

# FIRST GLOBAL

[www.firstglobal.in](http://www.firstglobal.in)

## India Research



### Sector: Indian Education

### Call Report

#### ***Educomp Solutions Ltd. (EDSL.IN) (EDSO.BO)***

(CMP: Rs. 1815 Mkt. Cap: Rs. 29.04 bn, \$ 0.72 bn, May 30, '07)

Relevant Index: S & P CNX Nifty: 4249.65, May 25, '07

*Very high debtor days, at 170 days, is a cause for great concern. This crimps Educomp's cashflows significantly. What's more, management is unwilling to elaborate on the reasons for this, save for giving a bland: "This figure will always remain high". And the arithmetic of these high debtor days doesn't add up (see inside). Something doesn't make sense here. When a young growth company refuses to explain this, we have never found this to be a good sign*

*Educomp has never had even a SINGLE year of positive free cash. Nor will it, even in the next some years. We thought businesses of this kind were supposed to be cash positive...and lastly, there is no good reason why its valuation should be that much above NIIT's. The gap has to narrow.*

**June 4, 2007**

**Research Contact:** Associate Director, Research: Hitesh Kuvelkar    Mob. +91 9833 732633

Email: [hiteshk@fglobal.com](mailto:hiteshk@fglobal.com)

**Sales Offices:** India Sales:    Tel. No: +91-22-4001 2440

Email: [indiasales@fglobal.com](mailto:indiasales@fglobal.com)

[fgindiasales@bloomberg.net](mailto:fgindiasales@bloomberg.net)

US Sales: Tel. No: 1-212-2276611    Email: [us@fglobal.com](mailto:us@fglobal.com)

Asia & Europe Sales: Tel.: 44-207-959 5300    Email: [uk@fglobal.com](mailto:uk@fglobal.com)

Research Note issued by First Global Securities Ltd., India

FG Markets, Inc. is a member of NASD/SIPC and is regulated by the  
Securities & Exchange Commission (SEC), US

First Global (UK) Ltd. is a member of London Stock Exchange and is regulated by  
Financial Services Authority (FSA), UK

First Global Stockbroking is a member of Bombay Stock Exchange & National Stock Exchange, India

**IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT.**



## Financial Snapshot

Key Financials							
(YE Mar 31st) (Rs. mn)	2001	2002	2003	2004	2005	2006	2007
<b>Net Sales</b>	<b>105</b>	<b>177</b>	<b>207</b>	<b>248</b>	<b>311</b>	<b>523</b>	<b>1,065</b>
<i>Sales Growth (Y-o-Y)</i>		69%	17%	20%	26%	68%	104%
<b>Other Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Op. Inc. Growth (Y-o-Y)</i>							
<b>Total Revenue</b>	<b>105</b>	<b>177</b>	<b>207</b>	<b>248</b>	<b>311</b>	<b>523</b>	<b>1,065</b>
<i>Revenue Growth (Y-o-Y)</i>		69%	17%	20%	26%	68%	104%
<b>EBIDTA</b>	<b>11</b>	<b>37</b>	<b>58</b>	<b>63.50</b>	<b>146</b>	<b>260</b>	<b>503</b>
<i>EBIDTA Growth (Y-o-Y)</i>		248%	59%	9%	130%	78%	93%
<b>Net Profit</b>	<b>11</b>	<b>13</b>	<b>18</b>	<b>19</b>	<b>63</b>	<b>139</b>	<b>283</b>
<i>Net Profit Growth (Y-o-Y)</i>		11%	40%	7%	235%	120%	103%
<b>Net Profit (Excl. Extra-ordinaries)</b>	<b>11</b>	<b>13</b>	<b>18</b>	<b>19</b>	<b>56</b>	<b>139</b>	<b>283</b>
<i>Net Profit (Excl. Extra-ordinaries) Growth (Y-o-Y)</i>		11%	40%	7%	196%	149%	103%
<b>Shareholders Equity</b>	<b>126</b>	<b>143</b>	<b>156</b>	<b>171</b>	<b>234</b>	<b>903</b>	<b>1,152</b>
<b>Number of Diluted shares (mn)</b>	<b>4</b>	<b>11</b>	<b>9</b>	<b>4</b>	<b>11</b>	<b>12</b>	<b>16</b>
Key Operating Ratios							
(YE Mar 31st)	2001	2002	2003	2004	2005	2006	2007
<b>Diluted EPS (Rs) (Excl. Extra-Ordinaries)</b>	<b>2.55</b>	<b>1.15</b>	<b>1.97</b>	<b>4.23</b>	<b>5.10</b>	<b>11.15</b>	<b>17.68</b>
<i>EPS Growth (Y-o-Y)</i>		-54.9%	71.2%	114.8%	20.6%	118.6%	58.6%
<b>CEPS (Rs.) (Excl. Extra-Ordinaries)</b>	<b>3.4</b>	<b>3.2</b>	<b>5.3</b>	<b>12.6</b>	<b>9.6</b>	<b>15.4</b>	<b>23.71</b>
<b>EBIDTA (%)</b>	<b>10.0%</b>	<b>20.6%</b>	<b>28.1%</b>	<b>25.7%</b>	<b>46.9%</b>	<b>49.8%</b>	<b>47.2%</b>
<b>NPM (%)</b>	<b>10.8%</b>	<b>7.1%</b>	<b>8.5%</b>	<b>7.6%</b>	<b>18.0%</b>	<b>26.6%</b>	<b>26.6%</b>
<b>RoE (%)</b>	<b>18.1%</b>	<b>9.4%</b>	<b>11.8%</b>	<b>11.6%</b>	<b>27.6%</b>	<b>23.9%</b>	<b>27.2%</b>
<b>RoCE (%)</b>	<b>18.1%</b>	<b>9.1%</b>	<b>10.6%</b>	<b>9.6%</b>	<b>21.9%</b>	<b>20.8%</b>	<b>N.A.</b>
<b>Book Value per share (Rs.)</b>	<b>28.2</b>	<b>13.0</b>	<b>17.4</b>	<b>38.2</b>	<b>21.3</b>	<b>72.4</b>	<b>72.0</b>
<b>Debt/Equity (x)</b>	<b>0.00</b>	<b>0.06</b>	<b>0.09</b>	<b>0.17</b>	<b>0.19</b>	<b>0.11</b>	<b>N.A.</b>
Valuation Ratios							
(YE Mar 31st)	2001	2002	2003	2004	2005	2006	2007
<b>P/E (x)</b>							<b>104.6</b>
<b>P/BV (x)</b>							<b>26</b>
<b>P/CEPS (x)</b>							<b>78</b>
<b>EV/EBIDTA (x)</b>							<b>N.A.</b>
<b>Market Cap./ Sales (x)</b>							<b>27.8</b>
DuPont Model							
(YE Mar 31st)	2001	2002	2003	2004	2005	2006	2007
<b>EBIDTA/Sales (%)</b>	<b>10%</b>	<b>21%</b>	<b>28%</b>	<b>26%</b>	<b>47%</b>	<b>50%</b>	<b>47%</b>
<b>Sales/Operating Assets (x)</b>	<b>2.3</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.5</b>	<b>N.A.</b>
<b>EBIDTA/Operating Assets (%)</b>	<b>23.2%</b>	<b>31.4%</b>	<b>37.3%</b>	<b>34.0%</b>	<b>61.6%</b>	<b>74.9%</b>	<b>N.A.</b>
<b>Operating Assets/ Net Assets (x)</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.5</b>	<b>N.A.</b>
<b>Net Earnings/ EBIDTA (%)</b>	<b>109%</b>	<b>35%</b>	<b>30%</b>	<b>30%</b>	<b>38%</b>	<b>53%</b>	<b>56.22%</b>
<b>Net Assets/ Equity (x)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>1.2</b>	<b>N.A.</b>
<b>Return on Equity (%)</b>	<b>18.1%</b>	<b>9.4%</b>	<b>11.8%</b>	<b>11.6%</b>	<b>27.6%</b>	<b>24.5%</b>	<b>27.2%</b>



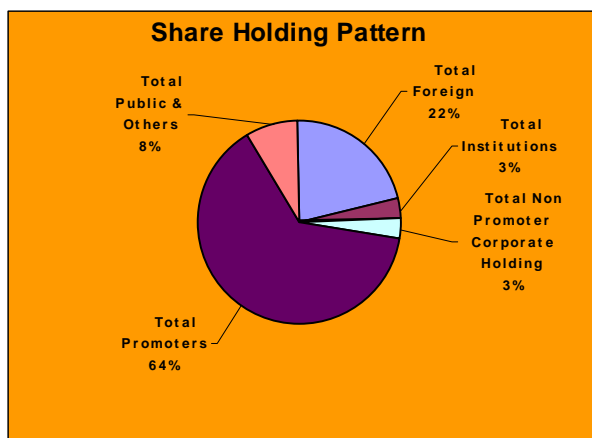
Free Cash flow – standalone basis							
(YE Mar 31st) (Rs. mn)	2001	2002	2003	2004	2005	2006	2007E
<b>EBITA</b>	7	14	28	26	97	207	407
Less: Adjusted Taxes	1	3	9	12	37	73	164
<b>NOPLAT</b>	6	11	19	14	60	134	242
Plus: Depreciation	4	22	30	37	49	53	97
<b>Gross Cashflow</b>	10	34	49	51	109	187	339
Less: Increase in Working Capital	40	30	7	25	72	127	224
<b>Operating Cashflow</b>	-30	4	42	26	38	60	115
Less: Net Capex	54	44	51	46	84	151	640*
Less: Increase in Net Other Assets	0	0	-10	-6	-42	-65	0
<b>FCF From Operation</b>	-84	-40	1	-14	-4	-27	-525
Less: Inc./(Dec.) in Investment	22	-14	1	2	6	-2	0
<b>FCF after Investment</b>	-107	-26	0	-16	-10	-25	-525
Plus: Gain/(loss) on Extraordinary Items	0	0	0	0	5	0	0
Plus: Foreign currency Translation Effect	0	0	0	0	0	0	0
<b>Total FCF</b>	-107	-26	0	-16	-6	-25	-525

\* Management has disclosed FY 07 capex of Rs.640 mn

Common Sized Profit & Loss Account							
(YE Mar 31st)	2001	2002	2003	2004	2005	2006	2007
<b>Total Revenues</b>	100%	100%	100%	100%	100%	100%	100%
Operating expenses	23.6%	20.8%	21.4%	27.7%	12.6%	19.3%	29%
Personnel Expenses	24.0%	30.6%	26.7%	22.2%	19.5%	13.7%	10%
S G & A Expenses	42.4%	27.7%	23.9%	24.4%	19.4%	15.7%	14%
Miscellaneous Exp	0.0%	0.3%	0.0%	0.0%	1.5%	1.5%	0%
EBITDA	10.0%	20.6%	28.1%	25.7%	46.9%	49.8%	47%
Depreciation and Amortization	3.8%	12.6%	14.6%	15.1%	15.7%	10.2%	9%
Interest	0.4%	1.2%	1.5%	1.5%	1.8%	1.4%	1%
PAT	10.8%	7.1%	8.5%	7.6%	20.3%	26.6%	27%
PAT(Excl.Extra-ordinaries)	10.8%	7.1%	8.5%	7.6%	18.0%	26.6%	27%

### Key Statistics\*

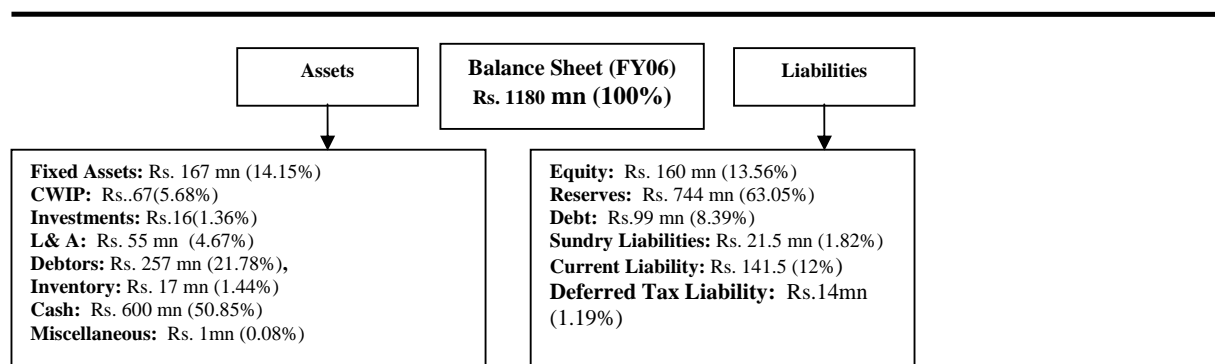
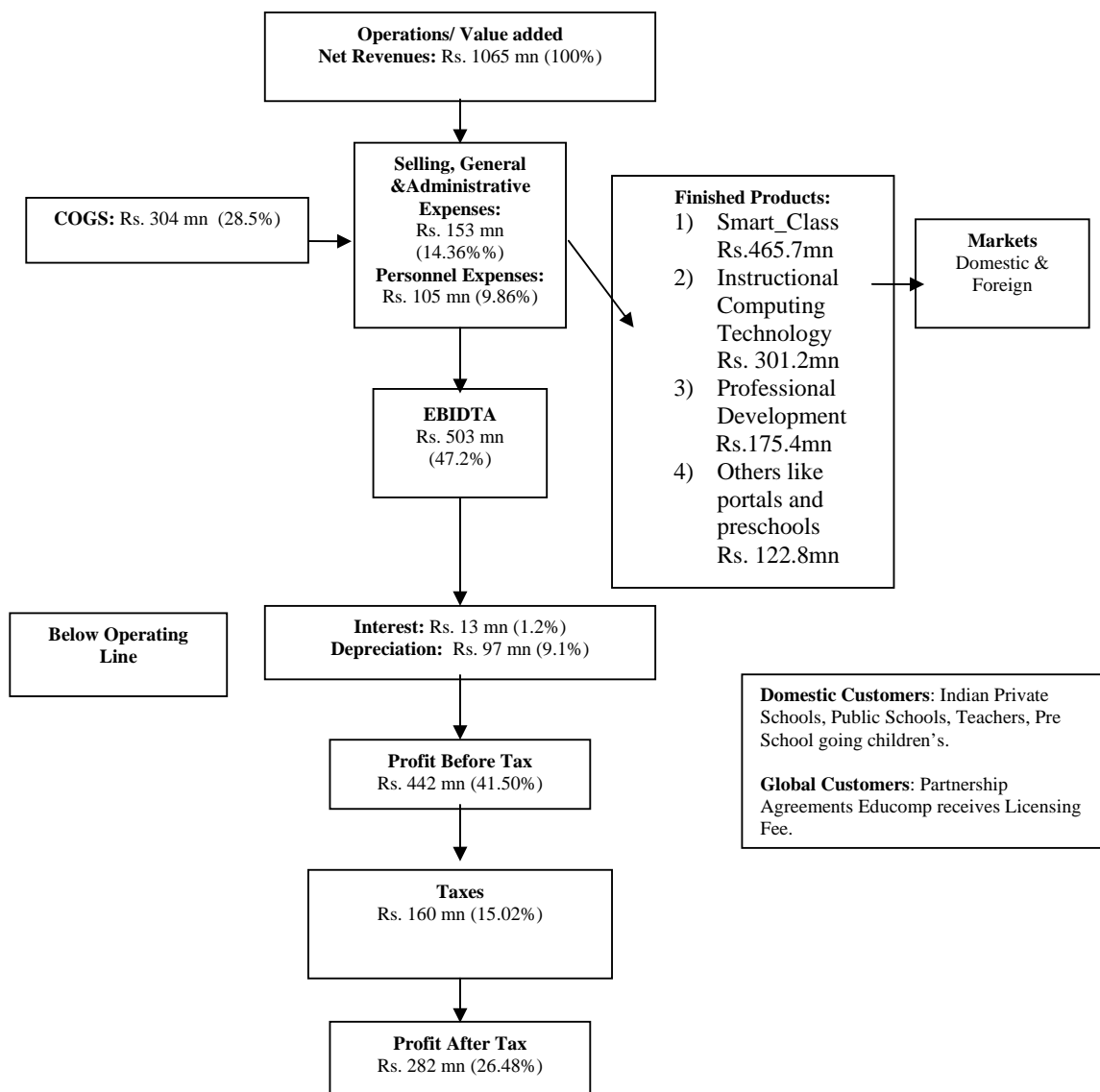
#### Share Holding Pattern As on 31<sup>st</sup> March 2007



<b>Industry:</b>	<b>Computer Sector</b>
<b>52 Week Hi:Lo:</b>	Rs.1999 / 269.20
<b>CMP:</b>	Rs.1851
<b>Avg Daily Vol (20 days):</b>	0.34 mn
<b>Avg Daily Val (20 days):</b>	Rs.609.20 mn
<b>Performance over 52 weeks:</b>	
<b>EDUCOMP:</b>	Up 374.1%
<b>Nifty:</b>	Up 33.4%



## Educomp Solutions Ltd.'s Business in Pictures... (FY07)





## **Call Report**

*(in the interest of timeliness, this report is largely unedited)*

**Date:** May 28, 2007

**People met:** Ms. Sangeeta Gulati, Vice President (Finance) Educomp Solutions Ltd.

**Following Main points were discussed in the meeting:-**

- **Future Plans** for e.g. expanding in country like China.
- **Competitive nature** of the industry.
- **Scope** for margin improvements.
- **Detail Revenue Break-up.**
- **Future Guidance.**
- **Discussion** on issues like negative free cash flows, seasonal behaviour of revenues etc.

### ***Brief Overview of Educomp Solutions Ltd.***

Educomp is a niche player in the Indian education space catering to the K12 (Kindergarten to class 12<sup>th</sup>) market segment and has different products catering to various segments:

- 1) **Smart\_Class (44% of Revenues in FY07):** Under this product, Educomp provides infrastructure, content, and teachers training to private schools on Build, Own, Operate, & Transfer basis, wherein the contract usually runs for 3-5 years.

Schools have two options after the termination of the contract - either to renew the contract, in which case Educomp provides the school with the latest technology, or not to renew the contract, in which case, Educomp takes back the content from the school (so far, the company has witnessed a 100% renewable rate).

The current charges are Rs.150 p.m. per student in case hardware is provided by Educomp, or the charges are Rs.75 p.m. per student. Currently, the company serves 331 schools, out of which 10% are not obtaining the hardware facilities. Going forward, management expects to cover 450 more schools in FY08, representing a growth of around 136% Y-o-Y.

**Payments are received by the company on quarterly basis.** It expects an improvement in the operating margin in this segment from the current 58% to 65% in 3-4 years. In FY07, the contribution of smart\_class to the total revenue was 43.72%.

Currently company enjoys monopoly like situation under this segment.



- 2) **Instructional Computing Technology (28% of Revenues in FY07):** Under this product, Educomp provides the infrastructure, content, and teachers training to government schools on a B.O.O.T basis, wherein the contracts are run for a period of 3-5 years. The company transfers all the infrastructure and content at the end of the period. *The company faces stiff competition from N.I.I.T technologies in this segment, although it is limited due to entry barriers in the form of minimum qualifications required in order to win the project from the government.*

Educomp has so far covered 2,808 schools until FY07 and expects this figure to reach to 4000 by FY08. The current charges are Rs.17,000-20,000 per month per school. The segment's operating margin hovers around 32% and it contributed to about 28.26% of the total revenues in FY07.

Payments are generally received in about 160-180 days, although payment is assured on account of government backing.

- 3) **Professional Development:** Under this product, Educomp provides training to teachers in association with partners, such as Intel, Wipro, etc. The company charges around Rs.800 per teacher for 2-3 weeks training and 6,65,000 teachers have received training under this programme so far. Management expects the company to provide training to an additional 3,00,000 professionals next year (FY 08). The segment's operating margin was around 60% in FY07 and it contributed 16.43% of the total revenues.

4) **Other revenue sources:**

a) **Portal [www.mathguru.com](http://www.mathguru.com)** - Under this product, the company helps students of classes VI to XII in solving all kinds of arithmetic problems. In FY07, the total number of subscribers were 10000 and the fees per subscriber was Rs.1200. Management expects the number of subscribers to reach 25000 by next year and the company has already increased its annual fees to Rs.1800 per month. The segment has an operating margin of around 47%.

b) **Pre School Initiatives:** The company began pre schools under its brand "Roots to Wings." Until FY07, three schools were operational and management expects to add another 12 schools by FY08. The fee per student is around Rs.2500 per month and 150-200 students are enrolled in one pre school, with break-even achieved at around 45 students.

### ***Future Plans...***

*In India, there are 50,000 private schools and 950,000 government schools. Educomp currently caters to only 331 private schools and 2808 government schools, thus leaving tremendous scope for growth in the domestic market.* In addition to this, the company also earns licensing revenues from countries, such as Singapore and the US, by providing content to schools. It has recently acquired ThreeBrix E-Services Pvt. Ltd. through which it intends to expand its operations in the Middle East.

The company faces stiff competition only in the I.C.T market from N.I.I.T and management does not expect competition to intensify further in the I.C.T segment due to entry barriers.



## **EBIDTA margin to improve**

**Although Educomp's EBIDTA margin declined from 49.2% to 47.2%, management expects it to improve to around 54-56% in a couple of years, as more revenues begin kicking in from high margin products, such as licensing revenues, smart\_class, etc.** For FY08, the company has also provided a topline guidance of Rs.2100 mn, marking a growth of around 100%, and a bottomline guidance of Rs.550 mn, marking a growth of 95% Y-o-Y.

## **The key problem area: very high (and unexplained) debtor days.**

**Educomp suffers from a very high receivables period of around 170 days, which requires a large amount of investment in working capital. As a result, the company's internal accruals are insufficient to fund its capex requirements. We tried doing the math on these receivable. The smart\_class segment (47% of revenues) runs at 90-95 days of receivables. The government school segment, Instructional Education, 28% of Revenues, runs at 160-180 days approx. All other segments run at around 10-20 days approx. So how on earth does the company exhibit 170 days of debtors, overall? Management is giving no explanation, and this, for a young, growth company, is always a bad sign. If everything is kosher, managements have to be more open and willing to explain.** Going forward, management is considering taking the capex off the company's balance sheet, i.e. it will try to avoid raising debt or equity for financing capex.

**The company also faces seasonality in revenues. For instance, 9% of its total revenues are booked in Q1, 17-18% in Q2, 25-27% in Q3, and the remaining 40-47% in Q4. According to management, this seasonality occurs because the government invites tenders in Q3 or Q4, as it is required to spend the budget allocations before March 31.** The private schools contracts also leads to seasonality as due to summer vacations contracts generally get entered into after Q1. As Educomp is adding a large number of new schools year after year, the seasonality in revenues will persist.

## **Indian comparative Valuations**

	Year	P/E		P/S		P/BV		EV/Sales		EV/EBITDA		EBITDA		RoE	RoCE	Annual EPS Growth	Annual Sales Growth
Company	End	FY08 E	FY 09E	FY08 E	FY 09E	FY08 E	FY 09E	FY08 E	FY 09E	FY08 E	FY 09E	FY 08E	FY 09E	FY 08E	FY 07E	(09/08)	(09/08)
Educomp Solutions Ltd	Mar	52.8	30.8	13.8	7.9	16.7	11.9	13.5	7.8	25.0	13.8	54.2%	56.3%	41.71%	N.A.	71.6%	74.2%
NIIT LTD.	Mar	7.6	15.5	1.9	1.7	4.7	3.8	2.0	1.8	14.8	11.3	13.5%	15.8%	24.33%	N.A.	42.2%	11.8%

Sources: Consensus Estimates.



## **IMPORTANT DISCLOSURES**

### ***Price Target***

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non-financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, discounted cash flow (DCF) and its stock price history.

***The risks that may impede achievement of the price target/investment thesis are -***

- Product Obsolescence.
- Increased competition in the domestic market.
- Delays & Risk of payment defaults by schools.





## ***Rating system of First Global***

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

**Rating in this report is relative to: S&P CNX Nifty Index**

### **Positive Ratings**

*(i) **Buy (B)** – This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

*(ii) **Buy at Declines (BD)** – This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

*(ii) **Outperform (OP)** – This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

### **Neutral Ratings**

*(i) **Hold (H)** – This rating means that we expect no substantial move in the stock price over the specified time period.*

*(ii) **Marketperform (MP)** – This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

### **Negative Ratings**

*(i) **Sell (S)** – This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

*(ii) **Sell into Strength (SS)** – This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

*(iii) **Underperform (UP)** – This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

*(iv) **Avoid (A)** – This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*



**FIRST GLOBAL**

Nirmal, 6th Floor, Backbay Reclamation,  
Nariman Point, Mumbai - 400 021, India.

**Dealing Desk (India):**

Tel.: +91-22-4001 2400  
email: fgindiasales@bloomberg.net

**FG Markets, Inc.**

90 John Street, Suite 703,  
New York, NY 10038

**Dealing Desk (US):**

Tel. No: +1-212-2276611  
email: us@fglobal.com

**FIRST GLOBAL (UK) Ltd.**

The Cobalt Building, 19-20, Noel Street,  
London W1F 8GW, United Kingdom

**Dealing Desk (UK & Europe):**

Tel. No: 00-44-207-959 5300  
email: uk@fglobal.com

The information and opinions in this report were prepared by First Global. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness. Any statements nonfactual in nature constitute only current opinions, which are subject to change. First Global does not undertake to advise you of changes in its opinion or information. First Global and others associated with it may make markets or specialize in, have positions in and effect transactions in securities of companies mentioned and may also perform or seek to perform investment banking services for those companies.

Whilst all reasonable care has been taken to ensure the facts stated and the opinions given are fair, neither First Global (UK) Limited nor FG Markets, Inc. nor any of their affiliates shall be in any way responsible for its contents, nor do they accept any liability for any loss or damage (including without limitation loss of profit) which may arise directly or indirectly from use of or reliance on such information.

First Global (or one of its affiliates or subsidiaries) or their officers, directors, analysts, employees, agents, independent contractors, or consultants may have positions in securities or commodities referred to herein and may, as principal or agent, buy and sell such securities or commodities. An employee, analyst, officer, agent, independent contractor, a director, or a consultant of First Global, its affiliates, or its subsidiaries may serve as a director for companies mentioned in this report.

First Global and its affiliates may, to the extent permitted under applicable law, have acted upon or used the information prior to or immediately following its publication, provided that we could not reasonably expect any such action to have a material effect on the price.

This memorandum is based on information available to the public. No representation is made that it is accurate or complete. This memorandum is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned.

The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment. There may be instances when fundamental, technical, and quantitative opinions may not be in concert.

Past performance is not necessarily a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. There are risks inherent in international investments, which may make such investments unsuitable for certain clients. These include, for example, economic, political, currency exchange rate fluctuations, and limited availability of information on international securities.

The value of investments and the income from them may vary and you may realize less than the sum invested. Part of the capital invested may be used to pay that income. In the case of higher volatility investments, these may be subject to sudden and large falls in value and you may realize a large loss equal to the amount invested. Some investments are not readily realizable and investors may have difficulty in selling or realizing the investment or obtaining reliable information on the value or risks associated with the investment. Where a security is denominated in a currency other than sterling (for UK investors) or dollar (for US investors), changes in exchange rates may have an adverse effect on the value of the security and the income thereon. The tax treatment of some of the investments mentioned above may change with future legislation. The investment or investment service may not be suitable for all recipients of this publication and any doubts regarding this should be addressed to your broker.

While First Global has prepared this report, First Global (UK) Ltd. and FG Markets, Inc. is distributing the report in the UK & US and accept responsibility for its contents. Any person receiving this report and wishing to effect transactions in any security discussed herein should do so only with a representative of First Global (UK) Ltd. or FG Markets, Inc.

First Global (UK) Limited is regulated by FSA and is a Member firm of the London Stock Exchange.

FG Markets, Inc. is regulated by SEC and is a member of National Association of Security Dealers (NASD) and Securities Investor Protection Corporation (SIPC). FG Markets, Inc., its affiliates, and its subsidiaries make no representation that the companies which issue securities which are the subject of their research reports are in compliance with certain informational reporting requirements imposed by the Securities Exchange Act of 1934. Sales of securities covered by this report may be made only in those jurisdictions where the security is qualified for sale. Additional information on recommended securities is available on request.

This report may not be resold or redistributed without the prior written consent of First Global.