

Jumbo Interactive

ADD

Current price:	A\$1.72
Target price:	A\$2.06
Previous target:	A\$
Up/downside:	19.9%
Reuters:	JIN.AX
Bloomberg:	JIN AU
Market cap:	US\$56.40m
	A\$75.79m
Average daily turnover:	US\$0.04m
	A\$0.05m
Current shares o/s	44.06m
Free float:	80.0%

A winning formula

- Jumbo Interactive (JIN) is an online retailer of lottery tickets in Australia and has recently expanded the product offering to include charity lotteries. We view the winding down of the German lottery operation and the increased focus on charity lotteries as a net positive for investors.
- The company has a strong balance sheet and offers investors leverage to increasing digital sales of lottery tickets. Given the relatively fixed nature of the company's cost base, increased total transaction volume drives margin expansion.
- We initiate coverage with an Add recommendation and A\$2.06 DCF-based target price given the attractive earnings growth forecast over the next three years (38% CAGR).

Traditional lottery jackpots down but the shift to digital continues

Traditional lottery jackpots over A\$15m have been weaker in 1H17 compared to 1H16 with just 12 versus 17 in the pcp. This will impact JIN's total transaction volume (TTV) as customer spend increases (as does JIN's marketing expenses) with larger jackpots. Clearly the jackpot trend cannot be forecast, but lottery sales have reported an average annual growth rate of 4.9% since 1990. The big driver for JIN is the growth in digital lottery sales, which we forecast to increase from current levels of ~13.5% to 20% over the next five years.

Charity lotteries to provide additional growth

While we forecast continued revenue growth from the traditional lotteries business, we view the move into the charity lottery space very favorably. JIN should be able to leverage its significant existing lottery customer base and also secure new customers wishing to participate in the charity lotteries. These new customers could then be sold traditional lottery tickets which will further enhance JIN's turnover and revenues. We expect JIN to ramp up the promotion of charity lottery products and potentially add further charities to the list over time.

A strong balance sheet with growing dividends forecast

JIN has a strong balance sheet with net cash (excluding player cash) of A\$18.3m. With no significant capital expenditure forecast and healthy cash generation, we forecast growing dividends over the next few years (after adjusting for 2H16's final dividend of 5cps). Our DPS forecasts are 5cps in FY17, 6.5cps in FY18 and 8cps in FY19.

Initiate coverage with Add recommendation and A\$2.06 target price

We initiate coverage on JIN with an Add recommendation and A\$2.06 target price. We set our target price in-line with our DCF valuation. Key negative risks to our recommendation include lower traditional lottery sales in Australia, lower online sales penetration rates and the failure to grow charity lottery sales. The upside risks are the opposite.



Price performance	1M	3M	12M
Absolute (%)	-4.5	-6.8	63.8
Relative (%)	-7.8	-6.6	58.9

James LAWRENCE

T (61) 7 3334 4547

E james.lawrence@morgans.com.au

Financial Summary	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Revenue (A\$m)	29.20	34.34	35.28	39.49	43.93
Operating EBITDA (A\$m)	4.46	11.13	13.09	17.22	20.36
Net Profit (A\$m)	0.23	4.53	6.74	9.53	11.78
Normalised EPS (A\$)	0.01	0.10	0.15	0.22	0.27
Normalised EPS Growth		1913%	49%	42%	24%
FD Normalised P/E (x)	335.3	16.7	11.3	8.0	6.4
DPS (A\$)	0.030	0.070	0.050	0.065	0.080
Dividend Yield	1.74%	4.07%	2.91%	3.78%	4.65%
EV/EBITDA (x)	11.71	4.54	3.64	2.42	1.68
P/FCFE (x)	NA	36.08	14.98	8.67	6.82
Net Gearing	(110%)	(102%)	(96%)	(95%)	(94%)
P/BV (x)	3.51	3.07	2.59	2.11	1.72
ROE	1.1%	19.6%	25.0%	29.3%	29.4%
% Change In Normalised EPS Estimates			82%	104%	87%
Normalised EPS/consensus EPS (x)					

SOURCE: MORGANS, COMPANY REPORTS

Figure 1: Financial summary

Jumbo Interactive

 ASX: JIN
 Last Price: A\$1.72

Recommendation: ADD

 Target Price: A\$2.06
 Upside to Target Price: 19.9%

INCOME STATEMENT	2015A	2016A	2017F	2018F	2019F
Australia	28.4	33.2	35.0	39.5	43.9
Germany	0.1	0.3	0.3	0.0	0.0
Unallocated	0.7	0.8	0.0	0.0	0.0
Total Sales Revenue	29.2	34.3	35.3	39.5	43.9
Revenue Growth %		17.6%	2.7%	11.9%	11.3%
Gross profit	26.5	31.5	32.8	36.7	40.9
EBITDA	4.9	11.7	13.1	17.2	20.4
EBITDA Margin	16.8%	34.1%	37.1%	43.6%	46.4%
EBITDA Growth		138.9%	11.6%	31.6%	18.3%
Depreciation and Amortisation	-2.9	-3.7	-4.1	-4.3	-4.3
EBIT	2.0	8.1	9.0	13.0	16.1
EBIT Margin	6.9%	23.5%	25.5%	32.8%	36.5%
EBIT Growth		301.8%	11.9%	43.7%	23.9%
Net Interest (Income)/Expense	0.8	0.6	0.6	0.7	0.8
Profit Before Tax	2.8	8.7	9.6	13.6	16.8
Tax	-1.9	-3.4	-2.9	-4.1	-5.0
Normalised NPAT	0.8	5.3	6.7	9.5	11.8
Normalised NPAT Growth %		527.6%	27.0%	41.5%	23.6%
Extraordinary Items - Post Tax	-0.3	-0.7	0.0	0.0	0.0
Reported NPAT	0.5	4.6	6.7	9.5	11.8
NORMALISED PER SHARE DATA	2015A	2016A	2017F	2018F	2019F
Diluted Ordinary Shares (m)	44.2	44.1	44.1	44.1	44.1
Earnings per Share	0.019	0.120	0.153	0.216	0.267
Growth		529.5%	27.0%	41.5%	23.6%
Dividend per Share	0.030	0.070	0.050	0.065	0.080
Growth		133.3%	-28.6%	30.0%	23.1%
Dividend payout ratio	156.9%	58.2%	32.7%	30.1%	29.9%
CASH FLOW STATEMENT	2015A	2016A	2017F	2018F	2019F
EBITDA	6.3	12.2	13.1	17.2	20.4
Change in Working Capital	0.0	0.0	-0.7	0.0	0.6
Net Interest (Income)/Expense	0.7	0.6	0.6	0.7	0.8
Tax	-2.3	-4.5	-2.9	-4.1	-5.0
Other	0.0	0.0	0.0	0.0	0.0
Net Operating Cash Flow	4.7	8.4	10.1	13.8	16.7
Net Cash Flow For Investing	-5.2	-5.1	-5.1	-5.0	-5.6
Free Cash Flow	4.4	8.2	10.0	13.6	16.5
Change in Equity	0.2	-0.1	0.0	0.0	0.0
Dividends Paid (Cash Dividends)	-1.3	-1.5	-2.2	-2.9	-3.5
Net increase/(decrease) in Debt	0.0	0.0	0.0	0.0	0.0
Other Financing Cash Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	-1.1	-1.7	-2.2	-2.9	-3.5
Increase in cash	-1.6	1.5	2.9	5.9	7.6

BALANCE SHEET	2015A	2016A	2017F	2018F	2019F
Cash & Cash Equivalents	23.8	25.3	28.2	34.0	41.6
Player's cash	7.1	7.1	7.1	7.1	7.1
Receivables	0.5	0.6	0.7	0.8	0.9
Inventories	0.1	0.1	0.1	0.1	0.1
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	24.3	25.9	28.9	34.9	42.6
Receivables	0.0	0.1	0.1	0.1	0.1
PPE	0.5	0.4	0.4	0.5	0.5
Intangible Assets - Goodwill	2.8	2.8	2.8	2.8	2.8
Intangible Assets - Licenses	6.5	7.9	8.9	9.6	10.8
Intangible Assets - Other	0.0	0.0	0.0	0.0	0.0
Other Non-Current Assets	1.1	1.1	1.1	1.1	1.1
Total Non Current Assets	11.0	12.3	13.3	14.1	15.3
Total Assets	35.3	38.2	42.2	48.9	57.9
Payables	11.7	12.2	11.7	11.7	12.4
Borrowings - Short Term	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	1.7	1.0	1.0	1.0	1.0
Total Current Liabilities	13.4	13.2	12.7	12.7	13.4
Borrowings - Long Term	0.0	0.0	0.0	0.0	0.0
Provisions	0.2	0.3	0.3	0.3	0.3
Other Non-current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non Current Liabilities	0.2	0.3	0.3	0.3	0.3
Total Liabilities	13.6	13.5	13.0	13.0	13.7

Total Shareholders' Equity	2015A	2016A	2017F	2018F	2019F
	21.7	24.7	29.2	35.9	44.1

VALUATION ANALYSIS	2015A	2016A	2017F	2018F	2019F
Price to Earnings Ratio	90.0x	14.3x	11.3x	8.0x	6.4x
Cash Dividend Yield	1.7%	4.1%	2.9%	3.8%	4.7%
Gross Dividend Yield	2.5%	5.8%	4.2%	5.4%	6.6%
Enterprise Value (m)	59	58	55	49	41
EV/EBITDA	12.1x	4.9x	4.2x	2.8x	2.0x
EV/EBIT	29.6x	7.1x	6.1x	3.8x	2.6x

LEVERAGE & INTEREST COVER	2015A	2016A	2017F	2018F	2019F
Net Debt (exc. Player's cash)	-16.7	-18.3	-21.1	-27.0	-34.6
Net Debt to Equity	-76.9%	-73.9%	-72.2%	-75.2%	-78.3%
Net Debt to EBITDA	-3.4x	-1.6x	-1.6x	-1.6x	-1.7x
Interest Cover (EBITDA / Int. Exp.)	-2.4x	-1.5x	-1.5x	-1.3x	-1.3x

RETURN NUMBERS (normalised)	2015A	2016A	2017F	2018F	2019F
Return on Equity	66.9%	513.0%	673.5%	953.1%	1177.7%
Return on Assets	66.9%	513.0%	673.5%	953.1%	1177.7%
Return on Invested Capital	200.4%	805.3%	901.2%	1295.1%	1605.1%

SOURCE: MORGANS RESEARCH, COMPANY

Jumbo Interactive

Who is Jumbo?

Jumbo Interactive (JIN) is an online retailer of lottery tickets in Australia. The business model is transaction based and JIN receives an agent margin based on the gross value of tickets sold on behalf of the lottery operator (Tatts Group). The company is exiting Germany given the difficult operating environment and is instead focusing on growing the attractive charity lottery business.

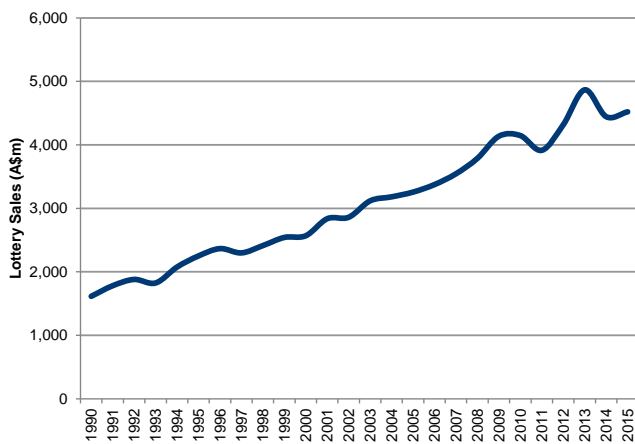
JIN achieves earnings growth through margin expansion as costs related to maintaining the online platform are relatively fixed and costs associated with customer acquisition are eventually exceeded by customer spend.

There are a number of aspects of JIN's business we like. These include its strong balance sheet, scalable business model, sound approach to capital management and its core business of digitising traditional industries.

The Australian lottery market

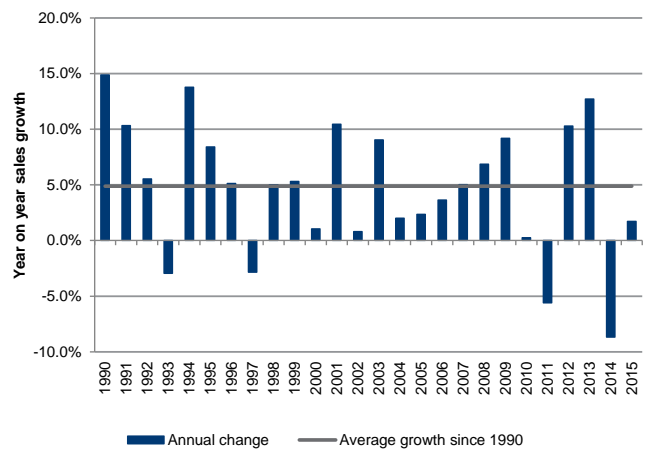
Australian lottery sales growth has varied year to year but averaged 4.9% since 1990. Jackpot level is a key driver for sales growth and both Tatts Group (TTS, Add, TP A\$4.47) and JIN have highlighted A\$15m jackpots as the level where they witness increased customer participation. That said, with a higher (lower) run of jackpots, the level at which customers play increases (decreases) and JIN adjusts its marketing efforts accordingly.

Figure 2: Australian lottery sales



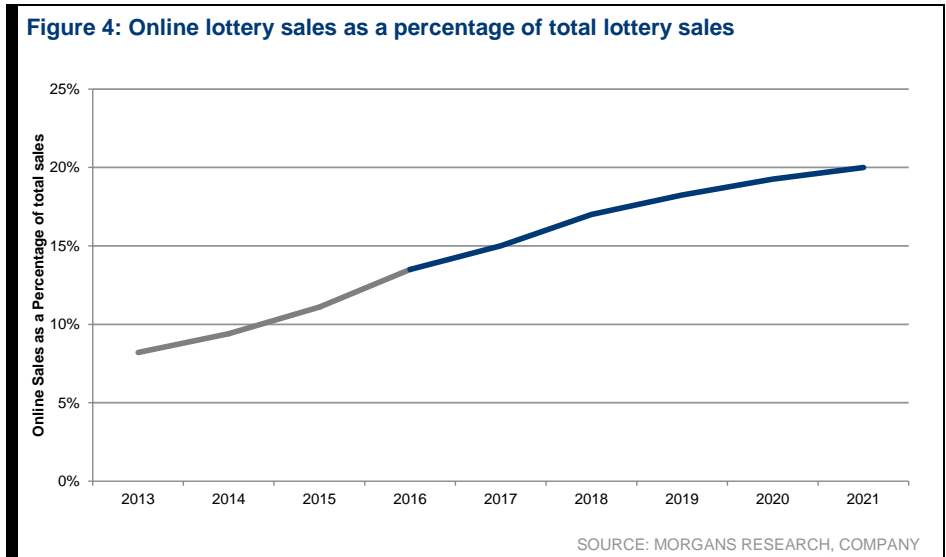
SOURCE: AUSTRALIAN GAMBLING STATISTICS MORGANS RESEARCH, COMPANY

Figure 3: Year on year lottery sales growth



SOURCE: AUSTRALIAN GAMBLING STATISTICS MORGANS RESEARCH, COMPANY

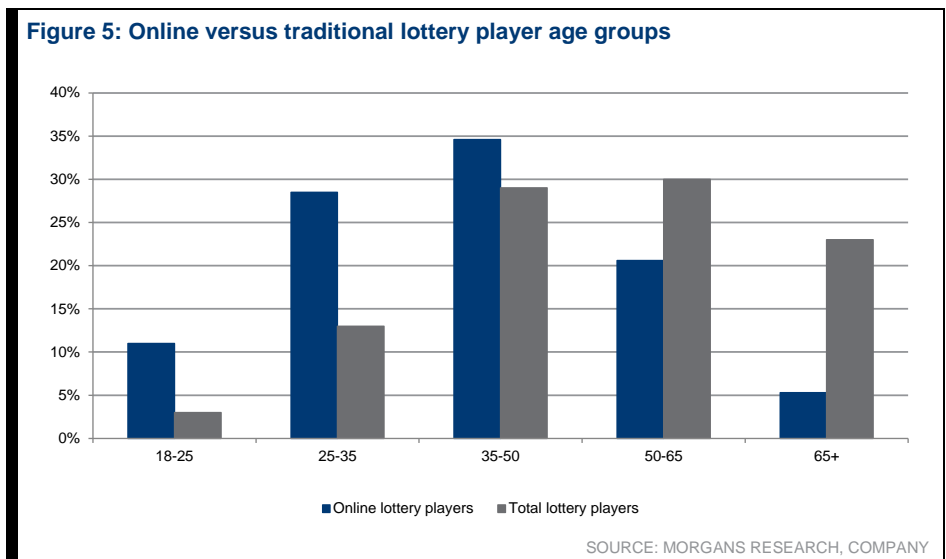
We forecast 2.75% growth per annum for total lottery sales over the next five years as increased competition from other forms of gambling (particularly online wagering) takes market share from lotteries. We however forecast online lottery sales growth to average 8.2% and for online lottery sales as a percentage of total lottery sales to hit 20% in 2021. This level of online lottery sales is consistent with that seen in the UK and Finland where they have reached 20% and 30%, respectively.



The increase in overall lottery sales and the broader shift toward online sales has driven JIN’s total transaction volume (TTV) over the past few years in particular.

Online lottery tickets are drawing a younger customer

Online channels enable lotteries to attract new customers which are outside the typical lottery market. Lottery ticket buyers have traditionally been from older age groups with younger people often preferring other forms of gambling. Due to the increasing use of technology by younger consumers, there has been a significant shift in the demographic of lottery players which is a clear benefit to JIN.



Customer growth

JIN continues to report strong customer account and active customer growth with active customer numbers increasing by ~13% in FY16 to 375,988. Importantly for JIN, average yearly customer spend has remained strong, increasing by ~6% to A\$335.27 in FY16. JIN notes that any spend over A\$300.00 is a good result if it can continue growing active customer numbers. The company has successfully targeted younger participants online and continues to procure new customers at a cost of sub A\$20.00 per lead.

Licenses and the relationship with TTS

TTS has agreements with JIN which allow the company to resell TTS lotteries in the following jurisdictions. JIN also charges a 10% premium for tickets it sells online to its customers:

- Victoria – expired 30 June 2013, extended on a 30 day basis;
- New South Wales – expired 4 December 2013, extended on a 30 day basis;
- South Australia – the agreement runs through to 1 September 2017; and
- Northern Territory – this agreement expires on 27 September 2017.

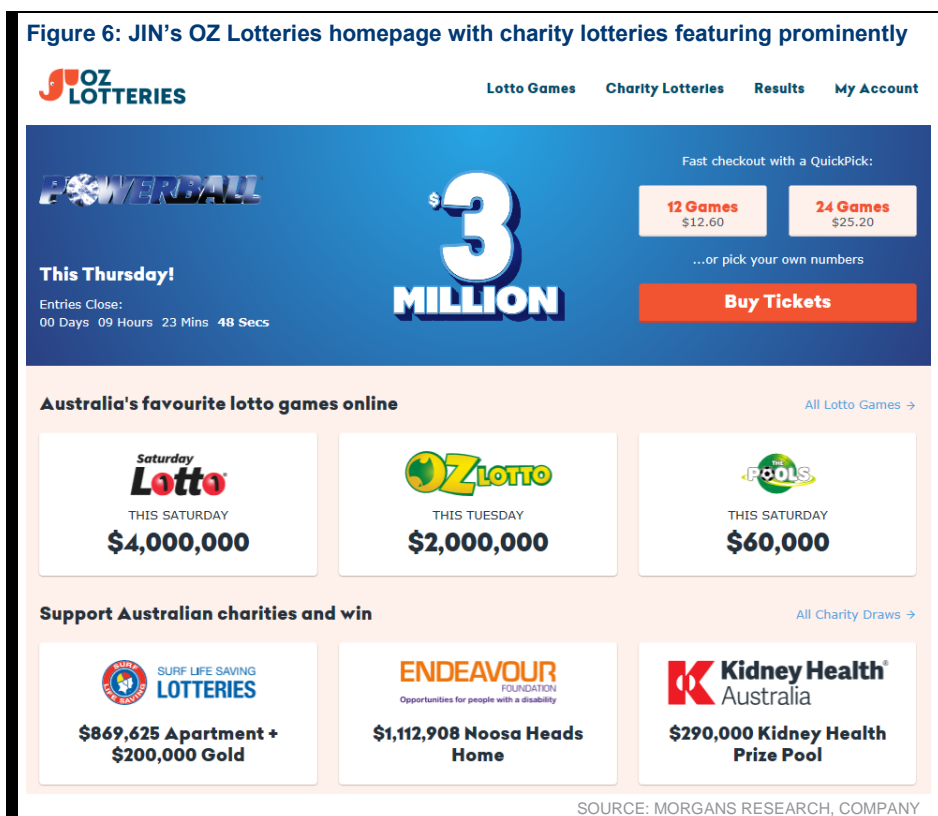
We view JIN effectively as a large “retailer” for TTS and expect the company to maintain the relationship going forward. If TTS were to end the association with JIN, we would expect JIN to utilise its extensive customer base and become a reseller of other lottery products.

Australian charity lotteries

In June 2015 JIN expanded its lottery portfolio and launched a charity lottery offering to its customers. It began by offering three lottery games and this has now expanded to five games. The charities now include:

- Surf Life Saving Lotteries,
- Endeavour Foundation,
- Kidney Health Australia,
- Act for kids, and
- Prince of Wales Hospital Foundation.

JIN offers its customers the ability to purchase tickets in these games rather than through the charity directly and is paid a retail margin for offering this service. While it is relatively early days for this division, we believe it could be a good growth leg for JIN given the fixed cost base and potential for increased revenues. At this stage however, JIN does not break out revenues from this division from the broader Australian lottery revenues.



German lotteries

In July 2013 JIN obtained lottery licenses in every state in Germany and in December 2013 it launched jumbolotto.de. Due to the highly fragmented and competitive nature of the market, in FY15 the business underwent a substantial restructure and marketing efforts have been scaled back. The company has cut costs but as TTV remains low at just A\$2.4m (up from A\$1.54m in FY15), we expect the company to continue report a loss for the foreseeable future.

As a result of the difficult market conditions, JIN will no longer have a physical presence in Germany and has scaled back its operation to remove ongoing operational costs. JIN has announced that Germany is expected to record a loss of approximately A\$1.0m for the FY17 year but will not incur further losses or expenses going forward.

A customer referral agreement has been signed with Lotto24, an independent lottery reseller, and JIN will receive a payment for each of its customers that sign up to Lotto24. The Jumbolotto.de website and app will continue to operate as a customer referral service and JIN has stated that in the event market conditions improve, it may look to relaunch its business.

Rest of world lotteries

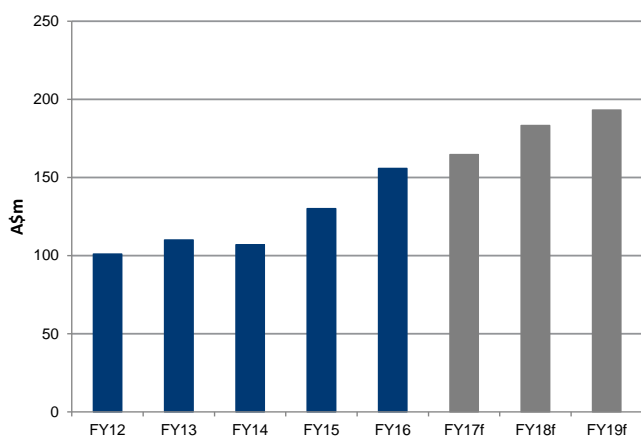
Mexico

During FY16 the company announced that it did not see any meaningful opportunities for the foreseeable future in Mexico where the company holds a lottery license. Further with activity being minimal the company ceased to report this as a segment during the year.

Company financials

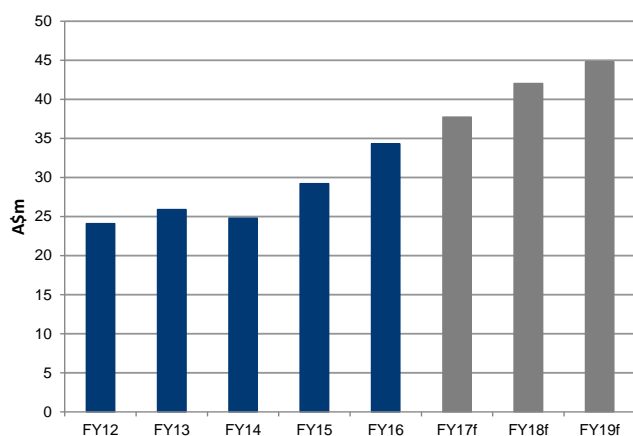
We forecast JIN to generate moderate TTV and revenue growth in FY17, but forecast these to improve in FY18 on the back of increased traditional lottery volumes and the ramping up of the charity lottery business.

Figure 7: JIN TTV – actual and Morgans’ forecasts



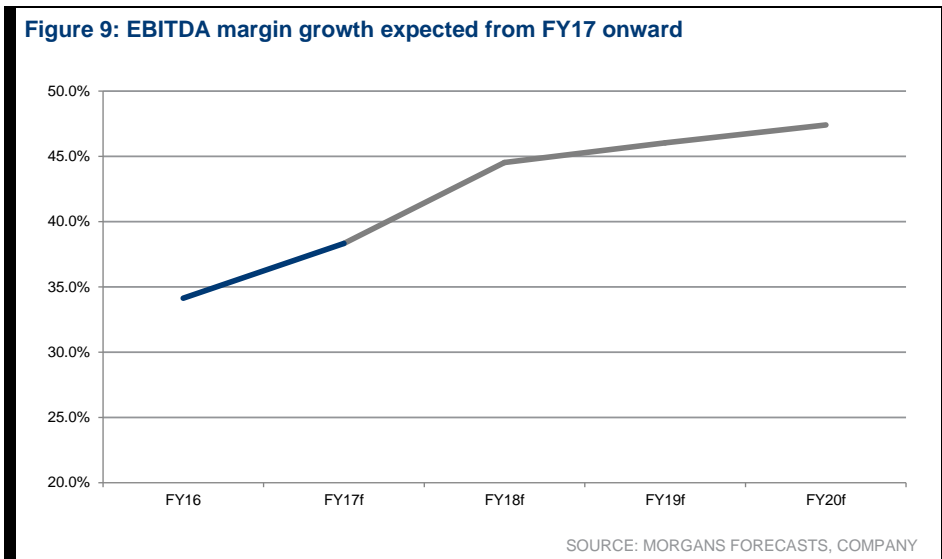
SOURCE: MORGANS RESEARCH, COMPANY

Figure 8: JIN revenue – actual and Morgans’ forecasts



SOURCE: MORGANS RESEARCH, COMPANY

Given the relatively fixed cost base of the group, we forecast good EBITDA margin growth for JIN. While there may be some costs associated with the ramp-up of the charity lottery business over the next few years, we believe that revenues will ramp up at a substantially faster rate than costs due to JIN’s existing lottery platform.



JIN does not utilise debt which we view as prudent given the uncertainty around the TTS agreements. The company had a healthy cash balance in FY16 of A\$18.3m (excluding players cash of A\$7.1m).

Given the relatively predictable capex requirements being software/systems and strong free cash flow generation, we forecast a growing dividend stream for the business over the following years (after adjusting for 2H16’s large final dividend of 5cps).

Valuation, recommendation and key risks

We set our price target for JIN at A\$2.06 and initiate coverage with an Add recommendation. Our valuation is based on a Discounted Cash Flow (DCF) methodology and we set our price target in-line with this number. Our valuation applies a weighted average cost of capital (WACC) of 11.9% consisting of a cost of equity of 12.4% and a pre-tax cost of debt of 7.0% and a terminal growth rate of 3.0%.

There are a number of risks involved with an investment in JIN. These include:

- Fewer lottery jackpots resulting in reduced demand for tickets;
- Slower customer uptake of the charity lotteries;
- Though small, Lottoland is seeking to grow its business in Australia and this may take market share from JIN’s lotto sales; and
- Inability to leverage the company’s technology to grow customer interaction and drive margins.

Board of Directors and senior management

Figure 10: Board of Directors

Name	Position	Description
David Barwick	Chairman and Non-executive Director	David Barwick has over 40 years experience in the management and administration of publicly listed companies in Australia and North America. During this period David has held the positions of Chairman, Managing Director or President of over 30 public companies with strengths in strategic planning, restructuring and financing entities.
Bill Lyne	Non-executive Director and Company Secretary	Bill Lyne is the Principal of Australian Company Secretary Service that provides secretarial, corporate compliance and governance services to public company clients in a wide range of industries. Prior to this, Bill was Company Secretary and CFO of First Australian Building Society, having previously spent many years in credit and lending positions in merchant banking. Bill holds a Bachelor of Commerce and is a Chartered Accountant. He is a Fellow of the Institute of Chartered Secretaries & Administrators (UK), Governance Institute of Australia, and the Australian Institute of Company Directors. He also has life membership with the Financial Services Institute of Australasia.
Mike Veverka	Chief Executive Officer & Executive Director	Mike Veverka is CEO and founder of Jumbo Interactive. He has a proven track record in business and computing, establishing several successful startups to meet new consumer demands for online products. His entrepreneurial flair and ambition for innovation were displayed at the age of fifteen when he created and sold his first software package to Hewlett Packard. As founder and leader, Mike plays a pivotal role in the growth strategy, innovation and promotion of Jumbo.

SOURCE: MORGANS RESEARCH, COMPANY

Figure 11: Senior management

Name	Position	Description
David Todd	Chief Financial Officer	David has extensive capabilities in business administration with strengths in credit risk management and international business. His experience in financial management spans 25 years in the banking industries of South Africa, New Zealand and Australia, and small cap and SME environments. David holds a Bachelor of Commerce, a Master of Business Administration, an Associate Diploma in Banking, and a Graduate Diploma of Advanced Corporate Governance. He is a Fellow of the Governance Institute of Australia and a Fellow of the Institute of Chartered Secretaries and Administrators (UK). David brings a wealth of commercial expertise to Jumbo Interactive as Chief Financial Officer.
Brad Board	Chief Operating Officer	Having joined Jumbo in 2001 Brad has been actively involved in Jumbo's evolution and growth into the leading digital lottery business it is today. Brad has significant lottery and ecommerce experience and ensures that the brand, digital experiences and service offerings provided by Jumbo effectively engage and satisfy it's 2,000,000+ customers in Australia and Internationally. In addition to responsibility for Jumbo's marketing and product strategy he ensures various departments and subsidiaries are interacting efficiently with each other and in accordance with Jumbo's overall strategic goals.
Xavier Bergade	Chief Technology Officer	As Chief Technology Officer, Xavier ensures that Jumbo's technology services are continually improving and innovating while remaining secure for customer transactions. He is responsible for the adaptation of the successful Australian OzLotteries.com website to other markets such as Jumbolotto.de which is available for online lottery purchases for customers in Germany, and ensuring capabilities for customer purchases on any device demands that websites continually evolve as new mobile and computer products are released to market with unprecedented frequency.
Brian J. Roberts	President, North America	Brian has extensive experience in lotteries and gaming, software development and production and is a recognised creative innovator. His experience in the lottery and gaming industry spans over 40 years with senior roles including Director of Creative Content Development at GTECH, COO and Senior Vice President of Marketing at On-Point Technology Systems, President of LotoMark and Vice President of Lottery Operations at International Totalizator and Lottery Systems. Brian has developed, implemented and managed gaming systems across many international jurisdictions. He holds over twenty issued and pending gaming industry USA patents.

SOURCE: MORGANS RESEARCH, COMPANY

Queensland

Brisbane	+61 7 3334 4888
Stockbroking, Corporate Advice, Wealth Management	
Brisbane: Edward St	+61 7 3121 5677
Brisbane: Tynan Partners	+61 7 3152 0600
Brisbane: North Quay	+61 7 3245 5466
Bundaberg	+61 7 4153 1050
Cairns	+61 7 4222 0555
Caloundra	+61 7 5491 5422
Gladstone	+61 7 4972 8000
Gold Coast	+61 7 5581 5777
Ipswich/Springfield	+61 7 3202 3995
Kedron	+61 7 3350 9000
Mackay	+61 7 4957 3033
Milton	+61 7 3114 8600
Noosa	+61 7 5449 9511
Redcliffe	+61 7 3897 3999
Rockhampton	+61 7 4922 5855
Spring Hill	+61 7 3833 9333
Sunshine Coast	+61 7 5479 2757
Toowoomba	+61 7 4639 1277
Townsville	+61 7 4725 5787

New South Wales

Sydney	+61 2 9043 7900
Stockbroking, Corporate Advice, Wealth Management	
Armidale	+61 2 6770 3300
Ballina	+61 2 6686 4144
Balmain	+61 2 8755 3333
Bowral	+61 2 4851 5555
Chatswood	+61 2 8116 1700
Coffs Harbour	+61 2 6651 5700
Gosford	+61 2 4325 0884
Hurstville	+61 2 9570 5755
Merimbula	+61 2 6495 2869
Neutral Bay	+61 2 8969 7500
Newcastle	+61 2 4926 4044
Newport	+61 2 9998 4200
Orange	+61 2 6361 9166
Port Macquarie	+61 2 6583 1735
Scone	+61 2 6544 3144
Sydney: Level 7 Currency House	+61 2 8216 5111
Sydney: Grosvenor Place	+61 2 8215 5000
Sydney: Hunter St	+61 2 9125 1788
Sydney: Reynolds Equities	+61 2 9373 4452
Wollongong	+61 2 4227 3022

Victoria

Melbourne	+61 3 9947 4111
Stockbroking, Corporate Advice, Wealth Management	
Brighton	+61 3 9519 3555
Camberwell	+61 3 9813 2945
Domain	+61 3 9066 3200
Geelong	+61 3 5222 5128
Richmond	+61 3 9916 4000
South Yarra	+61 3 8762 1400
Southbank	+61 3 9037 9444
Traralgon	+61 3 5176 6055
Warrnambool	+61 3 5559 1500

Australian Capital Territory

Canberra	+61 2 6232 4999
----------	-----------------

Northern Territory

Darwin	+61 8 8981 9555
--------	-----------------

Tasmania

Hobart	+61 3 6236 9000
--------	-----------------

Western Australia

West Perth	+61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management	
Perth	+61 8 6462 1999

South Australia

Adelaide	+61 8 8464 5000
Norwood	+61 8 8461 2800

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): -

This report was prepared solely by Morgans Financial Limited. ASX did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation, by Morgans Financial Limited, in accordance with the ASX Equity Research Scheme. ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports.

Recommendation structure

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

Research team

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

Stocks under coverage

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

Stock selection process

For an overview on the stock selection process, refer to our website at <http://www.morgans.com.au/research-and-markets/company-analysis>

www.morgans.com.au

If you no longer wish to receive Morgans publications please contact your local Morgans branch or write to GPO Box 202 Brisbane QLD 4001 and include your account details.