,124	64.3	14,168	15,448	(8.3)
PBT	25,557	17,399	46.9	18,257	40.0	78,080	90,848	(14.1)
Provision for tax	(4,625)	6,177	-	6,210	-	14,886	30,592	(51.3)
PAT (adjusted)	29,166	7,959	266.4	12,048	142.1	62,178	56,993	9.1
NPM (adj.) (%)	16.4	4.2	-	6.8	-	8.6	7.6	-
Adjusted EPS (Rs)	6.5	1.8	266.4	2.7	142.1	13.8	12.6	9.1

Source: Company, BOBCAPS Research

FIG 2 – SEGMENT-WISE PERFORMANCE

Y/E March (Rs mn)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Natural Gas Transmission								
Revenue	15,542	14,642	6.1	15,855	(2.0)	60,344	57,786	4.4
Volume (mmscmd)	108.99	109.15	(0.1)	110.30	(1.2)	108.35	107.45	0.8
Realisation (Rs/scm)	1.58	1.49	6.3	1.56	1.4	1.53	1.47	3.6
EBITDA	11,640	10,280	13.2	12,200	(4.6)	44,720	38,884	15.0
PBIT	8,920	7,729	15.4	10,297	(13.4)	35,398	32,539	8.8
LPG Transmission								
Revenue	1,719	1,768	(2.8)	1,688	1.8	6,364	6,241	2.0
Volume ('000 MT)	1,040	1,023	1.7	1,043	(0.3)	3,909	3,975	(1.7)
Realisation (Rs/MT)	1,653	1,728	(4.4)	1,618	2.1	1,628	1,570	3.7
EBITDA	1,100	1,090	0.9	1,080	1.9	3,900	3,669	6.3
PBIT	945	941	0.5	680	38.9	3,309	3,014	9.8
Natural Gas Trading								
Revenue	147,449	154,541	(4.6)	171,576	(14.1)	624,496	613,376	1.8
Volume (mmscmd)	97.76	98.42	(0.7)	96.00	1.8	96.25	96.95	(0.7)
Realisation (Rs/scm)	16.76	17.45	(3.9)	19.43	(13.7)	17.77	17.34	2.5
EBITDA	6,310	5,880	7.3	5,240	20.4	22,700	23,694	(4.2)
PBIT	6,026	5,875	2.6	5,240	15.0	21,424	28,591	(25.1)
Petrochemicals								
Revenue	12,174	17,190	(29.2)	12,770	(4.7)	54,321	67,039	(19.0)
Volume ('000 MT)	174	213	(18.3)	211	(17.5)	749	747	0.3
Realisation (Rs/MT)	69,965	80,702	(13.3)	60,520	15.6	73,269	90,307	(18.9)
Realisation (US\$/MT)	966	1,145	(15.6)	850	13.7	1,021	1,257	(18.8)
EBITDA	1,850	890	107.9	1,050	76.2	2,050	8,150	(74.8)
PBIT (US\$/MT)	724	(200)	(461.8)	2,413	(70.0)	(2,455)	3,849	(163.8)
LPG and Liquid HC								
Revenue	11,539	11,219	2.9	10,307	12.0	42,337	50,831	(16.7)
Volume ('000 MT)	302	335	(9.9)	329	(8.2)	1,264	1,329	(4.9)
Realisation (US\$/MT)	528	475	11.1	440	19.9	471	528	(10.9)
EBITDA	5,540	4,520	22.6	3,180	74.2	16,910	26,300	(35.7)
PBIT	5,281	4,162	26.9	1,733	204.8	15,806	25,465	(38)
Others								
Revenue	2,883	2,701	6.7	2,000	44.1	8,552	7,567	13.0
EBITDA	4,460	(420)	-	3,260	(36.8)	8,760	220	3,881.8
PBIT	878	899	(2.3)	1,510	(41.9)	5,494	2,979	84.4
Total Revenues	191,305	202,060	(5.3)	214,196	(10.7)	796,414	802,841	(0.8)

Source: Company, BOBCAPS Research

Earnings call highlights

- The Kochi-Mangaluru pipeline is in the advanced stages of completion and should be fully commissioned by Q2FY21. Offtake of gas could commence in Mangaluru by Jul'20.
- Out of 90 US LNG cargoes sold during FY20, 37 were sold overseas. Management expects a similar trend in FY21, with pricing for ~70% of these being hedged.
- The need for hedging US LNG cargo in FY22 would be based on commissioning of incremental fertiliser plants, which would be the primary consumers.
- GAIL expects to sustain marketing segment earnings at >Rs 20bn levels in FY21 and believes concerns over negative spreads on US LNG volumes are overdone.
- Determination of a unified tariff model is being actively considered by PNGRB and would most likely result in higher tariffs for GAIL.
- Capex guidance is at Rs 40bn-45bn for FY21 and Rs 80bn-90bn for FY22.
- The company added 41 CNG stations during FY20.

Valuation methodology

At 7.5x FY22E EPS, GAIL offers attractive risk-reward, pricing in most of the concerns. We marginally adjust estimates post the Q4FY20 results, factoring in lower gas pricing for the LPG and petrochemical segments. Our Mar'21 SOTP-based target price increases to Rs 150 (from Rs 140) on higher investment value. Our valuation multiples remain unchanged across business segments. Maintain BUY.

FIG 3 – REVISED ESTIMATES

(Rs mn)	FY21E			FY22E		
	Old	New	Var (%)	Old	New	Var (%)
Revenue	654,786	462,382	(29.4)	716,354.2	536,546	(25.1)
EBITDA	90,053	90,626	0.6	94,617.0	95,378	0.8
EBITDA margin (%)	13.8	19.6	-	13.2	17.8	-
PAT	61,957	58,123	(6.2)	61,472.9	61,167	(0.5)
EPS (Rs)	13.7	12.9	(6.2)	13.6	13.6	(0.5)

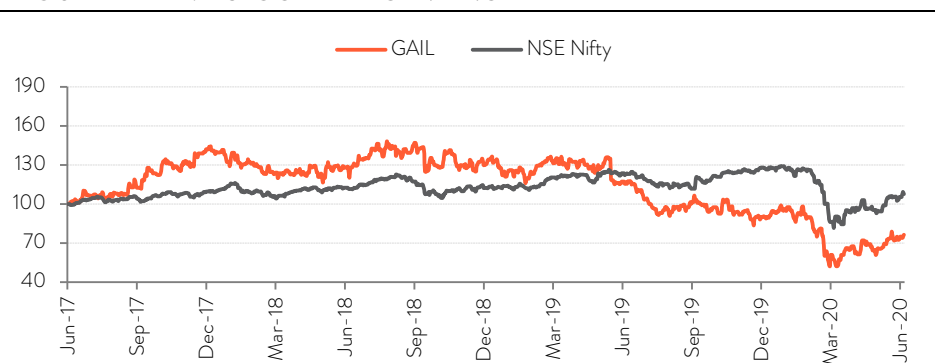
Source: BOBCAPS Research

FIG 4 – SOTP VALUATION SUMMARY

Details	Value (Rs bn)	Value (Rs/sh)	Description
Natural gas and LPG transmission	285	63	DCF and 15x Sep'21E EBITDA respectively
Gas trading	94	21	5x FY22E EBITDA
LPG & LHC production	81	18	6x FY22E EBITDA
Petrochemicals production	34	8	6x FY22E EBITDA
Value of investment in listed companies	136	30	20% discount to CMP
Other business valuations	98	22	At book value of investments (OPAL, BCPL, Gail Gas, etc.)
Total EV	728	161	8.5x FY22E EBITDA
Less: Net debt	55	12	FY20 net debt
Equity Value	673	149	Implies ~7.5x FY22E EPS

Source: BOBCAPS Research

FIG 5 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

Key downside risks to our estimates are:

- below-expected growth in gas transmission and trading volumes,
- negative margins from higher pricing of US LNG contracts, and
- further decline in oil prices (to <US\$ 30/bbl) which could impact LPG and petrochemical business earnings.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20P	FY21E	FY22E
Total revenue	574,866	802,836	718,710	462,382	536,546
EBITDA	76,339	95,556	84,710	90,626	95,378
Depreciation	(14,151)	(15,502)	(18,360)	(18,043)	(19,535)
EBIT	62,188	80,054	66,350	72,582	75,842
Net interest income/(expenses)	(2,751)	(1,385)	(1,085)	(5,175)	(5,001)
Other income/(expenses)	9,870	15,448	14,168	10,298	10,932
Exceptional items	277	0	0	0	0
EBT	69,307	94,116	79,434	77,705	81,774
Income taxes	(23,400)	(30,591)	(13,227)	(19,582)	(20,607)
Reported net profit	46,184	63,525	66,206	58,123	61,167
Adjustments	0	0	(16,548)	0	0
Adjusted net profit	46,000	63,525	49,658	58,123	61,167

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20P	FY21E	FY22E
Accounts payables	38,816	39,612	41,284	33,709	30,560
Other current liabilities	68,372	72,060	83,371	83,371	83,371
Provisions	14,283	14,253	12,847	14,283	14,283
Debt funds	9,761	8,706	63,151	50,006	50,006
Other liabilities	46,309	44,676	38,367	54,602	54,602
Equity capital	22,551	22,551	45,101	45,101	45,101
Reserves & surplus	380,731	412,787	394,610	416,134	449,776
Shareholders' fund	403,281	435,338	439,711	461,236	494,877
Total liabilities and equities	580,822	614,645	678,731	697,207	727,700
Cash and cash eq.	25,294	12,147	8,039	35,124	11,210
Accounts receivables	40,515	40,602	55,759	34,073	37,924
Inventories	19,195	23,219	29,601	14,870	17,193
Other current assets	53,249	40,509	57,635	60,831	63,600
Investments	99,531	95,282	74,985	79,985	84,985
Net fixed assets	289,299	310,861	336,450	412,809	453,031
CWIP	53,739	92,025	105,819	59,515	59,758
Total assets	580,822	614,644	668,288	697,207	727,700

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20P	FY21E	FY22E
Net income + Depreciation	63,621	79,027	84,566	76,167	80,702
Changes in working capital	26,994	13,085	(27,088)	27,082	(12,091)
Other operating cash flows	(1,066)	(17,081)	(20,478)	5,937	(10,932)
Cash flow from operations	89,548	75,030	37,001	109,186	57,679
Capital expenditures	(37,379)	(75,350)	(57,743)	(48,099)	(60,000)
Change in investments	(5,760)	4,249	20,297	(5,000)	(5,000)
Other investing cash flows	9,870	15,448	14,168	10,298	10,932
Cash flow from investing	(33,268)	(55,653)	(23,278)	(42,801)	(54,068)
Equities issued/Others	5,638	0	(1,218)	0	0
Debt raised/repaid	(20,284)	(1,055)	54,445	(13,145)	0
Interest expenses	(2,751)	(1,385)	(1,085)	(5,175)	(5,001)
Dividends paid	(18,936)	(24,668)	(29,131)	(26,156)	(27,525)
Other financing cash flows	(8,070)	(5,416)	(36,870)	5,175	5,001
Cash flow from financing	(44,404)	(32,525)	(13,859)	(39,300)	(27,525)
Changes in cash and cash eq.	11,875	(13,147)	(136)	27,085	(23,914)
Closing cash and cash eq.	25,294	12,147	12,011	35,124	11,210

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20P	FY21E	FY22E
Reported EPS	20.5	28.2	14.7	12.9	13.6
Adjusted EPS	10.2	14.1	11.0	12.9	13.6
Dividend per share	7.2	9.4	6.5	5.8	6.1
Book value per share	178.8	193.0	97.5	102.3	109.7

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20P	FY21E	FY22E
EV/Sales	0.8	0.6	0.6	1.0	0.9
EV/EBITDA	6.4	4.8	5.3	5.3	5.2
Adjusted P/E	9.9	7.2	9.2	7.9	7.5
P/BV	0.6	0.5	1.0	1.0	0.9

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20P	FY21E	FY22E
Tax burden (Net profit/PBT)	66.1	67.5	62.5	74.8	74.8
Interest burden (PBT/EBIT)	111.9	117.6	119.7	107.1	107.8
EBIT margin (EBIT/Revenue)	10.8	10.0	9.2	15.7	14.1
Asset turnover (Revenue/Avg TA)	101.4	134.3	112.0	67.7	75.3
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.5	1.5	1.5
Adjusted ROAE	11.7	15.1	11.3	12.9	12.8

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20P	FY21E	FY22E
YoY growth (%)					
Revenue	11.8	39.7	(10.5)	(35.7)	16.0
EBITDA	19.1	25.2	(11.4)	7.0	5.2
Adjusted EPS	43.1	38.1	(21.8)	17.0	5.2
Profitability & Return ratios (%)					
EBITDA margin	13.3	11.9	11.8	19.6	17.8
EBIT margin	10.8	10.0	9.2	15.7	14.1
Adjusted profit margin	8.0	7.9	6.9	12.6	11.4
Adjusted ROAE	11.7	15.1	11.3	12.9	12.8
ROCE	10.0	12.6	11.7	10.7	10.7
Working capital days (days)					
Receivables	25	18	24	35	24
Inventory	15	12	17	26	16
Payables	24	20	23	37	27
Ratios (x)					
Gross asset turnover	1.3	1.7	1.4	0.8	0.8
Current ratio	1.1	0.9	0.9	1.1	1.0
Net interest coverage ratio	22.6	57.8	61.2	14.0	15.2
Adjusted debt/equity	0.0	0.0	0.1	0.0	0.1

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

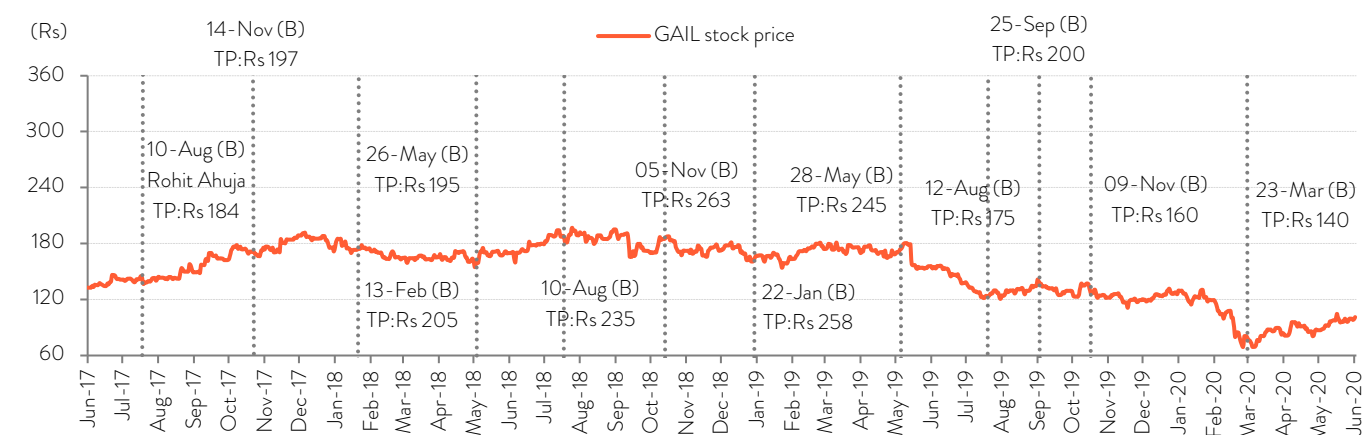
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: GAIL (GAIL IN)



B – Buy, A – Add, R – Reduce, S – Sell

Rating distribution

As of 31 May 2020, out of 92 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 55 have BUY ratings, 20 have ADD ratings, 9 are rated REDUCE, 7 are rated SELL and 1 is UNDER REVIEW. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.