

IPO Details	
<b>Opening Date</b>	Sept 14, 2023
<b>Closing Date</b>	Sept 18, 2023
<b>Stock Exchange</b>	BSE, NSE
<b>Lot Size</b>	90 Shares
<b>Issue Price</b>	₹ 156 to ₹64 per share
<b>Issue Size</b>	Aggregating up to 563.38 Cr.
<b>Fresh Issue</b>	Aggregating up to 392.00 Cr.
<b>Offer for Sale</b>	Aggregating up to 171.38 Cr.
<b>Application Amount</b>	Min. Inv. - ₹ 14,760 (90 shares) Max. Inv. - ₹ 1,91,880 (1,170 shares)

IPO Objective	
Expenditure for Customer acquisition and development of technology	
Repayment/ pre-payment of certain borrowings.	
General Corporate Purposes.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	5,68,65,000	57.91%
Public	4,13,29,319	42.09%

Promoter of the Company	
1	Raj P Narayanam
2	Avinash Ramesh Godkhindi

Competitive Strengths	
1	Differentiated SaaS-based fintech platform.
2	In-house developed technology and strong network effect.
3	Business model with diverse sources of revenue.
4	Diversified customer relationships
5	Seasoned management team with deep domain expertise.

Company Background	
○	Zaggle Prepaid Ocean Services Limited was incorporated in the year 2011 and has its registered office in Hyderabad.
○	The Company is engaged in providing financial technology (fintech) products and services to manage corporate business expenses through automated and innovative workflows.
○	The company offers fintech and SaaS products and services to corporates.
○	As of 31 <sup>st</sup> March 23, the Company has 273 employees on its payroll.

Market Capitalization	
(In Cr.)	
Pre-Issue	Post-Issue
₹ 1,610	₹ 2,002

Financial Summary			
(In Lacs)			
For the Period Ended	Mar-21	Mar-22	Mar-23
<b>Total Assets</b>	6,208.00	9,265.30	23,475.90
<b>Net Assets</b>	-4,555.10	-355.80	4,875.10
<b>Total Borrowings</b>	6,908.40	6,447.20	12,107.30
<b>Total Revenue</b>	24,029.30	37,166.40	55,457.50
<b>Profit After Tax</b>	1,933.00	4,192.10	2,290.10

Tentative Timeline	
<b>Opening Date</b>	Sept 14, 2023
<b>Closing Date</b>	Sept 18, 2023
<b>Basis of Allotment</b>	Sept 22, 2023
<b>Initiation of Refunds</b>	Sept 25, 2023
<b>Credit of Shares to Demat</b>	Sept 26, 2023
<b>Listing Date</b>	Sept 27, 2023

## Company Background and Analysis

The Company was originally incorporated on June 02, 2011. The company provides financial technology (fintech) products and services to manage corporate business expenses through automated and innovative workflows. The company offers fintech and SaaS products and services to corporates working in the fields of banking and finance, technology, healthcare, manufacturing, FMCG, infrastructure, and automobile industries. The company is a leading player in spend management, with more than 50 million prepaid cards issued in partnership with banking partners and more than 2.27 million users served, as of March 31, 2023.

The company is placed at the intersection of the SaaS and fintech ecosystems, and the SaaS platform is designed for:

- (i) business spend management (including expense management and vendor management);
- (ii) rewards and incentives management for employees and channel partners; and
- (iii) gift card management for merchants, which is referred to as customer engagement management system (“CEMS”)

The company’s core product portfolio includes –

1. Propel – a corporate SaaS platform for channel rewards and incentives, employee rewards and recognition. ‘Propel’, through its automated rewards and recognition platform, solves everyday business problems for the customers, enabling them to drive growth and unlock value in their business operations.
2. Save – a SaaS-based platform and a mobile application to offer expense management solutions for business spend management facilitating digested employee reimbursements and tax benefits. ‘Save’ enables customers to digitise, aggregate and manage their business and employee spending, enabling efficiencies through automated workflows.
3. CEMS – a customer engagement management system that enables merchants to comprehensively manage their customer experiences including rewarding merchants through gift cards and loyalty benefits.
4. Zaggle Payroll Card - a prepaid payroll card that allows customers to pay contractors, consultants, seasonal and temporary employees, and unbanked wage workers as an alternative to direct deposits to bank accounts or cash payments.
5. Zoyer - an integrated data-driven, SaaS-based business spend management platform with embedded automated finance capabilities in core invoice-to-pay workflows. ‘Zoyer’ embeds automation, intelligence, and payments into core invoice-to-pay workflows, providing insights into enterprise-wide spending, allowing digitised management of cash outflows and improving business performance.

The company offer an ecosystem-based approach across SaaS and fintech, with low customer acquisition and retention costs in the business-to-business (“B2B”) segment. The approach revolves around cross-selling, up-selling, and offering the company’s products and services in partnership with other players in the operating ecosystems. The company offer an integrated value proposition through the SaaS platform, providing a combination of payment instruments as well as an integrated mobile application that digitises business and employee spending. Application programming interface (“API”) integrations on the platforms provided to the customers offer them enhanced convenience and an efficient user experience through a simplified dashboard.

The company have partnered with and has entered arrangements with, DBS Bank, Fibe (formerly, EarlySalary) and Tata Securities to offer their products and value-added services (“VAS”), including insurance, investment and tax planning, to the Users on the platform. The company have collaborated with certain key banking partners, including IndusInd Bank Limited, Yes Bank Limited and NSDL Payments Bank Limited (together, the “Preferred Banking Partners”), and have issued more than 50 million co-branded prepaid cards since the inception of the business.

The company’s online platform includes a mobile application and website. The online presence is anchored by the Zaggle app, which is an integrated application that allows users to report their expenses, manage allowances, and redeem rewards from a single application. The company had 2.27 million, 1.72 million and 0.90 million aggregate Users, as of March 31, 2023, March 31, 2022, and March 31, 2021, respectively.

Product-wise revenue break-up for the fiscal year ended 2021, 2022, and 2023 are given below-

(Amount in Lakhs)

Particulars	Fiscal 2021		Fiscal 2022		Fiscal 2023	
	Amount	%	Amount	%	Amount	%
Program Fee	19,548.90	81.47%	20,070.30	54.06%	16,945.30	30.62%
Propel platform revenue/gift cards	3,155.40	13.15%	15,392.20	41.46%	35,977.50	65.00%
Platform fee / SaaS fee/ Service fee	1,292.30	5.39%	1,663.00	4.48%	2,423.20	4.38%
Total	23,996.60	100.00%	37,125.50	100.00%	55,346.00	100.00%

To conclude, the company was originally incorporated in the year 2011. The company provides financial technology (fintech) products and services to manage corporate business expenses through automated and innovative workflows. The company’s majority of the revenue is generated through the Propel platform/gift cards. The company is raising total gross proceeds of Rs. 563.38 Cr out of which Rs. 392 Cr is from the fresh issue which is to be utilized as follows – i) Rs. 300 Cr is to be utilized for expenditure towards customer acquisition and retention. ii) Rs. 40 Cr is to be utilized for Expenditure towards the development of technology and products. iii) Rs. 17.08 Cr is to be utilized for repayment or prepayment of certain borrowings. iv) The remaining amount is to be utilized for general corporate purposes.

## Business Strategies

### **1. Continue to increase the Customer base of corporate accounts, SMB accounts, start-ups and merchants.**

The company intends to continue to leverage the strong customer relationships and invest in direct and indirect sales and marketing capabilities, to continue to acquire new Customers in India, with 534 new corporate accounts and 151 new SMB accounts added in Fiscal 2023, compared to 524 new corporate accounts and 141 new SMB accounts added in Fiscal 2022 and 475 new corporate accounts and 195 new SMB accounts added in Fiscal 2021.

### **2. Continue to scale and expand by increasing user penetration and cross-selling within the existing customer base.**

The Company continues to grow its user base by increasing penetration within the existing Customers. The company believes that the annual amount of spending per employee is expected to increase in the coming years. As the annual amount of spending per employee increases, more of the Customers offer the company's cards and solutions to an increased number of their employees and channel partners.

### **3. Continue to innovate to introduce new products and use cases.**

The company intends to extend the technology platform with a view that the continued efforts of the technology team could offer a higher 156 value proposition for certain Customers and could result in an increased adoption of the products by both new and existing Customers. The company plans to continue scaling the offerings through effective cross-sell and up-sell opportunities to offer new products to the existing Customers.

### **4. Leverage strategic partnerships with financial institutions and merchants.**

To drive growth, the company have partnered with industry participants and financial institutions such as DBS Bank and Razorpay who offer the company's products 'Save', 'Propel' and 'Zoyer' to their customers. The company intends to enable the Preferred Banking Partners to penetrate into large and small businesses, attracting a wider Customer base that provides an opportunity to cross-sell their offerings.

### **5. Pursue selective strategic acquisitions and investments to grow the business.**

The company intends to actively pursue strategic investments and acquisitions that are complementary to the business and in the fintech space that the company operate in. The company also intends to enhance its penetration in existing markets as it continues to grow, the company is also working towards expanding its footprint globally.

## Competitive Scenario and Peer Mapping

### **Competition**

The company competes with domestic and international companies. The company operates in a competitive segment. The barrier to entry in such an industry is moderate. The bargaining power with the suppliers is high and the consumers are low. The fintech industry has the lowest threat of substitutes in India.

### **Peer Analysis**

The company believes there are no Indian listed companies or global listed companies that are of comparable size, belong to the same industry, or with a business model similar to that of the company as per the offer document.

**Industry Overview**

Exhibit 1: UPI Transaction Value (₹ billion), India, 2018-2023

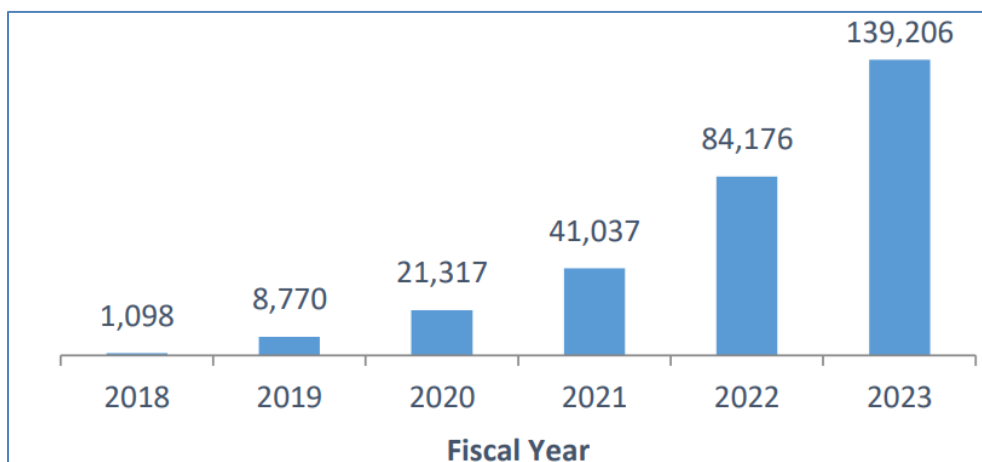


Exhibit 2: India's Fintech Market Revenue, 2018-2027 (₹ billion)

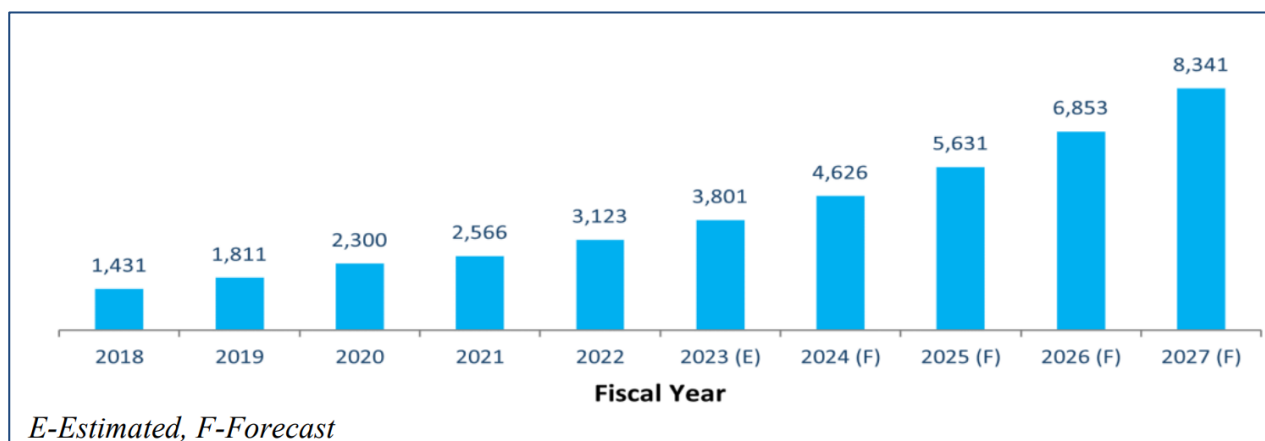
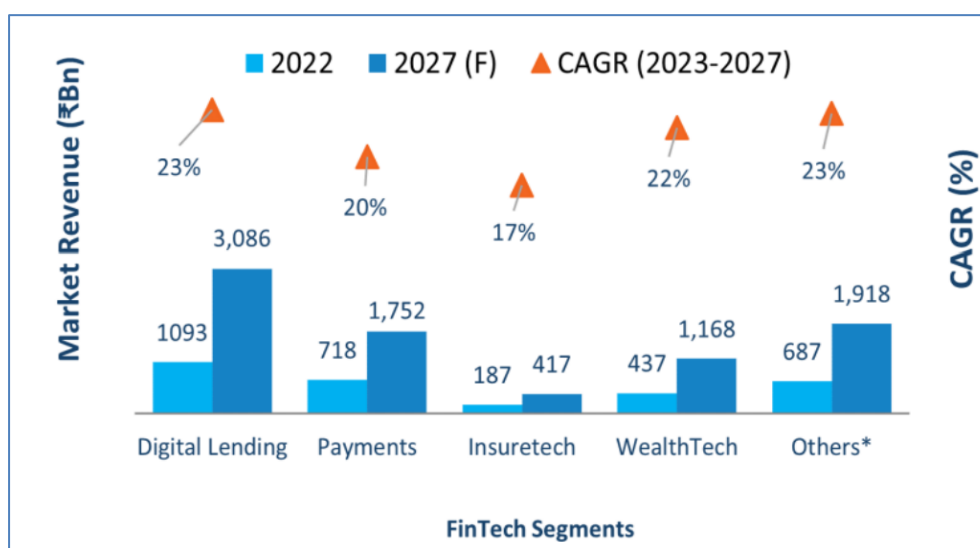


Exhibit 3: India's Fintech Market Revenue and Market Share by Segment for Fiscal 2022 and expectation for Fiscal 2027 (₹ billion)



(Source: prospectus)

### **Fintech Market in India -**

India's fintech ecosystem has approximately 2100 start-ups spread across a wide range of segments such as payments, lending, wealth tech, insurtech, and neo-banking. This industry has already raised more than 25% (approximately) of all start-up funding in India and is anticipated to receive further interest from investors. India's fintech market revenue is estimated to reach approximately ₹8,341 billion in 2027 from ₹3,123 billion in 2022 as a result of supportive government policies, rising investments, and a fintech adoption rate of approximately 87%, the highest compared to other countries.

India's fintech ecosystem has grown rapidly because of financial institutions, start-ups, the government, venture investors, and regulators fostering collaboration and consolidation. On the supply side, digital infrastructure exists in the form of the India Stack, the Central KYC Record Registry, Information Utilities, and others, allowing finance to be modularized and providers to innovate.

Further, regulators are assisting fintech by fostering a cashless society, creating regulatory sandboxes, and establishing companies that facilitate data flow inside the financial industry. Further, with the introduction of account aggregators, API readiness of banks and NBFCs, the launch of many neo-banks, and aggressive fund-raising, India has emerged as a model for open banking deployments across the globe. Indians are already utilizing the power of open banking (UPI/AePS) regularly, and they are likely to adapt to further technologies with no difficulty.

In addition, with the launch of 5G, technologies such as AI, the Internet of Things (the "IoT"), cloud computing, quantum computing, and blockchain are expected to change the nature of financial services and the ways they are offered. 5G is expected to enable high-end trading and quicker distribution of fintech services.

India's economy is moving toward a cashless economy as digital payments reach approximately 78% in Fiscal 2023 which can be attributed to the high adoption of UPI, digital wallets, debit cards, credit cards, online, and other modes of bank transfers. For instance, the UPI payment mode has shown significant growth since 2018. According to CLSA, the value of UPI transactions has grown from ₹1,098 billion in Fiscal 2018 to ₹139.2 trillion in Fiscal 2023 at a CAGR of approximately 163%.

### **Digital Payment Market in India -**

India has the fastest-growing digital payments industry in the world, with a five-fold increase in contactless payments from 2016 to 2023. To meet expanding customer demand, the number of businesses accepting contactless payments has increased six-fold in the past three years from 2018 to 2021. The sectors driving the growth are quick service restaurants, pharmacies, food and grocery. The RBI-DPI Index continues to show a considerable increase in digital payment usage and penetration across India. In Fiscal 2022, UPI is expected to account for approximately 86% of all consumer payments, with mobile wallets accounting for only approximately 2.4%. With the significant increase in UPI traffic, it is forecasted that digital payments (debit cards + credit cards + UPI) from consumers to merchants climbed approximately 114% in Fiscal 2019 to more than 420% in Fiscal 2021 and is on track to reach 1,575% in Fiscal 2022 from Fiscal 2018.

(Source: prospectus)



## Key Managerial Personnel

**Raj P Narayanam**, aged 68, is one of the promoters, and Executive Chairman of the company. He has been with the company since 2012. He completed a post-graduate diploma in business management with a specialisation in finance and has also completed his post-graduate diploma on “Computer Systems”, and certified online course on “Scaling a Business: How to Build a USD 1 Billion+ Unicorn” and has been awarded the post-graduate certificate in digital marketing from MICA.

**Avinash Ramesh Godkhindi**, aged 65, is one of the Promoters, CEO, and Managing Director of the company. He has been with the company since 2012. He holds a bachelor’s degree in engineering and a master’s degree in business administration.

**Arun Vijaykumar Gupta**, aged 66, is the Non-Executive Director of the company. He holds a bachelor’s degree in commerce. He is a director at Route Mobile Limited.

**Aravamudan Krishna Kumar**, aged 44, is the Independent Director of the company. He holds a bachelor’s degree in arts and economics (honours course) is a certified associate of the Indian Institute of Bankers and has experience in the banking industry.

**Abhay Deshpande Raosaheb**, aged 70, is the Independent Director of the Company. He holds a bachelor’s degree in computer science and engineering. He has experience in the IT industry and is currently a director at Payswiff Technologies Private Limited.

**Prerna Tandon**, aged 76, is the Independent Director of the company. She holds a master’s degree in business administration. Prior to this, she worked as the vice president – of operations at Infosys BPO Limited and vice president – of productivity and digitization leader at Genpact India.

To conclude, the company has 2 promoters, and due to the promoters having joined the company in the year 2012, we believe they have vast experience in the industry. The remaining directors also have decent experience in the fields which help in the growth of the business. The roles and responsibilities of the directors/ management are not disclosed accurately.

**Financial Snapshot**

<b>Profit and Loss Statement</b>			<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
Revenue from Operations	23,996.60	37,125.50	55,346.00
Other Income	32.70	40.90	111.50
<b>Total Income</b>	<b>24,029.30</b>	<b>37,166.40</b>	<b>55,457.50</b>
<b>Expenses</b>			
Cost of point redemption/gift cards	2,966.70	14,350.80	31,887.00
Consumption of cards	151.20	177.80	175.30
Employee benefits expense	1,246.00	1,543.00	4,358.30
Finance costs	771.00	698.80	1,137.70
Depreciation and Amortization expense	204.60	209.70	619.90
Other expenses	16,870.00	15,068.50	14,115.80
<b>Total Expenses</b>	<b>22,209.50</b>	<b>32,048.60</b>	<b>52,294.00</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>2,762.70</b>	<b>5,985.40</b>	<b>4,809.60</b>
<b>EBITDA Margin</b>	<b>12%</b>	<b>16%</b>	<b>9%</b>
<b>Profit/(Loss) before tax</b>	<b>1,819.80</b>	<b>5,117.80</b>	<b>3,163.50</b>
Tax Expense			
Current Tax	-	107.90	859.70
Deferred tax / (credit)	-113.20	817.80	13.70
<b>Total Tax Expense</b>	<b>-113.20</b>	<b>925.70</b>	<b>873.40</b>
<b>Profit/(Loss) for the year</b>	<b>1,933.00</b>	<b>4,192.10</b>	<b>2,290.10</b>
<b>Net Profit Margin</b>	<b>8.04%</b>	<b>11.28%</b>	<b>4.13%</b>

<b>Balance Sheet</b>			<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	95.10	197.70	234.80
Right-of-use assets	367.50	551.50	1,967.30
Intangible assets	269.70	442.90	689.00
Intangible assets under development	-	150.00	1,086.80
Financial assets	-	-	-
i) Investments	-	-	48.50
ii) Other Financial assets	41.30	73.00	146.90
Other non-current assets	-	213.80	297.70
Income-tax assets (net)	747.00	1,235.90	1,190.10
Other non-current assets (net)	1,068.80	245.90	231.00
<b>Total Non-Current assets</b>	<b>2,589.40</b>	<b>3,110.70</b>	<b>5,892.10</b>
<b>Current Assets</b>			
Inventories	26.90	11.20	9.70
Investments	-	-	123.20
Trade Receivables	2,268.10	4,295.10	10,265.90
Cash and Cash Equivalents	278.90	71.10	1,958.90
Bank balances other than those above	50.00	290.00	300.70
Other financial assets	-	-	11.50
Other current assets	994.70	1,487.20	4,913.90
<b>Total Current assets</b>	<b>3,618.60</b>	<b>6,154.60</b>	<b>17,583.80</b>
<b>Total Assets</b>	<b>6,208.00</b>	<b>9,265.30</b>	<b>23,475.90</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	18.00	18.00	922.20
Other Equity	-4,573.10	-373.80	3,952.90
<b>Total Equity</b>	<b>-4,555.10</b>	<b>-355.80</b>	<b>4,875.10</b>
<b>Liabilities</b>			



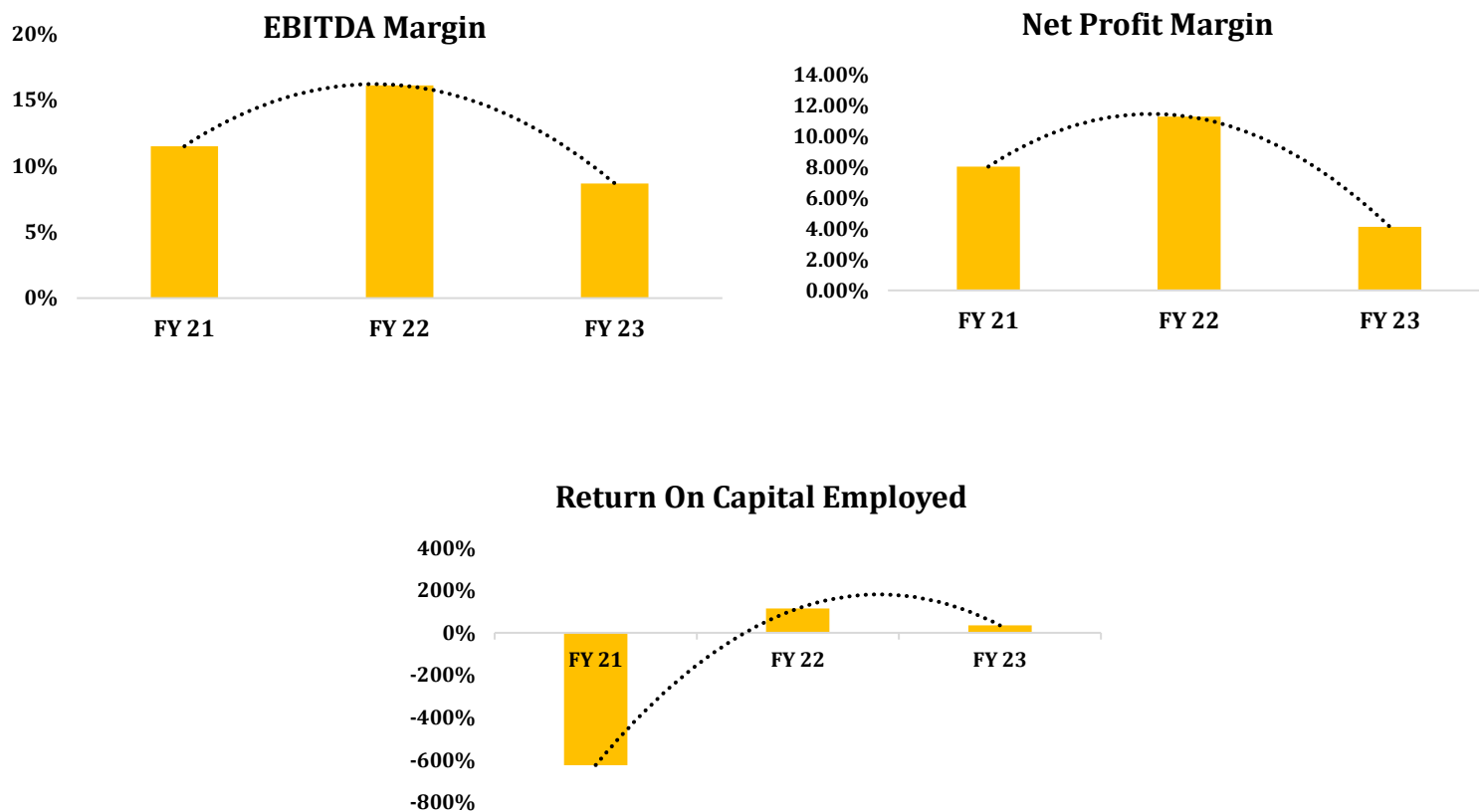
<b>Balance Sheet</b>			<b>(In Lacs)</b>
<b>Non-current liabilities</b>			
Borrowings	3,769.20	4,832.70	5,132.90
Lease Liabilities	318.90	510.40	1,586.50
Provisions	56.60	72.20	114.30
<b>Total Non-current liabilities</b>	<b>4,144.70</b>	<b>5,415.30</b>	<b>6,833.70</b>
<b>Current liabilities</b>			
(i) Short Term Borrowings	3,139.20	1,614.50	6,974.40
ii) Lease liabilities	78.50	73.50	441.00
(iii) Trade Payables	-	-	-
i) Due to micro and small enterprises	0.80	77.70	96.30
ii) Due to other than micro and small enterprises	1,909.60	995.80	825.60
Provisions	1.10	1.40	2.20
Other current liabilities	1,489.20	1,442.90	2,949.60
Current tax liabilities (net)	-	-	478.00
<b>Total Current liabilities</b>	<b>6,618.40</b>	<b>4,205.80</b>	<b>11,767.10</b>
<b>Total Liabilities</b>	<b>10,763.10</b>	<b>9,621.10</b>	<b>18,600.80</b>
<b>Total Equity and Liabilities</b>	<b>6,208.00</b>	<b>9,265.30</b>	<b>23,475.90</b>

<b>Cash Flow Statement</b>			<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
Net Cash Flow from Operating Activities	341.40	2,008.10	-1,561.80
Net Cash Flow from Investing Activities	-100.60	-986.90	-2,431.30
Net Cash Flow from Financing Activities	-568.30	-1,229.00	5,880.90

<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>Per Share Data</b>			
Diluted EPS	2.11	4.57	2.46
BV per share	-3.73	-0.29	3.99
<b>Operating Ratios (%)</b>			
EBITDA Margins	12%	16%	9%
PAT Margins	8%	11%	4%
Inventory days	0.41	0.11	0.06
Debtor days	34.50	42.23	67.70
Creditor days	223.64	26.97	10.49
<b>Return Ratios (%)</b>			
RoCE*	-	114%	36%
RoE*	-	-	47%
<b>Valuation Ratios (x)</b>			
EV/EBITDA	0.75	1.01	3.12
Market Cap / Sales	8.34	5.39	3.62
P/E	77.73	35.89	66.67
Price to Book Value*	-	-	41.07
<b>Solvency Ratios</b>			
Debt / Equity	-	-	2.48
Current Ratio	0.55	1.46	1.49
Quick Ratio	0.54	1.46	1.49
Asset Turnover	3.87	4.01	2.36
Interest Coverage Ratio	3.32	8.27	3.68

\*\*RoCE, ROE, D/E, and P/BV cannot be calculated due to C.E and shareholder's funds being negative.

## Financial Charts



## Key Risk Factors

1. The Company have experienced negative operating cash flows in Fiscal 2023 and negative net worth as of March 31, 2022, and March 31, 2021, which may make it difficult or expensive for the company to obtain future financing or meet the liquidity needs.
2. The Company have certain contingent liabilities amounting to Rs. 247.30 lakhs, which if they materialise, may adversely affect the financial condition, cash flows and results of operations.

### Track Record of Lead Manager

The lead manager to the issue is ICICI Securities Limited, Equirus Capital Private Limited, IIFL Securities Limited, and JM Financial Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

#### ICICI Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	SBFC Finance Limited	1,025.00	57.00	August 16, 2023	86.80
2.	Utkarsh Small Finance Bank Limited	500.00	25.00	July 21, 2023	47.95
3.	Kfin Technologies Limited	1,500.00	366.00	December 29, 2022	476.85

ICICI Securities Limited has had 37 mandates in the last three fiscal years.

#### Equirus Capital Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TVS Supply Chain Solutions Limited	880.00	197.00	August 23, 2023	245.35
2.	Netweb Technologies India Limited	631.00	500.00	July 27, 2022	845.30
3.	Divgi TorqTransfer Systems Limited	412.12	590.00	March 14, 2022	986.25

Equirus Capital Private Limited has had 12 mandates in the last three fiscal years.

#### IIFL Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Yatharth Hospital and Trauma Care Services Limited	686.55	300.00	August 07, 2023	377.10
2.	Netweb Technologies India Limited	631.00	500.00	July 27, 2023	845.30
3.	Senco Gold Limited	405.00	317.00	July 14, 2023	397.95

IIFL Securities Limited has had 35 mandates in the last three fiscal years.

#### JM Financial Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	TVS Supply Chain Solutions Limited	880.00	197.00	August 23, 2023	245.35
2.	Cyient DLM Limited	592.00	265.00	July 10, 2023	707.80
3.	ideaForge Technology Limited	567.29	672.00	July 07, 2023	1,029.85

JM Financial Limited has had 32 mandates in the last three fiscal years.

\*CMP for all the above-mentioned companies is taken as of 11<sup>th</sup> September 2023.

As per the offer document, 1 mandate opened at a discount and the rest all the mandates have opened at premiums on the listing date.

### Recommendation

The company has been in the industry since 2011 and has good experience in the industry. The company has seen a consistent increase in its top-line financials. The company has seen a sudden surge in its bottom line for FY 2022, and a huge decrease in FY 2023 as per its margins are concerned.

The PE on an annualised and post-IPO basis is around 87.44 times which seems to be overvalued by looking at the performance of the company and its peers. The average PE of its peers is 39.80 times.

The company operates in a competitive segment. The management outlook of the company is good. The company has seen consistency in its increase in revenues. The overall financial outlook of the company is not that satisfactory with the company having negative operating cash flow, and margins being low details of which are given in the financial snapshot of this report. We believe we must wait for other future financials to be able to comment upon its sustainability but with the high increase in demand for the fintech industry, the company can see decent growth in this industry. Thus, we have a **NEUTRAL** opinion on this IPO.



### **Disclaimer**

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