

F18 4% Beat; F19 Guidance +MSD org EBIT

📅 13 February 2019

Key Takeaway

F18 EPS €4.25 (cons €4.09) with margins -17bp vs cons -31bp (JEFe -22bp). Company sensibly moves the goal posts for F19 and guides to MSD org EBIT (cons +5.5%). They are in a sweet spot of growth given attractive footprint and market share momentum. 2H EBIT growth +11.1% will reassure on co's continued commitment on margins. Attractive growth story at a reasonable multiple, expect re-rating. Cal 2020 PE 17.2x vs staples 19.4x.

Results beat - top and bottom line beat and benefits from financial items

F18 org beer vols/sales/EBIT +4.2%/6.1%/6.4% vs cons +4.0%/5.5%/5.1% (JEFe 4.4%/5.9%/6.0%). Reported sales €22,471m (cons €22,490m) and EBIT €3,868m (cons €3,844m). Org EBIT margin -17bp (cons -31bp, JEFe -22bp) to 17.2% (cons 17.1%, JEFe 17.2%). EPS €4.25 vs cons €4.09 (JEFe €4.13) with benefits from financial items (interest/tax). **See table on page 2 for detail.** Conf call 9am +44 (0)20 3003 2666.

Guidance - company sensibly moves the goal posts

- F19 org EBIT +MSD (cons +5.5%).
- F19 FX €60m to group EBIT (JEFe -€8m, cons +€16m) and €40m to net profit. This is worth c.1% to F19 EPS.
- Interest rate broadly in-line with F18 (3.2%).
- Tax rate around between 27%-28% (F18 26.4% - note F18 guidance was "around 28%" so there is some conservatism here).
- Capex around €2bn, versus F18 €1.9bn.

What does this mean for the stock?

Expect positive share price reaction (1) The delivery against previous margin commitments (-17bps vs guide -20bps) will provide confidence in co's continued commitment to productivity improvements (Street -31bps), with very strong 2H EBIT growth +11.1% (2) The move to providing org EBIT growth guidance moves the goal posts away from noisy margin commitments (3) FX provides tailwind of +1% (4) Re-rating opportunity as market sees through the margin noise and re-focuses on the strong growth prospects.

Margins

Guidance for F19 organic EBIT growth MSD is broadly in-line with JEFe +5.6% and Street +5.6% with a slight difference in composition of growth where the Street is more cautious on the top-line but optimistic on margin (JEFe +10bp, cons +18bp). We expect the shape of the P&L to shift further towards top-line. We model F19 org vols/sales JEFe +4.3%/+5.3% (vs cons +2.9%/4.6%).

What's positive?

(1) Continued strong growth in Brazil with share gains in both economy and premium. (2) Heineken brand volume +7.7% (2017 4.5%) strongest seen in over 10 years with 10 markets now >1mhl 3) Cider +DD to 5.6mhl (F17 4.9m hl), LNA +MSD to 13.1mhl (F17 12.5m hl) craft & variety +DD (F17 +DD). Heineken 0.0% now in 38 markets (F17 16). (3) Vietnam - DD volume growth led by Tiger (in rural areas) and Larue.

What's negative?

(1) MSD increase in input and logistic costs per hl. (2) US volumes down HSD in a declining market. (3) Nigeria still tough (F18 -MSD) but 4Q flattish.

Company Update

RATING	BUY
TICKER	HEIA NA
PRICE	€81.36^
PRICE TARGET (PT)	€90.00
MARKET CAP	€46.4B / \$52.6B

^Prior trading day closing price unless otherwise noted.

Edward Mundy, ACA *
Equity Analyst
+44 (0)20 7029 8476
emundy@jefferies.com

Elsa Hannar *
Equity Analyst
+44 (0) 20 7029 8913
ehannar@jefferies.com

Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 3 to 8 of this report.

* Jefferies International Limited

Exhibit 1 - Heineken - F18 actual vs consensus vs Jefferies

	2017	2017R	2018				2019E			2020E		
	Actual	Restated	Jeff	Cons	Act	Diff %	Jeff	Cons	Diff %	Jeff	Cons	Diff %
Beer Volumes (m hl)												
Africa , ME & EE	40.1		41.9	41.5	41.7		43.5	43.1		45.3	44.8	
Americas	72.1		84.3	83.7	83.3		89.3	87.2		92.9	90.2	
Asia Pacific	27.0		29.4	29.2	29.0		32.4	30.9		35.6	32.7	
Europe	78.8		79.8	79.4	79.8		80.2	79.6		81.0	80.0	
Total Beer	218.0		235.4	233.8	233.8	0.0%	245.4	240.8	2%	254.8	247.8	3%
Organic Beer Volumes (%)												
Africa , ME & EE	4.8%		4.5%	4.2%	5.0%		4.0%	3.7%		4.0%	3.9%	
Americas	3.3%		6.7%	6.2%	5.4%		6.0%	4.2%		4.0%	3.4%	
Asia Pacific	8.9%		9.0%	8.5%	8.2%		10.0%	6.3%		10.0%	5.9%	
Europe	0.2%		0.6%	0.7%	1.3%		0.5%	0.3%		1.0%	0.4%	
Total Beer (%)	3.0%		4.4%	4.0%	4.2%	0%	4.3%	2.9%	1%	3.8%	2.8%	1%
Revenue (€m)												
Africa , ME & EE	3,059	3,031	3,081	3,057	3,051		3,237	3,312		3,395	3,559	
Americas	6,258	6,292	7,001	6,861	6,781		7,632	7,370		8,104	7,783	
Asia Pacific	2,996	2,921	2,917	2,930	2,919		3,137	3,087		3,301	3,272	
Europe	10,237	9,990	10,272	10,257	10,348		10,347	10,401		10,521	10,582	
Head Office	(642)	(642)	(642)	(644)	(628)		(650)	(654)		(650)	(665)	
Total Revenue	21,908	21,592	22,630	22,490	22,471	-0.1%	23,701	23,545	1%	24,671	24,560	0%
Organic Revenue (%)												
Africa , ME & EE	13.5%		11.0%	10.4%	11.1%		9.0%	8.6%		9.0%	8.4%	
Americas	6.0%		10.0%	8.4%	8.3%		8.0%	6.5%		7.0%	5.9%	
Asia Pacific	6.2%		6.0%	5.6%	5.8%		7.0%	5.9%		7.0%	6.2%	
Europe	1.4%		1.5%	2.0%	3.0%		1.5%	1.6%		2.0%	1.7%	
Organic Revenue (%)	5.0%		5.9%	5.5%	6.1%	0.6%	5.3%	4.6%	0.7%	5.3%	4.6%	0.7%
EBIT - beia (€m)												
Africa , ME & EE	388	388	371	373	411		386	403		401	439	
Americas	1,188	1,188	1,258	1,236	1,178		1,372	1,349		1,463	1,453	
Asia Pacific	962	962	953	943	943		1,015	1,004		1,068	1,071	
Europe	1,372	1,372	1,452	1,426	1,451		1,469	1,450		1,509	1,499	
Head Office	(150)	(150)	(144)	(134)	(116)		(144)	(137)		(144)	(140)	
Total EBIT	3,759	3,759	3,889	3,844	3,868	0.6%	4,098	4,068	0.7%	4,297	4,322	-1%
FX impact on EBIT	(187)		(170)	(176)			(8)	16		(49)	(41)	
EBIT - beia (%)												
Africa , ME & EE	33.8%		5.0%	5.5%	16.2%		8.0%	8.6%		8.0%	10.0%	
Americas	11.7%		10.0%	8.4%	4.6%		8.0%	8.0%		7.5%	8.1%	
Asia Pacific	9.5%		5.0%	3.5%	3.4%		6.0%	6.2%		7.0%	7.1%	
Europe	7.7%		2.5%	1.6%	4.2%		2.0%	1.7%		3.0%	3.0%	
Organic EBIT (%)	9.3%		6.0%	5.1%	6.4%	1.3%	5.6%	5.5%	0.0%	6.1%	6.6%	-0.5%
EBIT Margin (%)	17.2%	17.4%	17.2%	17.1%	17.2%	12bp	17.3%	17.3%		17.4%	17.6%	
EBIT Margin (bps) - YoY	14 bp		(22 bp)	(31 bp)	(17 bp)	14 bp	10 bp	18 bp		13 bp	32 bp	
EBIT Margin (bps) - YoY												
Associates	153		168	171	161	-6%	185	204	-9%	204	221	-8%
Interest expense	(374)		(400)	(409)	(405)	1%	(375)	(395)	5%	(350)	(372)	6%
Other finance	(136)		(120)	(89)	(57)	36%	(120)	(86)	-40%	(120)	(85)	-41%
Income tax	(897)		(943)	(943)	(900)	5%	(1,009)	(1,013)	0%	(1,072)	(1,091)	2%
Minorities	(258)		(240)	(240)	(244)	-2%	(252)	(256)	2%	(265)	(270)	2%
Net profit - beia	2,247		2,354	2,334	2,424	3.8%	2,527	2,526	0.0%	2,695	2,728	-1.2%
Organic Net profit growth (%)												
Dil EPS - beia	3.94		4.13	4.09	4.25	4.0%	4.43	4.42	0.2%	4.72	4.79	-1.4%

Source: Jefferies estimates, Company data and compiled consensus

Company Description

Heineken

Heineken is the number one brewer in Europe and one of the top three brewers by volume in the world.

Company Valuation/Risks

Heineken

Our DCF-derived €90 PT implies 19.1x CY20 PE and 4.2% FCF yield. Risks: 1) Brazil, Mexico & Vietnam, 2) FX & Macro, 3) FEMSA.

Analyst Certification:

I, Edward Mundy, ACA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Elsa Hannar, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Registration of non-US analysts: Edward Mundy, ACA is employed by Jefferies International Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

Registration of non-US analysts: Elsa Hannar is employed by Jefferies International Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	February 13, 2019 , 01:48 ET.
Recommendation Distributed	February 13, 2019 , 01:48 ET.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.



Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

- I: Initiating Coverage
- D: Dropped Coverage
- B: Buy
- H: Hold
- UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1141	55.28%	92	8.06%	13	1.14%
HOLD	793	38.42%	14	1.77%	1	0.13%
UNDERPERFORM	130	6.30%	2	1.54%	0	0.00%

Other Important Disclosures

Jefferies does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Jefferies 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.

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered broker-dealer and a member of FINRA (and distributed by Jefferies Research Services, LLC, an SEC registered Investment Adviser, to clients paying separately for such research).

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This report was prepared by personnel who are associated with Jefferies (Jefferies International Limited, Jefferies Hong Kong Limited, Jefferies Singapore Limited, Jefferies (Japan) Limited, Jefferies India Private Limited); or by personnel who are associated with both Jefferies LLC and Jefferies Research Services LLC ("JRS"). Jefferies LLC is a US registered broker-dealer and is affiliated with JRS, which is a US registered investment adviser. JRS does not create tailored or personalized research and all research provided by JRS is impersonal. If you are paying separately for this research, it is being provided to you by JRS. Otherwise, it is being provided by Jefferies LLC. Jefferies LLC, JRS, and their affiliates are collectively referred to below as "Jefferies". Jefferies may seek to do business with companies covered in this research report. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only one of many factors in making their investment decisions. Specific conflict of interest and other disclosures that are required by FINRA and other rules are set forth in this disclosure section.

If you are receiving this report from a non-US Jefferies entity, please note the following: Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, as amended, this material is distributed in the United States by Jefferies LLC, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited ("JIL") and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed.

JIL allows its analysts to undertake private consultancy work. JIL's conflicts management policy sets out the arrangements JIL employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. Jefferies LLC, JIL and their affiliates, may make a market or provide liquidity in the financial instruments referred to in this report; and where they do make a market, such activity is disclosed specifically in this report under "company specific disclosures".

For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited ("JSL") is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by JSL pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact JSL, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan, this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong

Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the People's Republic of China ("PRC"). This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India, this report is made available by Jefferies India Private Limited. In Australia, this information is issued solely by JIL and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act"), in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. JIL is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. JIL has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services license under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, and their respective officers, directors, and employees, may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. This material is provided solely for informational purposes and is not tailored to any recipient, and is not based on, and does not take into account, the particular investment objectives, portfolio holdings, strategy, financial situation, or needs of any recipient. As such, any advice or recommendation in this report may not be suitable for a particular recipient. Jefferies assumes recipients of this report are capable of evaluating the information contained herein and of exercising independent judgment. A recipient of this report should not make any investment decision without first considering whether any advice or recommendation in this report is suitable for the recipient based on the recipient's particular circumstances and, if appropriate or otherwise needed, seeking professional advice, including tax advice. Jefferies does not perform any suitability or other analysis to check whether an investment decision made by the recipient based on this report is consistent with a recipient's investment objectives, portfolio holdings, strategy, financial situation, or needs. By providing this report, neither JRS nor any other Jefferies entity accepts any authority, discretion, or control over the management of the recipient's assets. Any action taken by the recipient of this report, based on the information in the report, is at the recipient's sole judgment and risk. The recipient must perform his or her own independent review of any prospective investment. If the recipient uses the services of Jefferies LLC (or other affiliated broker-dealers), in connection with a purchase or sale of a security that is a subject of these materials, such broker-dealer may act as principal for its own accounts or as agent for another person. Only JRS is registered with the SEC as an investment adviser; and therefore neither Jefferies LLC nor any other Jefferies affiliate has any fiduciary duty in connection with distribution of these reports.

The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

This report has been prepared independently of any issuer of securities mentioned herein and not as agent of any issuer of securities. No Equity Research personnel have authority whatsoever to make any representations or warranty on behalf of the issuer(s). Any comments or statements made herein are those of the Jefferies entity producing this report and may differ from the views of other Jefferies entities.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Jefferies does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Neither Jefferies nor any third-party content provider shall be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell

securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available electronically, and, in some cases, also in printed form. Electronic research is simultaneously made available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any of its respective directors, officers or employees, is responsible for guaranteeing the financial success of any investment, or accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents. Nothing herein shall be construed to waive any liability Jefferies has under applicable U.S. federal or state securities laws.

For Important Disclosure information relating to JRS, please see https://adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=483878 and <https://adviserinfo.sec.gov/Firm/292142> or visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action>, or www.jefferies.com, or call 1.888.JEFFERIES.

© 2019 Jefferies Group LLC