

A large, semi-transparent graphic of several dark-colored shopping bags is positioned in the background, angled towards the bottom right.

shopify



EQUITY RESEARCH ANALYSIS ON SHOPIFY (\$SHOP) LISTED ON THE NASDAQ

Monarch Watch - Fourth Edition (4)

Equity Research Department - Technology, Media, & Telecommunications Team

SUMMARY

CREDITS

TECH, MEDIA, & TELECOMMS TEAM



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SUMMARY

The Monarch Watch Report is a opinion report from Monarch Research that serves to share our research and knowledge the masses on the latest equity news and company specific insights to learn how equity is analyzed.

Monarch Research is an Independent Research Interest Group led by youths from across Singapore ranging from high schoolers to undergraduates aiming to deliver the highest quality insights to you.

Report is formatted as a buy-side equity research report focused on generating a positive return-on-investment.

TEAM INTRODUCTION: TECH, MEDIA, TELECOMMS

The Tech, Media, and Telecomms (TMT) team—driving insights across innovation, connectivity, and digital disruption to empower smarter strategies in a fast-evolving, tech-driven global economy.

OVERVIEW - SHOPIFY



1.

Consistent Revenue Growth

Shopify has demonstrated consistent revenue growth, with Q1 2025 revenue reaching \$2.4 billion, marking a 27% increase year-over-year. This follows a 31% revenue growth in Q4 2024, highlighting the company's ability to scale effectively.

2.

Strong Profitability Metrics

The company achieved a free cash flow margin of 15% in Q1 2025, continuing its streak of seven consecutive quarters with double-digit free cash flow margins. This reflects Shopify's operational efficiency and commitment to profitability.

3.

Expansion into Enterprise Market

Shopify has been successfully onboarding larger clients, with notable additions such as Reebok, Warner Music Group, and FC Barcelona. This strategic move into the enterprise sector is expected to provide more stable and recurring revenue streams.



MONARCH'S CALL

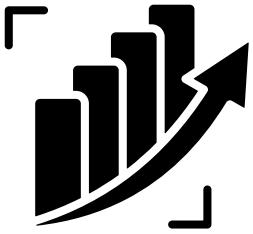
INVESTMENT THESIS



Shopify



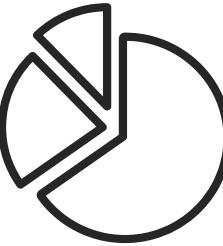
(\$SHOP) on NASDAQ



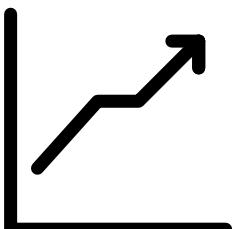
Strong near-term and medium-term catalysts poised to accelerate expansion



Attractive valuation with Upside Potential



Established market dominance as a leading global e-commerce platform



Sustainable long-term growth driven by secular digital commerce trends

Current Recommendation
BUY

Price Target (TA)
\$118

COMPANY OVERVIEW & KEY STATISTICS



Shopify

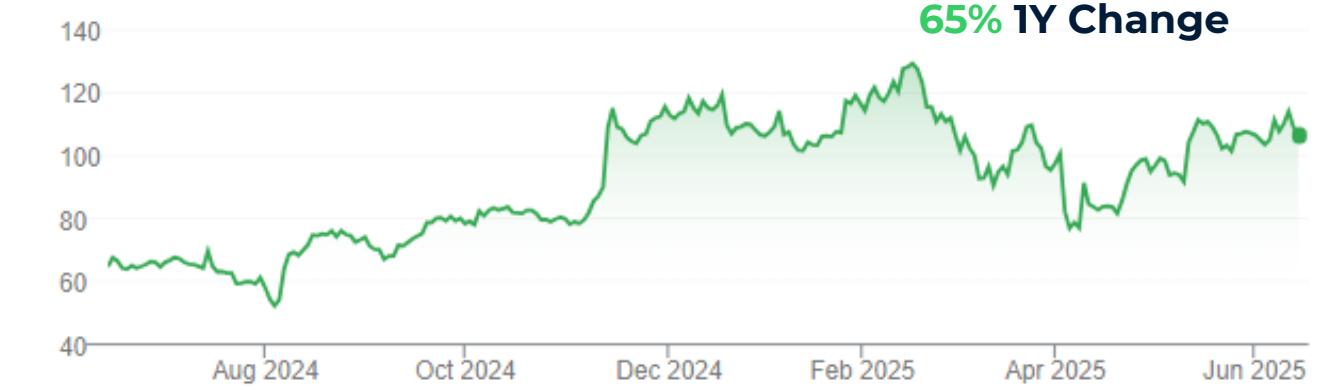
NASDAQ:SHOP

Shopify (NASDAQ: SHOP) is a leading Canadian e-commerce platform headquartered in Ottawa. It enables businesses of all sizes to create and manage online stores, offering a comprehensive suite of tools for sales, inventory management, payments, marketing, and customer engagement. Shopify's user-friendly interface and customizable features have made it one of the largest e-commerce solutions globally, serving millions of businesses in over 175 countries.

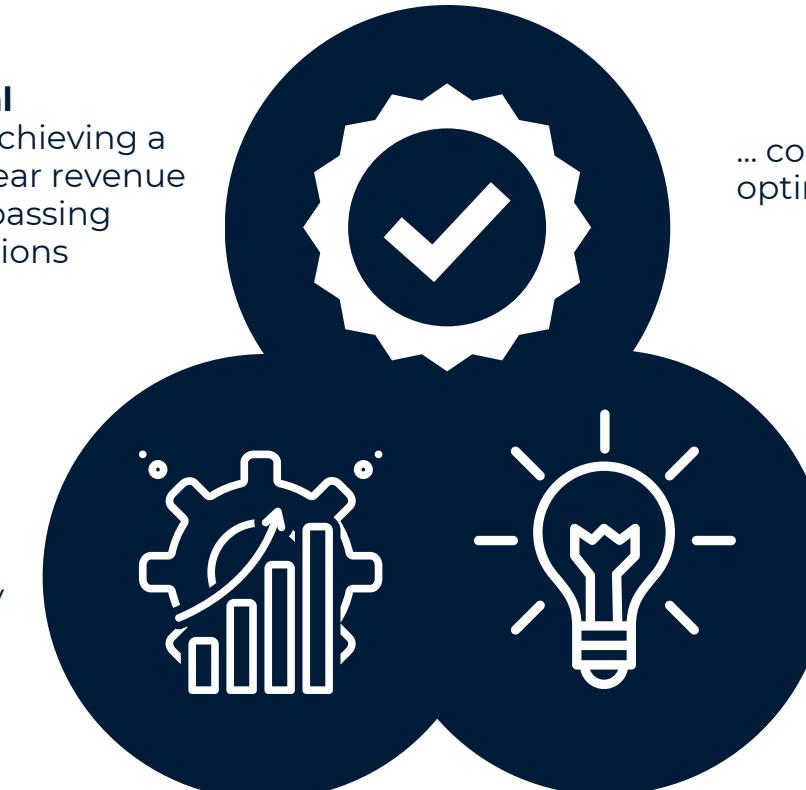
With expansions into enterprise markets and strategy acquisitions...



Positive 1 year CAGR attributed to...



Strong Financial Performance: Achieving a 26% year-over-year revenue growth and surpassing analyst expectations



AI-Driven Innovation: The integration of AI tools enhanced platform efficiency and merchant satisfaction, attracting more users.

... contributed to investor optimism.

Strategic Acquisitions: Acquiring AI-powered SEO companies like Vantage Discovery strengthened Shopify's technological capabilities, offering a competitive edge.

SOURCES

- 1.<https://www.shopify.com/blog/what-is-shopify>
- 2.<https://en.wikipedia.org/wiki/Shopify>

COMPANY OVERVIEW & KEY STATISTICS



Key Financials

Basic Shares O/S Free Float 52-Wk High-Low Fiscal Year End	FY2022	FY2023	FY2024	1.3B 1.22B 129.38 31 Dec
Revenue (US\$B)	5.6	7.06	8.88	
Gross Profit (US\$B)	2.75	3.52	4.47	
Net Income (US\$B)	-3.46	0.132	2.02	
EPS (cents)	-2.73	0.1	1.57	
DPS (cents)	N/A	N/A	N/A	

Key Executives



Jeff Hoffmeister
Chief Financial Officer



Tobias Lütke
Chief Executive Officer



Kaz Nejatian
Chief Operating Officer

Revenue (Quarter-on-Quarter)



Significant Leadership Changes

Shopify has experienced key leadership changes that have influenced its growth trajectory. Tobi Lütke, the CEO and founder, has been at the helm since 2006, driving the company's transformation into a global e-commerce platform. Harley Finkelstein, who became President in 2017, was vital in expanding Shopify's international presence and building strategic partnerships with major platforms like Google and TikTok. Amy Shapero, CFO since 2017, played a crucial role in Shopify's IPO and financial management, while Craig Miller, appointed CPO in 2020, contributed significantly to product development, enhancing the platform's core offerings. These leadership shifts have collectively shaped Shopify's innovative and global business model.

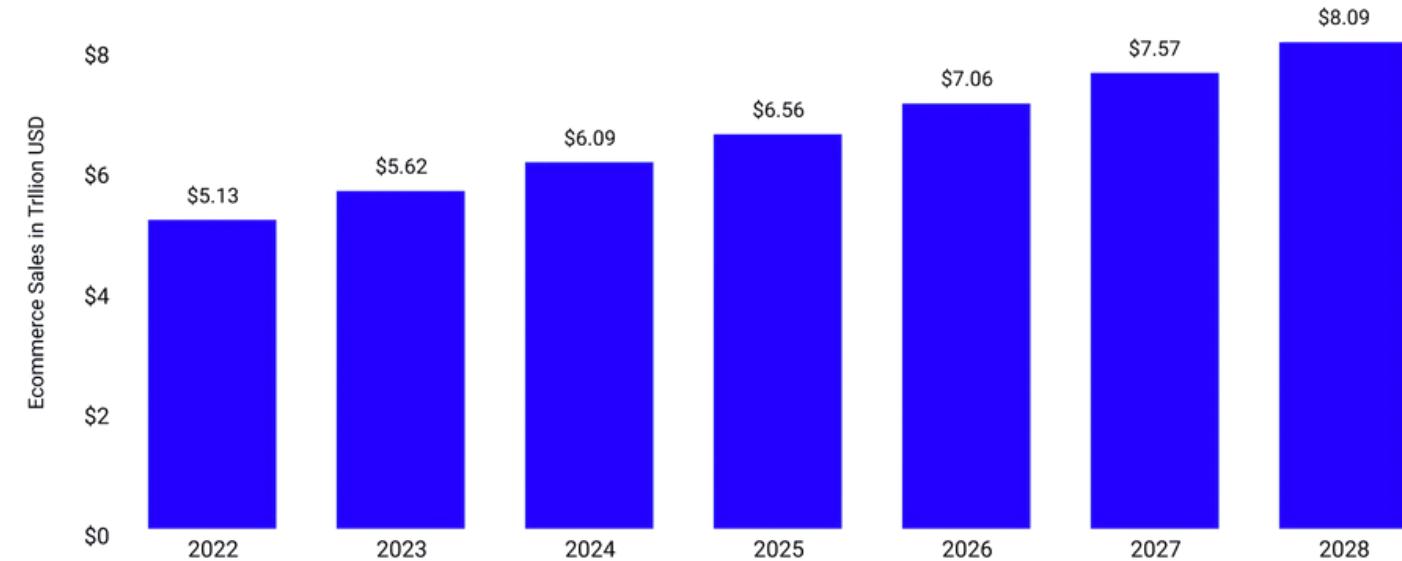
SOURCES

1. <https://scaleshopify.com/2024/10/18/shopify-management-team/>

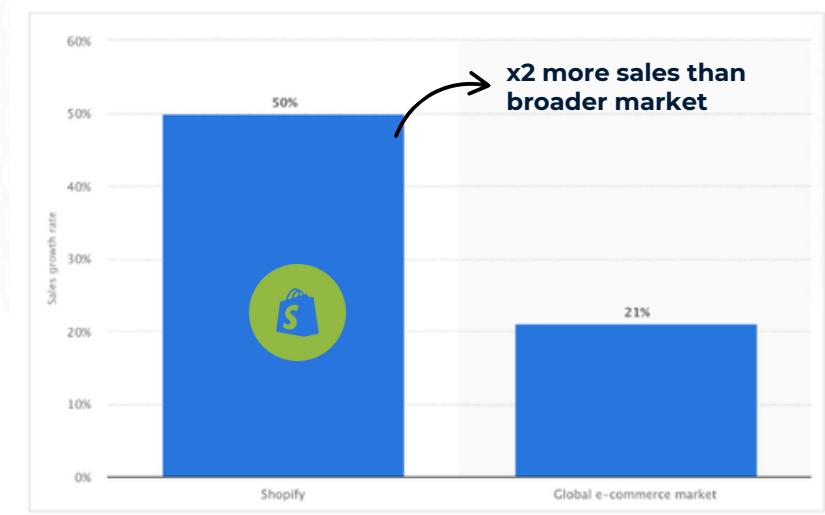
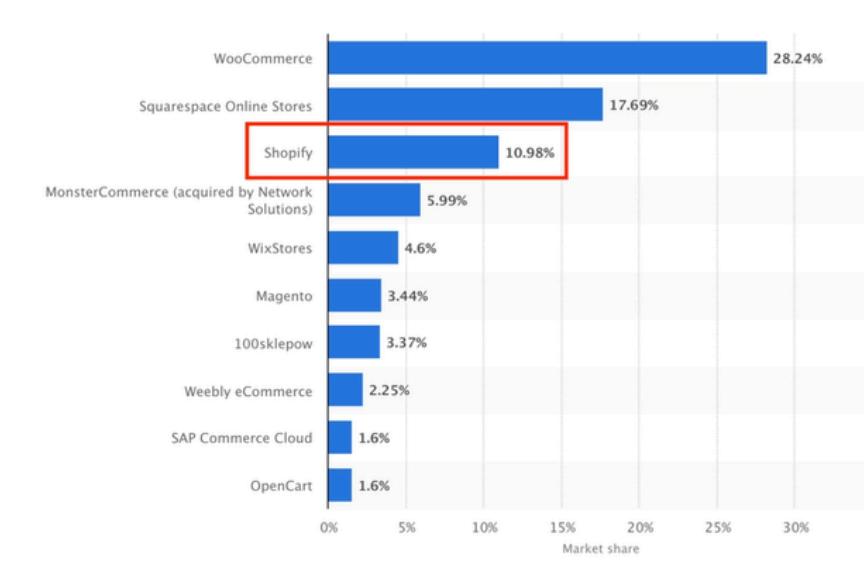
E-COMMERCE MARKET ANALYSIS



E-Commerce Market Size and Growth



Shopify has 11% of the e-commerce market and strong sales growth.



Consumer Trends



Shift to Digital

Increased digital shopping and demand for personalization boosts Shopify usage.



Mobile Shopping Growth

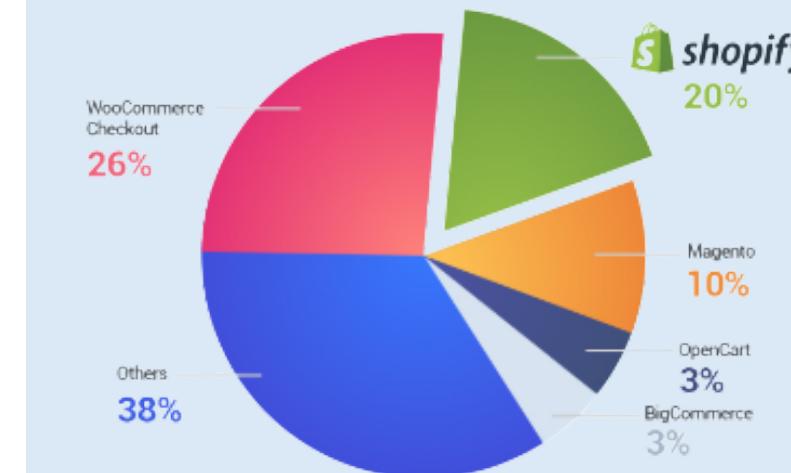
Rising smartphone shopping benefits Shopify's mobile-optimized platform.



Sustainability Focus

Growing eco-friendly consumer preference drives sustainable practices on Shopify.

Industry Positioning



Shopify commands roughly 20% of the global e-commerce market, establishing itself as a dominant and rapidly growing platform. It empowers merchants with scalable, end-to-end solutions to build, manage, and control their own branded online stores—offering a clear alternative to traditional marketplace models and capitalizing on the shift toward direct-to-consumer commerce.

SOURCES

- 1.<https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>
- 2.<https://www.shopify.com/news/global-by-default-shopify-markets-becomes-new-global-commerce-hub-for-merchants>

STRATEGIC DIRECTION



Shopify is enhancing its platform with AI tools such as an AI store builder and product listing features for AI agents. SHOP's CEO has also mandated **AI proficiency** across teams, aiming to boost efficiency without increasing headcount. The company has also acquired six startups to strengthen its AI capabilities, including teams from Peel Insights, Ritual, and Threads. Additionally, Shopify is investing in...

Enterprise solutions...

Traditionally serving small businesses, Shopify is now targeting **larger clients** to maintain and stabilise its significant growth.

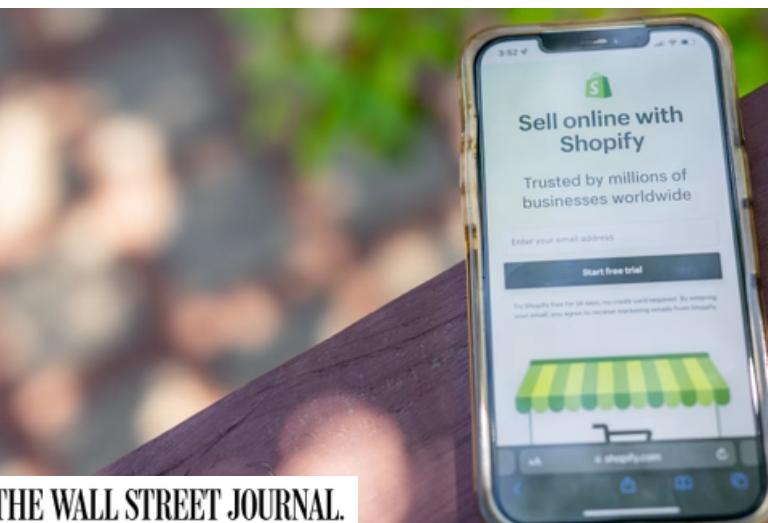
The company has onboarded substantial firms such as Reebok, Overstock, and Barnes & Noble, providing promises of **steadier revenue** and long-term stability

LEADERSHIP > CIO NETWORK

Viral Shopify CEO Manifesto Says AI Now Mandatory For All Employees

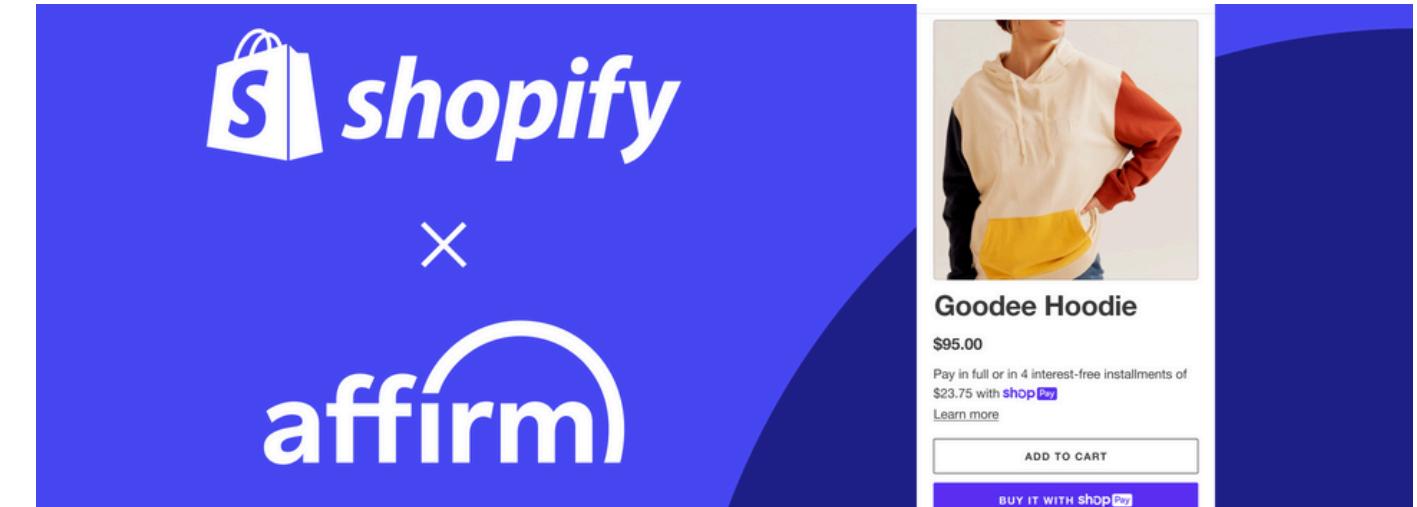


Shopify Looks to Bigger Clients for Steadier Profits



THE WALL STREET JOURNAL

and expanding Shop Pay with Affirm across the globe..



This aims to build...

Efficiency

The company aims to automate repetitive tasks, such as generating discounts and product descriptions. This streamlines operations for merchants, allowing them to focus on scaling their business without increasing headcount.

Brand

With its investments in AI, enterprise solutions, and omnichannel retail, Shopify is positioning itself as an innovative and reliable brand that is focused on the future of commerce.

SOURCES

1.<https://www.forbes.com/sites/douglaslaney/2025/04/09/selling-ai-strategy-to-employees-shopify-ceos-manifesto/>

2.<https://www.wsj.com/business/shopify-looks-to-bigger-clients-for-steadier-profits-99b694c8>

3.<https://www.businesswire.com/news/home/20250409748875/en/Affirm-and-Shopify-Accelerate-Global-Expansion-of-Shop-Pay-Installments>

KEY RISK FACTORS



Consumer Spending Fluctuations: The U.S. food-away-from-home expenditure has been projected to grow at ~5% CAGR through 2030, which can significantly influence Shopify's...

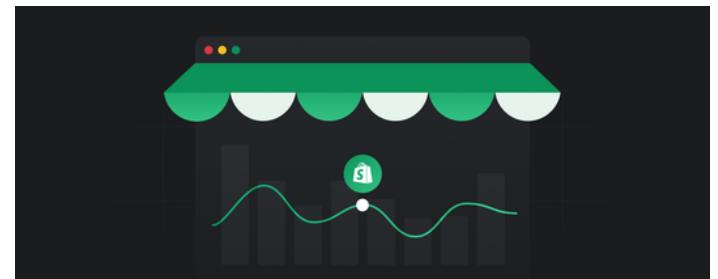
Middle Class Expansion: As consumers push for more personalised shopping experiences, Shopify must continue adapting to the evolving demands for convenience. The middle class' growing purchasing power presents opportunities but also exposes Shopify to higher expectations from consumers.



...growth as it benefits from the expansion of online stores, especially in industries like food, retail, and services.

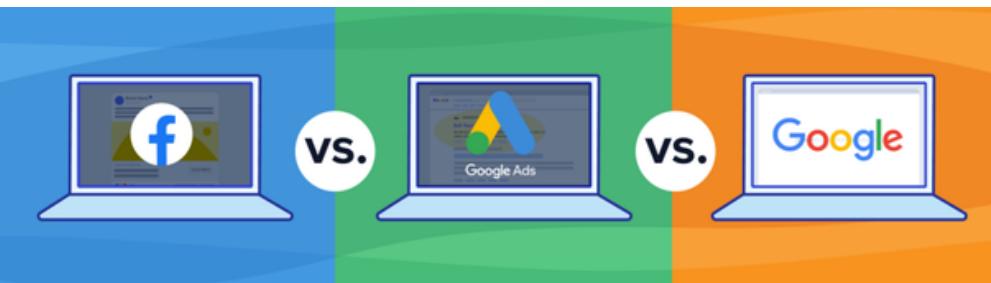
Technology Disruption: The rapid pace of technological innovation in e-commerce, AI, and data analytics poses a risk. Shopify must continually innovate its platform to remain competitive, or it may lose ground to competitors with better technology or faster market adaptability.

Dependence on SME's



Shopify's revenue has been largely reliant on SME's. As Shopify expands into the enterprise market, transitioning from smaller merchants to larger firms introduces the risk of longer sales cycles and more complex contract negotiations.

Third-Party Dependency



Shopify's reliance on third-party platforms for traffic (e.g., Google, Facebook) exposes it to changes in algorithms or platform policies that could affect traffic and sales for merchants using the Shopify platform.

Competition and Market Saturation



Shopify faces increasing competition from other e-commerce platforms like WooCommerce, BigCommerce, and newer entrants. This could impact market share growth and pricing power.

SOURCES

1.<https://www.shopify.com/enterprise/blog/global-e-commerce-statistics>

2.https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/perspectives%20on%20retail%20and%20consumer%20goods%20number%208/perspectives-on-retail-and-consumer-goods_issue-8.pdf

KEY CATALYST FACTORS



Rapid Growth in Global E-Commerce: The global e-commerce market is projected to reach \$4.8 trillion in 2025, with expectations to grow over the next few years. This expansion is driven by increasing consumer...

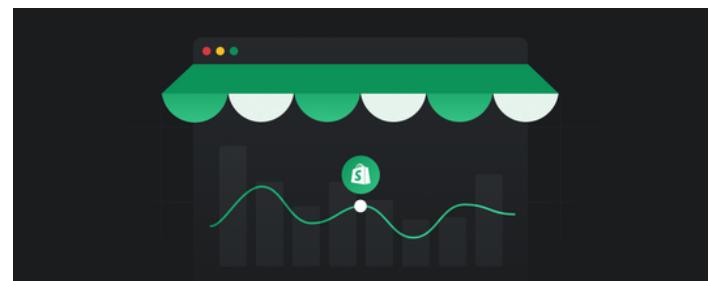
Advancements in Artificial Intelligence: The integration of AI in e-commerce is revolutionizing customer experiences through personalized recommendations, chatbots, and inventory management. Retailers are leveraging AI to optimize operations and enhance customer satisfaction.



...adoption of online shopping and advancements in technology, presenting significant opportunities for e-commerce platforms.

Expansion of Mobile Commerce: Mobile commerce is on the rise, with predictions that it will account for 59% of global sales in 2025. The increasing use of smartphones for online shopping necessitates mobile-friendly websites and apps, offering retailers the opportunity to reach a broader audience and increase sales.

Inclusion in the Nasdaq-100 Index



On May 19, 2025, Shopify was added to the Nasdaq-100 Index, replacing MongoDB. This inclusion enhances Shopify's visibility and credibility among investors, potentially attracting more institutional investment and driving stock performance.

International Market Penetration



Shopify's B2B commerce saw a 109% GMV growth in Q1 2025, driven by solutions like bulk ordering, custom pricing, and ERP integration. This highlights its ability to serve diverse business models and expand revenue streams.

B2B Commerce Growth



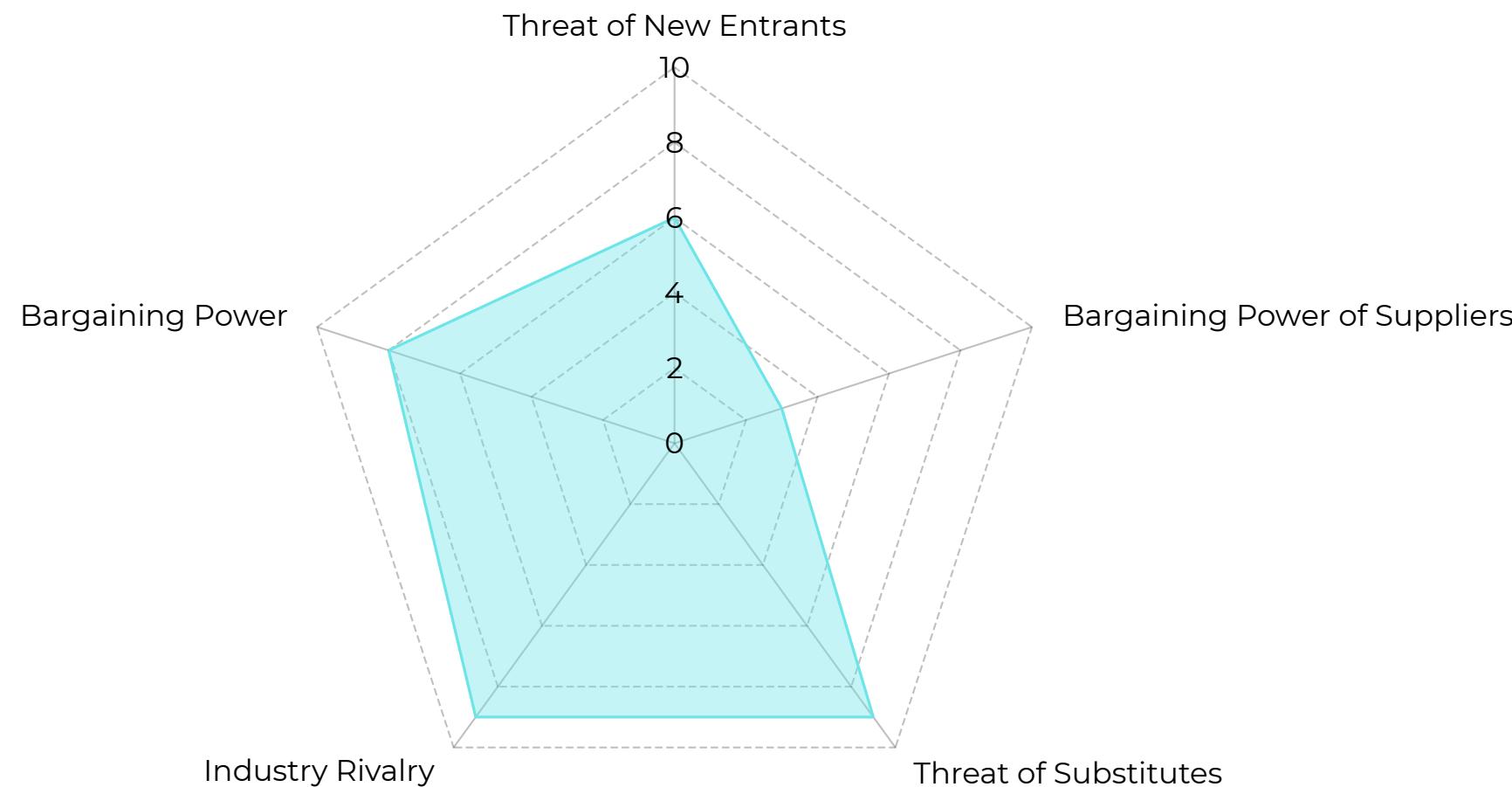
International expansion also fueled growth, with GMV from international sales up 31% in Q1 2025. Shopify's presence in 175+ countries and localized solutions help merchants reach global markets, reducing reliance on any single region.

SOURCES

1.<https://www.shopify.com/enterprise/blog/global-e-commerce-statistics>

2.https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/perspectives%20on%20retail%20and%20consumer%20goods%20number%208/perspectives-on-retail-and-consumer-goods_issue-8.pdf

PORTER'S FIVE FORCES



Porter's Five Forces

1. Threat of New Entrants

Moderate. Entry barriers are low, but scaling is hard. Shopify's brand, ecosystem, and integrated services create a defensible moat. Still, smaller players can tap niche markets, and low switching costs among SMEs leave room for disruption.

2. Bargaining Power of Suppliers

Low. Shopify controls its tech stack and relies on commoditized services like cloud hosting. App developers and logistics partners lack leverage. The in-house fulfillment push further limits supplier power.

3. Bargaining Power of Buyers

Moderate to high. SMEs face low switching costs and abundant alternatives, making them price-sensitive and churn-prone. Larger clients are stickier due to platform integration. Shopify must constantly justify value.

4. Threat of Substitutes

High. Marketplaces like Amazon and TikTok Shop offer built-in traffic and logistics, appealing to smaller merchants. Larger brands may build custom sites. Social commerce trends challenge Shopify's storefront model.

5. Industry Rivalry

High. Competition is intense across both SMB and enterprise segments. Feature parity, pricing pressure, and high churn define the landscape. Shopify's advantage lies in integration—but innovation is essential to stay ahead.

SOURCES

1. <https://www.hivelr.com/2024/07/shopify-shop-porters-five-forces-industry-and-competition-analysis/>

COMPARABLES TABLE



P/E comparables

Comparables - FY2025

Company	Average	Adj. Average
BigCommerce	17%	17%
Wix	59%	59%
Amazon	35%	35%
Shift4Shop	30%	30%
Squarespace	-29%	-29%
Shopify	86%	86%
eBay	19%	19%
Alibaba	15%	15%
Average	29%	29%

DISCOUNT CASH FLOW VALUATION



DCF Valuation

WACC	10.00%
Terminal Growth Rate (g)	5.25%
in millions USD	
UFCF	FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27 FY28 FY29

Discount factor	1
Present value of UFCF	6,305.5 6,309.9 6,200.2 (3,605.8) 5,588.0
	1 1 1 1 1

DCF Valuation	
PV of Cash flows	20,797.8 \$
Continuing value	181,283.5 \$
PV of Continuing value	123,819.0 \$
Enterprise value	144,616.8 \$
(-) Financial liabilities	-
Cash	5,479.0
Equity value	150,095.8 115.3

DCF Valuation Assumptions

The DCF model assumes a 10.0% WACC and a 5.25% terminal growth rate, reflecting expectations that Shopify will sustain growth above inflation, driven by e-commerce penetration and operating leverage. EBIT is projected to recover steadily from FY24, rising from \$2.5bn to \$2.7bn by FY29, supported by cost normalization and scale. Tax rates remain low (5.3–5.5%) due to past losses, while capex stays modest (\$15–20m/year), consistent with Shopify's asset-light model. Working capital rises with topline growth. Extraordinary income (\$1.4–1.9bn/year) significantly boosts cash flows but introduces some uncertainty. UFCF holds strong through FY27, dips in FY28 on one-off factors, and rebounds in FY29, supporting a valuation anchored in durable cash generation and scale efficiency.

Derived Valuation Rationale

The DCF yields an equity value of US\$150.1bn, translating to a fair value of US\$115 per share, implying ~9.5% upside from the current market price of US\$105. The valuation is driven by resilient UFCF generation, modest reinvestment needs, and a strong terminal value supported by long-term growth assumptions. While the upside is not dramatic, it suggests the stock is modestly undervalued, with further re-rating potential if Shopify sustains margin expansion or monetizes its ecosystem more deeply.

TECHNICAL ANALYSIS



Monarch Research's Technical Prediction: Long

Price Targets:

- \$118.13, \$147.32, \$176.51

Key Confluences for the Long:

Upward Trend Confirmation – Higher Highs and Higher Lows on a Weekly Timeframe Walmart is currently in a correction phase after a strong rally. Instead of rushing in, we wait for Smart Money to provide a discount before entering. Using Fibonacci retracement and Smart Money Concept (SMC), we identify key price zones where institutional buyers are likely to step in. The trade is not ready yet, but we are preparing for an optimal entry.

Determined Trading Strategy

For a high-probability trade, we wait for price to reach the 0.618 - 0.79 Fibonacci retracement levels, where institutional traders prefer to enter.

Key Levels to Watch for Entry:

- 0.618 Retracement → \$100.07
- 0.706 Retracement → \$97.61
- 0.79 Retracement → \$95.26

Take Profit Levels

- TP1: \$118.13 (0.618 Fib Extension Zone) – Minor resistance level for partial profits.
- TP2: \$147.32 (1.618 Fib Extension Zone) – Key resistance level from previous highs.
- TP3: \$176.51 (2.618 Fib Extension Zone) – All time highs.

TECHNICAL ANALYSIS



Risk Management Strategy

Entry Strategy – Layered Precision

We place limit orders at three key Fibonacci retracement levels to capture the best entries:

- 0.618 Fib Entry – A classic institutional entry point
- 0.706 Fib Entry – Where liquidity often sweeps before reversal
- 0.79 Fib Entry – Deep discount for maximum R:R

This allows us to scale into the position instead of going all-in at one level.

Stop Loss Logic – Tight & Tactical

We place stop losses below the 0.848 Fib or the swing low (1.0 Fib) depending on market structure:

- Use 0.848 if structure is clean and ranges are tight
- Use 1.0 if volatility demands a safer buffer

This flexibility adapts to market conditions while still keeping risk defined.

Risk Per Trade – Strict 1% Rule

We risk only 1% of total capital per trade, regardless of account size or conviction.

This ensures:

- Longevity in the market
- Controlled drawdowns
- Compounded growth over time



MONARCH
RESEARCH

APPENDICES

APPENDIX #1: P&L

P&L

in millions USD	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenues	2,929	4,612	5,600	7,060	8,880	9,618	10,416	11,282	12,219	13,234
Total revenues	2,929	4,612	5,600	7,060	8,880	9,618	10,416	11,282	12,219	13,234
Cost of goods sold	(1,388)	(2,131)	(2,846)	(3,545)	(4,408)	(4,469)	(4,840)	(5,242)	(5,878)	(6,149)
Gross margin	1,542	2,481	2,754	3,515	4,472	5,149	5,576	6,040	6,541	7,085
Operating expenses	(1,451)	(2,213)	(3,576)	(4,933)	(3,397)	(3,174)	(3,437)	(3,723)	(4,032)	(4,387)
Total Non-operating Expense	-	-	(3,000)	-	-					
Total Non-Operating Income	136	2,860	124	1,603	1,153					
Interest income(net)	14	12	75	241	308	0	0	0	0	0
EBITDA	240	3,141	(3,623)	426	2,536	1,975	2,139	2,317	2,509	2,717
D&A	-	-	-	-	-	-	-	-	-	-
EBIT	240	3,141	-3,623	426	2,536	1,975	2,139	2,317	2,509	2,717
Extraordinary income/expense	150	2,872	(2,876)	1,603	1,153	1,380	1,494	1,619	1,753	1,899
EBT	391	6,013	-6,499	2,029	3,689	3,355	3,633	3,935	4,262	4,616
Tax rate	33%	-7%	-4%	-29%	-9%	-5%	-5%	-5%	-5%	-5%
Taxes	79	(226)	163	(53)	(209)	(180)	(195)	(211)	(228)	(247)
Net income	470	5,787	(6,336)	1,976	3,480	3,175	3,439	3,724	4,034	4,369

APPENDIX #2: BALANCE SHEET

Balance Sheet		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
in millions USD											
Cash and cash equivalents		6,387.97	7,768.09	5,052.95	5,008.00	5,479.00	5,479	5,479	5,479	5,479	5,479
Accounts receivable, net		421.54	667.95	853.17	1,098.00	1,566.00	1,487	1,610	1,744	1,889	2,046
Inventory		0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Restricted cash and marketable securities		0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Prepaid expenses and other current assets		68.25	103.27	144.35	169.00	209.00	209	209	209	209	209
Total current assets		6,877.76	8,539.32	6,050.47	6,275.00	7,254.00	7,174.80	7,298.30	7,432.05	7,576.92	7,733.82
Goodwill and Intangible Assets		447.54	495.02	2,226.43	456.00	474.00	474	474	474	474	474
Long-Term Investments		173.45	3,955.55	1,953.46	4,377.00	5,998.00	5,998	5,998	5,998	5,998	5,998
PP&E		92.10	105.53	130.82	49.00	47.00	173	187	203	220	238
Other assets		172.05	244.76	395.97	142.00	151.00	151	151	151	151	151
Total non-current assets		885.15	4,800.85	4,706.68	5,024.00	6,670.00	6,795.96	6,810.32	6,825.88	6,842.73	6,860.98
Total assets		7,762.91	13,340.17	10,757.15	11,299.00	13,924.00	13,970.75	14,108.62	14,257.93	14,419.65	14,594.80
Accounts payable and Accrued liabilities		300.80	456.69	532.57	579.00	737.00	848	892	935	1,003	1,102
Deferred revenue		107.81	216.79	296.00	302.00	283.00	283	283	283	283	283
Operating lease liabilities		10.05	15.75	18.00	17.00	18.00	18	18	18	18	18
Income taxes payable		19.68	13.51	9.39	0.00	0.00	-	-	-	-	-
Convertible senior notes		0.00	0.00	0.00	0.00	918.00	918	918	918	918	918
Total current liabilities		438.33	702.73	855.96	898.00	1,956.00	2,066.94	2,111.26	2,153.93	2,221.62	2,321.21
Deferred revenue		21.01	162.93	268.00	196.00	147.00	147	147	147	147	147
Operating lease liabilities		144.84	246.78	465.00	217.00	190.00	190	190	190	190	190
Convertible senior notes		758.01	910.96	913.00	916.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities		0.00	183.43	16.00	6.00	73.00	73	73	73	73	73
Total non-current liabilities		923.85	1,504.10	1,662.00	1,335.00	410.00	410.00	410.00	410.00	410.00	410.00
Total liabilities		1,362.18	2,206.83	2,517.96	2,233.00	2,366.00	2,476.94	2,521.26	2,563.93	2,631.62	2,731.21
Total stockholders' equity		6,400.72	11,133.34	8,239.00	9,066.00	11,558.00	11,493.8	11,587.4	11,694.0	11,788.0	11,863.6
Noncontrolling interests in subsidiaries		-	-	-	-	-	-	-	-	-	-
Total liabilities and equity		7,762.91	13,340.17	10,756.96	11,299.00	13,924.00	13,970.75	14,108.62	14,257.93	14,419.65	14,594.80

APPENDIX #3: CASH FLOW

Cash Flow

APPENDIX #4: COMPARABLES

P/E comparables

Comparables - FY2025

Company	Average	Adj. Average
BigCommerce	17%	17%
Wix	59%	59%
Amazon	35%	35%
Shift4Shop	30%	30%
Squarespace	-29%	-29%
Shopify	86%	86%
eBay	19%	19%
Alibaba	15%	15%
Average	29%	29%

APPENDIX #5: OUTPUT - DCF

DCF Valuation

WACC	10.00%										
Terminal Growth Rate (g)	5.25%										
in millions USD	FY20	FY21	FY22	FY23	FY24	1	2	3	4	5	
UFCF		6,932	(6,787)	5,400	13,589	6,306	6,941	7,502	(4,799)	8,181	
Discount factor						1	1	1	1	1	
Present value of UFCF						6,305.5	6,309.9	6,200.2	(3,605.8)	5,588.0	

DCF Valuation	
PV of Cash flows	20,797.8 \$
Continuing value	181,283.5 \$
PV of Continuing value	123,819.0 \$
Enterprise value	144,616.8 \$
(-) Financial liabilities	-
Cash	5,479.0
Equity value	150,095.8
	115.3



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