

Seven Group Holdings

Scheme fails to bridge nexus to oil & gas but Group keeps looking

While the NXS SoA has failed, we remain concerned about SVW's continued push into oil & gas. Retain Neutral on SVW with new \$8.30/share Jun15 PT.

- **NXS Scheme fails to get up...** – NXS announced that SVW's Scheme of Arrangement (SoA) to acquire NXS for \$0.02/share has not received sufficient shareholder support. This follows a campaign by certain NXS shareholders who did not believe SVW's offer was high enough (though it was at the mid-point of the independent expert report's valuation range) and meant NXS shareholders lost access to NXS' growth options (source: AFR).
- **...pushing NXS into voluntary administration** – In light of the failed SoA, NXS' Board has placed NXS into voluntary administration. This reflects expenses related with meeting commitments for Crux in the Browse Basin, WA and production issues at Longtom in the Gippsland Basin, Vic.
- **SVW to chase NXS assets but we remain unconvinced** – Releases from NXS indicate that SVW intends to use its position as a secured creditor to acquire NXS' assets from voluntary administration. However, we note that press reports (e.g. AFR) indicate that NXS' partners in Crux (e.g. Royal Dutch Shell) may have pre-emptive rights to buy NXS' 15% stake in Crux. Press reports (e.g. The Australian) also indicate that SVW is looking to invest in other oil & gas exploration & production assets. We remain concerned about the strategic rationale of SVW's push into this sector. On one hand, these moves take advantage of CEO Don Voelte's background and attempts to diversify SVW's exposures. But, SVW does not have any operational experience running resources projects and we believe there are substantial capital commitments required to secure value.
- **Retain Neutral** – FY14E represents a reset year for SVW's core WesTrac Australia operations as it navigates the pullback in Australian resources and energy capex though the timing on any meaningful uplift in demand appears uncertain. This will be partly offset by growth for WesTrac China and improved trading in selected media associates. But, SVW's move into oil & gas exploration & production raises a number of strategic questions (e.g. capital allocation). In light of the mix of drivers for SVW, we believe the current 21% discount vs. WesTrac's pure play CAT dealer peers is fair.

Seven Group Holdings Limited (Reuters: SVW.AX, Bloomberg: SVW AU)

Year-end Jun (A\$)	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue (A\$ mn)	4,456	4,752	3,320	3,595	3,799
EBITDA (A\$ mn)	481	509	282	322	361
Net Profit (A\$ mn)	166	486	374	235	258
EPS (A\$)	0.54	1.58	1.22	0.78	0.85
P/E (x)	14.5	4.9	6.4	10.1	9.2
EV/EBITDA (x)	5.9	3.8	6.3	5.2	4.8
DPS (A\$)	0.38	0.40	0.39	0.40	0.45
Dividend Yield	4.9%	5.2%	5.1%	5.2%	5.8%
Normalised EPS (A\$)	1.07	1.15	0.75	0.76	0.83
Normalised EPS Growth	38.9%	7.6%	(34.8%)	1.9%	9.5%
Normalised PE	7.2	6.7	10.3	10.1	9.2

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

SVW.AX, SVW AU

Price: A\$7.70

▼ **Price Target: A\$8.30**
Previous: A\$8.64

Australia

Diversified Industrials

Anthony Passe-de Silva ^{AC}

(61-2) 9003-8614

anthony.g.passe.de.silva@jpmorgan.com

Bloomberg JPMA SILVA <GO>

Jarrod McDonald

(61-2) 9003-8604

jarrod.mcdonald@jpmorgan.com

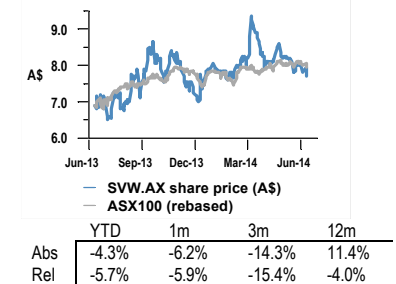
Peter Kopinsky

(61-2) 9003-8636

peter.i.kopinsky@jpmorgan.com

J.P. Morgan Securities Australia Limited

Price Performance



Company Data

Shares O/S (mn)	308
Market Cap (A\$ mn)	2,372.83
Market Cap (\$ mn)	2,226.55
Price (A\$)	7.70
Date Of Price	12 Jun 14
Free Float(%)	-
3M - Avg daily vol (mn)	0.69
3M - Avg daily val (A\$ mn)	5.66
3M - Avg daily val (\$ mn)	5.3
ASX100	4518.70
Exchange Rate	0.94
Price Target End Date	30-Jun-15
Price Target (A\$)	8.30

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

J.P. Morgan's earnings revisions

Our earnings revisions detailed in Table 1 below. The key drivers of our earnings revisions are:

- Updates to our macroeconomic drivers (e.g. Australian resources & energy sector capex spending, Australian mineral production forecasts, A\$), including those following updates by J.P. Morgan's global economics team. This has largely led to a reduction in forecasts for WesTrac Australia reflecting continued pressure on discretionary spending by resources & energy customers on heavy equipment (e.g. new equipment purchases, major maintenance spending); and
- Updates to our media associate NPAT forecasts following revisions by J.P. Morgan's Australian media equity research team of Jarrod McDonald and Thomas Beadle (see "*Australian Media Sector: Downgrading FY15E Australian adspend forecasts, FY15E revenue outlook skewed to the downside*", 5 Jun14).

Table 1: J.P. Morgan earnings revisions for SVW

	Old	New	% chg
Normalised NPAT (pre-TELYS) (\$m)			
FY14E	237.6	232.6	-2.1%
FY15E	258.9	235.4	-9.1%
FY16E	289.6	257.8	-11.0%
Normalised EPS (pre-TELYS) (cps)			
FY14E	75.9	74.8	-1.5%
FY15E	82.9	76.2	-8.0%
FY16E	92.7	83.5	-9.9%
Dividend (cps)			
FY14E	39.0	39.0	0.0%
FY15E	44.0	40.0	-9.1%
FY16E	50.0	45.0	-10.0%

Source: J.P. Morgan estimates

Investment Thesis, Valuation and Risks

Seven Group Holdings (Neutral; Price Target: A\$8.30)

Investment Thesis

The three key drivers of our Neutral recommendation on SVW are:

- **Production volumes in WA iron ore/NSW coal robust but Capital Sales under pressure** – Continued strength in underlying production volumes suggests operating hours for heavy equipment are holding up. In our view, this supports demand for maintenance/parts and replacement cycle. However, WesTrac Australian Capital Sales have come under significant pressure as mining and energy customers curtail capex, with the risk that further cutbacks in spending may weigh further on demand;
- **Diversified asset base and lower gearing** – Improving operating performances from SVW's FTA TV investments should support associate earnings in the near term. Working capital improvements also helping to reduce gearing. We note that SVW is utilising some of this balance sheet capacity to grow the core operations (e.g. Bucyrus China) and reallocate capital (e.g. share buyback); and
- **NXS proposal raises questions about strategy** – Despite SVW's offer for NXS not succeeding, we think the broader push into oil & gas exploration & production raises key questions about the outlook for the business. On one hand,

SVW's move seeks to diversify the Group's operations and looks to leverage CEO Don Voelte's operational experience. But, beyond Mr Voelte, SVW does not have any operational experience as a Group in the oil & gas sector and we are concerned about how much capital will need to be committed beyond any acquisition price to secure value.

We note that we have only included the shares already acquired as per market disclosures to 12 Jun14 under the share buyback but have not included any forward buyback amounts as the cost, timing and number of shares acquired is uncertain.

Valuation

Our Jun15 price target of \$8.30 is based on our sum-of-the-parts (SoP) valuation, including the average of our FY15E EV/EBITDA-based valuation for SVW's operating assets (e.g. WesTrac, AllightSykes) and mark-to-market valuation of SVW's listed investments. We value the Coates Hire stake on a DCF basis (beta 1.57, TGR 2.5%, risk free rate 5.0%). We note that we apply a 15% discount to the WesTrac multiple to reflect the weaker capex outlook for WesTrac's territories relative to its offshore dealer peers.

J.P. Morgan's Sum of the Parts valuation for SVW

A\$ millions unless otherwise stated	Type of earnings	FY15E	Compco Multiple	Valuation	Note
Segmentals					
WesTrac Australia	EBITDA	255.9	7.1	1,818.7	(1)
WesTrac China	EBITDA	55.9	7.1	397.6	(2)
AllightSykes	EBITDA	6.9	4.5	31.0	(3)
Total segmentals				2,247.2	
Unallocated					
Cash				579.5	(4)
		Shares held (m)	Price (A\$/share)		
SWM stake (ordinary shares)		334.8	1.66	555.7	(5)
SWM stake (CPS-equivalent ordinary shares)		63.8	1.66	106.0	(5)
PRT stake		41.7	1.02	42.5	(5)
Coates Hire stake				432.6	(4)
Other investments				890.0	(4)
Total Unallocated				2,606.4	
Liabilities					
Debt				1,543.0	(4)
Tax liability associated with SMG				364.2	(4)
Less Total liabilities				1,907.2	
Less: TELYS				427.2	
Total Net Assets				2,519.3	
Diluted value per share				\$8.30	

Source: J.P. Morgan estimates. Note: (1) 15% discount to average trading multiple of peer "pure" CAT dealers (e.g. Finning, Toromont); (2) Multiple in-line with WesTrac Australia; (3) Average trading multiple of Australian mining services peers; (4) JP Morgan estimate; (5) Share price current as at 12 June 2014

Risks to Rating and Price Target

The downside risks to our price target are lower-than-expected mining production and/or construction spending in WA, NSW and/or North East China, lower-than-expected advertising spending in Australia, the loss of the CAT dealer licences, difficulties integrating the Bucyrus acquisition, difficulties with the NXS proposal (e.g. costs associated with Longtom-3 remediation, further production disruptions at Longtom) and a higher A\$. The upside risks to our price target are higher-than-expected mining production and/or construction spending in WA, NSW and/or North East China, higher-than-expected advertising spending in Australia and a lower A\$.

Seven Group Holdings (SVW) : Financial Summary

Relative recommendation: **NEUTRAL**

Profit & Loss (A\$m, 30 Jun yr end)						Valuation Summary					12-Jun-14		
	FY12A	FY13A	FY14E	FY15E	FY16E						A\$m	A\$/share	
Revenue	4,456.4	4,751.6	3,319.7	3,595.1	3,798.6	Current mkt capitalisation						2,367.1	7.70
Revenue growth		6.6%	-30.1%	8.3%	5.7%	Price target (dated 30 June 2015)							8.30
EBITDA	480.8	509.0	281.6	322.5	360.8	Forecast total shareholder return							12.9%
EBITDA growth		5.9%	-44.7%	14.5%	11.9%	Sum of the Parts valuation						A\$/share	
EBITDA margin	10.8%	10.7%	8.5%	9.0%	9.5%	WesTrac Australia							5.99
Depreciation	57.4	50.6	41.6	42.6	43.0	WesTrac China							1.31
Amortisation	19.3	12.6	12.6	12.6	12.6	Allight Sykes							0.10
EBIT	404.1	445.8	227.3	267.3	305.2	SWM stake							2.18
EBIT growth		10.3%	-49.0%	17.6%	14.2%	Toromont Industries Ltd							1.42
EBIT margin	9.1%	9.4%	6.8%	7.4%	8.0%	Coates Hire investment							3.07
Net Interest Expense	113.0	108.8	77.1	103.5	102.9	Other investments (e.g. FRT)							-3.17
PBT	291.0	337.0	150.2	163.8	202.3	Net debt							-1.20
Tax Expense	96.8	98.8	36.9	37.8	50.8	SWM tax liability							-1.41
Effective tax rate (incl-associate NPAT)	22.0%	21.5%	13.6%	13.8%	16.4%	TELYS 4							8.30
Associates	149.0	122.4	120.9	111.0	107.8	SVW valuation							-21.3%
Minority interests	10.8	2.2	1.6	1.6	1.6	J.P. Morgan "stub trade" - WesTrac FY15EEV/EBITDA vs. peers							
Normalised NPAT (Pre-TLYS)	332.4	358.4	232.6	235.4	257.8								
Normalised NPAT growth		7.8%	-35.1%	1.2%	9.5%								
Normalised NPAT margin	7.5%	7.5%	7.0%	6.5%	6.8%								
Distribution to TELYS	32.6	27.6	24.2	23.8	24.3								
NPAT pre-abnormals (Post-TLYS)	299.8	330.8	208.4	211.6	233.4								
After-tax abnormal items	(166.5)	128.0	141.1	-	-								
Reported NPAT	133.3	458.8	349.5	211.6	233.4								
						Key Ratios							
Reported EPS (cents)	43.4	149.1	114.2	69.6	76.8	FY12A	FY13A	FY14E	FY15E	FY16E			
Normalised EPS (Pre-TLYS) (cents)	106.6	114.7	74.8	76.2	83.5	7.2x	6.7x	10.3x	10.1x	9.2x			
Normalised EPS (Post-TLYS) (cents)	97.7	107.5	68.1	69.6	76.8	7.9x	7.2x	11.3x	11.1x	10.0x			
Normalised EPS growth		N/A	-36.7%	2.3%	10.3%	17.7x	5.2x	6.7x	11.1x	10.0x			
DPS (cents)	38.0	40.0	39.0	40.0	45.0	10.1x	6.9x	13.8x	11.3x	10.0x			
DPS growth		5.3%	-2.5%	2.6%	12.5%	8.5x	6.1x	11.2x	9.4x	8.5x			
DPS payout ratio (on normalised EPS)	NA	34.9%	52.1%	52.5%	53.9%	4.9%	5.2%	5.1%	5.2%	5.8%			
WANOS (m)	316.6	316.6	312.2	312.2	312.2	100%	100%	100%	100%	100%			
						Dividend Yield							
						Return on assets							
						Return on equity							
						ROIC							
						NDIE							
						ND(ND+E)							
						NDEBITDA							
						EBITDA interest cover							
						Half Yearly P&L (A\$m)							
						Revenue							
						EBITDA							
						Depreciation							
						Amortisation							
						EBIT							
						Net Interest Expense							
						PBT							
						Tax Expense							
						Associates							
						Minority Interests							
						Normalised NPAT (Pre-TLYS)							
						Distribution to TELYS							
						NPAT pre-abnormals (Post-TLYS)							
						After-tax abnormal items							
						Reported NPAT							
						Reported EPS (cents)							
						Normalised EPS (cents)							
						DPS (cents)							
						Balance Sheet (A\$m, 30 Jun yr end)							
						Cash & cash equivalents							
						Receivables							
						Inventories							
						Investments							
						Property, Plant & Equipment							
						Intangibles							
						Future tax benefits							
						Other assets							
						Total assets							
						Borrowings							
						Creditors							
						Provisions							
						Deferred tax							
						Other liabilities							
						Total liabilities							
						Total equity							
						DuPont ROE analysis							
						EBIT (incl. Associate NPAT)/sales							
						x sales/asset turnover							
						less interest exp/assets							
						x assets/equity							
						x (1 - tax rate)							
						=ROE							
						Key Assumptions							
						Growth in NSW Engineering construction (ex mining)							
						Growth in NSW Mining Engineering construction							
						Growth in WA Engineering construction (ex mining)							
						Growth in WA Mining Engineering construction							
						Chinese GDP							

Source: Company data, Bloomberg, J.P. Morgan estimates.

JPM Q-Profile

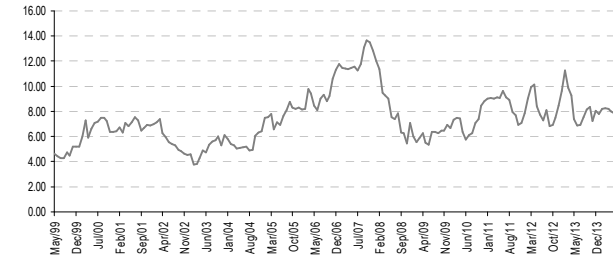
Seven Group Holdings Limited (AUSTRALIA / Industrials)

As Of: 06-Jun-2014

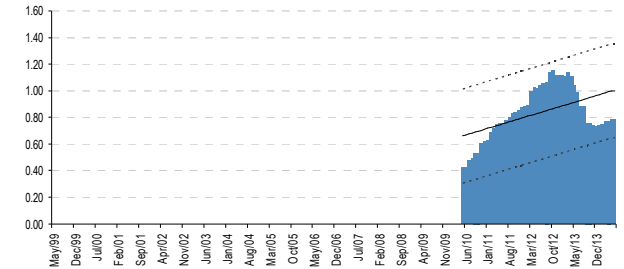
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

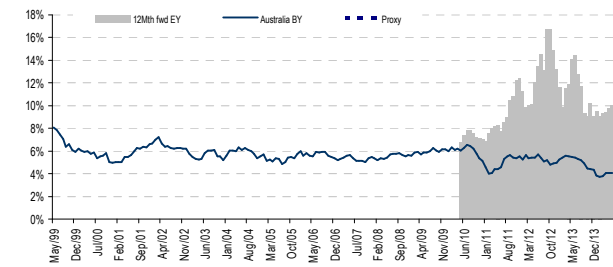
Local Share Price Current: **7.82**



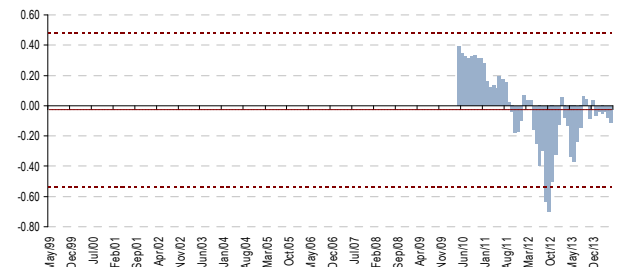
12 Mth Forward EPS Current: **0.79**



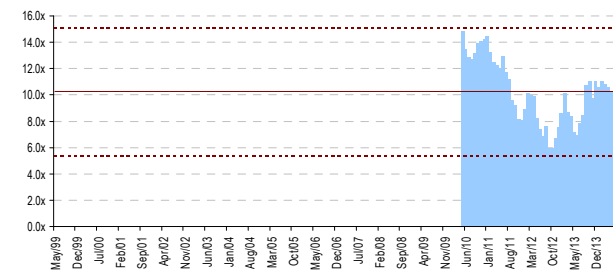
Earnings Yield (& local bond Yield) Current: **10%**



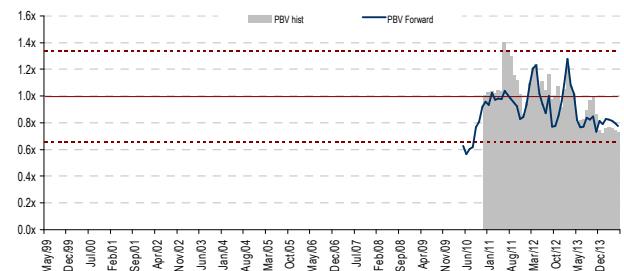
Implied Value Of Growth* Current: **-10.94%**



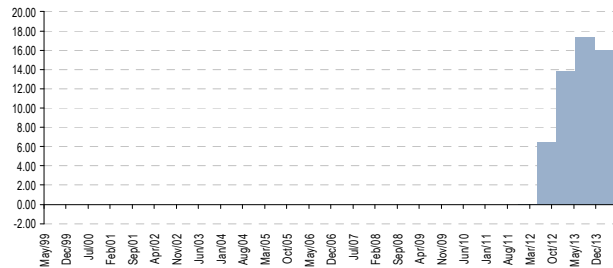
PE (1Yr Forward) Current: **9.9x**



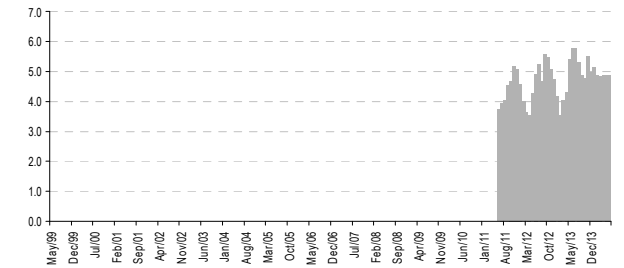
Price/Book Value Current: **0.7x**



ROE (Trailing) Current: **16.06**



Dividend Yield (Trailing) Current: **4.90**



Summary

Seven Group Holdings Limited		SEDOL		B432QW4		As Of:		6-Jun-14			
AUSTRALIA						Local Price:		7.82			
Industrials						EPS:		0.79			
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	9.95x	5.99	14.86	10.14	10.25	15.08	5.42	-40%	49%	2%	3%
P/BV (Trailing)	0.73x	0.72	1.40	1.01	1.00	1.34	0.65	-1%	93%	39%	37%
Dividend Yield (Trailing)	4.90	3.55	5.80	4.88	4.73	5.98	3.49	-28%	18%	0%	-3%
ROE (Trailing)	16.06	-0.04	17.40	13.87	10.93	24.23	-2.37	-100%	8%	-14%	-32%
Implied Value of Growth	-10.9%	-0.70	0.39	-0.04	-0.03	0.48	-0.54	-541%	457%	63%	75%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

* Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity = Bond Yield + 5.0% (ERP)

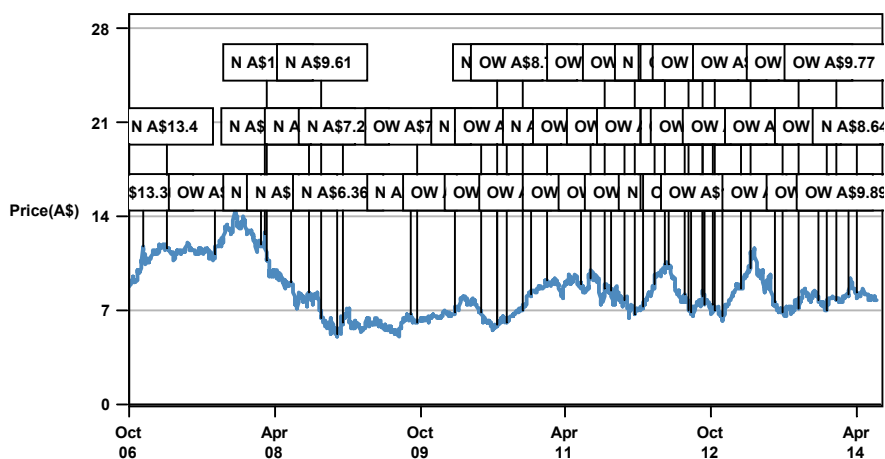
Analyst Certification: The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Seven Group Holdings.
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Seven Group Holdings.
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: Seven Group Holdings.
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from Seven Group Holdings.
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from Seven Group Holdings.

Company-Specific Disclosures: Important disclosures, including price charts, are available for compendium reports and all J.P. Morgan-covered companies by visiting <https://jpm.com/research/disclosures>, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan’s Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

Seven Group Holdings (SVW.AX, SVW AU) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Nov 20, 2006.

Date	Rating	Share Price (A\$)	Price Target (A\$)
20-Nov-06	N	11.80	13.36
22-Feb-07	N	11.63	13.40
21-Aug-07	OW	11.11	15.00
08-Feb-08	N	11.84	13.00
27-Feb-08	N	12.70	13.10
06-Mar-08	N	10.75	12.80
02-Jun-08	N	9.00	12.50
05-Aug-08	N	8.39	10.80
25-Sep-08	N	6.39	9.61
17-Nov-08	N	5.14	6.36
11-Dec-08	N	6.15	7.24
26-Aug-09	N	6.66	7.33
18-Sep-09	OW	6.16	7.33
09-Feb-10	OW	6.88	7.72
19-May-10	N	6.86	7.32
13-Jul-10	N	5.89	7.32
20-Jul-10	OW	5.88	7.69
25-Aug-10	OW	6.10	7.92
19-Oct-10	OW	7.02	8.73
23-Nov-10	OW	8.14	9.34
18-Jan-11	N	9.16	9.81
01-Jun-11	OW	8.91	11.33
06-Jul-11	OW	9.38	11.26
25-Aug-11	OW	8.56	10.38
20-Sep-11	OW	8.54	9.92
09-Nov-11	OW	7.78	10.54
21-Dec-11	OW	6.76	9.97

16-Jan-12	OW	7.26	10.38
01-Mar-12	OW	8.99	11.49
12-Apr-12	N	10.34	11.01
26-Apr-12	N	10.40	10.67
20-Jun-12	N	8.14	9.97
11-Jul-12	N	7.05	9.31
16-Jul-12	N	6.78	9.08
28-Aug-12	OW	8.05	10.46
31-Aug-12	OW	8.25	10.46
07-Sep-12	OW	7.49	10.01
08-Oct-12	OW	7.39	10.28
11-Oct-12	OW	7.03	10.21
15-Nov-12	OW	6.47	10.34
17-Jan-13	OW	8.68	11.58
27-Feb-13	OW	10.05	12.41
30-May-13	OW	7.60	11.20
28-Jun-13	OW	6.90	10.75
27-Aug-13	OW	7.12	9.62
12-Nov-13	OW	7.71	9.58
10-Dec-13	OW	7.03	9.61
15-Jan-14	OW	7.73	9.77
27-Feb-14	OW	8.17	9.89
31-Mar-14	N	8.26	8.64

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Passe-de Silva, Anthony: ALS Limited (ALQ.AX), Ausdrill Limited (ASL.AX), Boart Longyear Limited (BLY.AX), Bradken Limited (BKN.AX), Downer EDI (DOW.AX), Leighton Holdings Limited (LEI.AX), Lend Lease Group (LLC.AX), Mineral Resources Limited (MIN.AX), Monadelphous Group Limited (MND.AX), NRW Holdings Limited (NWH.AX), Seven Group Holdings (SVW.AX), Transfield Services (TSE.AX), UGL Limited (UGL.AX), WorleyParsons Limited (WOR.AX)

J.P. Morgan Equity Research Ratings Distribution, as of March 31, 2014

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	44%	44%	11%
IB clients*	58%	49%	40%
JPMS Equity Research Coverage	45%	48%	7%
IB clients*	78%	67%	60%

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.jpmorganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Legal Entities Disclosures

U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.:** JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa:** J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan:** J.P. Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand:** This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 199/03/2014 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan:** JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This

report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil:** Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised April 5, 2014.

Copyright 2014 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.