

ALEXIUM INTERNATIONAL GROUP LTD

BUY

Bedding Down Better Margins

Materials / Diversified Chemicals

27 July 2017

TRANSFER OF COVERAGE

Ticker	AJX
Stock Price	\$0.500
Target Price	\$1.000
Forecast Capital Return	100.0%
Forecast Dividend Yield	0.0%
Estimated Total Return - 12 Mth Forward	100.0%

Company market data

Market Cap.	\$151.8m
Free Float (%)	69.0
Enterprise Value	\$140.0m
52 Week Range	\$0.47 - \$0.75
Shares Out.	303.6m
Avg. Daily Value	\$0.3m

Estimates changes	2016a	2017e	2018e	2019e
Core NPAT - <i>old</i>	(15.4)	(7.9)	0.2	5.4
Core NPAT - <i>new</i>	(15.4)	(10.0)	1.0	7.2
% Change	0.0	26.4	315.6	32.7
Core EPS dil. (€) - <i>old</i>	(5.5)	(2.7)	0.1	1.8
Core EPS dil. (€) - <i>new</i>	(5.5)	(3.3)	0.3	2.4
% Change	0.0	25.4	309.0	30.6
DPS (€) - <i>old</i>	0.0	0.0	0.0	0.0
DPS (€) - <i>new</i>	0.0	0.0	0.0	0.0
% Change	-	-	-	-

All figures are in AUD unless otherwise specified.

Share price performance

Alexium International Group Ltd vs. AS52 (rebased index)



Analyst

Ronan Barratt

+61 2 8288 5426

ronan.barratt@moelis.com

EVENT

- Jun'17 4C quarterly activities report.
- Transfer of coverage to a new analyst.

IMPACT

Key takeaways from AJX's Jun'17 4C include:

- First ever cash flow positive month** recorded in Jun'17.
- "Significantly higher margins"** achieved during 2H FY17, primarily driven by sales to new customers within the bedding industry.
- Debt facility terms likely to improve** following improved cash-flow.
- Staff & admin cash outflows down ~25%** vs. Q3 FY17 highlighting a lower operating cost base moving forward.

While Q4 cash receipts only showed modest growth vs Q3 (+6%), we note this is largely due to management's focus on replacing low margin sales with more profitable business.

We estimate gross margins increase from 1% (1H17) to 15% (2H17) and then accelerate beyond 30% in FY18, driving AJX towards profitability.

INVESTMENT VIEW

In our view, the new thermal regulation business AJX has secured in 1H17 has substantially de-risked the Company by taking it to a position of cash-flow neutrality.

Key catalysts for AJX include:

- Pillows:** MoU in place with a large top-tier pillow supplier (potential chemical sales to AJX of ~USD10m per annum).
- FR Cotton:** Potential licensing deals with global chemical suppliers to use AJX's 'Alexiflam NF' chemistry across workwear & apparel.
- Military Uniforms:** Entering final stages of testing (field trials) to supply U.S. Army with AJX-developed Fire Retardant combat uniforms.
- Las Vegas Summer Furniture Show (Jul'17)** where AJX chemistry will be marketed to additional bedding brands.

We anticipate the thermal regulation business (across bedding & pillows) will continue to grow in FY18, providing a solid base of gross profit as AJX executes on potentially larger opportunities in its core market of flame retardancy.

We retain our **BUY** rating and **\$1.00 target price**.

Y/E Jun 30	2016a	2017e	2018e	2019e
EBITDA	(15.3)	(9.4)	2.0	7.9
EV/EBITDA	nm	nm	68.4x	17.8x
Core NPAT	(15.4)	(10.0)	1.0	7.2
Core EPS (Diluted) (€)	(5.5)	(3.3)	0.3	2.4
P/E	nm	nm	155.1x	21.2x
EPS growth	87.2%	(39.9%)	(109.7%)	631.8%
DPS (€)	0.0	0.0	0.0	0.0
Yield	0.0%	0.0%	0.0%	0.0%
DPS growth	-	-	-	-
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%

All figures are in AUD.

INVESTMENT THESIS

Key drivers supporting our investment thesis include:

- **Cash flow neutrality reached in Q4 FY17** has substantially de-risked the business and will likely lead to improvements in the terms of its existing debt facilities.
- **Revenue mix shifting towards high margin sales**
In 2H17, AJX has replaced low margin sales with higher margin product. This has been led by the thermal regulation product (Alexicool) making sales into the bedding industry at ~40% margin.
- **Well-advanced sales pipeline opportunities providing short-term catalysts**
Well advanced sales pipeline opportunities exist within pillows, FR cotton and Military Uniforms.
- **Incumbents under regulatory pressure due to toxic ingredients**
~65% of incumbent chemistry are effected by recent law changes (from groups such as the U.S. EPA and EU) banning of certain halogenated inputs.
- **Stable operating cost base**
Following completion of its R&D facility at HQ in Greer, South Carolina USA, AJX now has the capacity to grow with little addition cost. The Company runs a capital light model with sales & manufacturing functions largely outsourced via strategic global partnerships.
- **Large and growing end-user markets** with an identified addressable market opportunity of >US\$3bn. Medium term CAGR's in AJX's key markets include Flame Retardants (7.5%) and Thermal Regulation (21%).

REVISED EARNINGS ESTIMATES

Our revised earnings estimates for AJX are set out below:

Figure 1: AJX Earnings Estimates (\$m's, Moelis estimates)

	FY16	1H17	2H17	FY17	FY18	FY19
Revenue	3.4	11.4	11.8	23.2	35.5	58.5
Gross Profit	0.1	0.1	1.8	1.9	13.5	19.9
Gross Profit (%)	1%	1%	16%	8%	38%	34%
Operating Costs	(15.3)	(5.8)	(5.6)	(11.4)	(11.5)	(12.1)
EBITDA	(15.3)	(5.7)	(3.8)	(9.4)	2.0	7.9
Depreciation	(0.2)	(0.1)	(0.1)	(0.3)	(0.5)	(0.5)
Net Interest Expense	0.0	0.0	(0.3)	(0.3)	(0.6)	(0.2)
Profit Before Tax	(15.4)	(5.8)	(4.2)	(10.0)	1.0	7.2
Tax	0.0	0.0	0.0	0.0	0.0	0.0
Underlying NPAT	(15.4)	(5.8)	(4.2)	(10.0)	1.0	7.2
EPS	-6cps			-3.3cps	0.3cps	2.4cps

Significant improvement in
Gross Margins in 2H17

We estimate
profitability in FY18

Source: Company, Moelis Analysis

Key takeaways include:

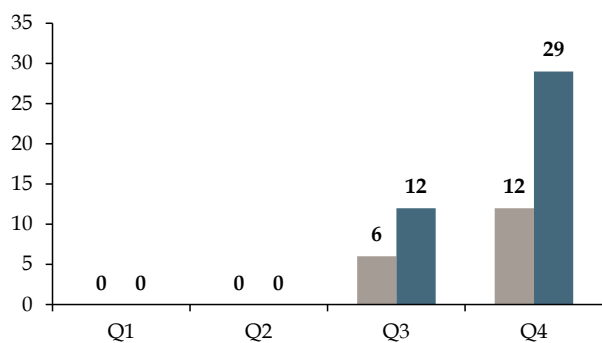
- **FY17e revenue of \$23.2m reflects a ~7x increase vs. FY16.**
- **FY17-19e revenue CAGR of ~60%** generated from continued growth in bedding sales and conversion of key sales pipeline opportunities (Pillows, Licensing of FR Cotton, Military Uniforms).
- **Gross margins increasing from 1% (1H17) to 15% (2H17e)** driven by high margin bedding chemistry sales (>40% gross margin). We anticipate gross margins of 38% in FY18.
- **FY17e operating costs reduced by ~25% (YoY)** due to lower share based payments (-\$4m) and Professional Expenses (-\$300k).
- **Carried forward tax losses** should offset free cash flow generated over the next ~3-4 years.

THERMAL REGULATION CHEMISTRY: THE BIGGEST GROWTH DRIVER RIGHT NOW

Highlights

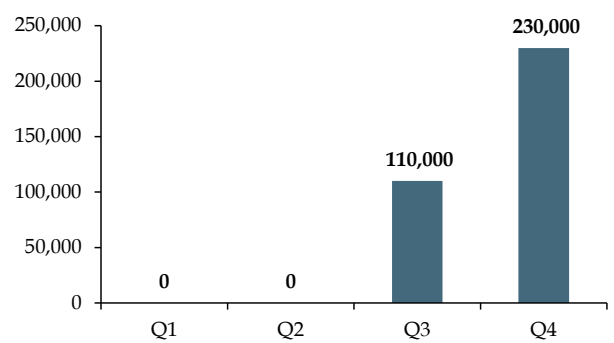
- In 2016 AJX launched its new 'Alexicool' thermal regulation product.
- The product has been well received, particularly within the bedding industry, and has driven a strong increase in Group gross margins throughout 2H17.
- Since its launch at the Las Vegas Bedding show in Jan'17, AJX has gone from selling ~12,000kgs of Alexicool, to shipping ~80,000kgs in the month of June alone.
- Each month's sales since the Jan'17 bedding show have increased on last.
- Alexicool is now applied to 29 different Mattress Brands, with existing customers likely to expand its use across a wider range of their brands.
- The Las Vegas Bedding show runs again in July 2017, which provides another good chance to market this chemistry.

Figure 2: Bedding Customers & Brands



Source: Name of Source

Figure 3: Alexicool Shipments (FY17, kgs, Moelis est.)



Source: Name of Source

Figure 4: Las Vegas Furniture Market Jan & July 2017

"The primary engine for growth has been Alexium's rapid traction in the mattress industry"

Dirk Van Hying, Deputy CEO, June 2017 Shareholder Newsletter



Source: Las Vegas Bedding Market

What is Alexicool?

Alexicool chemistry keeps fabrics cool-to-touch.

Its key features and benefits include:

- Thermal regulation AND fire retardant properties (i.e. can keep a mattress cool whilst still providing fire protection).
- Strong durability (longer wash cycle vs. competition).
- Cost effective (typically cheaper than competition).
- Less disruptive to original product characteristics (vs. competition).

Product Margins

- Alexicool is typically sold on high gross margin (>40%).
- This is in part due to a faster sales cycle given Alexicool typically requires less customisation for each customer (vs. AJX's other flame retardant treatments).
- We anticipate gross margin expansion as order size grows, and AJX completes testing on more cost-effective raw ingredients.

Sales Pipeline Opportunities - Thermal Regulation (*Bedding/Pillows/Apparel*)

We anticipate existing bedding customers will expand their use of AJX's chemistries across a wider range of bedding brands in FY18, generating sales growth.

Key opportunities within the existing sales pipeline include:

- **Pillows (Pegasus)**
 - In Jan'17 AJX signed an MOU with Pegasus Home Fashions (New York based top-tier pillow supplier) with potential AJX chemical sales of ~US\$10m/year.
 - AJX has since been working with the supplier of Pegasus' pillows, a Shanghai-based manufacturer that sells in excess of 100,000 pillows annually.
 - Following completion of product refinement & development, AJX visited this Shanghai-based manufacturer to facilitate a roll out of Alexicool chemistry across not just pillows, but also a wider range of their product fabrics.
 - We estimate sales ramping up from 2H18.

Figure 5: AJX has an MOU with pillow supplier, Pegasus

"Alexicool technology has proven to be the most efficient cooling technology on the market...at price points anyone can afford."

Lou Casali, Pegasus Head of Sales



Source: Company Website

- **Bedding**
 - **Maiden shipment to world's largest mattress fabric producer**
 - ◆ In late June/early July 2017, AJX will make its first shipment to the world's largest mattress fabric producer. .
 - **July 2017 Las Vegas Bedding Show**
 - ◆ Given the success following the Jan 2017 bedding show, AJX anticipates its Alexicool chemistry will be well received at the upcoming July 2017 Las Vegas bedding show.
 - **Recent European launch**
 - ◆ In May 2017, AJX attended 'Interzum' - the premiere bedding show for Europe & Asia (>1,500 exhibitors and 57,000 attendees from 142 countries).
 - ◆ As a result, AJX has secured 4 production trials at large mattress covering manufacturers in Belgium, Germany, Turkey & Canada.
- **Apparel & Work Wear**
 - AJX is working with a leading global textiles brand to offer Alexicool on their clothing.
 - Testing & development is underway to integrate the cooling chemistry with wicking features (i.e. the ability for the material to 'breathe' and release sweat into the air).
 - Management expect revenues to commence in 2H18.

FIRE RETARDANT CHEMISTRY: SALES PIPELINE OPPORTUNITIES

Despite the majority of revenues currently being derived from phase change materials (i.e. Alexicool), Fire Retardancy (FR) remains AJX's core competency and houses what may be the Company's largest opportunities.

Key FR sales pipeline opportunities include:

Cotton

- AJX is in negotiations with 3 global chemical suppliers for licencing of 'Alexiflam NF' used in flame retardant treatment of cotton.
- Management believes the chemistry offers the same level of FR protection as competing products, but is cheaper, more durable, less disruptive to original product characteristics and contains no toxic formaldehyde.
- The FR Cotton Industry is a ~US\$250m/year industry is dominated by products containing formaldehyde.
- A licencing agreement is anticipated to be reached in FY18.

Military

- After years of R&D (through funding from Natick), in 2016 AJX successfully developed an FR treatment for Nylon/Cotton (NyCo) fabric blends used in Military Uniforms.
- More recently, AJX has partnered with a fabric supplier to the Army & Marines in order to test the chemistry in real world field trials.
- AJX believes its fully FR treated NyCo uniform fabric may be up to 50% cheaper than the major incumbent (Tencate), as well as superior in terms of durability (25+ washes).
- NyCo is a more durable fabric, whilst still retaining the breathability of cotton, however it traditionally offers no flame resistant properties.
- Field trials will shortly commence to test the AJX developed uniform.
- **We estimate the potential size to AJX of a Military Uniform chemical supply agreement to be up to ~\$25m.**

Figure 6: Nylon/Cotton Military Uniforms



Source: Company Presentations

Figure 7: Polymers used in Electronics & Construction



Source: Google

Coatings and Polymers

- Coatings & polymers used in electronics and construction are vulnerable to fire and heat, with the use of toxic flame retardants commonplace.
- AJX's Alexiflam-SYN product is a non-toxic alternative.
- AJX has been working with a major supplier into the electronics market who has developed a product (that uses AJX's chemistry) in final stages of user testing.
- Electronics FR chemistry market size estimated at ~US\$1bn/year.
- We note incidents such as London's Grenfell Tower fire, in part caused by cladding that failed fire safety tests, highlights the importance of flame retardant building materials.

Profit and Loss (\$m)	2015a	2016a	2017e	2018e	2019e
Revenue	0.4	3.4	23.2	35.5	58.5
<i>Growth</i>	59.0%	785.3%	580.0%	53.1%	64.6%
EBITDA	(6.4)	(15.3)	(9.4)	2.0	7.9
<i>Growth</i>	132.8%	140.4%	(38.3%)	(121.7%)	284.4%
Dep'n & Amort	(0.1)	(0.2)	(0.3)	(0.5)	(0.5)
EBIT	(6.5)	(15.5)	(9.7)	1.6	7.4
<i>Growth</i>	128.7%	138.5%	(37.3%)	(116.4%)	361.7%
Net Interest Expense	(0.4)	0.0	(0.3)	(0.6)	(0.2)
Profit Before Tax	(6.9)	(15.4)	(10.0)	1.0	7.2
Tax	0.0	0.0	0.0	0.0	0.0
<i>Tax Rate (%)</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT (Underlying)	(6.9)	(15.4)	(10.0)	1.0	7.2
<i>Growth</i>	106.9%	125.0%	(35.0%)	(109.8%)	631.8%
One-Off Items	(4.9)	0.0	0.0	0.0	0.0
NPAT (Reported)	(11.8)	(15.4)	(10.0)	1.0	7.2
EPS (Underlying) (€)	(3.0)	(5.5)	(3.3)	0.3	2.4
<i>Growth</i>	56.8%	87.2%	(39.9%)	(109.7%)	631.8%

Balance Sheet (\$m)	2015a	2016a	2017e	2018e	2019e
Cash	11.6	11.2	3.4	7.3	8.2
Inventory	0.0	0.0	3.8	7.0	10.0
Current Receivables	0.1	0.2	1.6	3.6	5.2
PPE	0.4	0.8	2.8	3.1	3.8
Intangibles	0.2	0.1	0.2	0.2	0.2
Other	0.3	1.8	1.8	1.8	1.8
Total Assets	12.6	14.2	13.6	23.0	29.1
Current Payables	0.6	2.8	4.6	7.9	11.2
ST Debt	0.0	0.0	0.0	0.0	0.0
LT Debt	0.0	0.0	5.6	6.8	1.5
Provisions	0.1	0.1	0.1	0.1	0.1
Other	0.1	0.0	0.0	0.0	0.0
Total Liabilities	0.8	2.9	10.3	14.8	12.8
Net Assets	11.8	11.3	3.3	8.2	16.3
Equity & Reserves	45.8	60.7	62.8	66.7	67.6
Retained Profits	(34.0)	(49.4)	(59.5)	(58.5)	(51.3)
Shareholders' Equity	11.8	11.3	3.3	8.2	16.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	11.8	11.3	3.3	8.2	16.3

Cashflow (\$m)	2015a	2016a	2017e	2018e	2019e
EBITDA	(6.4)	(15.3)	(9.4)	2.0	7.9
Net Interest	(0.1)	0.0	(0.3)	(0.6)	(0.2)
Tax	0.0	0.1	0.0	0.0	0.0
Δ in Working Capital	(6.5)	(15.5)	(3.4)	(1.9)	(1.2)
Other	8.6	20.6	0.1	0.0	0.0
Operating Cash Flow	(4.3)	(10.1)	(13.1)	(0.5)	6.5
<i>Growth</i>	38.7%	136.0%	29.5%	(96.1%)	(1,385.9%)
Capex	(0.1)	(0.2)	(1.8)	(0.7)	(1.2)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(0.1)	(0.2)	(1.8)	(0.7)	(1.2)
Equity Raised	11.9	9.5	0.5	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Net Borrowings	(0.8)	0.0	6.5	5.2	(4.4)
Other	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	11.1	9.5	7.0	5.2	(4.4)
FX / Non Cash Items	0.7	0.4	0.0	0.0	0.0
Change in Cash	7.4	(0.4)	(7.8)	3.9	0.9
Free Cash Flow	(4.4)	(10.3)	(14.9)	(1.2)	5.3

Valuation Summary	
Current Mkt Capitalisation	151.8
Shares on Issue	303.6
Last Price	0.500
12 Mth Target Price	1.000
Total Estimated 12 Mth Return	100.0%
12 Mth Fwd Capital Return	100.0%
12 Mth Fwd Dividend Yield	0.0%

Valuation Ratios	2015a	2016a	2017e	2018e	2019e
EPS (Underlying) (€)	(3.0)	(5.5)	(3.3)	0.3	2.4
<i>Growth</i>	56.8%	87.2%	(39.9%)	(109.7%)	631.8%
P/E (x)	nm	nm	nm	155.1x	21.2x
Small Industrials (ex Fir's)	17.4x	15.5x	14.0x	0.0x	0.0x
Premium / (Discount)	nm	nm	nm	nm	nm
EV/EBITDA (x)	nm	nm	nm	68.4x	17.8x
Small Industrials (ex Fir's)	10.5x	9.5x	8.8x	0.0x	0.0x
Premium / (Discount)	nm	nm	nm	nm	nm
DPS (€)	0.0	0.0	0.0	0.0	0.0
<i>Growth</i>	-	-	-	-	-
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0.0%	0.0%	0.0%	0.0%	0.0%
NTA	11.6	11.1	3.1	8.1	16.2
NTA/Share (\$)	0.05	0.04	0.01	0.03	0.05

Performance Ratios	2015a	2016a	2017e	2018e	2019e
ROA	(54.4%)	(109.1%)	(73.9%)	4.3%	24.6%
ROE	(58.1%)	(137.1%)	(303.7%)	11.9%	43.9%
ROIC	(3,505.7%)	(31,626.8)	(176.7%)	20.7%	77.2%
Net Debt (Cash) (\$m)	(11.6)	(11.2)	2.2	(0.5)	(6.8)
Net Debt/EBITDA (x)	1.8x	0.7x	(0.2x)	(0.3x)	(0.9x)
ND/(ND + Equity) (%)	(6,274.0%)	(22,907.2)	39.9%	(6.8%)	(71.2%)
Interest Cover (x)	(15.1x)	(351.8x)	(18.6x)	2.2x	17.9x
Working Capital	(0.5)	(0.9)	2.5	4.4	5.6
Working Capital/Sales (%)	(135.4%)	(27.4%)	10.7%	12.4%	9.6%

Cash Flow Metrics	2015a	2016a	2017e	2018e	2019e
FCF/Share (\$)	(0.02)	(0.04)	(0.05)	0.00	0.02
Price/FCPS (x)	nm	nm	nm	nm	28.5x
Free Cash Flow Yield (%)	(3.8%)	(7.4%)	(9.9%)	(0.8%)	3.5%
Gross Cash Conversion	0.0%	66.4%	133.9%	8.3%	86.5%
Capex/Sales (%)	(30.6%)	(6.1%)	(7.8%)	(2.0%)	(2.0%)
Capex/Depreciation (x)	0.9x	1.0x	6.4x	1.6x	2.3x

Margins	2015a	2016a	2017e	2018e	2019e
EBITDA	(1,649.0%)	(447.7%)	(40.6%)	5.8%	13.5%
EBIT	(1,683.9%)	(453.7%)	(41.9%)	4.5%	12.6%
NPAT	(1,779.7%)	(452.4%)	(43.2%)	2.8%	12.3%

Valuation Methodology	
WACC (%)	9.6%
Discounted Cash Flow Valuation	0.896
Sum-of-the-Parts Valuation	0.000
Average Valuation	0.896
12 Mth Target Price	1.000

RESEARCH & SALES RESPONSIBILITIES
Equities

Simon Scott	Head of Equities	+612 8288 5418
Elliot Leahey	Operations Manager	+612 8288 5402
Sarah Sagvand	Desk Assistant	+612 8288 5401
Jacqui Irons	Corporate Broking	+612 8288 5427

Equities Sales & Trading

John Garrett		+612 8288 5409
Angus Murnaghan		+612 8288 5411
Ian McKenzie		+612 8288 5404
Bryan Johnson		+612 8288 5412
Andrew Harvey		+612 8288 5428
Mitchell Hewson - <i>Head of Execution</i>		+612 8288 5417
Aaron Payne - <i>Real Estate</i>		+612 8288 5405

Equities Research

Real Estate	
Hamish Perks	+612 8288 5419
Edward Day	+612 8288 5424
Ronan Barratt	+612 8288 5426

Industrials

Garry Sherriff	+612 8288 5421
Sean Kiriwan	+618 6555 8602
Sarah Mann	+612 8288 5407
Keiran Hoare	+612 8288 5423

US Distribution Partner - Weeden & Co.

Matthew McCloghry	+1 646 227 5575
<i>mmccloghry@weedenco.com</i>	

email: firstname.lastname@moelis.com

DISCLOSURE APPENDIX
ANALYST CERTIFICATION

The Analyst, Ronan Barratt, responsible for the content of this research report, in whole or in part, certifies that with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report accurately reflect his or her personal views on the subject companies and securities, and (2) no part of his or her compensation was, is, or will be directly or indirectly linked to the specific recommendations or views expressed in this research report.

RATING DEFINITIONS

All companies under coverage are assigned a rating of Buy, Hold or Sell based on the expected 12 month total return estimated by the analyst(s). The total return is a combination of the estimated capital gain or loss, in addition to the estimated 12 month forward dividends or distributions. In relation to all companies that Moelis Australia Securities conducts research coverage on the relevant total return bands that derive the ratings are:

Buy: >15% **Hold:** 5% to 15% **Sell:** <5%.

RATINGS DISTRIBUTION TABLE
Distribution of Ratings as at 27 July 2017

SELL	HOLD	BUY
0.0%	37.1%	62.9%

Rating and Price Target History: Alexium International Group Ltd (AJX) as of 26/07/2017


GENERAL TERMS OF USE FOR MOELIS RESEARCH REPORTS

Research reports have been prepared by Moelis Australia Securities Pty Ltd ("Moelis Australia Securities"), ACN 122 781 560, AFS Licence 308 241, a Participant of the ASX Group and Chi-X and the intellectual property relating to the content vests with Moelis Australia Securities unless otherwise noted.

GENERAL DISCLAIMER AND DISCLOSURES

Disclaimer

The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore, its accuracy is not guaranteed, and except to the extent that liability cannot be excluded, Moelis Australia Securities does not accept any liability for any direct or consequential loss arising from relying upon the content in this document. This document is not an offer or solicitation of an offer to buy or sell any security or to make any investment. Any opinion or estimate constitutes the analyst's best judgement as of the date of preparation and is subject to change without notice. Due to changing market conditions, actual results may vary from forecast provided. Past performance is not an indication of future return, and loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income from, certain investments.

This document is intended to provide general advice to wholesale investors only. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of this report. It does not purport to make any recommendation that any buying or selling is appropriate or any person's investment objectives or financial needs, and prior to making any investment decision a person should contact their professional advisors on whether or not any information in this document is appropriate to their individual circumstances.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Moelis Australia Securities to any registration or licensing requirement within such jurisdiction. International Investors should contact their local regulatory authorities to determine whether any restrictions apply to their ability to purchase this investment. If you have received this document in error, please destroy it and any copies of it immediately.

Disclosure

Moelis Australia Holdings Pty Ltd, its officers, directors, employees, agents and authorized representatives may hold securities in any of the companies to which this document refers and may trade in the securities mentioned either as principal or as agent. Our sales and trading representatives may provide oral or written opinions that are contrary to the opinions expressed in this document. Our related body corporate Moelis Advisory, may make statements or provide advisory services to the company to which this document refers and such statements may be contrary to the views or recommendations expressed in this document. Moelis Advisory may have previously been appointed by AJX to provide corporate advisory services for which it may have received compensation. Moelis Advisory may be appointed by AJX to provide corporate advisory services in the future for which it may receive compensation. The analyst responsible for this document has taken reasonable care to achieve and maintain independence and objectivity and certifies that no part of their compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The compensation of the analyst is based on overall revenues of Moelis Australia Securities and its related entities. The analyst may also interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. In producing research reports, the analyst may attend site visits and other meetings hosted by the issuers the subject of its research report. In some instances the costs of such site visits or meeting may be met in part or in whole by the issuers concerned if Moelis Australia Securities considers it is appropriate and reasonable in the specific circumstance relating to the site visit or meeting and will not compromise the integrity of the research report.

Moelis Australia Securities is a trading participant of the ASX Group and Chi-X and earns fees and commissions from dealing in the relevant financial product.

General US Disclaimer

This research report has been prepared by Moelis Australia Securities which is a foreign broker that holds an Australian Financial Services License and has a "chaperoning arrangement" with Weeden & Co. L.P. ("Weeden"), a broker-dealer registered with the U.S. Securities and Exchange Commission.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Weeden and not through Moelis Australia Securities.

Weeden accepts responsibility for the contents of this research report, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and is not an associated person of Weeden and, therefore, is not be subject to applicable restrictions under FINRA Rule 2711, including restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.