

Ocean Wilsons Holdings

H116 results

Brazil now a more positive influence

After a period in which its controlling investment in Wilson Sons (WSON), a seasoned Brazilian maritime services business, was a source of earnings and valuation risk, Ocean Wilsons (OCN) has been benefiting from strength in Brazil's equity market and currency. There may be setbacks as economic recovery has barely begun, but diversification within WSON, OCN's global investment portfolio and the 33% discount to a look-through NAV can all be seen as helping to provide some margin for error to investors at this level.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/14	633.5	78.5	65.6	63	19.5	4.9
12/15	508.9	68.9	43.7	63	29.3	4.9
12/16e	426.8	115.0	126.6	63	10.1	4.9
12/17e	442.1	115.9	118.7	64	10.8	5.0

Note: *PBT and EPS exclude exceptional items.

First half results

The first half results continued to be significantly affected by currency moves with the average US dollar/Brazilian real rate down by 20% between H115 and H116. This together with economic weakness contributed to a revenue decline of 20% and a 17% reduction in operating profits. Cost control measures at WSON helped limit the profit reduction. In contrast, since the end of 2015 the real has rallied strongly giving rise to substantial positive accounting items that meant that H1 pre-tax profits increased 43% and earnings per share 66%. Operationally, total volumes in the container ports were boosted by strength in exports, while the business continues to invest for the long term where appropriate.

Outlook: Brazilian market and real look to recovery

The Brazilian economy contracted by 3.8% last year and further shrinkage is expected this year. However, there have been some tentative signs of improvement and the IMF, for example, now looks for growth in 2017. The political background may also stabilise following the impeachment of Dilma Rousseff and succession of Michel Temer as president. Both the Brazilian equity market and currency have had a strong run that may prove optimistic but could also be a precursor of positive developments to come. Against this background WSON continues to monitor costs closely but stands to benefit from economic stabilisation and then growth.

Valuation: A cautious discount

We monitor the price discount to look-through NAV, which includes WSON at market value and the latest value available for OWIL, the investment portfolio. This stands at 33%, only slightly narrower than when we [last wrote](#) in June, which seems a little surprising given the sustained strength in the Brazilian market. Looking at WSON's valuation in the context of peers also suggests that it in turn is modestly rated.

Investment companies

9 September 2016
Price **970.0p**
Market cap **£343m**

£/US\$1.32

Net debt (US\$m) at end June 2016 excluding JV 297.2

Shares in issue 35.4m

Free float 49.9%

Code OCN

Primary exchange LSE

Secondary exchange Bermuda

Share price performance



% 1m 3m 12m

Abs 8.0 20.3 13.4

Rel (local) 4.6 9.0 8.5

52-week high/low 970.0p 705.0p

Business description

Ocean Wilsons Holdings is an investment company based in Bermuda. It has a controlling shareholding in a quoted maritime services company in Brazil and holds a portfolio of international investments.

Next event

Final results March 2017

Analysts

Andrew Mitchell +44 (0)20 3681 2500

Julian Roberts +44 (0)20 3077 5748

financials@edisongroup.com
[Edison profile page](#)

Ocean Wilsons Holdings is a research client of Edison Investment Research Limited

Company description

OCN is a Bermudian investment holding company whose main assets are a 58.25% interest in Wilson Sons (WSON) and an international investment portfolio, both run with a long-term view. WSON is a public Brazilian port, maritime and logistics company. On a look-through basis, including Wilson Sons' market value, the NAV split is c 65:35 between WSON and the investment portfolio.

As a port operator and offshore services provider, trends in Brazilian trade volumes and oil industry activity are important drivers of WSON revenue and profits. WSON reports in US dollars and earns around 50% of its revenues in that currency. As a Brazilian company, its costs are mostly in Brazilian reais. Currency fluctuations therefore have a more limited effect on the company's EBITDA. Accounting for foreign exchange movements can make the reported progression of earnings appear lumpy, although the underlying businesses have been relatively stable and EBITDA has grown at a compound rate of 7.9% between 2008 and 2015.

Hanseatic Asset Management manages the Ocean Wilson Investments (OWIL) portfolio on an unconstrained global basis, aiming to achieve long-term returns while emphasising capital preservation. The manager seeks to achieve this objective by allocating between three silos: (1) core regional funds that form the core of the portfolio; (2) an eclectic sector silo that gives exposure to selected long-term growth areas such as biotechnology and technology; and (3) an eclectic diversifying silo including sectors that will provide an element of protection to the portfolio as the business cycle matures.

First half results

The first half saw a mix of trends for Wilson Sons that showed resilience in its operating performance against the background of a continuing weak domestic economy, while US dollar-reported revenues were negatively affected by a near 20% depreciation in the average Brazilian real exchange rate compared with the same period last year. However, between end December and end June the Brazilian real appreciated by more than 23%, giving rise to significant positive foreign exchange accounting items in contrast to the negative items that characterised the same period last year. Key points from the figures were as follows:

- Revenues were down 20% in US dollar terms (see Exhibit 1) and virtually unchanged in Brazilian real terms. Within the total in Brazilian real terms, the towage business was well ahead (+15%), container terminals up modestly (+2%) and the smaller shipyard activity down sharply on lower third-party activity (-59%).
- Operating profit (in US dollars) was down 17% with the operating margin slightly up at 21% versus 20%, reflecting the benefit of a primarily Brazilian real cost base together with continued cost control measures at WSON.
- By division within WSON, the main areas holding back US dollar EBITDA (down 17% in total, including the offshore JV) were container terminals, offshore operations, logistics and ship yards (factors included currency, lower import volumes and reduced offshore vessel usage).
- At the pre-tax level, after positive foreign exchange items related to debt and monetary items, there was an increase of 43%.
- Earnings per share increased by 66% to US\$0.56.
- The OWIL investment portfolio at the end of June was valued at US\$234.1m, a reduction of 4.2% compared with the year-end level, of which 3.4% was attributable to a fall in the value of investments and the balance to dividends paid and dividend income received.

Exhibit 1 provides a summary of the first half result and an analysis of the foreign exchange items. As noted above, the year-on-year changes are heavily influenced by foreign exchange movements. At an operational level approximately half of revenues are denominated in US dollars, while only 10% of costs are in US dollars. OCN has indicated that, at the EBITDA level, the net effect of currency moves is broadly neutral.

The foreign exchange items shown in the bottom section of Exhibit 1 include: (1) gains/losses on monetary items, which comprises movements in the value of working capital items and cash and cash equivalents; (2) gains/losses in foreign currency borrowings related to US dollar-denominated debt in subsidiaries reporting in Brazilian reais; and (3) changes in deferred tax related to the changes in value of debt and fixed assets reflect the resulting increase or decrease in the value of future tax deductions. While these items increase the sensitivity of reported earnings to near-term foreign exchange volatility, as noted, the structure of costs and revenues at WSON means greater stability at the EBITDA level.

Exhibit 1: First half results summary			
US\$m except where stated	H115	H116	Change
Revenue	268.9	214.7	-20%
Raw materials and consumables	(33.3)	(16.3)	-51%
Employee benefits	(82.1)	(68.3)	-17%
Depreciation and amortisation	(28.9)	(24.4)	-16%
Other operating expenses	(71.2)	(61.2)	-14%
Profit on disposals of PPE	0.1	0.1	-52%
Operating profit	53.5	44.6	-17%
Share of results of joint ventures	2.1	2.9	+38%
Investment revenue	7.9	6.0	-25%
Investment movements/disposal gains	3.4	(7.3)	From positive to negative
Finance costs including FX movements on borrowings	(20.6)	7.9	From negative to positive
FX gains/(losses) on monetary items	(6.5)	3.1	From negative to positive
Profit before tax	39.9	57.1	+43%
Income tax	(20.7)	(17.2)	-17%
Non-controlling interests	(7.2)	(20.1)	+179%
Earned	12.0	19.8	+66%
EPS (cents)	33.8	56.0	+66%
Memo: items relating to movement in Brazilian real versus US\$	H115	H116	BRL depreciation
US\$/BRL end period	3.10	3.21	-3.4%
US\$/BRL average for period	2.97	3.70	-19.7%
FX gain/(loss) on monetary items	(6.5)	3.1	
FX gain/(loss) on foreign currency borrowings	(13.8)	13.9	
Deferred tax on retranslation of fixed assets	(12.5)	22.2	
Deferred tax on exchange variance on loans	12.5	(14.4)	
Total	(20.3)	24.8	

Source: Ocean Wilsons Holdings

Investment portfolio

The investment manager's report on the OWIL portfolio shows a first half reduction in value of 2.2% compared with a 3.4% gain in the absolute benchmark (US CPI Urban Consumers NSA plus 3% from 1 January 2015 and previously US dollar 12-month Libor plus 2%). European and Japanese funds were the main detractors from performance, while the North American funds made a positive contribution.

To give a broader perspective on performance OCN provides a comparison with several indices and, as shown in Exhibit 2, on a 10-year view, the performance has been close to the benchmark and ahead of the MSCI global plus frontier markets index and the other indices shown.

Exhibit 2: OWIL portfolio performance to end June 2016 (%)

	H116	3 years	5 years	10 years
OWIL	-2.2	3.5	1.6	4.0
Performance benchmark (composite – see text above)	3.4	3.7	3.4	4.3
MSCI ACWI + FM	1.2	6.0	5.4	1.4
MSCI EM	2.6	-2.8	-4.5	-5.7
Morningstar Global Gov't Bond	10.9	3.0	1.6	3.6
US Cash Indices Libor 3 Month	0.3	0.3	0.4	0.9

Source: Ocean Wilsons Holdings. Note: Three, five and 10 years on a per annum basis.

Wilson Sons

In Exhibit 3 we set out further divisional and quarterly detail from the results for WSON. The table underlines the relative importance of the container terminal and towage operations, which accounted for 68% of revenue and 85% of EBITDA in Q216. For container terminals, underlying volume trends in Q2 were positive for exports and cabotage (+29% and +11%, respectively, compared with Q215) offset by a decline in imports reflecting the weak economy and Brazilian real. The towage business saw a modest 3% reduction in harbour manoeuvres offset by a continuation of the trend towards larger vessels (and hence higher fees). Within towage, special operations revenue is unpredictable as it includes duties such as firefighting and in the latest quarter this element of revenue fell sharply. This and the weak Brazilian real left Q2 revenues down by nearly 10%.

Otherwise we note that the shipyards returned to profitability as prior year provisions were not repeated and the current (reduced) workload is on vessels with repeat specifications and hence generates a higher margin.

Exhibit 3: Wilson Sons quarterly results for H115 and H116

US\$m unless stated	Q115	Q215	Q116	Q216	Q2 y-o-y change %
Net revenues					
Containers Terminal (*TECONs*)	41.2	39.0	29.3	36.9	-5.4
O&G Terminal (*Brasco*)	6.8	5.7	5.1	5.9	3.5
Towage	51.2	56.3	48.6	50.8	-9.8
Shipyards	20.6	12.6	4.9	6.1	-51.6
Shipping Agency	3.7	4.0	3.3	3.4	-15.4
Logistics	15.7	12.6	10.6	9.9	-21.4
Offshore*	17.6	18.6	14.7	16.9	-9.0
Total	156.7	148.8	116.5	129.9	-12.7
EBITDA					
Containers Terminal (*TECONs*)	17.9	15.7	11.6	15.1	-3.8
O&G Terminal (*Brasco*)	1.9	0.9	1.3	1.2	33.3
Towage	23.7	25.7	24.0	24.4	-5.1
Shipyards	4.9	-0.3	-0.2	1.8	N/A
Shipping Agency	0.5	1.3	1.0	0.5	-60.5
Logistics	2.0	1.5	1.0	-1.6	N/A
Corporate	-5.7	-6.1	-4.3	-4.6	N/A
Offshore*	8.8	11.1	6.6	8.9	-19.5
Total	53.9	49.7	41.0	45.7	-8.1
EBITDA margins %					
Containers Terminal (*TECONs*)	43.4	40.3	39.6	40.9	
O&G Terminal (*Brasco*)	27.9	15.8	25.5	20.3	
Towage	46.3	45.6	49.4	48.0	
Shipyards	23.8	-2.4	-4.1	29.5	
Shipping Agency	13.2	31.5	30.3	14.7	
Logistics	12.7	11.9	9.4	-16.2	
Offshore*	49.9	59.6	44.9	52.7	
Total	34.4	33.4	35.2	35.2	

Source: Wilson Sons, Edison Investment Research. Note: *WSUT 50% JV included on a pro forma basis.

Current trading environment and outlook

The near-term economic outlook in Brazil remains challenging, following a decline in GDP of 3.8% in 2015; the IMF, for example, forecasts a further 3.3% contraction this year. The political background is also still uncertain. However, there have been some positive signs including sequential increases in industrial production in the most recent months reported, while in its July update the IMF raised its GDP estimates for both this year and next, now looking for a modest 0.5% growth in 2017. Politically, the impeachment of Dilma Rousseff and succession of Michel Temer as president have also helped to give encouragement to markets and business confidence. This has fed into strong rallies in the currency and stock market that may prove optimistic but may also be a precursor to a period of positive economic surprises.

Exhibit 4: Brazilian real/US dollar exchange rate



Source: Bank of England

Exhibit 5: Bovespa total return index (local currency)



Source: Thomson Datastream

More specifically for WSON's operations, the company highlights the downturn in the oil and gas industry as a negative factor for the offshore support vessels and the shipyards divisions, although the support vessels do have the benefit of long-term contracts that should provide a measure of stability. For the main container terminal and towage businesses, activity levels should improve once the economy begins to revive, while on a longer view the container terminal activity is likely to benefit from the trend to containerisation and the growth in cabotage (transport of goods between ports in Brazil).

Turning to the OWIL portfolio, the manager highlights near-term uncertainties and talks about the higher probability of markets breaking out of their recent range on the downside. Nevertheless, the fundamental economic growth outlook in Europe is not seen as damaged following the Brexit vote so an overly cautious view is not taken. The global diversification of the portfolio, long-term approach and absolute benchmark mean that the portfolio provides an interesting foil to the Brazilian operations of WSON.

Financials

Exhibit 6 summarises the changes in our estimates, primarily reflecting the first half results and currency moves. The significant currency related items that are a feature of the first half are assumed to flow through to the full year accounting for a large part of the 20% increase in the EPS estimate for 2016. For 2017 we assume these items drop out leaving a more muted earnings upgrade and a reduction from the prior year.

Our revenue and EBITDA estimates are a better indicator of underlying changes. Our total revenue estimates are virtually unchanged, while estimated EBITDA for 2016 is also effectively stable and the 2017 estimate is marginally increased (+2.6%).

Exhibit 6: Estimate revisions

	Revenue (US\$m)			PBT (US\$m)			EPS (c)			DPS (c)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
2016e	427.9	426.8	-0.3%	105.1	115.0	9.4%	105.4	126.6	20.1%	63.0	63.0	0.0%
2017e	443.0	442.1	-0.2%	112.6	115.9	2.9%	115.4	118.7	2.9%	63.0	64.0	1.6%

Source: Edison Investment Research

Looking at the cash flow and balance sheet position, the first half saw an increase in net debt reflecting negative working capital movements, a sharp increase in capital spending reflecting the investments in container terminal equipment and six tugs and, to a lesser extent, an increase in tax paid. As a result net debt increased from the year end level of US\$269m to US\$297m, or from US\$502m to US\$543m if we include debt at the WSUT joint venture and short-term investments held in WSON and intended to fund operations in Brazil. We assume some normalisation in working capital movements and lower H2 capital spending to help net debt to fall from this level by the year end.

Valuation

We start by updating a look-through discount calculation that includes WSON at market value and OWIL's latest published value (as at end June). As shown in Exhibit 7, the discount remains wide at 33%. OCN may not be as sensitive to an eventual Brazilian recovery as some stocks given its exposure to US dollar revenues, diversified maritime services business and global investment portfolio. However, by the same token it would be better placed to weather any further setbacks in Brazil and has a long track record of operating in fluctuating economic and political circumstances. With this in mind the discount appears conservative.

Exhibit 7: Ocean Wilsons' share price discount to look-through valuation

	p	£m
Last OWIL value per Ocean Wilsons share (end June 2016)	497.7	176.0
Wilson Sons market value per Ocean Wilsons share (7 September 2016)	948.1	335.3
Ocean Wilsons look-through value	1,445.8	511.3
Ocean Wilsons share price/market cap	970.0	343.0
Discount	-33%	-33%

Source: Thomson Datastream, Ocean Wilsons, Edison Investment Research. Note: US\$1.33/£.

Our peer comparison (Exhibit 8) includes a selection of Brazilian and international port and shipping companies. Differences in scale, liquidity and business mix qualify the comparison, but, even so, WSON appears modestly valued on earnings and EBITDA multiples, while the price to book ratio is below the average for the group.

Exhibit 8: Selected Wilson Sons comparator valuations

Company	Market cap (US\$m)	P/E FY1 (x)	P/E FY2 (x)	EV/EBITDA FY1 (x)	EV/EBITDA FY2 (x)	Price to book (x)
Wilson Sons	778	11.2	9.5	5.2	4.9	1.6
Santos Brasil	594	N/A	N/A	N/A	N/A	1.4
JSL (BRA)	606	23.4	10.4	5.7	5.3	2.4
China Merchants (HKG)	7,807	16.2	15.1	22.3	20.6	0.9
Dalian Port (HKG)	3,922	N/A	N/A	N/A	N/A	1.0
Far Eastern Shipping (RUS)	81	N/A	3.0	10.7	8.2	N/A
Hamburger Hafen (GER)	1,192	18.9	16.1	5.7	5.2	2.2
Port Of Tauranga (NZL)	2,002	32.4	29.9	20.5	19.0	3.1
Sinotrans (HKG)	2,387	11.0	10.1	8.4	8.0	1.0
Total/average	19,369	18.8	13.4	11.2	10.2	1.7

Source: Bloomberg. Note: Prices as at 8 September 2016.

Exhibit 9: Financial summary

	US\$m	2012	2013	2014	2015	2016e	2017e
Year-end December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		610.4	660.1	633.5	508.9	426.8	442.1
Cash costs		(469.2)	(492.4)	(479.3)	(344.6)	(286.0)	(278.5)
EBITDA		141.2	167.7	154.2	164.3	140.9	163.6
Depreciation and amortisation		(55.9)	(58.7)	(65.1)	(53.2)	(50.1)	(60.5)
Operating Profit		85.3	109.1	89.1	111.1	90.8	103.1
Profit/loss on PPE		(0.5)	10.0	0.3	(1.3)	0.0	0.0
Share of results of JVs		0.7	2.4	7.1	4.8	4.2	4.8
Investment revenue		18.3	17.8	17.0	16.9	15.9	15.5
Other gains and losses		16.4	13.7	6.2	(1.4)	(2.8)	5.1
Finance costs		(9.9)	(21.9)	(23.6)	(45.4)	1.2	(12.6)
Exchange gains/losses on monetary items		(11.6)	(30.6)	(17.6)	(15.8)	5.7	0.0
Profit Before Tax (norm)		98.6	100.5	78.5	68.9	115.0	115.9
Income tax		(33.7)	(42.2)	(41.9)	(39.7)	(41.1)	(39.8)
Non-controlling interests		(23.6)	(20.4)	(13.4)	(13.8)	(29.1)	(34.2)
Profit After Tax (norm)		41.3	37.9	23.2	15.5	44.8	42.0
Average Number of Shares Outstanding (m)		35.4	35.4	35.4	35.4	35.4	35.4
EPS - normalised and fully diluted (c)		116.7	107.1	65.6	43.7	126.6	118.7
Dividend per share (c)		42.0	60.0	63.0	63.0	63.0	64.0
EBITDA Margin (%)		23.1	25.4	24.3	32.3	33.0	37.0
Operating Margin (%)		14.0	16.5	14.1	21.8	21.3	23.3
BALANCE SHEET							
Fixed Assets		695.6	768.1	819.6	713.6	789.3	820.5
Intangible Assets		45.0	84.3	73.6	53.7	51.3	46.9
Tangible Assets		650.7	683.8	746.0	660.0	738.0	773.6
Investments		0.0	0.0	0.0	0.0	0.0	0.0
Current Assets		615.2	564.4	493.0	486.7	457.9	485.3
Stocks		37.5	29.1	32.5	28.3	23.7	24.6
Debtors		199.5	150.8	96.2	84.0	70.4	73.0
Cash		136.7	106.5	103.8	97.6	78.6	91.1
Other		241.6	278.0	260.5	276.9	285.2	296.6
Current Liabilities		(213.2)	(175.8)	(133.7)	(126.6)	(113.9)	(116.3)
Creditors		(176.5)	(136.2)	(81.0)	(84.0)	(71.2)	(73.6)
Short term borrowings		(36.7)	(39.5)	(52.6)	(42.7)	(42.7)	(42.7)
Long Term Liabilities		(354.1)	(386.6)	(411.6)	(393.2)	(386.0)	(378.7)
Long term borrowings		(326.9)	(339.2)	(347.2)	(323.8)	(318.8)	(313.8)
Other long term liabilities		(27.1)	(47.4)	(64.3)	(69.4)	(67.2)	(64.9)
Net Assets		743.6	770.1	767.3	680.5	747.3	810.7
CASH FLOW							
Operating Cash Flow		154.9	148.7	150.5	182.3	151.8	165.5
Net Interest		(0.5)	1.7	(0.6)	1.8	2.3	2.0
Tax		(31.9)	(27.3)	(29.5)	(22.7)	(38.0)	(34.8)
Capex		(101.5)	(88.2)	(101.0)	(64.8)	(103.0)	(88.0)
Acquisitions/disposals		0.0	(10.2)	(26.7)	0.0	0.0	0.0
Equity financing		0.0	0.0	0.0	0.0	0.0	0.0
Other (including divs from JV)		(2.3)	(45.9)	17.9	(33.1)	10.0	10.0
Dividends		(22.5)	(23.9)	(34.5)	(36.4)	(37.1)	(37.2)
Net Cash Flow		(3.8)	(45.2)	(23.8)	27.2	(14.0)	17.6
Opening net debt/(cash)		223.2	227.0	272.2	296.1	268.9	282.9
Other		0.0	0.0	(0.0)	(0.0)	0.0	0.0
Closing net debt/(cash)		227.0	272.2	296.1	268.9	282.9	265.3

Source: Ocean Wilsons Holdings, Edison Investment Research

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2016 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Ocean Wilsons Holdings and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2016. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.