

SELL

TP: Rs 1,195 | ▼ 13%

PIDILITE INDUSTRIES

Construction Materials

07 August 2020

Business slumps amid lockdown

Pidilite Industries' (PIDI) consolidated Q1FY21 revenue contracted 57% YoY as the lockdown induced a 59% slump in domestic consumer & bazaar (CBP) segment volumes. Operating margins shrank 14ppt YoY to 7.6% primarily owing to negative operating leverage, driving EBITDA/PBT declines of 85%/93% YoY. Per management, demand perked up significantly in July aided by sales from rural and semi-urban markets (~30% of mix in FY20). Maintain SELL as we roll forward to a revised Sep'21 TP of Rs 1,195 (earlier Rs 1,110).

Arun Baid

research@bobcaps.in

Steep revenue decline: PIDI's consolidated Q1 revenue fell 57% YoY to Rs 8.8bn, with a 36% decline in overseas subsidiaries and an 82% plunge in the domestic subsidiary. Standalone revenue fell 57% YoY to Rs 7.7bn as volumes in the CBP segment plummeted 59% while business-to-business (B2B) volumes dropped 54%. Management stated that demand conditions improved MoM in July and its plants are now running at 75-80%. Also, >90% of outlets selling PIDI's products have opened (vs. 50% in May and 80% in June). The rural and semi-urban portfolio has seen double-digit growth in June and July.

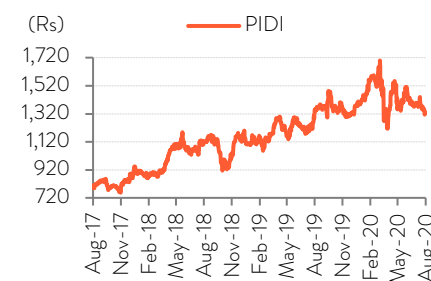
Profits shrink: PIDI's consolidated operating margin shrank 1,444bps YoY to 7.6% primarily due to negative operating leverage and a decline in gross margins (-209bps YoY) on carryover of high-cost inventory from FY20. EBITDA/PBT thus contracted 85%/93% YoY. Management stated that benefits of low-cost raw material should be seen from H2.

Maintain SELL: While we like PIDI for its strong franchise and broad portfolio, the company faces near-term demand headwinds due to its urban-centric presence (70% of sales) where the pandemic is more prevalent. Valuations remain rich 49.8x FY22E EPS – we value the stock at an unchanged one-year forward P/E of 40x and maintain SELL.

Ticker/Price	PIDI IN/Rs 1,378
Market cap	US\$ 9.3bn
Shares o/s	508mn
3M ADV	US\$ 17.0mn
52wk high/low	Rs 1,710/Rs 1,186
Promoter/FPI/DII	70%/11%/19%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20P	FY21E	FY22E	FY23E
Total revenue (Rs mn)	70,787	72,945	65,827	84,090	96,223
EBITDA (Rs mn)	13,682	15,760	13,758	19,257	22,131
Adj. net profit (Rs mn)	8,901	11,590	9,655	14,051	16,323
Adj. EPS (Rs)	17.5	22.8	19.0	27.7	32.1
Adj. EPS growth (%)	(2.9)	30.2	(16.7)	45.5	16.2
Adj. ROAE (%)	23.1	26.9	20.8	27.4	28.4
Adj. P/E (x)	78.7	60.4	72.5	49.8	42.9
EV/EBITDA (x)	51.2	44.4	50.7	36.2	31.6

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 – CONSOLIDATED QUARTERLY PERFORMANCE

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Net revenues	8,778	20,166	(56.5)	15,447	(43.2)
Raw Material Cost	4,085	9,805	(58.3)	6,895	(40.8)
Employee cost	2,157	2,436	(11.5)	2,130.7	1.2
Other expenses	1,873	3,488	(46.3)	3,412	(45.1)
EBITDA	664	4,437	(85.0)	3,009	(77.9)
EBITDA margin (%)	7.6	22.0	(1,444bps)	19.5	(1,192bps)
Depreciation and amortization	461	377	22.2	501	(8.0)
EBIT	203	4,060	(95.0)	2,508	(91.9)
EBIT Margin (%)	2.3	20.1	(1,782bps)	16.2	(1,393bps)
Net Interest expenses	91	73	23.6	98	(7.4)
Foreign exchange gain (loss), net	0	0	n.m.	0	n.m.
Other income	200	399	(49.8)	140	43.3
EBT and except. Items	312	4,385	(92.9)	2,550	(87.8)
Exceptional items	0	0	n.m.	(330)	(100.0)
Earnings before tax	312	4,385	(92.9)	2,220	(85.9)
Income taxes	159	1,444	(89.0)	656	(75.8)
Income tax as % of PBT	50.8	32.9	1,787bps	29.5	2,126bps
Earnings after tax	154	2,941	(94.8)	1,564	(90.2)
Profit in associate company	5	3	62.1	1	370.0
Minority interest (expense) income	110	(15)	n.m.	10	n.m.
Net income (loss) adjusted	268	2,929	(90.9)	1,905	(85.9)

Source: Company, BOBCAPS Research

FIG 2 – CONSOLIDATED SEGMENTAL PERFORMANCE

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue					
Consumer & Bazaar Products	7,020	15,743	(55.4)	11,244	(37.6)
Business to Business	1,882	4,592	(59.0)	4,411	(57.3)
Others	18	233	(92.2)	151	(88.0)
Total	8,921	20,569	(56.6)	15,806	(43.6)
Less: Inter Segment revenue	(142)	(402)	(64.7)	(359)	(60.4)
Net revenues	8,778	20,166	(56.5)	15,447	(43.2)
Profit before interest & tax					
Consumer & Bazaar Products	1,305	4,423	(70.5)	2,787	(53.2)
Business to Business	(220)	653	(133.7)	732	(130.1)
Others	(35)	(12)	n.m.	(11)	224.1
Total	1,050	5,064	(79.3)	3,509	(70.1)
Margin (%)					
Consumer & Bazaar Products	18.6	28.1	(950bps)	24.8	(620bps)
Business to Business	(11.7%)	14.2	(2,594bps)	16.6	(2,831bps)
Total	12.0	25.1	(1,315bps)	22.7	(1,076bps)

Source: Company, BOBCAPS Research

FIG 3 – STANDALONE QUARTERLY PERFORMANCE

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Net revenues	7,724	17,789	(56.6)	13,186	(41.4)
Raw material exp	3,514	8,616	(59.2)	5,813	(39.5)
Employee exp	1,717	1,987	(13.6)	1,643	4.5
Other exp	1,539	3,006	(48.8)	2,878	(46.5)
EBITDA	954	4,180	(77.2)	2,852	(66.5)
EBITDA margin (%)	12.4	23.5	(1,114bps)	21.6	(927bps)
Depreciation and amortization	348	281	24.0	357	(2.5)
EBIT	606	3,899	(84.5)	2,495	(75.7)
EBIT Margin (%)	7.8	21.9	(1,407bps)	18.9	(1,107bps)
Net Interest expenses	34	27	23.6	37	(9.5)
Other income	197	390	(49.6)	165	18.9
PBT	769	4,262	(81.9)	2,623	(70.7)
Income taxes	202	1,387	(85.4)	657	(69.2)
Income tax as % of PBT	26.3	32.5	(626bps)	25.0	123bps
Earnings after tax, adjusted	567	2,876	(80.3)	1,966	(71.2)

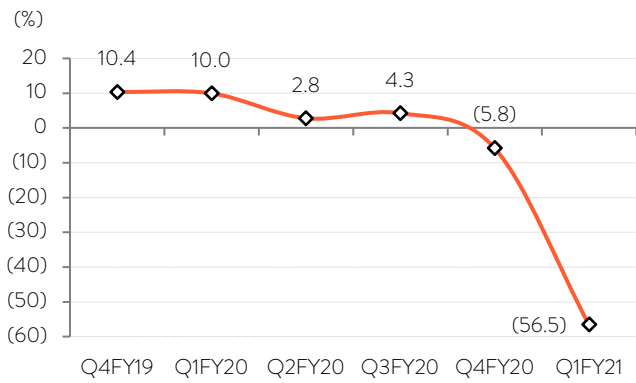
Source: Company, BOBCAPS Research

FIG 4 – STANDALONE SEGMENTAL PERFORMANCE

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue					
Consumer & Bazaar Products	6,145	14,349	(57.2)	9,939	(38.2)
Business to Business	1,683	3,563	(52.7)	3,332	(49.5)
Others	18	233	(92.2)	151	(88.0)
Total	7,846	18,145	(56.8)	13,423	(41.5)
Less: Inter Segment revenue	(122)	(356)	(65.8)	(237)	(48.6)
Net revenues	7,724	17,789	(56.6)	13,186	(41.4)
Profit before interest & tax					
Consumer & Bazaar Products	1,464	4,378	(66.6)	2,832	(48.3)
Business to Business	62	566	(89.1)	746	(91.8)
Others	(35)	(12)	n.m.	(11)	224.1
Total	1,491	4,932	(69.8)	3,567	(58.2)
Margin (%)					
Consumer & Bazaar Products	23.8	30.5	(668bps)	28.5	(466bps)
Business to Business	3.7	15.9	(1,223bps)	22.4	(1,873bps)
Others	(193.4)	(5.2)	(18,818bps)	(7.1)	(18,623bps)
Total	19.3	27.7	(842bps)	27.1	(775bps)

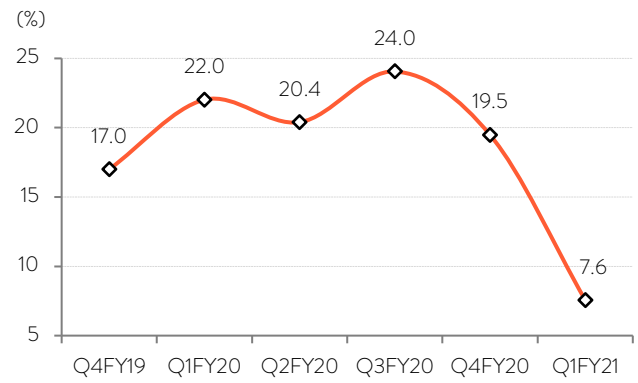
Source: Company, BOBCAPS Research

FIG 5 – CONSOLIDATED REVENUE GROWTH



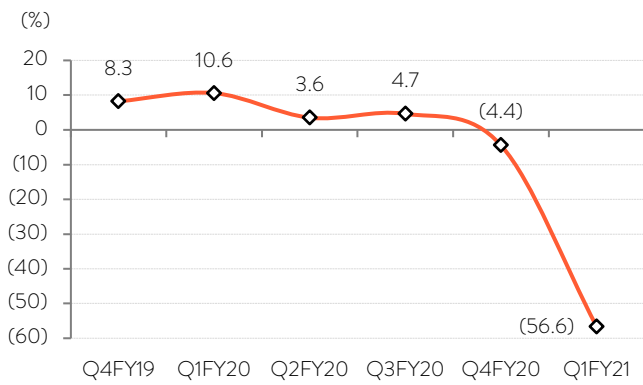
Source: Company, BOBCAPS Research

FIG 6 – CONSOLIDATED EBITDA MARGIN



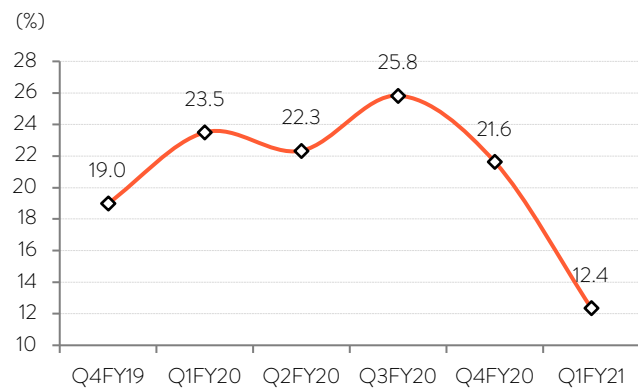
Source: Company, BOBCAPS Research

FIG 7 – STANDALONE REVENUE GROWTH



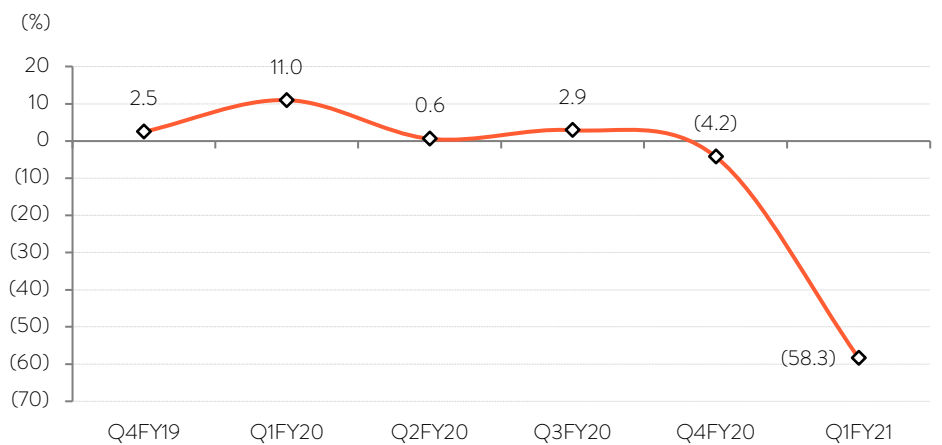
Source: Company, BOBCAPS Research

FIG 8 – STANDALONE EBITDA MARGIN



Source: Company, BOBCAPS Research

FIG 9 – TOTAL VOLUME GROWTH



Source: Company, BOBCAPS Research

Earnings call highlights

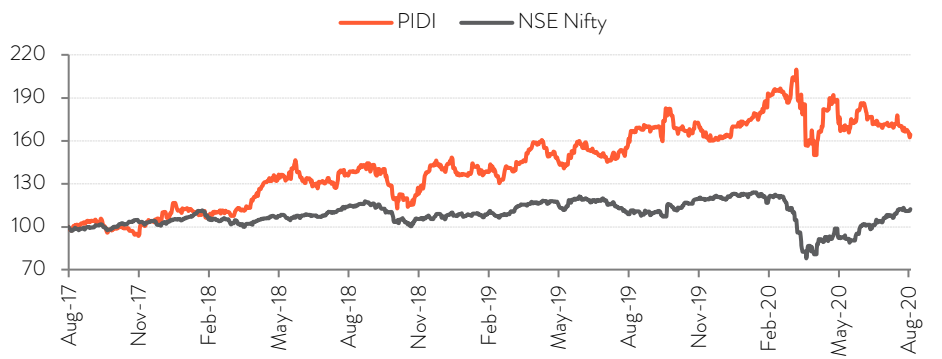
- April was a near washout month for sales with some recovery in May and progressive improvement thereafter.
- PIDI derives ~30% of sales from semi-urban and rural areas (balance from urban areas). These markets have recovered faster than the company expected, exhibiting double-digit growth in both June and July.
- Sales in metro markets have borne the brunt of the lockdown. Management observed that South and East India have been less affected as compared to North and West India.
- As per management, recovery has been far quicker than anticipated wherever the pandemic has retreated.
- The company has seen strong demand recovery in construction chemicals and DIY products while the B2B segment continues to see a slower revival.
- PIDI's plants are now running at 75-80% capacity utilisation.
- Management believes it will take a couple of months to gauge demand trends.
- Raw material cost remained benign during Q1. VAM prices averaged at US\$ 825/t for the quarter (vs. US\$ 965/t YoY) and are currently at US\$ 650-700/t. These low prices are not sustainable, per the company, and will rise as demand improves.
- Management expects the benefit of lower raw material cost to accrue in H2.

Valuation methodology

PIDI is the leader in India’s adhesive market with a strong brand, extensive distribution reach and large product portfolio. The company has a unique distribution framework, with products available in both building material as well as FMCG channels.

While we like PIDI for its strong franchise and broad portfolio, current valuations at 49.8x FY22E P/E appear rich, especially against the backdrop of weak demand from urban markets where the company has a significant presence. We maintain our estimates and reiterate SELL. On rolling valuations forward, we move to a revised Sep’21 target price of Rs 1,195 (earlier Rs 1,110), based on an unchanged one-year forward P/E multiple of 40x.

FIG 10 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- **Sharp decline in raw material prices:** Any sudden, steep fall in RM prices, especially for crude-linked products, could drive above-expected margins.
- **Above-expected pick-up in housing activity:** A stronger revival in the housing market than anticipated can take growth ahead of estimates.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Total revenue	70,787	72,945	65,827	84,090	96,223
EBITDA	13,682	15,760	13,758	19,257	22,131
Depreciation	(1,327)	(1,699)	(1,843)	(2,102)	(2,213)
EBIT	12,355	14,061	11,915	17,154	19,918
Net interest income/(expenses)	(261)	(336)	(268)	(135)	(120)
Other income/(expenses)	586	1,494	1,076	1,510	1,727
Exceptional items	0	0	0	0	0
EBT	13,560	15,219	12,723	18,528	21,525
Income taxes	(4,661)	(3,477)	(3,054)	(4,447)	(5,166)
Extraordinary items	349	(552)	0	0	0
Min. int./Inc. from associates	1	(26)	(15)	(31)	(36)
Reported net profit	9,249	11,164	9,655	14,051	16,323
Adjustments	(349)	426	0	0	0
Adjusted net profit	8,901	11,590	9,655	14,051	16,323

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Accounts payables	5,806	6,210	5,255	6,865	7,482
Other current liabilities	6,837	9,185	8,685	8,185	7,685
Provisions	637	735	865	995	1,125
Debt funds	1,111	1,691	451	451	350
Other liabilities	1,201	823	823	823	823
Equity capital	508	508	508	508	508
Reserves & surplus	40,973	44,048	47,989	53,725	60,388
Shareholders' fund	41,481	44,556	48,497	54,233	60,896
Total liabilities and equities	59,145	65,357	66,780	73,823	80,710
Cash and cash eq.	1,904	7,033	2,177	653	457
Accounts receivables	10,560	10,885	9,676	12,210	13,972
Inventories	9,345	9,295	8,900	10,897	11,846
Other current assets	8,818	10,157	9,876	10,954	11,811
Investments	11,514	7,197	15,229	17,766	20,608
Net fixed assets	9,133	12,890	13,021	13,442	14,115
CWIP	2,421	2,593	2,593	2,593	2,593
Intangible assets	5,343	5,178	5,178	5,178	5,178
Deferred tax assets, net	107	130	130	130	130
Total assets	59,145	65,357	66,780	73,823	80,710

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Net income + Depreciation	14,888	16,919	14,566	20,631	23,738
Interest expenses	261	336	268	135	120
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(5,472)	120	560	(4,370)	(3,322)
Other operating cash flows	(4,671)	(3,900)	(3,022)	(4,410)	(5,123)
Cash flow from operations	5,006	13,474	12,373	11,986	15,413
Capital expenditures	(1,327)	(4,687)	(1,975)	(2,523)	(2,887)
Change in investments	945	4,317	(8,032)	(2,537)	(2,842)
Other investing cash flows	(247)	33	0	0	0
Cash flow from investing	(628)	(337)	(10,007)	(5,059)	(5,729)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(115)	581	(1,240)	0	(101)
Interest expenses	(261)	(336)	(268)	(135)	(120)
Dividends paid	(3,733)	(8,254)	(5,714)	(8,315)	(9,660)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,109)	(8,009)	(7,222)	(8,450)	(9,881)
Changes in cash and cash eq.	268	5,128	(4,856)	(1,524)	(196)
Closing cash and cash eq.	1,904	7,032	2,177	653	457

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20P	FY21E	FY22E	FY23E
Reported EPS	18.2	22.0	19.0	27.7	32.1
Adjusted EPS	17.5	22.8	19.0	27.7	32.1
Dividend per share	6.5	13.5	9.0	13.0	15.1
Book value per share	81.7	87.7	95.5	106.7	119.9

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20P	FY21E	FY22E	FY23E
EV/Sales	9.9	9.6	10.6	8.3	7.3
EV/EBITDA	51.2	44.4	50.7	36.2	31.6
Adjusted P/E	78.7	60.4	72.5	49.8	42.9
P/BV	16.9	15.7	14.4	12.9	11.5

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20P	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	65.6	76.2	75.9	75.8	75.8
Interest burden (PBT/EBIT)	109.8	108.2	106.8	108.0	108.1
EBIT margin (EBIT/Revenue)	17.5	19.3	18.1	20.4	20.7
Asset turnover (Revenue/Avg TA)	127.3	117.2	99.6	119.6	124.5
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.3
Adjusted ROAE	23.1	26.9	20.8	27.4	28.4

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

Ratio Analysis

Y/E 31 Mar	FY19A	FY20P	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	17.3	3.0	(9.8)	27.7	14.4
EBITDA	2.0	15.2	(12.7)	40.0	14.9
Adjusted EPS	(2.9)	30.2	(16.7)	45.5	16.2
Profitability & Return ratios (%)					
EBITDA margin	19.3	21.6	20.9	22.9	23.0
EBIT margin	17.5	19.3	18.1	20.4	20.7
Adjusted profit margin	12.6	15.9	14.7	16.7	17.0
Adjusted ROAE	23.1	26.9	20.8	27.4	28.4
ROCE	19.4	23.3	18.2	24.1	25.1
Working capital days (days)					
Receivables	51	54	57	48	50
Inventory	88	100	107	91	91
Payables	36	38	40	34	35
Ratios (x)					
Gross asset turnover	3.3	2.9	2.3	2.7	2.8
Current ratio	2.1	2.1	2.0	2.1	2.3
Net interest coverage ratio	47.4	41.8	44.5	126.7	165.7
Adjusted debt/equity	0.0	(0.1)	0.0	0.0	0.0

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

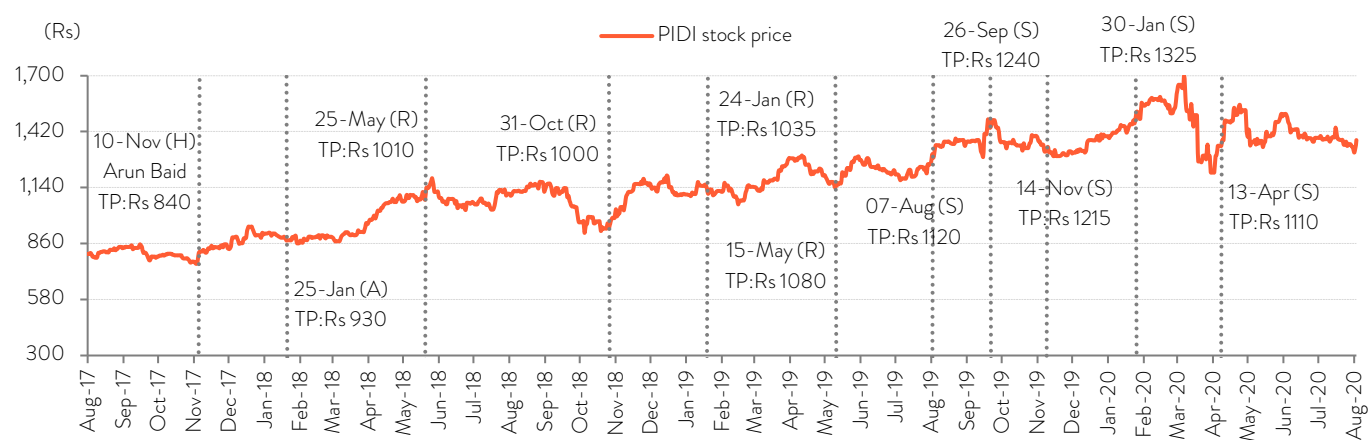
ADD – Expected return from >+5% to +15%

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)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): PIDILITE INDUSTRIES (PIDI IN)



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

Rating distribution

As of 31 July 2020, out of 96 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 46 have BUY ratings, 20 have ADD ratings, 11 are rated REDUCE and 19 are rated SELL. 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.