

ProCredit Holding

Q121 results

On track to scale the business further

ProCredit Holding (PCB) improved its profitability in Q121 with an annualised return on equity (ROE) of 7.9% versus 7.0% in Q120, as the impact of central bank rate cuts across the region was offset by growth in customer loans, limited loss allowances and good operating costs control. As macro conditions normalise further and PCB continues to grow its business in the coming years, we expect the company to realise its scaling potential and gradually reach its mid-term ROE target of 10% (which we expect in FY23e).

Year end	Net interest income (€m)	EPS (€)	DPS (€)	P/BV (x)	P/E (x)	ROE (%)	Yield (%)
12/19	194.5	0.89	0.00	0.7	9.8	6.9	N/A
12/20	201.6	0.70	0.53	0.7	12.4	5.3	6.1
12/21e	208.4	0.92	0.31	0.6	9.5	6.8	3.6
12/22e	230.1	1.30	0.43	0.6	6.7	9.1	4.9

Note: ProCredit, Edison Investment Research. Note: *From total operations.

Lower loss allowances and operating costs in Q121

PCB managed to expand its gross loan book by 3.0% in Q121, with all of its regional banks (except for the minor operations in Germany) growing at 2% or more. Moreover, its deposit base rose by 2.5% q-o-q, due mainly to private individual clients. Still, net interest income declined by 3.2% y-o-y to €49.3m and the net interest margin (NIM) narrowed to 2.7% (versus 3.1% in Q120) primarily due to central bank rate cuts. Furthermore, PCB recognised an earnings-neutral accounting effect (discussed below), which led to a €1.3m reallocation from net interest income to loss allowances (with an annualised cost of risk of 27bp in Q121 versus 57bp in Q120). Finally, PCB realised cost savings related to COVID-19 (eg in travel expenses) but also business optimisation/restructuring (in particular in Romania), which led to a c 2.5% y-o-y decline in operating expenses to €40.7m in Q121 and in turn a robust 13.8% y-o-y increase in net income to €15.6m.

Management guidance reiterated

Following a solid set of Q121 figures, management reiterated its FY21 guidance, implying an ROE of 6.0–7.5% (versus our forecast of 6.8%), an elevated cost of risk but below FY20 (we assume 41bp), a cost income ratio (CIR) of 65–68% (we forecast 66.5%) and a CET1 ratio of 13% (versus 13.3% in FY20 and in line with our forecast). We have made only minor (c 3%) positive changes to our net income forecasts, primarily due to lower operating expenses assumptions. PCB's mid-term targets (discussed in our [previous note](#)) also remained unchanged.

Valuation: Shares still trade below our fair value

We continue to value PCB's shares using a P/BV-ROE approach. Our fair P/BV multiple of 0.90x used in the valuation is the average of a multiple derived from a capital asset pricing model of 1.05x and a ratio implied by a regression line based on FY20 figures for peers and PCB of 0.75x. We arrive at a fair value of €11.20 per share (last updated 4 May 2021), which at present implies c 28% upside potential.

Banks

20 May 2021

Price €8.7

Market cap €512m

Total assets (€bn) at end March 2021 7.5

Shares in issue 58.9m

Free float 35.7%

Code PCZ

Primary exchange Frankfurt Prime Standard

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (4.6) 4.2 76.8

Rel (local) (3.0) 3.5 29.6

52-week high/low €9.24 €4.78

Business description

ProCredit is a German-based group operating regional banks across Southeastern and Eastern Europe, as well as in Ecuador. The banks focus on SMEs and private middle-income and high earners. At end-March 2021, the group's total assets stood at €7.5bn.

Next events

AGM 27 May 2021

Q221 results 12 August 2021

Analysts

Milosz Papst +44 (0)20 3077 5700

Anna Dziadkowiec +44 (0)20 3077 5700

financials@edisongroup.com

[Edison profile page](#)

ProCredit Holding is a research client of Edison Investment Research Limited

Q121 results: Annualised ROE improving to 7.9%

Below we present a summary of PCB's Q121 results compared to Q120. Net profit in Q121 was €15.6m (up 13.8% y-o-y), implying an annualised ROE of 7.9% versus 7.0% in Q120. Following a solid set of Q121 figures, management confirmed its FY21 guidance of loan portfolio growth of c 10% (in line with its mid-term target) and an ROE between 6.0% and 7.5%, assuming a still elevated cost of risk, though below the FY20 level. PCB still targets a CIR of 65–68% and expects a CET1 ratio of 13% (versus 13.3% in FY20).

Exhibit 1: ProCredit Holding's Q121 results highlights			
€m, unless otherwise stated	Q121	Q120	y-o-y % change
Net interest income	49.3	50.9	-3.2%
NIM (annualised)	2.7%	3.1%	-36 bp
Expenses for loss allowances	3.6	6.9	-47.3%
Cost of risk (annualised, bp)	27	57	-30 bp
Net fee and commission income	12.0	12.0	-0.1%
Pre-tax profit	18.5	16.0	15.4%
Net income	15.6	13.7	13.8%
CIR	64.8%	64.6%	22 bp
CET-1 ratio	13.2%	14.0%	-0.8 pp
Gross loan portfolio growth (q-o-q)	3.0%	0.9%	2.1 pp
Customer deposits growth (q-o-q)	2.5%	-1.7%	4.2 pp

Source: Company accounts

Gross loan book up c 3% during the quarter, deposits up 2.5%

Despite Q1 being a relatively quiet season normally, PCB was able to grow its customer loan book by a solid 3% (or €158m) versus end-2020 to €5.4bn. This compares with Q120 and Q119 sequential growth of 0.9% and 2.0%, respectively. Contrary to last year however, this was largely driven by working capital loans (€91m) followed by investment loans (€34m) and green loans (€33m). Having said that, we note that PCB classifies all loans with a maturity of up to three years as working capital loans. However, some of these may in fact be investment loans with a shorter maturity. We note that credit moratoria (ie deferrals of loan repayment) had a negligible impact on Q121 growth as these expired in several countries of PCB's operations in Q420. Consequently, only 2% of PCB's portfolio was under moratoria at end-December 2020 and less than 2% at end-March 2021.

Management highlighted that all ProCredit banks except Germany contributed to the loan book expansion with growth rates of 2% or more. All banks in the Southeastern Europe (SEE) segment grew their loan books by 2–4% during the quarter (particularly Romania and Albania), while in the Eastern Europe segment growth stood at 4.6% q-o-q, largely driven by positive fx effects (though constant currency growth was also positive). The loan book in Ecuador increased by 8.8%, in part due to the appreciation of the US dollar. PCB's green loan book grew by 3.4% versus end-2020 to c €1.0bn and now represents 18.8% of the total loan book (versus PCB's mid-term target of 20%). While the pace of growth was below previous quarters, management highlighted that it expects growth to again accelerate in the coming quarters.

At the same time, PCB continued to attract new deposits with Q121 growth of 2.5% (after an increase of c 13% in FY20), compared with a 1.7% decline in Q120. Similar to last year, the increase in deposits came mostly from sight and savings deposits, which together make up 69% of PCB's deposit base (up 5pp versus Q120). Interestingly, more than half of the Q121 growth (or €65m) came from private individual customers.

Cost of risk remains limited and below last year

Q121 loss allowances stood at €3.6m (versus €7.5m in Q420 and €6.9m in Q120), translating into an annualised cost of risk of 27bp. However, we note that this includes a €1.3m positive effect from the change in the allocation of interest accrual for loans in arrears for more than 90 days from net interest income to loss allowances from Q121 onwards. After adjusting for this, PCB's cost of risk was still relatively low at 37bp in Q121, below Q120 and FY20 level of 57bp.

Provisions in Q121 were primarily driven by stage 3 loans (€4.6m) and loan book growth (€1.8m). Consequently, the share of credit-impaired loans (stage 3 loans) in PCB's loan book increased slightly to 2.7% (from 2.6% at end-2020), while the share of stage 2 loans was down to 4.6%, from 4.9% at end-2020 (though there was an increase in restructuring processes). This is in line with our expectations that FY21 loss allowances will be mainly attributable to transfers from stage 2 to stage 3. On average, the credit quality of the green loan portfolio remains above the total loan book, though we note that there was an uptick in the default rate to 1.0% at end March 2021 from 0.6% at end 2020. PCB did not perform an update of its macroeconomic assumptions, given that the new International Monetary Fund's (IMF) forecasts released in April 2021 indicate a more moderate GDP contraction across PCB's countries of operations, but also a slightly lower rebound in 2021. We underline the continued strong recoveries of written off loans, which in Q121 stood at €3.2m (versus €11.2m in FY20). PCB's coverage of the impaired portfolio was down slightly to 88.9% at end March 2021 versus 91.4% at end 2020, but remains solid.

Net interest income affected by rate cuts and an accounting effect

PCB's net interest income was down 3.2% y-o-y to €49.3m in Q121, primarily due to the reduction in base interest rates in countries where PCB operates, as well as the €1.3m effect discussed above, which however was earnings neutral. As a result, Q121 NIM stood at 2.7% versus 3.1% in Q120 and 2.8% in Q420. We note however, that the NIM contraction was primarily visible in Ukraine, while other regional banks were largely able to offset the effect of rate cuts and reported a stable NIM y-o-y. Recently, NIM in Ukraine also stabilised and we note that the local central bank increased the base rate by 50bp in March 2021 and 100bp in April 2021 (from 6% to 7.5%), flagging that further rate hikes are likely given the high rate of inflation (8.4% in April 2021). Net interest income also declined versus end-2020 by c 3.0% (or €1.5m), which reflects the above-mentioned accounting effect, as well as a €1.1m calendar effect (lower number of days in the quarter). This was partially offset by loan book growth, with the net impact of loans and liabilities pricing remaining broadly neutral versus Q420.

Net fee and commission income was flat y-o-y at €12.0m in Q121 despite overall business growth, as customer transaction activity has not fully recovered to pre-COVID levels. Having said that, income from payment and card services went up versus Q120 by €0.5m, but was offset by lower account maintenance fees and higher fee and commission expenses.

Cost base under control assisted by PCB's lean branch network

Q121 CIR was 64.8% versus 64.6% in Q120, marginally below management's FY21 guidance of 65–68%. This is despite the above-mentioned change in interest accrual recognition having a 1.3pp negative impact on the ratio. Operating expenses decreased in Q121 by c 2.5% y-o-y to €40.7m, assisted primarily by c €0.8m of cost savings at PCB Romania (mostly due to last year's restructuring), as well as a €0.7m decline in travel expenses. This was only partially offset by provisions for legal expenses of €0.4m for litigations in Serbia booked by PCB in conjunction with the local supreme court ruling related to loan processing fees in the Serbian banking sector. PCB's management estimates that the total maximum risk associated with these litigations stands at €2.0m (which we estimate would have a minor €0.03 per share impact on PCB's value). Personnel

expenses increased only slightly by 2% y-o-y to €21.0m despite an 8% headcount expansion across the group in FY20.

Capital ratios providing room for further growth

PCB's CET-1 ratio stood at 13.2% at end-March 2021, down slightly (by 5bp) from end-2020 due to loan book growth, which was partially offset by a c €50m reduction in the €87m excess liquidity placed in local central banks in Q420 amid strong deposit growth, as well as a slight improvement in translation reserves amid favourable fx changes in Q121. The ratio does not include PCB's H220 profits which will be recognised in the regulatory capital in Q221 (adding c 25bp) and that one-third of PCB's 2019 and 2020 profits (representing 46bp) was already deducted from the regulatory capital in line with management's dividend proposal and PCB's dividend policy. Management sees relatively limited impact from the implementation of Basel IV in 2023, given that PCB does not use internal models for the calculation of risk-weighted assets.

Forecast revisions

Given PCB's solid Q121 figures and the reiterated management guidance, we have made only minor changes to our net income forecasts, with the c 3% increase primarily being a function of reduced operating expenses assumptions, encouraged by PCB's good cost control, in particular the cost savings from restructuring in Romania.

Exhibit 2: Forecast revisions summary

€m, unless otherwise stated	2020		2021e			2022e			
	Actual	Old	New	Change	Growth y-o-y	Old	New	Change	Growth y-o-y
Net interest income	201.6	216.4	208.4	3.7%	3.4%	235.1	230.1	-2.1%	10.4%
NIM (annualised)	2.9%	2.8%	2.7%	-0.1 pp	-0.2 pp	2.8%	2.8%	-0.1 pp	0 pp
Expenses for loss allowances	(28.6)	(28.8)	(22.8)	-20.8%	N/M	(18.2)	(15.1)	-17.2%	-33.7%
Cost of risk (annualised in bp)	57	52	41	-11 bp	N/M	30	25	-5 bp	-16 bp
Net fee and commission income	47.4	51.3	51.0	-0.5%	7.6%	57.2	57.2	0.1%	12.2%
Pre-tax profit	52.1	64.8	66.2	2.1%	27.1%	90.2	93.2	3.3%	40.7%
Net income	41.4	52.5	53.9	2.7%	30.3%	74.0	76.5	3.4%	42.0%
CET1 ratio	13.3%	13.0%	13.0%	0 pp	-0.3 pp	12.9%	12.9%	0 pp	-0.1 pp
Total Capital Ratio (TCR)	14.7%	14.3%	14.3%	-0.1 pp	-0.4 pp	14.1%	14.1%	0 pp	-0.2 pp
CIR	68.0%	65.7%	66.5%	0.8 pp	-1.5 pp	63.8%	63.3%	-0.5 pp	-3.2 pp
Gross loan portfolio	5,254.3	5,805.5	5,816.3	0.2%	10.7%	6,378.3	6,383.0	0.1%	9.7%
Net loan portfolio	5,131.6	5,665.6	5,675.2	0.2%	10.6%	6,229.0	6,235.6	0.1%	9.9%
Customer deposits	4,898.9	5,469.6	5,518.3	0.9%	12.6%	5,986.8	6,037.9	0.9%	9.4%

Source: ProCredit, Edison Investment Research

In Q221, we expect PCB to post a net income of €13.2m (vs €8.0m in Q220), with a net interest margin of 2.7% (stable vs Q121), cost of risk at 43bp and a CIR at 66.2%.

Exhibit 3: Summary of Q221 results forecasts

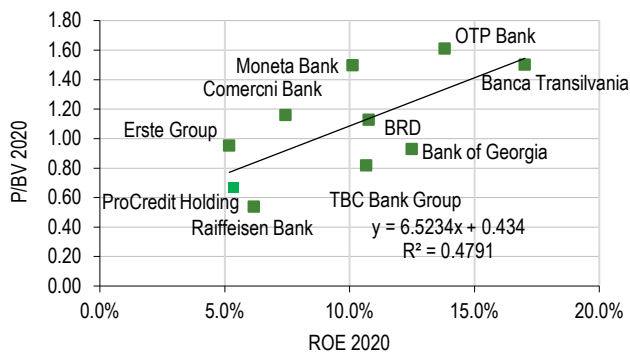
€m, unless otherwise stated	Q221	Q220	y-o-y change
Net interest income	51.8	49.0	5.7%
Net interest margin (annualized)	2.7%	2.9%	-18 bp
Expenses for loss allowances	5.8	8.8	-34.1%
Cost of risk (annualized, bp)	43	71	-29 bp
Net fee and commission income	12.2	10.6	14.8%
Pre-tax profit	16.3	10.1	61.7%
Net income	13.2	8.0	65.4%
CIR	66.2%	68.5%	-221 bp
CET-1 ratio	13.5%	14.1%	-0.6 pp
Gross loan portfolio growth (q-o-q)	1.6%	4.4%	-2.8 pp
Customer deposits growth (q-o-q)	1.9%	4.2%	-2.3 pp

Source: ProCredit, Edison Investment Research

Valuation

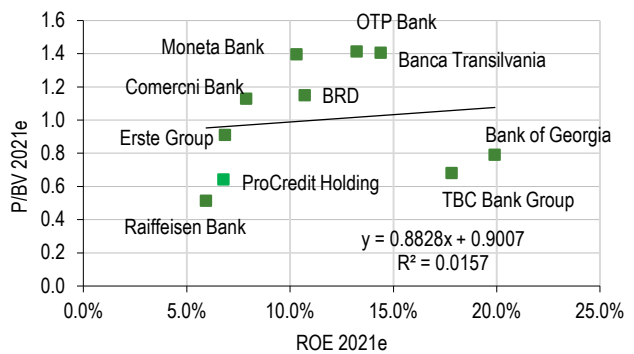
Our PCB fair value estimate remains at €11.20 per share, which currently implies c 28% upside potential. While PCB has one of the lowest FY20 ROEs in its peer group (5.3%), it also trades at one of the lowest price to book value (P/BV) ratios (0.7x) and as a result is positioned below the regression line in our P/BV-ROE landscape (see Exhibit 4). We note that the group is quite scattered across the P/BV-ROE map making the regression line somewhat less reliable. We believe this may be due to several non-financial factors, such as a different degree of political risk perceived by investors. We focus on FY20 numbers due to the low R-squared value of the regression line that is based on FY21e P/BV and ROE estimates for PCB and its peers, suggesting limited reliability (see Exhibit 5).

Exhibit 4: P/BV vs ROE – ProCredit and peers (2020)



Source: ProCredit, Edison Investment Research, Refinitiv

Exhibit 5: P/BV vs ROE – ProCredit and peers (2021)



Source: ProCredit, Edison Investment Research forecasts for PCB, Refinitiv consensus at 20 May 2021 for peers

Exhibit 6: Financial summary

Year end 31 December (€000s)	FY18	FY19	FY20	FY21e	FY22e	FY23e	FY24e	FY25e
Income Statement								
Net interest income	186,235	194,533	201,561	208,412	230,094	252,425	276,151	304,195
Net fee and commission income	52,172	51,972	47,380	50,987	57,223	61,911	65,647	69,608
Loss allowances (-)	(4,714)	(3,327)	28,600	22,760	15,081	8,206	7,125	8,149
Operating income	245,394	252,603	223,514	242,909	279,888	315,476	344,811	376,681
Operating expenses	167,866	175,737	171,430	176,687	186,700	200,830	214,823	231,009
PBT	77,528	76,866	52,085	66,221	93,188	114,646	129,988	145,672
Net profit after tax	54,479	54,305	41,396	53,923	76,549	94,638	107,666	120,987
Reported EPS (€)	0.90	0.89	0.70	0.92	1.30	1.61	1.83	2.05
DPS (€)	0.30	0.00	0.53	0.31	0.43	0.54	0.61	0.68
Balance Sheet								
Cash and balances at Central Banks	963,714	1,081,723	1,405,349	1,529,980	1,606,998	1,725,544	1,813,171	1,937,047
Loans and advances to banks	211,592	320,737	236,519	239,071	239,071	239,071	239,071	239,071
Investment securities	297,308	378,281	336,476	339,673	339,673	339,673	339,673	339,673
Loans and advances to customers	4,267,829	4,690,961	5,131,582	5,675,159	6,235,578	6,858,019	7,552,547	8,322,822
Property, plant and equipment and investment properties	130,153	138,407	140,744	140,672	140,744	140,672	140,744	140,672
Intangible assets	22,191	20,345	19,316	19,334	19,316	19,334	19,316	19,334
Other assets	73,396	67,106	59,315	58,421	59,315	58,421	59,315	58,421
Total assets	5,966,184	6,697,560	7,329,301	8,002,310	8,640,695	9,380,734	10,163,837	11,057,041
Liabilities to banks	200,813	226,819	230,556	1,246,743	1,321,548	1,400,841	1,484,891	1,573,984
Liabilities to customers	3,825,938	4,333,436	4,898,897	5,518,325	6,037,905	6,614,955	7,252,463	7,956,899
Liabilities to international financial institutions	813,369	852,452	1,005,207	0	0	0	0	0
Debt securities	206,212	343,727	266,858	281,763	266,858	281,763	266,858	281,763
Subordinated debt	143,140	87,198	84,974	87,438	84,974	87,438	84,974	87,438
Other liabilities	33,076	50,436	63,080	60,045	63,080	60,045	63,080	60,045
Total liabilities	5,222,549	5,894,068	6,549,573	7,194,314	7,774,364	8,445,041	9,152,266	9,960,130
Total shareholders' equity	743,634	803,492	779,729	807,996	866,330	935,693	1,011,571	1,096,911
BVPS (€)	12.5	13.5	13.2	13.6	14.6	15.8	17.1	18.5
TNAV per share (€)	12.1	13.1	12.9	13.3	14.3	15.5	16.8	18.2
Ratios								
NIM	3.30%	3.10%	2.90%	2.72%	2.77%	2.80%	2.83%	2.87%
Costs/Income	69.7%	70.5%	68.0%	66.5%	63.3%	62.0%	61.0%	60.0%
ROAE	7.6%	6.9%	5.3%	6.8%	9.1%	10.5%	11.1%	11.5%
CET1 Ratio	14.4%	14.1%	13.3%	13.0%	12.9%	12.7%	12.6%	12.6%
Tier 1 ratio	14.4%	14.1%	13.3%	13.0%	12.9%	12.7%	12.6%	12.6%
Capital adequacy ratio	17.2%	15.7%	14.7%	14.3%	14.1%	13.7%	13.6%	13.5%
Payout ratio (%)	33.3%	0.0%	33.3%*	33.3%	33.3%	33.3%	33.3%	33.3%
Customer loans/Total assets	73.6%	71.6%	71.7%	72.7%	73.9%	74.7%	75.9%	76.7%
Loans/Deposits	114.8%	110.7%	107.3%	105.4%	105.7%	106.0%	106.3%	106.6%

Source: ProCredit accounts, Edison Investment Research. Note: *Management's dividend proposal reflects the intention to distribute one third of accumulated profits from 2019 and 2020.

General disclaimer and copyright

This report has been commissioned by ProCredit Holding and prepared and issued by Edison, in consideration of a fee payable by ProCredit Holding. Edison Investment Research standard fees are £49,500 pa 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 research department of Edison 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 2021 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). 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

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

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.

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

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.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia