

BUY

TP: Rs 440 | ▲ 106%

**HINDUSTAN
PETROLEUM CORP**

Oil & Gas

07 August 2020

Marketing margins bolster earnings

HPCL's Q1FY21 PAT outperformed at Rs 28bn as marketing margins surged to historical highs – a trend which reaffirms our preference for the OMC business model. GRMs underperformed at –US\$ 0.87/bbl (ex-inventory gains), but matched the benchmark. Stable refining throughput was a surprise. We raise FY21/FY22 earnings estimates by 12%/15% as we reset marketing margins higher while pruning GRM assumptions. Rolling valuations forward, we arrive at a revised Sep'21 TP of Rs 440 (from Rs 350).

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

Marketing margin surge shores up earnings: HPCL's marketing margins more than doubled YoY to an all-time high of Rs 5,512/mt in Q1 (indicative marketing EBITDA at Rs 42bn, ex-inventory gains). This surge more than made up for a 25% YoY decline in sales volume to 7.62mmt. While margins are expected to normalise at lower levels from Q2FY21, we raise our FY21/FY22 marketing margin assumptions to ~Rs 3,750/mt (from Rs 2,300/mt) as the trend remains robust. Marketing volumes are expected to normalise to pre-Covid levels by end-Q2.

Ticker/Price	HPCL IN/Rs 214
Market cap	US\$ 4.3bn
Shares o/s	1,524mn
3M ADV	US\$ 22.3mn
52wk high/low	Rs 329/Rs 150
Promoter/FPI/DII	51%/16%/33%

Source: NSE

GRMs muted but sharp recovery in operating parameters: Refining throughput was well above estimates at ~4mmt (+1% YoY), implying negligible impact from the lockdown. GRMs stayed muted and the outlook is weak through FY21 as benchmark Singapore GRMs remain negative. We cut FY21/FY22 GRM estimates to US\$ 2/US\$ 3 (from US\$ 4/US\$ 4.5). In the current environment, HPCL's relatively high exposure to marketing business volumes (vs. OMC peers) is proving to be a big advantage.

STOCK PERFORMANCE



Source: NSE

Valuations undemanding: At 3.5x FY22E EBITDA, valuations seem to be pricing in the worst case. A favourable outcome from BPCL's proposed privatisation could trigger a rerating in multiples.

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20P	FY21E	FY22E	FY23E
Total revenue (Rs mn)	2,742,552	2,679,238	1,917,613	2,472,832	3,217,817
EBITDA (Rs mn)	103,490	44,947	149,138	152,040	172,015
Adj. net profit (Rs mn)	66,900	36,417	76,878	92,731	111,069
Adj. EPS (Rs)	43.9	23.9	50.4	60.8	72.9
Adj. EPS growth (%)	(7.3)	(45.6)	111.1	20.6	19.8
Adj. ROAE (%)	23.9	13.1	29.0	31.9	34.7
Adj. P/E (x)	4.9	8.9	4.2	3.5	2.9
EV/EBITDA (x)	4.0	9.4	3.4	3.5	3.0

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – QUARTERLY PERFORMANCE

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Net sales	374,982	707,105	(47.0)	658,685	(43.1)
Purchases	228,980	511,730	(55.3)	475,398	(51.8)
% of sales	61.1	72.4	-	72.2	-
Other expenditure	104,692	181,720	(42.4)	193,217	(45.8)
% of sales	27.9	25.7	-	29.3	-
EBITDA	41,310	13,655	202.5	(9,930)	-
EBITDA margin (%)	11.0	1.9	470.5	(1.5)	-
Depreciation and amortisation	8,661	8,151	6.3	8,114	6.7
Interest	3,217	2,063	55.9	3,374	(4.7)
Other income	7,852	8,949	(12.3)	7,105	10.5
PBT	37,284	12,390	-	(14,313)	-
Exceptional item	-	-	-	-	-
Provision for tax	9,146	4,281	-	(14,581)	-
PAT (reported)	28,138	8,110	247.0	268	10,399.4
Other comprehensive income	(44)	-	-	(3,643)	-
Total income	28,094	8,110	-	(3,375)	-
NPM (%)	7.5	1.1	-	0.0	-
EPS (reported) (Rs)	18.4	5.3	246.4	(2.2)	-
Pipeline throughput (mmt)	3.5	5.3	(33.7)	5.7	(38.1)

Source: Company, BOBCAPS Research

FIG 2 – SEGMENT-WISE PERFORMANCE

	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Crude throughput (mmt)	3.97	3.92	1.3	4.54	(12.6)
GRM (US\$/bbl)	0.04	0.75	(94.7)	(1.23)	-
Normalised GRMs (US\$/bbl)	(0.87)	3.33	-	9.49	-
Refining EBITDA (Rs mn)	(5,219)	(4,040)	29.2	(8,746)	(40.3)
Refining EBITDA (US\$/bbl)	(2.4)	(2.0)	16.8	(3.6)	(35.0)
Inventory gains/ (loss) (Rs mn)	2,010	(5,160)	-	(25,840)	-
Inventory gains/ (loss) (US\$/bbl)	0.91	(2.58)	-	(10.72)	-
Exchange fluctuation gain/(loss) (Rs mn)	280	880	(68.2)	50	-
Adjusted Refining EBITDA (Rs mn)	(7,509)	240	-	17,044	-
Adjusted Refining EBITDA (US\$/bbl)	(3.40)	0.12	-	7.07	-
Market sales (mmt):	7.62	10.09	(24.5)	9.57	(20.4)
Domestic sales	7.24	9.82	(26.3)	9.25	(21.7)
Exports	0.38	0.27	40.7	0.32	18.8
Marketing EBITDA (Rs mn)	46,529	20,340	128.8	(1,184)	-
Marketing EBITDA (Rs/MT)	6,106	2,016	202.9	(124)	-
Inventory gains/ (loss) (Rs mn)	4,320	(200)	-	(15,290)	-
Inventory gains/ (loss) (Rs/MT)	567	(20)	-	(1,598)	-
Exchange fluctuation gain/(loss) (Rs mn)	210	1,060	(80.2)	(9,800)	-
Adj. Marketing EBITDA (Rs mn)	41,999	19,480	115.6	23,906	75.7
Adj. Marketing EBITDA (Rs/MT)	5,512	1,931	185.5	2,498	120.6
Others EBITDA (Rs mn)	na	6,300	-	-	-
Reported EBITDA (Rs mn)	41,310	13,655	202.5	(9,930)	-

Source: Company, BOBCAPS Research

Earnings call highlights

- Marketing volumes were at 35%, 65% and 85% of pre-Covid levels in April, May and June respectively. It will take a while for volumes to reach >90%. Management sees 90-100% of demand recovery occurring towards the end of Q2FY21.
- Marketing margins are expected to normalise henceforth, with the abnormally high margins seen during Q1 unlikely to sustain. Margins were down by 20% on average for other industrial products such as lubricants and bitumen.
- International product prices picked up during the quarter which led to inventory gains in the marketing segment.
- Once product demand gains traction, product cracks will improve, in turn aiding better GRMs.
- HPCL sold an average of 1.25mn LPG refill cylinders every day during the quarter.
- Refinery expansion at Vizag, Mumbai and Rajasthan along with other pipeline developments are in progress.
- As of 30 June, inventory stood at 1,283tmt for crude and ~3,000tmt for products. For refinery, the inventory is 10-15 days.
- During Q1FY21, the company commissioned 231 retail outlets.

Valuation methodology

We raise FY21/FY22 earnings estimates by 12%/15% as we reset marketing margins higher while pruning GRM assumptions. Though margins are expected to normalise at lower levels from Q2FY21, we increase our FY21/FY22 marketing margin assumptions to ~Rs 3,750/mt (from Rs 2,300/mt) as the trend remains robust. Marketing volumes are expected to normalise to pre-Covid levels by end-Q2.

GRMs stayed muted and the outlook is weak through FY21 as benchmark Singapore GRMs remain negative. We cut FY21/FY22 GRM estimates to US\$ 2/US\$ 3 (from US\$ 4/US\$ 4.5 a barrel). In the current environment, HPCL's relatively high exposure to marketing business volumes (vs. OMC peers) is proving to be a big advantage.

At 3.5x FY22E EBITDA, valuations seem to be pricing in the worst case. A favourable outcome from BPCL's proposed privatisation could trigger a rerating in multiples. Rolling valuations forward, we arrive at a revised Sep'21 SOTP-based target price of Rs 440 (from Rs 350). Maintain BUY.

Valuation multiples for our SOTP model remain unchanged as follows:

- refining business valued at 6x Sep'22E EBITDA, and
- marketing business valued at 5x Sep'22E EBITDA.

FIG 3 – REVISED ESTIMATES

(Rs mn)	FY21E			FY22E			FY23E
	Old	New	Var (%)	Old	New	Var (%)	New
Revenue	1,879,918	1,918,031	2.0	2,449,691	2,473,251	1.0	3,218,235
EBITDA	111,025	149,138	34.3	128,480	152,040	18.3	172,015
EBITDA margin (%)	5.9	7.8	-	5.2	6.1	-	5.3
PAT	68,645	76,577	11.6	79,839	91,566	14.7	109,335
EPS (Rs)	45.0	50.2	11.6	52.4	60.1	14.6	71.7

Source: Company, BOBCAPS Research

FIG 4 – SOTP VALUATION SUMMARY

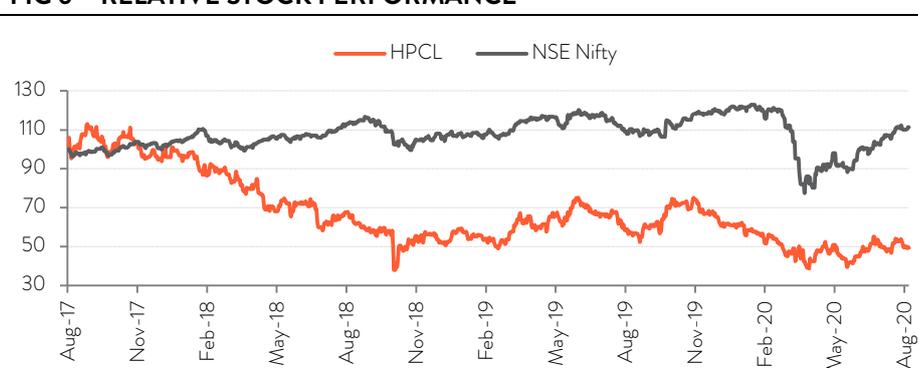
	EV (Rs bn)	Value (Rs/sh)	Comments
Refining Business	29	19	6x Sep'22E EBITDA
Marketing & others	786	516	5x Sep'22E EBITDA
Bhatinda refinery	-	-	Nil valuation on losses
Total core business	815	535	-
Less: Net debt	154	101	Adjusted for Bhatinda stake
Equity Value of core businesses	661	434	-
MRPL stake	8	5	20% discount to CMP
OIL stake	3	2	20% discount to CMP
HPCL's Equity Value (Rs)	672	440	7.2x FY22E EPS

Source: Company, BOBCAPS Research

FIG 5 – KEY ASSUMPTIONS

	FY21E	FY22E	FY22E
USDINR (Rs)	76.0	78.0	80
Crude price (US\$/bbl)	35.0	40.0	45.0
Mumbai & Vizag refineries			
GRM (US\$/bbl)	2.0	3.0	3.5
Crude throughput (mmt)	24.4	28.5	28.5
HMEL (Bhatinda)			
GRM (US\$/bbl)	7.0	8.0	10.0
Crude throughput (mmt)	12.0	12.0	12.0
Product sales (mmt)	40.7	43.4	46.4

Source: BOBCAPS Research

FIG 6 – RELATIVE STOCK PERFORMANCE

Source: NSE

Key risks

- **Extended global slowdown:** HPCL's valuations are highly sensitive to GRMs and marketing margins. An extended global economic slowdown due to the current pandemic may alter our valuation outlook and GRM/marketing margins assumptions.
- **Surge in oil prices:** Oil prices (>US\$ 70/bbl levels) could lead to concerns, such as government control on marketing margins for retail sales of petrol and diesel.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Total revenue	2,742,552	2,679,238	1,917,613	2,472,832	3,217,817
EBITDA	103,490	44,947	149,138	152,040	172,015
Depreciation	(30,853)	(33,699)	(29,734)	(33,217)	(36,700)
EBIT	72,637	11,248	119,404	118,823	135,315
Net interest income/(expenses)	(7,856)	(11,389)	(20,382)	(25,173)	(34,276)
Other income/(expenses)	26,315	28,494	21,454	42,820	49,775
Exceptional items	0	10,029	0	0	0
EBT	91,095	28,354	120,476	136,470	150,815
Income taxes	(33,486)	12,644	(31,565)	(35,505)	(39,745)
Min. int./Inc. from associates	(9,291)	4,582	12,033	8,233	0
Reported net profit	66,900	46,446	76,878	92,731	111,069
Adjusted net profit	66,900	36,417	76,878	92,731	111,069

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Accounts payables	190,534	114,688	108,517	145,792	194,870
Other current liabilities	45,261	35,085	39,555	51,908	68,124
Provisions	23,951	26,852	26,852	26,852	26,852
Debt funds	260,365	393,858	382,916	422,916	522,916
Other liabilities	250,108	288,774	295,287	302,623	310,843
Equity capital	15,242	15,242	15,242	15,242	15,242
Reserves & surplus	288,765	237,824	261,203	289,545	319,739
Shareholders' fund	304,007	253,066	276,445	304,787	334,982
Total liabilities and equities	1,074,226	1,112,322	1,129,571	1,254,878	1,458,587
Cash and cash eq.	2,185	2,231	37,422	7,856	35,137
Accounts receivables	56,674	39,342	42,039	54,208	70,537
Inventories	204,436	193,260	195,331	262,426	350,767
Other current assets	133,591	128,957	128,957	128,957	128,957
Investments	142,975	143,956	173,956	208,956	243,956
Net fixed assets	439,011	432,712	480,378	524,562	565,262
CWIP	95,187	171,698	71,321	67,889	64,456
Intangible assets	167	167	167	167	167
Total assets	1,074,226	1,112,322	1,129,572	1,255,021	1,459,238

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20P	FY21E	FY22E	FY23E
Net income + Depreciation	97,549	60,086	106,612	125,722	147,305
Changes in working capital	21,035	(11,314)	44	(22,300)	(31,155)
Other operating cash flows	(26,315)	(38,523)	(21,454)	(42,639)	(49,403)
Cash flow from operations	92,269	10,249	85,202	60,783	66,747
Capital expenditures	(138,126)	(103,910)	22,976	(73,968)	(73,968)
Change in investments	(13,311)	1,629	(3,000)	(3,000)	(3,000)
Other investing cash flows	25,471	25,883	(5,546)	10,639	17,403
Cash flow from investing	(125,966)	(76,398)	14,430	(66,329)	(59,564)
Debt raised/repaid	40,845	133,493	(10,942)	40,000	100,000
Dividends paid	(28,355)	(28,355)	(53,500)	(64,200)	(78,466)
Other financing cash flows	10,340	(38,943)	0	0	0
Cash flow from financing	22,830	66,195	(64,441)	(24,200)	21,534
Changes in cash and cash eq.	(10,867)	46	35,191	(29,745)	28,717
Closing cash and cash eq.	2,185	2,231	37,422	7,677	36,581

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20P	FY21E	FY22E	FY23E
Reported EPS	43.9	30.5	50.4	60.8	72.9
Adjusted EPS	43.9	23.9	50.4	60.8	72.9
Dividend per share	15.9	15.9	30.0	36.0	44.0
Book value per share	199.5	166.0	181.4	200.0	219.8

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20P	FY21E	FY22E	FY23E
EV/Sales	0.2	0.2	0.3	0.2	0.2
EV/EBITDA	4.0	9.4	3.4	3.5	3.0
Adjusted P/E	4.9	8.9	4.2	3.5	2.9
P/BV	1.1	1.3	1.2	1.1	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20P	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	73.4	94.9	63.8	68.0	73.6
Interest burden (PBT/EBIT)	125.4	341.2	100.9	114.9	111.5
EBIT margin (EBIT/Revenue)	2.6	0.4	6.2	4.8	4.2
Asset turnover (Revenue/Avg TA)	278.3	245.1	171.1	207.4	237.1
Leverage (Avg TA/Avg Equity)	3.5	3.9	4.2	4.1	4.2
Adjusted ROAE	23.9	13.1	29.0	31.9	34.7

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY19A	FY20P	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	25.4	(2.3)	(28.4)	29.0	30.1
EBITDA	5.1	(56.6)	231.8	1.9	13.1
Adjusted EPS	(7.3)	(45.6)	111.1	20.6	19.8
Profitability & Return ratios (%)					
EBITDA margin	3.8	1.7	7.8	6.1	5.3
EBIT margin	2.6	0.4	6.2	4.8	4.2
Adjusted profit margin	2.4	1.4	4.0	3.8	3.5
Adjusted ROAE	23.9	13.1	29.0	31.9	34.7
ROCE	8.8	1.9	13.5	12.7	12.6
Working capital days (days)					
Receivables	7	7	8	7	7
Inventory	105	122	150	129	131
Payables	24	21	23	20	20
Ratios (x)					
Gross asset turnover	3.8	3.4	2.3	2.7	3.2
Current ratio	1.0	1.1	1.1	1.0	1.1
Net interest coverage ratio	9.2	1.0	5.9	4.7	3.9
Adjusted debt/equity	0.8	1.5	1.2	1.4	1.5

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

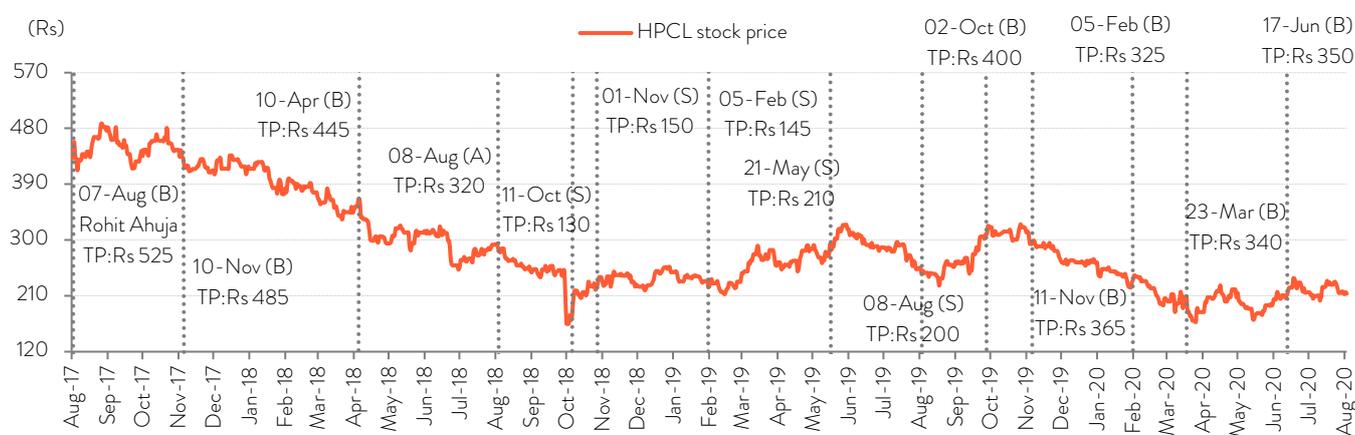
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): HINDUSTAN PETROLEUM CORP (HPCL IN)



B – Buy, A – Add, R – Reduce, S – Sell

Rating distribution

As of 31 July 2020, out of 96 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 46 have BUY ratings, 20 have ADD ratings, 11 are rated REDUCE and 19 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.