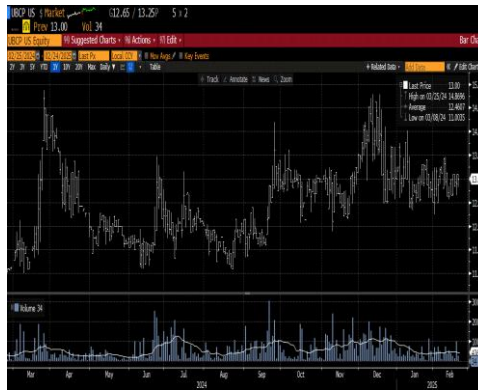


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Target Price	US\$ 20.00
Current Price	US\$ 13.00
Total Return	55%
Rating	BUY

Market Cap.	US\$79 mn
Shares Outstanding	5.9 mn
Free Float (%)	Approx. 88%
52 Week Range (US\$)	9.84 - 16.00
Avg. Daily Value	US\$ 19k
Russell 2000 Index	2,255
Insider Holding %	12%



Risk: Above Average
Forecasting and Valuations

(US\$mn except ratios)	2025E	2026E
Net Interest Income	25.5	26.9
Net Income	7.7	8.9
EPS (US\$)	1.40	1.60
EPS Growth	12.6%	14.3%
PE	9.3	8.1
Dividend Yield	7.0%	5.7%
Price/Book	1.1	1.0
ROE	12.0%	12.8%

Analyst:

Sandy Mehta, CFA
sandy@evaluateresearch.com

United Bancorp Inc. [UBCP] Q3 FY2024 Earnings Update

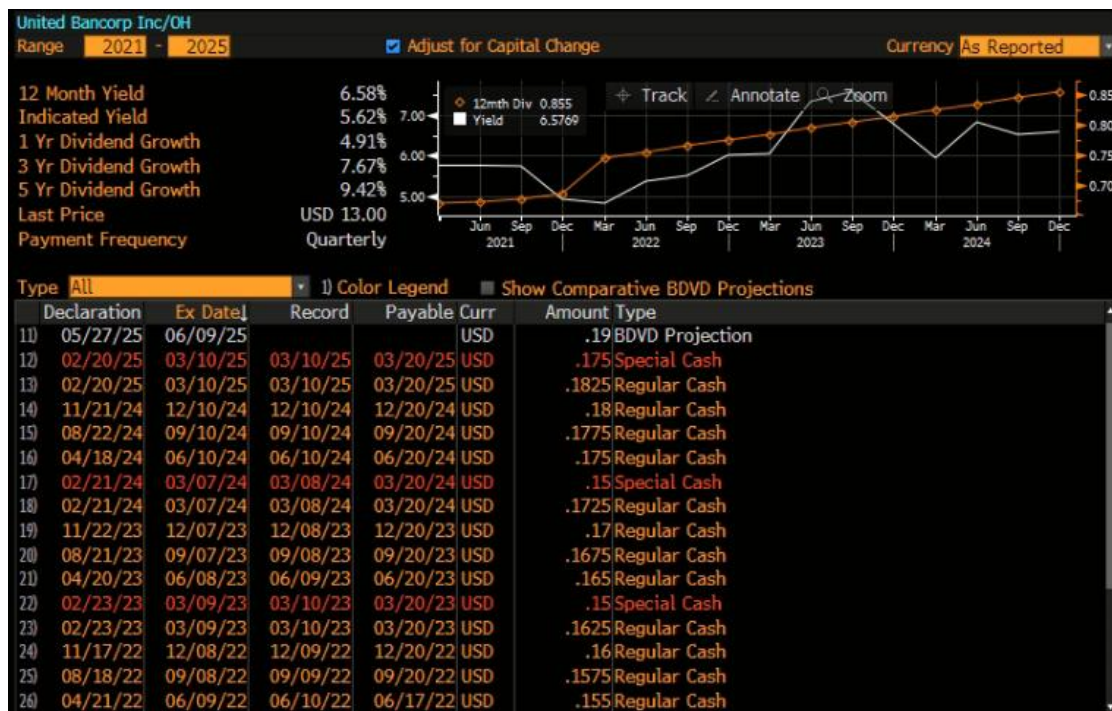
Industry: Banking Regional

21st Dividend Hike in a Row

21 Hikes in a Row & Still Going Strong; 7.0% Yield

United Bancorp's simply phenomenal dividend streak has entered its 5th year in row!! UBCP just reported *two more dividend hikes*, increasing its quarterly dividend to 18.25 cents per share, or an annualized run-rate level of \$0.73. Along with the special dividend of 17.50 cents declared in conjunction, the full-year total dividend works out to \$0.905, or a 7.0% dividend yield. Both the regular and special dividends will be payable on March 20th, to shareholders of record on March 10th. We believe the dividend hikes speak to management's confidence about the growth outlook for UBCP going forward.

Both the regular and special dividends were above our expectations. To be perfectly honest, all five of the dividend increases this past year, plus these two increases YTD, have been more than shareholders of any bank stock could have expected, given the challenging macro uncertainty for the entire sector relating to the economy, inflation and interest rates, and Fed policy, etc. Given the "higher for longer" difficult interest rate environment we discussed in our Earnings Update Note a couple weeks ago, this makes UBCP's dividend record over the past few years even more remarkable. We keep thinking that surely dividends won't rise further in the short-term, but the company continues to surprise and deliver for its shareholders.



The regular quarterly dividend has been hiked by 5.8% YoY. The dividend hike follows the observed pattern during the past few years now: 0.25 cents hike QoQ which translates to a 1.00 cent hike YoY. The trend in declaring special dividends once annually highlights the Board's keen focus on rewarding shareholders with a high yield.

Just the regular [not including the special] dividend annualized run-rate is now 5.6%. There are very few companies globally who can match this unrelenting string of dividend hikes over the past five years, and especially so in the banking sector where many firms have struggled to just maintain steady dividends.

The current regular dividend payout ratio is at a high level, but nonetheless still quite sustainable in our view, at 52% of our current year EPS forecast. As a reminder, UBCP had paid out as high as 63% of EPS via dividends as recently as 2018. Including the Special Dividend, the payout is 64% of 2025 expected earnings, which is towards the higher end of possible payout levels, in our opinion.

As mentioned in our recent Update Note, UBCP's total dividend is among the top 6% of all listed stocks in the US.

Solid Q4 and full-year 2024 Results – Feb 13th Update Note

We have published a detailed Earnings Update Note [dated February 13, 2025] a couple weeks back on UBCP's solid Q4 and full-year 2024 results, so we will not reiterate that commentary again today.

As mentioned in this earnings report, UBCP reported solid results for Q4 [ended December], which were slightly better than our expectations, and best described as “steady as she goes”. In a very challenging overall macro environment for the entire banking sector [large and small banks] due to sustained “higher for longer” Fed Reserve interest rates, just having consistent earnings without any untoward adverse surprises is a satisfactory outcome for management and shareholders alike. In times like this, and to use a sports parlance, the best offense is simply playing solid defense. In this regard, UBCP’s performance for both Q4 and YTD 2024 is commendable, and sets up the bank for stronger growth once broader bank sector conditions are more constructive, which is likely to emerge as this new year progresses.

UBCP reported \$0.31 for Q4, which was identical QoQ from \$0.31 in Q3, but lower than the record level of \$0.42 last year [which had benefited from large positive provisioning gains]. For full-year 2024, UBCP had reported \$1.27 in EPS, which was nominally higher than our most recent published estimates. It appears UBCP is seeing some “green shoots” with regard to loan growth, which grew 3.4% sequentially [or 13.4% annualized]. This follows strong 4.4% growth experienced during Q3. While the signs of loan growth picking up are still a bit tentative, it is nonetheless encouraging to see and is supported by high levels of optimism among small businesses nationwide.

Conclusion: \$20.00 Target; Reiterate Buy at 8.1x forward P/E, 7.0% Yield

We are maintaining our Buy rating and \$20.00 price target, implying over a 50% total return opportunity. Currently UBCP’s stock is trading at modest P/E multiples of 10.2x on trailing/actual 2024 results, and 9.3x on our 2025 and 8.1x on 2026 estimates. On a Price/Book basis, the stock is trading at a modest 1.2x as of the December-end 2024 book value. Our \$20.00 target would suggest a reasonable and modest 12.5x P/E multiple on our forward 2026 estimate.

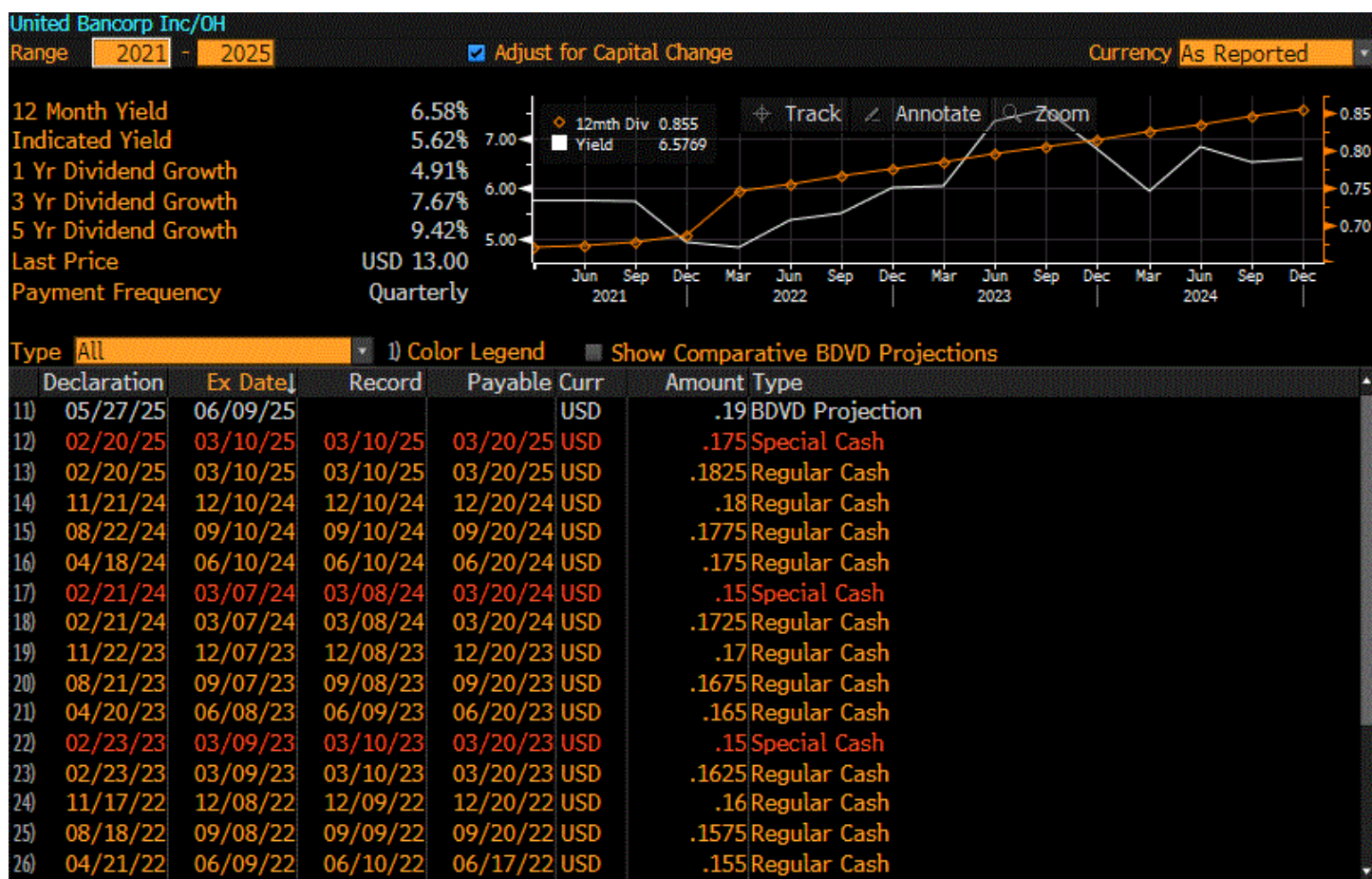
In terms of earnings, our 2025 estimate remains conservative due to the overall macro landscape, at \$1.40 in EPS. The “higher for longer” interest rate environment has no doubt pushed out an earnings recovery for the entire traditional bank sector. We do expect a sharp rebound in earnings next year on a more favorable macro environment. We believe our price target is both credible and achievable, given UBCP’s stock has actually traded as high as \$20.82 in 2022.

We are in the process of updating our forecast model pending release of complete IS and BS details in the 10K or Annual Report.

5 Year Price Chart



Dividend History



UNITED BANCORP UBCP

Income Statement [US\$ Thousands]

	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	CAGR (FY19-23)
Average Loans	360,424	387,054	423,479	438,848	444,539	454,761	469,070	488,923	508,521	528,902	550,101	
Average interest-earning Assets	415,714	491,313	599,986	645,562	664,024	693,269	734,687	774,301	801,490	833,591	866,977	
Net Interest Margin	3.82%	3.84%	3.67%	3.76%	3.48%	3.67%	3.65%	3.45%	3.65%	3.74%	3.74%	
Interest Income	17,651	21,320	27,034	27,628	24,707	27,662	36,849	39,216	33,980	35,679	37,463	
Interest Expense	1,764	3,178	6,123	4,734	2,596	3,274	11,014	14,800	7,800	8,034	8,275	
Net Interest Income	15,887	18,142	20,911	22,894	22,111	24,388	25,835	24,416	26,180	27,645	29,188	5.4%
Provision for Loan Losses	100	297	908	3,337	(1,255)	(955)	(454)	(250)	(400)	(400)	(400)	
Customer Service Fees	2,502	2,608	2,843	2,580	2,852	2,978	2,970	3,089	3,274	3,471	3,679	
Earnings on bank-owned insurance	471	477	533	706	802	708	694	777	777	777	777	
Net gains on loan sales	98	66	54	180	272	36	29	31	33	35	37	
Other	381	509	458	3,449	1,780	361	361	298	316	335	355	
Total Non-Interest Income	3,452	3,660	3,888	6,915	5,706	4,083	4,054	4,195	4,400	4,617	4,847	1.0%
Salaries & Employee Benefits	7,210	7,964	8,776	9,331	9,698	10,305	10,872	11,307	11,533	11,763	11,999	
Premises Costs & Equipments	2,071	2,140	2,263	2,406	2,364	2,217	2,328	2,351	2,375	2,398	2,422	
Professional Fees	825	2,173	1,292	1,232	1,217	1,451	1,495	1,539	1,586	1,633	1,682	
Other G&A	4,368	4,146	4,151	4,921	5,113	5,917	6,158	6,219	6,406	6,598	6,796	
Total Non-Interest Expenses	13,649	16,423	16,482	17,890	18,392	19,890	20,852	21,416	21,899	22,393	22,899	6.1%
Other Impairment	-	-	-	-	-	-	-	-	-	-	-	
Profit from JVs and associates	-	-	-	-	-	-	-	-	-	-	-	
Income before Taxes	5,590	5,082	7,409	8,582	10,681	9,536	9,491	7,444	9,081	10,269	11,536	
Income Tax expense	2,044	800	599	629	1,230	879	542	596	726	822	923	
Effective tax rate	36.6%	15.7%	8.1%	7.3%	11.5%	9.2%	5.7%	8.0%	8.0%	8.0%	8.0%	
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	
Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	
- Less Non-vested Restricted Stock	(115)	(214)	(256)	(200)	-	-	-	-	-	-	-	
Reported Net Income	3,431	4,068	6,554	7,753	9,451	8,657	8,949	6,849	8,354	9,447	10,613	8.1%
Underlying Net Income	3,431	4,068	6,554	7,753	9,451	8,657	8,949	6,849	8,354	9,447	10,613	8.1%
YoY	-3.3%	18.6%	61.1%	18.3%	21.9%	-8.4%	3.4%	-23.5%	22.0%	13.1%	12.3%	
Shares Outstanding	4,982	4,953	5,526	5,479	5,479	5,483	5,492	5,492	5,492	5,492	5,492	
Diluted Shares Outstanding	4,982	4,953	5,526	5,479	5,479	5,483	5,492	5,492	5,492	5,492	5,492	
Reported EPS	0.69	0.82	1.19	1.39	1.62	1.50	1.57	1.25	1.52	1.72	1.93	7.2%
Underlying EPS	0.69	0.82	1.19	1.39	1.62	1.50	1.57	1.25	1.52	1.72	1.93	7.2%
YoY EPS Growth	-2.7%	19.3%	44.9%	16.8%	16.5%	-7.4%	4.7%	-20.6%	22.0%	13.1%	12.3%	
Total Dividends per Share	0.510	0.570	0.545	0.570	0.685	0.770	0.815	0.860	0.730	0.750	0.770	
Core Regular Dividend	0.460	0.520	0.545	0.570	0.585	0.620	0.665	0.710	0.730	0.750	0.770	
Special Dividends	0.050	0.050			0.100	0.150	0.150	0.150				
YoY Regular Div Growth [excl Specials]	9.5%	13.0%	4.8%	4.6%	2.6%	6.0%	7.3%	6.8%	2.8%	2.7%	2.7%	
YoY Total Div Growth [incl Specials]	8.5%	11.8%	-4.4%	4.6%	20.2%	12.4%	5.8%	5.5%	-15.1%	2.7%	2.7%	
Dividend Payout [Div/EPS]	74%	69%	46%	41%	42%	51%	52%	69%	48%	44%	40%	
Shares for Book Value Computation	4,982	4,882	5,526	5,637	5,749	5,864	5,884	6,002	6,122	6,244	6,369	
Return on Average Common Equity	7.9%	8.6%	11.9%	12.1%	13.5%	13.2%	17.1%	10.9%	12.9%	13.6%	14.1%	
Tangible Book Value per Share	8.81	10.23	10.24	11.45	11.82	9.92	10.66	11.35	12.15	13.12	14.28	1.0%
YoY	3.6%	16.1%	0.1%	11.8%	3.2%	-16.1%	7.5%	6.5%	7.0%	8.0%	8.9%	

UNITED BANCORP UBCP

	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
<u>Valuation Metrics</u>											
Price/Earnings - using Current Stock Price	17.7	13.4	11.1	9.5	8.2	8.8	8.4	10.6	8.7	7.7	6.9
Price/Book - using Current Stock Price	1.39	1.08	1.29	1.16	1.12	1.33	1.24	1.17	1.09	1.01	0.93
Dividend Yield - using Current Stock Price	4.2%	5.2%	4.1%	4.3%	5.2%	5.8%	6.2%	6.5%	5.5%	5.7%	5.8%
Book Value per Share	8.81	10.23	10.24	11.45	11.82	9.92	10.66	11.35	12.15	13.12	14.28
<u>Dividend Ratios</u>											
Core Dividend Growth [excluding Specials]	9.5%	13.0%	4.8%	4.6%	2.6%	6.0%	7.3%	6.8%	2.8%	2.7%	2.7%
Total Dividend [Core + Special] Growth	8.5%	11.8%	-4.4%	4.6%	20.2%	12.4%	5.8%	5.5%	-15.1%	2.7%	2.7%
Dividend Payout [Dividend/EPS]	74%	69%	46%	41%	42%	51%	52%	69%	48%	44%	40%
<u>Capital and Liquidity Ratios</u>											
Tier 1 Leverage Ratio	12.6%	11.5%	13.1%	13.3%	15.8%	13.0%	13.2%	12.4%	12.8%	13.3%	13.9%
Total Capital Ratio	13.2%	12.0%	19.0%	18.2%	21.0%	18.1%	18.1%	17.1%	17.3%	17.6%	18.1%
Leverage Ratio	10.6%	8.8%	9.6%	10.9%	11.0%	8.6%	8.4%	8.4%	8.7%	9.1%	9.6%
Tangible Common Equity/Tangible Assets	8.5%	8.7%	8.7%	9.9%	9.9%	7.9%	7.8%	7.5%	7.7%	8.0%	8.4%
<u>Growth Ratios</u>											
Average loan growth	5.8%	7.4%	9.4%	3.6%	1.3%	2.3%	3.1%	4.2%	4.0%	4.0%	4.0%
Average earning assets growth	6.6%	18.2%	22.1%	7.6%	2.9%	4.4%	6.0%	5.4%	3.5%	4.0%	4.0%
Average deposit growth	9.4%	25.8%	17.8%	5.0%	5.1%	5.9%	1.3%	-0.5%	3.5%	3.5%	3.5%
Net interest income growth	7.0%	14.2%	15.3%	9.5%	-3.4%	10.3%	5.9%	-5.5%	7.2%	5.6%	5.6%
EPS growth	-2.7%	19.3%	44.9%	16.8%	16.5%	-7.4%	4.7%	-20.6%	22.0%	13.1%	12.3%
<u>Asset Quality Ratios</u>											
NPA/Assets	0.42%	0.23%	0.60%	0.19%	0.30%	0.41%	0.35%	0.35%	0.35%	0.35%	0.35%
NPA/Loans [ending balance]	0.58%	0.50%	0.51%	0.14%	0.25%	0.58%	0.51%	0.51%	0.51%	0.51%	0.51%
Reserves/NPAs	110.3	147.0	154	816	280	195	153	155	154	154	154
<u>Performance Ratios</u>											
Return on Average Assets (RoAA)	0.76%	0.83%	1.07%	1.15%	1.33%	1.17%	1.14%	0.83%	0.99%	1.08%	1.16%
Return on Av. Equity (ROE)	7.9%	8.6%	11.3%	11.5%	13.5%	13.2%	14.5%	10.9%	12.9%	13.6%	14.1%
Yield on Av. Int-earnings asset	4.25%	4.34%	4.51%	4.28%	3.72%	3.99%	5.02%	5.06%	4.24%	4.28%	4.32%
Av. Rate on deposits & borrowings	0.49%	0.82%	1.44%	1.07%	0.58%	0.72%	2.33%	3.00%	1.52%	1.51%	1.49%
Net Interest Margin (NIM)	3.82%	3.84%	3.67%	3.76%	3.61%	3.67%	3.65%	3.45%	3.65%	3.74%	3.74%
Efficiency Ratio	70.6%	75.3%	66.5%	60.0%	66.1%	69.9%	69.8%	74.9%	71.6%	69.4%	67.3%
<u>Leverage Ratios</u>											
Loans/Deposit	94.9%	77.6%	80.2%	75.6%	74.5%	70.6%	77.1%	77.5%	77.9%	78.3%	78.7%
Av Loans/Av. Deposits	99.5%	84.9%	78.9%	77.8%	75.0%	72.5%	73.8%	77.3%	77.7%	78.1%	78.5%

UNITED BANCORP UBCP

Balance Sheet [US\$ Thousands]

	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	CAGR (FY19-23)
Commercial Loans	81,327	93,690	100,977	103,277	90,892	90,548	91,294	94,946	98,744	102,693	106,801	
Commercial Real Estate	198,936	223,461	240,842	246,167	266,777	270,312	291,859	303,533	315,675	328,302	341,434	
Residential Real Estate	75,853	78,767	84,893	85,789	90,132	94,012	93,364	97,099	100,983	105,022	109,223	
Installment Loans	12,473	13,765	14,836	8,258	6,571	6,003	6,719	6,988	7,267	7,558	7,860	
	-	-	-	-	-	-	-	-	-	-	-	
Total Loans and Advances	368,589	409,683	441,548	443,491	454,372	460,875	483,235	502,565	522,668	543,575	565,318	
- LESS Allowances	(2,122)	(2,043)	(2,231)	(5,113)	(3,673)	(2,052)	(3,918)	(4,036)	(4,157)	(4,281)	(4,410)	
TOTAL Loans and Advances [Less Allowances]	366,467	407,640	439,317	438,378	450,699	458,823	479,317	498,530	518,511	539,293	560,908	2.2%
Cash Equivalents & Due from Banks	4,662	15,573	5,697	11,637	7,653	8,279	7,352	-	-	-	-	
Interest-bearing Demand Deposits	9,653	9,680	9,288	39,955	75,346	21,801	33,418	34,755	36,145	37,591	39,094	
Available for sale Securities	44,959	123,991	188,785	158,067	146,313	217,624	242,760	252,470	262,569	273,072	283,995	
TOTAL Interest-Earning Assets	425,741	556,884	643,087	648,037	680,011	706,527	762,847	785,755	817,226	849,956	883,997	4.4%
Bank-owned Life Insurance	12,114	13,115	17,196	18,109	18,809	19,000	19,423	19,423	19,423	19,423	19,423	
Property, Plant and Equipment	11,740	12,117	12,402	13,743	12,757	12,144	14,984	14,984	14,984	14,984	14,984	
Federal Home Loan Bank stock	4,164	4,243	4,012	4,177	3,704	2,499	3,979	3,979	3,979	3,979	3,979	
Other Assets [accrued receivables, intangibles, etc]	5,573	6,854	6,854	9,336	9,175	17,230	18,216	6,854	6,854	6,854	6,854	
TOTAL ASSETS	459,332	593,213	685,706	693,402	724,456	757,400	819,449	830,995	862,466	895,196	929,237	4.6%
Demand Deposits	237,980	309,505	334,378	376,287	408,296	402,341	339,280	349,458	359,942	370,740	381,863	
Savings Deposits	82,169	111,251	108,218	122,549	140,598	145,836	130,821	134,746	138,788	142,952	147,240	
Total Low Cost Deposits	320,149	420,756	442,596	498,836	548,894	548,177	470,101	484,204	498,730	513,692	529,103	
Time Deposits	65,817	104,687	105,470	80,699	56,242	101,736	151,358	158,926	166,872	175,216	183,977	
TOTAL Deposits	385,966	525,443	548,068	579,535	605,136	649,913	621,459	643,130	665,602	688,908	713,079	3.2%
Subordinated Debenture & Long-term Debt	4,124	4,124	23,543	23,604	23,665	23,726	23,787	23,787	23,787	23,787	23,787	
Total Non-Equity Funding	390,090	529,567	571,611	603,139	628,801	673,639	645,246	666,917	689,389	712,695	736,866	3.1%
FHLB advances, repurchase agreements, deferred tax, etc	25,347	13,003	54,173	21,935	23,954	24,024	110,610	79,363	79,363	79,363	79,363	
TOTAL Liabilities	415,437	542,570	625,784	625,074	652,755	697,663	755,856	746,280	768,752	792,058	816,229	4.8%
Common Stock - Issued 5,926,851 shares in 2018	5,435	5,927	5,959	6,046	6,046	6,044	6,064	6,064	6,064	6,064	6,064	
Additional Paid-in Capital	18,020	22,556	22,871	23,166	23,635	24,814	25,913	22,556	22,556	22,556	22,556	
Retained Earnings & Other Equity	23,260	24,321	27,905	32,497	37,847	41,945	44,018	46,143	50,489	55,817	62,202	
- Less ESOP, Stock Deferred Comp, Treasury Shares	(2,820)	(2,161)	3,187	6,619	4,173	(13,066)	(12,402)	(12,402)	(12,402)	(12,402)	(12,402)	
Total Stockholders Equity	43,895	50,643	59,922	68,328	71,701	59,737	63,593	62,361	66,707	72,035	78,420	1.5%
TOTAL LIABILITIES & EQUITY	459,332	593,213	685,706	693,402	724,456	757,400	819,449	830,995	862,466	895,196	929,237	4.6%

UNITED BANCORP UBCP

	2017A	2018A	2019A	2020A	2021	2022A	2023A	2024E	2025E	2026E	2027E
Average Loans	360,424	387,054	423,479	438,848	444,539	454,761	469,070	488,923	508,521	528,902	550,101
Average Non-Covered Loans	360,424	387,054	423,479	438,848	444,539	454,761	469,070	488,923	508,521	528,902	550,101
Average interest-earning Assets	415,714	491,313	599,986	645,562	664,024	693,269	734,687	774,301	801,490	833,591	866,977
Average Common Equity	43,268	47,269	55,283	64,125	70,015	65,719	61,665	62,977	64,534	69,371	75,227
Average Total Assets	448,675	526,273	639,460	689,554	708,929	740,928	788,425	825,222	846,730	878,831	912,217
Average Securities	50,843	94,142	165,872	198,048	209,841	230,542	257,802	281,702	292,970	304,688	316,876
Average Deposits	362,385	455,705	536,756	563,802	592,336	627,525	635,686	632,294	654,366	677,255	700,994
Average Customer Loans	362,655	389,136	425,616	442,520	448,932	457,624	472,055	492,900	512,617	533,121	554,446
Growth in Loans	3.4%	11.2%	7.8%	-0.2%	2.8%	1.8%	4.5%	4.0%	4.0%	4.0%	4.0%
Growth in Earning Assets	4.9%	30.8%	15.5%	0.8%	4.9%	3.9%	8.0%	3.0%	4.0%	4.0%	4.0%
Growth in Core Deposits	12.1%	31.4%	5.2%	12.7%	10.0%	-0.1%	-14.2%	3.0%	3.0%	3.0%	3.0%
Non-Interest Income / Revenue	17.8%	16.8%	15.7%	23.2%	20.5%	14.3%	13.6%	14.7%	14.4%	14.3%	14.2%
Efficiency Ratio	70.6%	75.3%	66.5%	60.0%	66.1%	69.9%	69.8%	74.9%	71.6%	69.4%	67.3%
Loans/Deposit	94.9%	77.6%	80.2%	75.6%	74.5%	70.6%	77.1%	77.5%	77.9%	78.3%	78.7%
Av Loans/Av. Deposits	99.5%	84.9%	78.9%	77.8%	75.0%	72.5%	73.8%	77.3%	77.7%	78.1%	78.5%
% of total Loans											
Commercial Loans	22.1%	22.9%	22.9%	23.3%	20.0%	19.6%	18.9%	18.9%	18.9%	18.9%	18.9%
Commercial Real Estate	54.0%	54.5%	54.5%	55.5%	58.7%	58.7%	60.4%	60.4%	60.4%	60.4%	60.4%
Residential Real Estate	20.6%	19.2%	19.2%	19.3%	19.8%	20.4%	19.3%	19.3%	19.3%	19.3%	19.3%
Installment Loans	3.4%	3.4%	3.4%	1.9%	1.4%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
- LESS Allowances	-0.6%	-0.5%	-0.5%	-1.2%	-0.8%	-0.4%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%
Total	99.4%	99.5%	99.5%	98.8%	99.2%	99.6%	99.2%	99.2%	99.2%	99.2%	99.2%

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