

Electra Private Equity (ELTA LN)

Buy: Roll on Fridays

- ◆ Exit price for Fridays (>80% of Group NAV) remains key; we believe the underlying market is becoming more attractive
- ◆ We increase our NAV assumptions, driven by better underlying market dynamics and improved business models
- ◆ We increase our TP to 840p (from 327p); maintain Buy

With this report, Ali Naqvi assumes primary coverage of Electra Private Equity*

Friday in focus: The market environment for survivors in the casual dining space has become significantly more attractive, especially as they benefit from stronger reopening, and fewer operators to compete with. Booking momentum for the sector looks encouraging, with many operators anecdotally reporting strong reservation data as restrictions ease. We believe that just like the first lockdown, Fridays will see a quick rebound in trading and should gain market share in the casual dining sector as the small independent players exit near term. CGA reported that 19.4% of the Casual Dining restaurant market was closed as at the end of April 2021 vs pre-pandemic levels and we expect more units to close as we continue to trade through the year.

Consumer demand: We believe that the propensity to eat out remains strong among consumers. Our latest [UK: Anatomy of the consumer 2021](#) (19 March 2021) report highlights that consumers maintained eating out as one of their 'Top 3' choices for leisure activities after paying all their household bills and expenses (64% of respondent's vs 65% in our January 2020 Survey).

NAV upgrade: In Electra's March update, the reported Group NAV increased 45% from September 2020 to GBP197m (514.3p per share). This includes the valuation of Fridays increasing 37% to GBP146.2m, Hotter Shoes increasing 300% to GBP19.2m, and the Sentinel business being sold for GBP22.2m (c2x its prior NAV). Electra calculates its new Group NAV on conservative assumptions of recovery to pre COVID-19 earning levels, but does not consider the improvements made to each business, or the reduction in competitors. This is especially important for Fridays, where Electra acknowledges that if industry sales return to FY19 levels, Fridays sales could grow more than 5% and EBITDA 28% higher than FY19 levels. We believe it more appropriate to use these assumptions (rather than a return to pre-pandemic earnings levels) to value Fridays. EBITDA 28% above pre-pandemic levels derives a much higher valuation for an asset that contributes >80% of Electra's Group NAV.

Valuation: Electra has said it will dispose of its investments by end-2021, via a demerger of Fridays in Q3 and listing of Hotter Shoes on the AIM market via reclassification of Electra in Q4. Consequently, we do not forecast results for FY21 onwards. We value Fridays and Hotter Shoes based on EV/EBITDA methodology and other businesses in line with the reported NAV, but believe the valuation for Fridays should be in line with hospitality peers. Our TP is now 840p (from 327p) and we maintain our Buy rating on Electra.

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Equities Diversified Financial Svcs

United Kingdom



MAINTAIN BUY

TARGET PRICE (GBPp)

840

PREVIOUS TARGET (GBPp)

327

SHARE PRICE (GBPp)

640

UPSIDE/DOWNSIDE

+31.3%

(as of 26 May 2021)

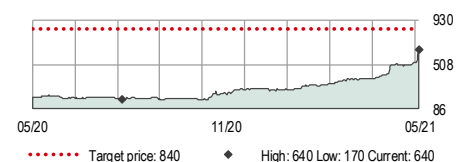
MARKET DATA

Market cap (GBPm)	245	Free float	70%
Market cap (USDm)	346	BBG	ELTA LN
3m ADTV (USDm)	0	RIC	ELTA.L

FINANCIALS AND RATIOS (GBPp)

Year to	09/2020a	09/2021e	09/2022e	09/2023e
HSBC EPS	-156.39	0.00	0.00	0.00
HSBC EPS (prev)	-156.39	-4.44	-5.22	na
Change (%)	0.0	nm	nm	na
Consensus EPS	-5.22	-4.44	-5.22	-
PE (x)	nm	nm	nm	nm
Dividend yield (%)	4.8	0.0	0.0	0.0
EV/EBITDA (x)	nm	nm	nm	nm
ROE (%)	-34.7	0.0	0.0	0.0

52-WEEK PRICE (GBPp)



Source: Refinitiv IBES, HSBC estimates

Ali Naqvi*

Analyst
HSBC Bank plc
ali.naqvi@hsbc.com
+44 20 7992 2176

Joseph Thomas*

Analyst
HSBC Bank plc
joe.thomas@hsbcib.com
+44 20 7992 3618

* Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/ qualified pursuant to FINRA regulations

Issuer of report: HSBC Bank plc

View HSBC Global Research at:
<https://www.research.hsbc.com>

Financials & valuation: Electra Private Equity

Buy

Financial statements

Year to	09/2020a	09/2021e	09/2022e	09/2023e
Profit & loss summary (GBPm)				
Revenue	-57	0	0	0
EBITDA	-60	0	0	0
Depreciation & amortisation	0	0	0	0
Operating profit/EBIT	-60	0	0	0
Net interest	0	0	0	0
PBT	-60	0	0	0
HSBC PBT	-60	0	0	0
Taxation	0	0	0	0
Net profit	-60	0	0	0
HSBC net profit	-60	0	0	0
Cash flow summary (GBPm)				
Cash flow from operations	-63	-1	0	0
Capex	0	0	0	0
Cash flow from investment	17	0	0	0
Dividends	-12	0	0	0
Change in net debt	0	-2	0	0
FCF equity	-63	-1	0	0
Balance sheet summary (GBPm)				
Intangible fixed assets	0	0	0	0
Tangible fixed assets	0	0	0	0
Current assets	8	18	18	18
Cash & others	1	3	3	3
Total assets	136	228	228	228
Operating liabilities	1	0	0	0
Gross debt	0	0	0	0
Net debt	-1	-3	-3	-3
Shareholders' funds	135	228	228	228
Invested capital	6	15	15	15

Ratio, growth and per share analysis

Year to	09/2020a	09/2021e	09/2022e	09/2023e
Y-o-y % change				
Revenue	-265.3			
EBITDA	-278.4			
Operating profit	-278.4			
PBT	-286.3			
HSBC EPS	-286.7			
Ratios (%)				
Revenue/IC (x)	-3.4	0.0	0.0	0.0
ROIC	-354.5	0.0	0.0	0.0
ROE	-34.7	0.0	0.0	0.0
ROA	-34.4	0.0	0.0	0.0
EBITDA margin	104.4	0.0	0.0	0.0
Operating profit margin	104.4	0.0	0.0	0.0
EBITDA/net interest (x)				
Net debt/equity	-0.9	-1.3	-1.3	-1.3
Net debt/EBITDA (x)	0.0			
CF from operations/net debt				
Per share data (GBPp)				
EPS Rep (diluted)	-156.39	0.00	0.00	0.00
HSBC EPS (diluted)	-156.39	0.00	0.00	0.00
DPS	31.00	0.00	0.00	0.00
Book value	353.24	595.57	595.57	595.57

Valuation data

Year to	09/2020a	09/2021e	09/2022e	09/2023e
EV/sales				
EV/EBITDA	nm	nm	nm	nm
EV/IC	20.7	2.1	2.1	2.1
PE*	nm	nm	nm	nm
PB	1.8	1.1	1.1	1.1
FCF yield (%)	-25.5	-0.4	0.0	0.0
Dividend yield (%)	4.8	0.0	0.0	0.0

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	09/2020a	Governance Indicators	09/2020a
GHG emission intensity*	[n/a]	No. of board members	6
Energy intensity*	[n/a]	Average board tenure (years)	3.7
CO ₂ reduction policy	No	Female board members (%)	16.7
Social Indicators		Board members independence (%)	16.7
Employee costs as % of revenues	[n/a]		
Employee turnover (%)	[n/a]		
Diversity policy	Yes		

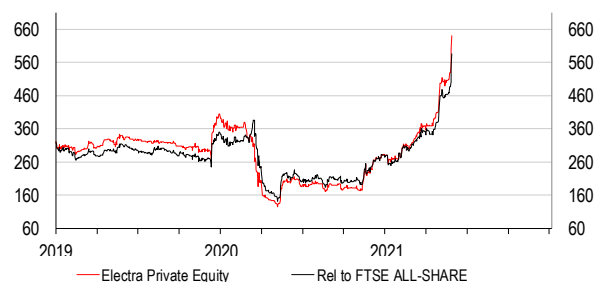
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (GBPp)	640	Free float	70%
Target price (GBPp)	840	Sector	Diversified Financial Services
RIC (Equity)	ELTA.L	Country/Region	United Kingdom
Bloomberg (Equity)	ELTA LN	Analyst	Ali Naqvi
Market cap (USDm)	346	Contact	+44 20 7992 2176

Price relative



Source: HSBC

Note: Priced at close of 26 May 2021

Interim update

The Group's reported NAV on 31 March 2021 was GBP196.9m (514.3p per share), compared to the September 2020 valuation of GBP135.3m (353.4p per share), with the valuation of the three largest investments (Fridays, Hotter, and Sentimental) together now above pre COVID-19 levels.

Early indications of post reopening trading are very positive, with Fridays' Scottish stores recording 14% LFL sales growth vs 2019 levels in the three weeks following reopening on 26 April 2021, despite being unable to serve alcohol and closing at 8pm. The first 3 days of business following reopening across England and Wales on 17 May has shown LFL growth of +76% vs 2019, reflecting a release of pent-up demand following the national lockdown, as well as highlighting the opportunity from spreading demand throughout the week.

The group intends to demerge Fridays into the FTSE main market in Q3 and to bring Hotter shoes onto the AIM market through reclassification of Electra in Q4.

The sustainable development of the dine-in offering continues with the opening of Fridays in Lincoln and the first "63rd + 1st" in Cobham, resulting in a trading estate of 87 restaurants. A further three Fridays and four "63rd + 1st" are in the pipeline for opening over the coming months. The development of Fridays' Delivery and Digital channels accelerated during the pandemic and will continue to form part of Fridays' development strategy going forward.

Fridays NAV growth scenario

Electra expects to benefit from the contraction of competition and improved operating models as sites opens to trade again. Management has calculated what they believe sales and EBITDA growth could be if the sector were to trade at certain levels of LFL growth vs industry levels in FY19. In the table below we show the potential impact of management's scenarios on our valuation of the company:

Sensitivity

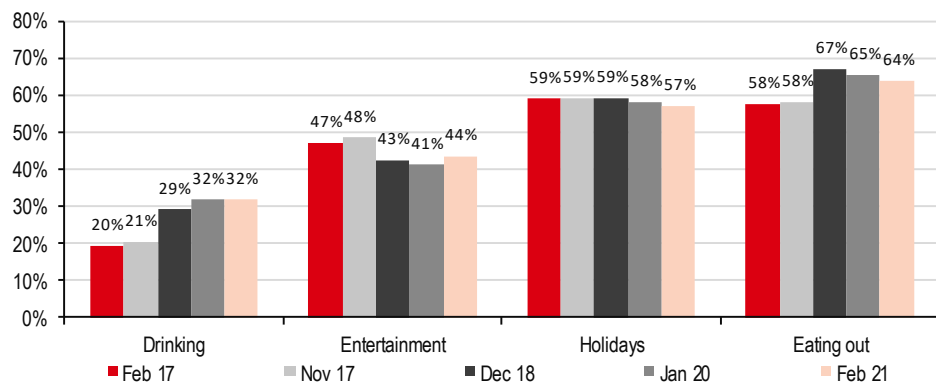
LFL sales vs 2019	Sales growth	EBITDA growth	Possible impact on valuation
0% (base case)	5%	28%	0%
5%	11%	43%	13%
8%	14%	52%	21%
10%	16%	61%	29%

Source: Company data, HSBC estimates

Latent demand

Our latest consumer survey, which was completed in February 2021 ([UK: Anatomy of the consumer 2021](#), 19 March 2021), highlights that eating out trends remain strong, with consumers maintaining eating out as a 'Top 3' choice for leisure activities after paying all their household bills and expenses, as shown in the chart below. There was a marginal decline in selection of eating out vs our survey results last year. However, it still remains ahead of holidays, entertainment, and drinking out.

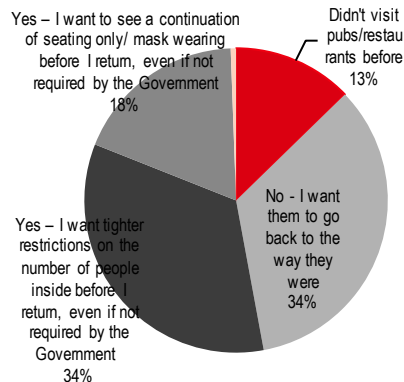
After you have paid all your household bills and expenses, which of the below do you most like spending money on? (Leisure Sector categories – Top 3 responses)



Source: HSBC, Toluna analytics survey

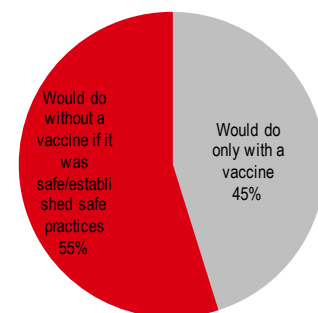
The willingness of people to return to pubs, restaurants, and bars shows no clear trend, with nearly third of respondents wanting to go back to the way things were before the pandemic and a broadly similar percentage of respondents preferring tighter restriction on the number of people allowed inside, even when not required by government. In terms of vaccinations, c55% of respondents who visit Pubs/Restaurants indicated that they would be comfortable visiting them without vaccination if proper safety standards are maintained.

When you return to pubs/bars and restaurants, would you expect to see modifications to the offer



Source: HSBC, Toluna analytics survey

Would you visit pubs/restaurants with/without a vaccine



Source: HSBC, Toluna analytics survey

Valuation & risks

We believe that market conditions for the hospitality industry have improved significantly over last few months. This is partially reflected in Electra's Group NAV, which increased 45% as of end-March (vs end-September). The reported NAV only includes the recovery towards 2019 levels, but not any improvement in Group businesses. This suggest a potential for further upside in the Group NAV, in our view.

In this report, we revise our valuation methodology. Previously, we valued the combined business based on the latest reported NAV. We now value Electra's businesses separately and continue to assume that the disposal of its assets will be actually completed by end-2021 (consequently, we make no changes to our estimates).

Valuation

GBPm	EBITDA	multiple	EV	net debt	valuation
Fridays	32.7	10	327	62	265.0
Hotter Shoes	5.4	7	37.8	12	25.8
Sentinel					22.2
Others					9.2
Total Valuation					323.2
Number of shares					38.3
TP - rounded off (p)					840.0

Source: HSBC estimates

Fridays: Management's conservative valuation approach for Fridays (assuming a return to pre-pandemic profitability) does not factor in the changes in Fridays business, new revenue initiatives, new operating model, or indeed the reduction in competition in the sector. However, Electra does acknowledge that Fridays will benefit from all these structural changes and believe that if industry sales were to return to FY19 levels, Fridays sales would grow over 5% and EBITDA by 28% (to GBP32.7m), even with 0% LFL growth vs 2019.

In our view, Fridays should be valued on its new business model. As a result, we value Fridays by multiplying management's estimate of pro-forma recovered EBITDA of GBP32.7m by a target EV/EBITDA multiple of 10x, which is broadly in line with the average trading multiple for the following high quality leisure companies within the Hospitality sector: JD Wetherspoon (JDW LN, CMP 1,370p, Buy); Restaurant Group (RTN LN, CMP 126p, Buy); and Mitchell & Butlers (MAB LN, CMP 320p, Buy). Deducting Fridays net debt of GBP62m, we come to a valuation of 265m.

Hotter Shoes: We use pro-forma EBITDA of GBP5.4m (based on management expectations of what Hotter Shoes' new operating model could deliver) and a target multiple of 7x (a 30% discount to our target multiple for Fridays as this is a typical multiple that private equity asset trade at). This results in a valuation of GBP26m after subtracting Hotter Shoes net debt of GBP12m.

Sentinel: We use the sale value for Sentinel of GBP22.2m, while we value Other (SPC, Others, cash & cash equivalents, and other net liabilities) equal to March NAV at GBP9.2m.

Remaining assets: We arrive at a net asset valuation of GBP301m after subtracting GBP10m (26p per share) M&A fees and operating costs we expect until the wind-down of Electra.

Our adjusted NAV-based TP increases to 840p (from 327p), which implies 31% upside and we maintain our Buy rating.

Downside risks include: (1) disposal of TGI Fridays at a price below NAV value; (2) disappointing performance of TGI Fridays due to lack of recovery in consumer spending in the UK, and/or further negative consequences from the COVID-19 pandemic or any other reasons, (3) Electra's inability to realise a significant proportion of its portfolio value in the planned timeframe.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Ali Naqvi and Joseph Thomas

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 27 May 2021, the distribution of all independent ratings published by HSBC is as follows:

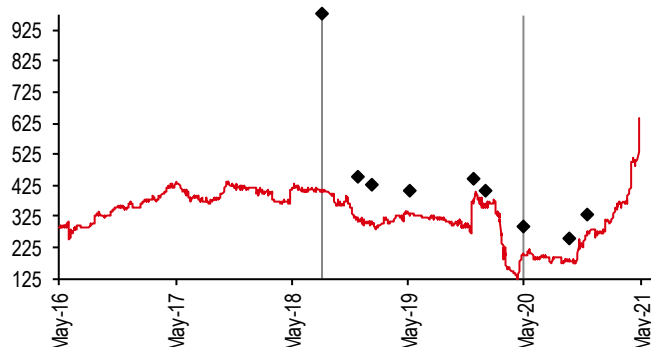
Buy	58%	(29% of these provided with Investment Banking Services)
Hold	34%	(28% of these provided with Investment Banking Services)
Sell	8%	(25% of these provided with Investment Banking Services)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

Share price and rating changes for long-term investment opportunities

Electra Private Equity (ELTA.L) share price performance GBp Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Restricted	Hold	28 Aug 2018	Pierre Bosset
Hold	Buy	22 May 2020	Pierre Bosset

Target price	Value	Date	Analyst
Price 1	975	28 Aug 2018	Pierre Bosset
Price 2	450	20 Dec 2018	Pierre Bosset
Price 3	423	01 Feb 2019	Pierre Bosset
Price 4	407	04 Jun 2019	Pierre Bosset
Price 5	441	18 Dec 2019	Pierre Bosset
Price 6	404	27 Jan 2020	Pierre Bosset
Price 7	290	22 May 2020	Pierre Bosset
Price 8	250	15 Oct 2020	Pierre Bosset
Price 9	327	14 Dec 2020	Pierre Bosset

Source: HSBC

To view a list of all the independent fundamental ratings disseminated by HSBC during the preceding 12-month period, please use the following links to access the disclosure page:

Clients of Global Research and Global Banking and Markets: www.research.hsbc.com/A/Disclosures

Clients of HSBC Private Banking: www.research.privatebank.hsbc.com/Disclosures

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
ELECTRA PRIVATE EQUITY	ELTA.L	6.40	26 May 2021	2, 5, 7

Source: HSBC

- HSBC has managed or co-managed a public offering of securities for this company within the past 12 months.
- HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- As of 30 April 2021, HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- As of 31 March 2021, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- As of 31 March 2021, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking securities-related services.

- 7 As of 31 March 2021, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company
- 12 As of 24 May 2021, HSBC beneficially held a net long position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.
- 13 As of 24 May 2021, HSBC beneficially held a net short position of more than 0.5% of this company's total issued share capital, calculated according to the SSR methodology.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Non-U.S. analysts may not be associated persons of HSBC Securities (USA) Inc, and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts.

Economic sanctions imposed by the EU, the UK, the USA, and certain other jurisdictions generally prohibit transacting or dealing in any debt or equity issued by Russian SSI entities on or after 16 July 2014 (Restricted SSI Securities). Economic sanctions imposed by the USA also generally prohibit US persons from purchasing or selling publicly traded securities issued by companies designated by the US Government as "Communist Chinese military companies" (CMCs) or any securities that are derivative of, or designed to provide investment exposure, to the targeted CMC securities (collectively, Restricted CMC Securities). This report does not constitute advice in relation to any Restricted SSI Securities or Restricted CMC Securities, and as such, this report should not be construed as an inducement to transact in any Restricted SSI Securities or Restricted CMC Securities.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research. HSBC Private Banking clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

- 1 This report is dated as at 28 May 2021.
- 2 All market data included in this report are dated as at close 26 May 2021, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.
- 5 HSBC is Corporate Broker to: ELECTRA PRIVATE EQUITY

Production & distribution disclosures

1. This report was produced and signed off by the author on 27 May 2021 21:57 GMT.
2. In order to see when this report was first disseminated please see the disclosure page available at <https://www.research.hsbc.com/R/34/x2Pkbcl>

Disclaimer

Legal entities as at 1 December 2020

'UAE' HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc.; 'France' HSBC Continental Europe; 'Spain' HSBC Continental Europe, Sucursal en España; 'Italy' HSBC Continental Europe, Italy; 'Sweden' HSBC Continental Europe Bank, Sweden Filial; 'DE' HSBC Trinkaus & Burkhardt AG, Düsseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; HSBC Bank plc, London, Tel Aviv; 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR; The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch; PT Bank HSBC Indonesia; HSBC Qianhai Securities Limited; Banco HSBC S.A.

Issuer of report

HSBC Bank plc
8 Canada Square
London, E14 5HQ, United Kingdom
Telephone: +44 20 7991 8888
Fax: +44 20 7992 4880
Website: www.research.hsbc.com

In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. If this research is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services

In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports pursuant to Regulation 32C(1)(d) of the Financial Advisers Regulations. This publication is not a prospectus as defined in the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details.

In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

This publication has been distributed in Japan by HSBC Securities (Japan) Limited. It may not be further distributed, in whole or in part, for any purpose. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business for the information of its institutional and professional customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited makes no representations that the products or services mentioned in this document are available to persons in Hong Kong or are necessarily suitable for any particular person or appropriate in accordance with local law. All inquiries by such recipients must be directed to The Hongkong and Shanghai Banking Corporation Limited. In Korea, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. HBAP SLS is regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR.

In Canada, this document has been distributed by HSBC Securities (Canada) Inc. (member IIROC), and/or its affiliates. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offense. In Brazil, this document has been distributed by Banco HSBC S.A. ("HSBC Brazil"), and/or its affiliates. As required by Instruction No. 598/18 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures".

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed.

HSBC Bank plc is registered in England No 14259, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. (070905)

If you are an HSBC Private Banking ("PB") customer with approval for receipt of relevant research publications by an applicable HSBC legal entity, you are eligible to receive this publication. To be eligible to receive such publications, you must have agreed to the applicable HSBC entity's terms and conditions for accessing research and the terms and conditions of any other internet banking service offered by that HSBC entity through which you will access research publications ("the Terms"). Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. If you do not meet the aforementioned eligibility requirements please disregard this publication and, if you are a customer of PB, please notify your Relationship Manager. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by PB.

© Copyright 2021, HSBC Bank plc, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank plc. MCI (P) 028/02/2021, MCI (P) 087/10/2020

[1171880]