

Northern Technologies International Corporation NasdaqGM:NTIC

FQ2 2020 Earnings Call Transcripts

Tuesday, April 07, 2020 1:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ2 2020-		-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.10	▼(80.00 %)	0.07	0.40	0.70
Revenue (mm)	13.00	▲1.77	13.00	54.60	69.50

Currency: USD

Consensus as of Feb-25-2020 1:48 PM GMT

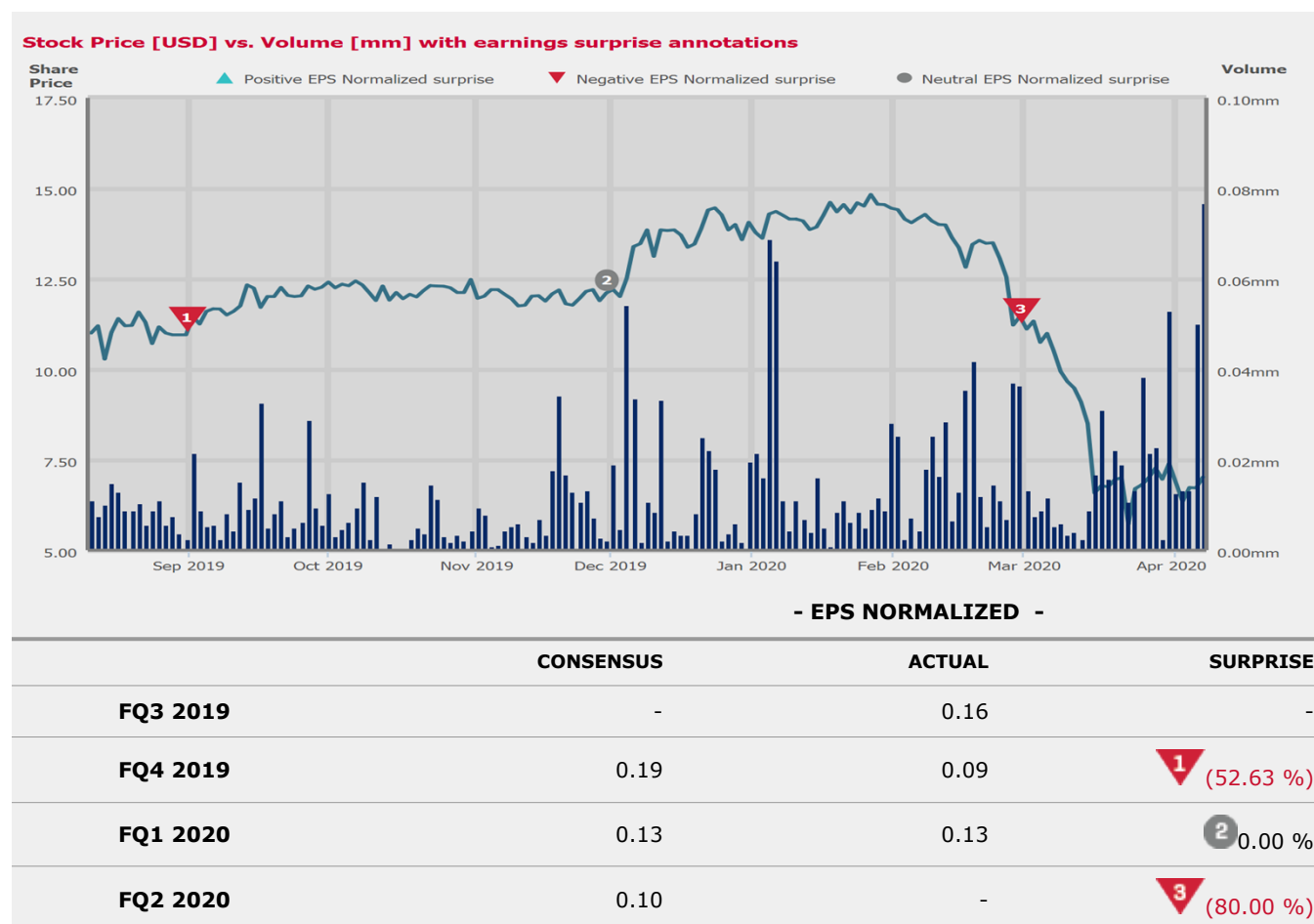


Table of Contents

Call Participants	3
Presentation	4
Question and Answer	8

Call Participants

EXECUTIVES

G. Patrick Lynch

President, CEO & Director

Matthew C. Wolsfeld

CFO & Corporate Secretary

Vineet R. Dalal

*VP & Director of Global Market
Development - Natur-Tec*

ANALYSTS

Auguste Philip Richard

*Northland Capital Markets,
Research Division*

Timothy Clarkson

Van Clemens & Co., Inc.

Unknown Analyst

Presentation

Operator

As part of the discussion today, the representatives from NTIC will be making certain forward-looking statements regarding NTIC's future financial and operating results as well as their business plans, objectives and expectations. Please be advised that these forward-looking statements are covered under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and that NTIC desires to avail itself of the protections of the safe harbor for these statements.

Please also be advised that actual results could differ materially from those stated or implied by the forward-looking statements due to certain risks and uncertainties, including those described in NTIC's most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q and recent press releases. Please read these reports and other future filings that NTIC will make with the SEC. NTIC disclaims any duty to update or revise its forward-looking statements.

Ladies and gentlemen, thank you for standing by, and welcome to the second quarter 2020 earnings conference call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today, Patrick Lynch, CEO. Thank you. Please go ahead, sir.

G. Patrick Lynch
President, CEO & Director

Good morning. I'm Patrick Lynch, NTIC's CEO, and I'm here with Matt Wolsfeld, NTIC's CFO; as well as Vineet Dalal, Vice President and Director of Global Market Development for our Natur-Tec business. Please note that the financial results for our fiscal 2020 second quarter were included in a press release issued earlier this morning, a copy of which is available at ntic.com.

During this call, we will review various key aspects of our fiscal 2020 second quarter financial results, provide a brief business update and then conclude with a question-and-answer session.

Our fiscal 2020 second quarter financial results were significantly influenced by the economic and business impacts of the COVID-19 pandemic. When compared to either the second quarter last fiscal year or the first quarter of fiscal 2020, demand for ZERUST industrial products slowed substantially in North America, China and across our joint venture network. Demand for Natur-Tec compostable bioplastics, however, remained comparable to the prior fiscal year quarter, and Zerust Oil & Gas sales increased significantly as several delayed projects from our first quarter were installed during the second quarter.

With many of our global customers currently running at a fraction of their regular capacity or locked down altogether, we anticipate sales for our third quarter to be down considerably compared to the prior fiscal year quarter. Furthermore, since the COVID-19 crisis continues and is evolving, we are withdrawing and suspending specific full year fiscal 2020 guidance. On behalf of the entire leadership team and the Board of Directors of NTIC, our thoughts are with anyone who has been affected by the COVID-19 pandemic. While we have had to adjust our near-term priorities, our long-term market opportunities and growth strategies remain intact.

Our current intent is to continue providing uninterrupted order fulfillment and customer service while ensuring the safety of our customers, joint ventures and employees. Overall, we are entering this period of uncertainty from a position of strength as a result of our asset-light and highly profitable business model, experienced leadership team and excellent capital structure. We currently have over \$12 million in cash and cash equivalents and available-for-sale securities. Additionally, we are evaluating the availability of government support programs associated with the CARES Act that was signed into law on March 27, 2020.

So with this overview, let's examine the drivers for the second quarter. For the second quarter ended February 29, 2020, total consolidated net sales decreased 0.6% to \$13.2 million as compared to the second quarter ended February 28, 2019. Broken down by business unit, this included a 198.6% increase in Zerust Oil & Gas sales and a 0.3% increase in Natur-Tec net sales offset by a 4.2% decrease in ZERUST industrial net sales and a 65.4% decrease in net sales from NTIC to its ZERUST joint ventures.

Total net sales by our joint ventures, which we do not consolidate in our financial statements, were \$24.3 million for the fiscal 2020 second quarter compared to \$27.7 million for the same period last fiscal year. This 12.5% decline in joint venture net sales was, at first, the result of already softening worldwide demand across many of the industrial markets we serve and then later in the quarter was compounded by the effects of the COVID-19 pandemic.

Net sales by our wholly owned NTIC China subsidiary increased 0.6% to \$3 million for the fiscal 2020 second quarter compared to the same period last fiscal year. NTIC China benefited from higher sales earlier in the second quarter prior to Chinese New Year and the impact of the COVID-19 pandemic. NTIC China sales had returned to 75% of pre-pandemic levels last month, and we are cautiously optimistic that they will return to 100% of the sales -- of the prior sales level by the end of the third quarter as China has recently restarted its economy and lifted business restrictions previously imposed to mitigate the spread of COVID-19. Overall, we remain optimistic about the long-term potential in China as we intend to further expand our presence within this large and growing market.

As expected, Zerust Oil & Gas sales increased significantly during the second quarter as a result of several customers having delayed product shipments from our first quarter. However, oil and gas sales remained volatile primarily due to long sales cycles, overall challenging market conditions and the timing of orders and deliveries.

The Russia-Saudi Arabia oil price war and the COVID-19 pandemic have had a significant impact on oil prices, with the latter impacting our ability to travel to customer sites and to install our solutions. We expect that oil and gas sales will be materially impacted for the duration of the COVID-19 crisis. We remain committed to the oil and gas market and believe we will be successful over time as more oil and gas customers adopt our solutions and replace other forms of corrosion protection.

Now let me turn the call over to Vineet to review our Natur-Tec bioplastics business in more detail.

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

Thank you, Patrick. I'm happy to join today's call to review our Natur-Tec business in more detail. I've been a member of NTIC's leadership team for nearly 16 years. And for most of my time at the company, I've focused on Natur-Tec. In addition to my Natur-Tec responsibilities, I also sit on the Board of the Biodegradable Products Institute, a U.S.-based organization that promotes the adoption and use of compostable plastics.

Natur-Tec has become a leader in the bioplastics industry as a result of our patented and proprietary technologies. Natur-Tec creates 100% compostable plastics alternatives with performance characteristics comparable to those of conventional single-use plastics at a price that is affordable and competitive. Over the years, we have also formed important partnerships with key feedstock suppliers and developed strong relationships with key converters and brands around the globe. Over the past years, societal and political criticism due to the environmental and waste disposal concerns of conventional single-use plastics have driven significant interest in and demand for alternatives, which has created a compelling global market environment for Natur-Tec's bio-based and compostable product solutions. We believe the industry dynamics for bioplastics is sustainable as more countries as well as state and local municipalities are putting in place sustainable waste management initiatives.

For the fiscal 2020 second quarter, Natur-Tec net sales were \$4.2 million and were in line with sales last year despite the headwinds facing Natur-Tec associated with Chinese tariffs, the Chinese New Year shutdown and the impact the COVID-19 pandemic had on sales in China and South Asia during the quarter. For the near term, we anticipate the COVID-19 crisis will continue to impact Natur-Tec sales

because stay-at-home mandates have closed college campuses, stadiums, arenas, corporate office complexes and other large users of compostable plastics. Furthermore, production across the apparel industry has declined sharply as a result of the COVID-19 pandemic, decreasing demand for Natur-Tec bioplastic bags, which have become an important part of the sustainability initiatives within this industry. Due to the impact of the stay-at-home mandates in various countries around the world, we expect the apparel packaging business to be soft for at least the next 2 quarters. However, to date, we continue to see strong demand from existing and new customers and, during the quarter, began supplying our proprietary resin compounds to one of the world's largest manufacturers of cutlery within the food service industry. We expect this business to be strong and grow as hygiene considerations from the COVID-19 crisis sustain demand for compostable food service applications.

As you can see, we have built a strong bioplastics business that is supported by our patented technologies as well as compelling industry dynamics and favorable environmental and regulatory priorities. We are extremely excited to be a leader within the industry, and I look forward to providing updates on our success in future calls.

Now I'll turn the call back over to Patrick.

G. Patrick Lynch
President, CEO & Director

Thank you, Vineet, for the additional insights on Natur-Tec.

To conclude my prepared remarks, we all know that there is significant uncertainty due to the impacts of the COVID-19 pandemic. However, NTIC's long-standing leadership team has successfully navigated a number of prior crises, including the Great Recession of 2008 and 2009. Since then, of course, we have greatly expanded our geographic end market and product diversity. In addition, the size and scale of our business has increased. Finally, the strength of our balance sheet and benefits of our asset-light business model provide us with significant flexibility and resources to help us navigate this time of economic and business uncertainty.

I'd like to use this opportunity to thank all of our global employees and joint venture partners. On behalf of the entire leadership team, thank you for your hard work and dedication throughout this crisis.

With this overview, let me now turn the call over to Matt Wolsfeld to summarize our financial results for the fiscal 2020 second quarter.

Matthew C. Wolsfeld
CFO & Corporate Secretary

Thanks, Patrick. NTIC's net sales decreased less than 1% in fiscal 2020 second quarter as a result of the trends Patrick reviewed in his prepared remarks. Lower sales across many of our joint ventures impacted joint venture operating income, which decreased 17% for the fiscal 2020 second quarter compared to the prior fiscal year.

As alluded to in the first quarter earnings call, total operating expenses increased during the second quarter and totaled \$6.5 million compared to \$5.4 million for the same period last year. The 19.7% year-over-year increase was primarily due to the timing of higher G&A expenses incurred during the quarter. We continue to proactively control expenses. And year-to-date, total operating expenses increased 6.8%, which is in line with both our budget and expectations. In addition, we expect operating expenses to decline year-over-year in the fiscal 2020 third quarter.

Our fiscal 2020 second quarter income tax expense increased 88.2% to \$464,000 as a result of foreign taxes paid on higher level of dividends and distributions we received from our joint ventures during the quarter. We expect the effective rate to reduce greatly in our third and fourth quarters.

NTIC reported net income of \$180,000 or \$0.02 per diluted share for the fiscal 2020 second quarter compared to \$1.4 million or \$0.15 per diluted share for the fiscal 2019 second quarter. As of February 29, 2020, working capital was \$29.4 million, including \$5.6 million in cash and cash equivalents and \$6.5

million in available-for-sale securities, compared to \$25.5 million, including \$5.9 million in cash and cash equivalents and \$3.6 million in available-for-sale securities as of August 31, 2019.

As a note, we're currently evaluating the opportunities afforded to us by the CARES Act that was signed into law March 27, 2020. While we -- while the extent of the support is uncertain at this time, the CARES Act includes a sweeping set of financial relief measures in the form of federally guaranteed loans that can be forgiven based on payments made for payroll, utilities, health care benefits and other approved efforts to retain employees. On February 29, 2020, the company had \$21.3 million in investments in joint venture, of which 48.7% or \$10.4 million is in cash with the remaining balance primarily invested in working capital.

During the fiscal 2020 second quarter, NTIC's Board of Directors declared a cash dividend of \$0.165 per share and was payable on February 19, 2020, to shareholders of record on February 5, 2020. As Patrick commented earlier in this call, given current circumstances, we're suspending full fiscal year guidance. With this overview, Patrick, Vineet and I are happy to take your questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Tim Clarkson from Van Clemens Capital.

Timothy Clarkson

Van Clemens & Co., Inc.

Just some questions. I know that we're putting a little bit more emphasis on the compostable part of the business. And just some basic questions that are, I think, critical to understanding this. Can you explain the difference between compostable products and biodegradable products?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

Tim, this is Vineet. Yes. I'll take that. So biodegradable products are -- is a very general term. There's a lot of spurious products in the market, which use conventional plastics and they'll add additives to it and they'll call them oxo-degradable. Unfortunately, these kind of products are not considered biodegradable, especially in places like the State of California and there are rules, which prohibit the marketing of such mislabeled products. Our products or the products that Natur-Tec sells are certified compostable. And what that means is that in a composting environment, 100% of the product gets converted to -- is consumed by the microorganisms in the disposal environment as a food source and gets converted to CO₂, water and biomass. So these are certified compostable by independent third-party labs.

Timothy Clarkson

Van Clemens & Co., Inc.

Great. Now what are the characteristics that make Natur-Tec's compostable products superior to the competitions?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

We -- the main advantage really is our products are stronger. We formulate them. We have extremely good understanding of the chemistry behind these materials, and we use that understanding to formula products that are stronger, cheaper and easier to process on conventional plastics processing equipment.

Timothy Clarkson

Van Clemens & Co., Inc.

Right. Now can you explain how that dynamic played into -- I know you mentioned this significant new opportunity you have for the company that makes cutlery, can you explain how that acted you getting that contract?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

So this is a large brand. They sell a lot of cutlery, single-use disposable cutlery in the U.S. market. They have been working with polylactic acid or PLA, which is one of the raw materials for over 5 years and they didn't have any success. They came to us. And we actually had a compound or a resin solution that actually would work in this situation. So we worked closely with one our conversion partners in Asia and developed a solution that met the rigorous performance requirements for this brand. And it's the unique understanding of the chemistry as well as the processing that allowed us to create a solution that met the performance tolerances for this specific brand.

Timothy Clarkson

Van Clemens & Co., Inc.

I heard that the competition's products would get clogged in the machines?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

Yes. Well, the competition's products, they would get warped or they wouldn't perform as well. They didn't have the heat resistance or the strength required for the application.

Timothy Clarkson

Van Clemens & Co., Inc.

Right. Okay. Can you explain this -- the concept of having a close system in a cafeteria or fast food? And how that would work to divert commonly trashed organic waste into a compostable system?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

So if you look at municipal solid waste streams pretty much in any city or state, about 50%, 55% of the municipal solid waste stream is what is called organic waste. There's food waste, yard waste, compostable paper. And typically, a lot of these municipalities and states have passed regulations, which prohibit the dumping of this organic waste into landfills. These have to be collected separately and sent to industrial composting facilities. And the reason for that is this organic waste actually in a landfill would generate methane and methane is 25x more dangerous as a greenhouse gas as compared to CO2. So what our compostable products do is they assist in the collection of this organic waste. And if you look at universities or school districts or large office campuses, they have cafeterias on site, and they will use our compostable cutlery. They'll use our compostable bags. They'll collect the food waste as well as the back-of-the-kitchen vegetable peels and other waste, and they'll divert all of that organic waste away from landfills to composting. And so that's what is called zero-waste systems, closed-loop systems, and that's where our compostable products really come in and help enable the implementation of these closed-loop initiatives.

Timothy Clarkson

Van Clemens & Co., Inc.

And would that work in fast food places, too?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

Yes. It's starting to. A lot of the -- if you look at cities out in the West Coast, they are now saying that fast food or QSR restaurants have to comply with the organic diversion mandates in those cities. So large QSR chains, like McDonald's, are now looking to implement, especially in the -- with eat-in-the-restaurant options, they are looking to implement compostable products.

Timothy Clarkson

Van Clemens & Co., Inc.

Sure. One last question, and I'll quit hogging. This is to the, I guess, to Matt and Pat. I mean, is there a consideration ever of spinning off the Natur-Tec division and maybe raising some money separately?

G. Patrick Lynch

President, CEO & Director

We've talked about that but we don't have any specific plans for that in place at this time.

Timothy Clarkson

Van Clemens & Co., Inc.

I mean, just theoretically, if you did do that, what would be potentially some of the advantages of doing that?

G. Patrick Lynch

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

spglobal.com/marketintelligence

President, CEO & Director

Matt, you want to talk about that?

Matthew C. Wolsfeld

CFO & Corporate Secretary

I think the clear advantage would be that Natur-Tec as a stand-alone entity could potentially drive -- it would be -- it would potentially drive not necessarily a different investor set but certainly with the current environment from investing as far as the opportunities with green technologies, I think it would potentially be valued a little differently and probably a little bit higher than the traditional Northern Technologies market that serves more of an -- more industrial applications and oil and gas applications. So as a stand-alone, I think, it would potentially be a very clear, nice environmental investment. But I think ultimately, we're waiting -- we would like to see revenues grow significantly higher than where they are now in order to be able to do that.

Timothy Clarkson

Van Clemens & Co., Inc.

Right. And I think Northern Tech is the only publicly traded company right now that has a compostable packaging product like this.

G. Patrick Lynch

President, CEO & Director

Correct.

Matthew C. Wolsfeld

CFO & Corporate Secretary

Correct.

Operator

Our next question comes from the line of [Kim Chatard] from [Merit Investments].

Unknown Analyst

Just on the expenses, they were a little bit higher in this quarter. Can you maybe help with what the year might look like in absolute dollars for expenses?

Matthew C. Wolsfeld

CFO & Corporate Secretary

Sure. As I take a look at it, one of the things the company is always -- not always, but certainly over the past few years has strived to do is have total operating expense growth in the mid-single digits. So when I look at the year-to-date number, total operating expense has grown by about 6.8%. That's pretty much in line with where we expected to be for the full year. However, given what's going on right now with the COVID-19, no travel, people working from home, I would anticipate that, for the next at least probably 3 or 4 months, we're going to see a dramatic decrease in our operating expenses. So for the full year, I would probably anticipate that going down -- as far as the growth year-over-year going down to the low single digits, maybe 2% or 3% operating growth. So something in the low \$20 million number.

Operator

Our next question comes from the line of Gus Richard from Northland.

Auguste Philip Richard

Northland Capital Markets, Research Division

Yes. Just real quick. China announced early this year a ban on single-use plastic. A lot has changed since then. Could you talk a little bit about what you're seeing there? Is there an opportunity for you as they try to move to compostable or eliminate its use?

Vineet R. Dalal

VP & Director of Global Market Development - Natur-Tec

You're talking about China, right? Yes. So this was announced right before the Chinese New Year shutdown, and then they had the COVID-19 crisis. It's a positive development in our view, but there's still -- we still have to kind of figure out the exact details because the proof is going to be in the pudding to say as in the implementation is going to be very critical. The enforcement of that ban is going to be critical. And so with all this uncertainty, it still remains to be seen how that's going to pan out. But yes, our team in China is looking at that as a potential opportunity for us.

Auguste Philip Richard

Northland Capital Markets, Research Division

Got it. And then can you talk a little bit about, as the travel restrictions, et cetera, went into place in China, what that trajectory look like? And then now that it's coming out, what that trajectory look like? And then can you compare and contrast that to the U.S. and Europe, what you've seen so far as these regions have shifted to adapt to the reality of COVID-19?

Matthew C. Wolsfeld

CFO & Corporate Secretary

Sure. When looking at China, basically, what we had is we had sales that were really starting to rebound in our -- in the first -- with what we are starting to see coming out of first quarter into the second quarter, we were having some relatively strong months as we talked about during the prepared remarks. China year-over-year, including 3 to 6 months, is basically flat. And given what we saw basically with the entire shutdown of everything in China starting on January 15 pretty much through the end of the quarter, to be flat was a little bit surprising to us because obviously, we had a strong December and strong first half of January to be able to achieve that. So coming out of the shutdown, basically the entire month of March, things are starting to ramp back up. The second half of March was significantly stronger than the first half. And ultimately, March finished -- marked -- our China numbers for March finished where they were operating close to 80% of what the, call it, the pre-January 15 run rate was.

And so with the discussions that we've had with that leadership team and looking at their anticipated product shipments kind of throughout April and then the rest of the quarter and the rest of the year, they expect to back up operating above 100% of what the run rate was pre-pandemic, they expect to be above that run rate basically starting with the end of April and May. So we're seeing a pretty quick rebound in the Chinese market kind of coming out of the shutdown.

As far as how that kind of flowed through the rest of the world, it seems like, at least to us with kind of talking to various partners, that obviously, what's going on in Europe and what's going on in North America is probably about 3 to 5 weeks behind -- 3 to 6 weeks behind where China was during that time period as we've seen things spread. And obviously, if you look at the charts, you can kind of see almost exactly the number of days, everything is behind. I don't know if the United States is going to be as capable as China was in shutting things down and then coming back out of it, similar to Europe. China basically shut down from January 15 until, let's say, the end of February, so basically 45 days. I would guess that it's going to take the Europe and United States, if you're on that same trajectory, would potentially be 2x that. But still, it looks -- if it follows that kind of that same path, we're looking at a couple months of things being very slow, where we anticipate our sales to drop dramatically in kind of April and May. And then hopefully, at that point in time, we can start seeing the sales rebound.

So that's kind of what our -- what we're modeling internally as far as how we're keeping things on hold, how we're working through sales. I do know that because of, I would say -- especially in North America, where we have the most visibility into our customers, I think a lot of our customers had the ability to at least see what was going on in other parts of the world. And so we saw a little bit of a stocking up take place in March. So even though things were starting to slide a little bit in February and people were

getting a little bit cautious, there certainly were some opportunities that we had, where people were shutting down plants or stocking up for when they were going to restart business that made March not as -- March was stronger than what we anticipated it would be, even though everybody in NTIC was basically working from home except for the operations team and the shipping team and things like that. So that's really what we're keeping our eye on is how quickly the United States would be able to kind of come out of that -- kind of come out of -- when we'll bottom out and then when will start to rebound from on that.

Auguste Philip Richard

Northland Capital Markets, Research Division

And just one follow-up. The peak to trough in China versus the peak to trough in U.S. and Europe, was that 100%, 25% or whatever it was in China? What did that look like? Has U.S. and Europe shut off as tightly at this point or not quite so much?

Matthew C. Wolsfeld

CFO & Corporate Secretary

Well, I don't think it certainly hasn't shut off. I mean, in China, what happened is everything was shut down and nothing shipped. I mean, literally, the -- when they did a shutdown, it was -- there was not one order delivered, placed during that 45-day period. Maybe people -- they just did not leave their homes, anybody. And what we're seeing in Europe and what we're seeing in North America is people are still going to work. People are still shipping products. People are still -- it's just everything from an industrial standpoint as far as car production and things like that was still taking place. Now we know that the big 3 auto companies have since put in place a 2- or 3-week shutdown that they're in the middle of. But what we saw in China was dramatically different than any of the responses that we've seen in Europe or in North America.

Operator

At this time, I'm showing no further questions. I would like to turn the call back over to Patrick Lynch for closing remarks.

G. Patrick Lynch

President, CEO & Director

I'd just like to thank everybody for participating today and for your interest in NTIC. Hope you have a great week. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2020 S&P Global Market Intelligence.