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FIXED INCOME ANALYSIS

HOWMET AEROSPACE INC.

Barita Investments Limited
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Company Overview

Howmet Aerospace is a manufacturer of high-performance advanced engineered solutions for the aerospace, defence, and transportation markets. Their main product lines include:

- Engine Products- Enables cleaner and more fuel-efficient aerospace engines and industrial gas turbines.
- Fastening Systems- Aerospace and industrial fasteners to hold aircraft, jet engines commercial trucks, wind turbines, and more.
- Engineered Structures- Advanced multi-material parts that make aircraft and vehicles lighter and more fuel efficient.
- Forged Wheels- Aluminium wheels that allow commercial trucks to run lighter and more fuel efficiently.

Industry:	Aerospace and Defence
Security Name	HWM 6.75 2028
Credit Rating (Fitch)/Outlook	BBB/Stable
Maturity	January 15th, 2025
Issue Size	US$1000 Mn
Rank	Senior Unsecured
Current Price (September 14, 2023) Source: Bloomberg	US$102.209
Yield to Maturity (Bid/Ask)	6.16%/6.06%
Yield to Worst (@maturity)	6.11%
Recommendation	**OVERWEIGHT**

Financial Summary (US$ millions)				
	2021FY	2022FY	2022H1	2023 H1
Net Sales	4,972	5,663	2,717	3,251
Net Income	256	467	277	340
Total Assets	10,219	10,255	10,052	10,233
Total Equity	3,508	3,601	3,421	3,775
Financial Ratios				
Current Ratio	2.18x	2.12x	2.15x	2.22x
Interest Coverage	4.6x	4.8x	5.1x	6.1x
Debt/Equity	1.21x	1.16x	1.22x	1.06x

Investment Rationale

- **Industry:** The aerospace industry is expected to see continued tailwinds from the global travel industry. Notably, Howmet produces parts for aircraft manufacturers whose utilization is highly correlated to the aforementioned travel industry. In addition to this, the global increase in military spending also augurs well for the defense aspect of their business model.
- **Leverage positioning:** The Company has continued to deleverage over the past 3 years and is expected to continue doing so in the future. This is confirmed by management outlining plans for further debt buybacks this year (2023).
- **Product Strength:** In addition to a positive view of its industry, the company creates specialized high-quality products which hence gives them both market recognition and pricing power. This has been seen over the last year where they have been successful in passing on raw material price increases to the final consumer.

On the back of a recent upgrade, spreads are currently at a two-year low. However, with the industry trend of improved global travel and increased global defense spending coupled with management continuing to target lower levels of leverage, we believe that further spread compression is still possible despite the historically tight spreads given improving fundamentals. In this regard, we recommend investors **OVERWEIGHT** the note in their portfolio, as we believe it gives investors exposure

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to an industry with strong tailwinds while also being able to enjoy fairly high yields on an investment grade issue with a positive fundamental trajectory.

CPB Credit Rating

Rating Summary – On August 23, 2023, Fitch upgraded Howmet Aerospace's Long-Term Issuer Default Rating (IDR) to 'BBB' from BBB- effectively making Howmet Investment Grade. The ratings reflect HWM's improving EBITDA leverage which Fitch forecasts will decline to below 3.0X by the end of 2023, to as low as mid 2X range by 2024-2025. This is supported by almost $400 million of planned debt repayment coupled with improved revenue and EBITDA. HWM's rating is also further supported by the Company's position as a leader in its industry and its diversified technology portfolio. In addition to this, the Company maintains adequate liquidity and has fairly low pricing risk as commodity costs and inflation are generally passed on to the final consumer, which should allow them to maintain margins.

Key Rating Drivers:

<u>Double-digit EBITDA. FCF Margins</u>

HWM's profitability is strong relative to BBB- peers with EBITDA margins and FCF Margins touching the low 20% and nearly 10% ranges respectively. As such, Fitch viewed its cashflow profile as being more commensurate to the high BBB or Low A rating levels. It is expected that the EBITDA margins will remain relatively stable over the next few years, however, it is expected that annual FCF will fluctuate depending on the pace of capital investment outlay and general working capital fluctuations.

<u>Improving Leverage</u>

Fitch is currently expecting HMW's EBITDA Leverage (gross debt/EBITDA) to decline to below 3.0x following debt reduction in 2023. Leverage has also been reduced due to revenue increases (both price and volume) which Fitch expects to continue, possibly through early 2025. The mid-2.0x leverage that Fitch expects over the next several years also places Howmet in line with peers in the mid-BBB category. It was however noted that possible risks to this deleveraging include a deviation from the stated financial policy of achieving and maintaining net leverage between 1.5x and 2.0x. Possible deviations might be caused by unexpected acquisitions or shareholder-friendly action. Fitch also noted industry-specific risks relating to production delays or future rate increases but noted the Company's capital allocation and financial policies as mitigants.

<u>Strong Financial Flexibility and Manageable Cash Outflows</u>

Fitch noted that the Company maintains a comfortable liquidity position which is greater than $500 million in cash and access to over $1.0 billion in revolving credit. Fitch also expressed the view that the Company's liquidity should be able to sustain operations and internal investment even in distressed scenarios. In addition to the above, required cash outflows are comfortably achievable, with capex expenses expected to be moderate and manageable pension contributions. Over the long term, Fitch expects excess cash to be deployed to share repurchases and bolt acquisitions, which Fitch expects to be less than $500 million.

<u>Market Demand and Position</u>

Double-digit revenue growth is expected based on projections that top manufacturers like Airbus SE and the Boeing Company are expected to steadily increase production. In addition to this, the Company's market position is strong and defensible due to its highly engineered, performance-linked products and strong technology. There are also significant barriers to entry for a large majority of HWM's products, which enhances its technological advantage and defensibility.

Key Rating Sensitivities:

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- EBITDA leverage (total debt with equity credit-to-EBITDA) sustained below 2.5x, in conjunction with a commitment to a financial policy and capital allocation policy consistent with a high-'BBB' rating level;
- Long-term backlog aligns with the expectation of long-term revenue visibility.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- EBITDA leverage (total debt with equity credit-to-EBITDA) sustained above 3.0;
- Sustained FCF margins below 5%;
- Significant delays or disruption to global aerospace production, potentially because of the supply chain pressures among other considerations.

Industry Analysis

Based on year-end 2022 figures, the sectors that contribute the most to Howmet's revenues have been the commercial aerospace market (46.0% of revenues), followed by commercial transportation (23%) and defense aerospace (16%). Therefore, the aerospace market in total contributes 62% of revenues. Hence, we will briefly analyze the state of the aerospace industry and the current market outlook.

Market Structure

Currently, the commercial aerospace industry can be described as a duopoly with the two major players being Boeing and Airbus. While there are several other producers such as Embraer and Bombardier as well as domestic manufacturers in China and Russia, their market share globally remains relatively low. The industry involves an original designer Boeing, Airbus, etc. and then multiple suppliers that provide/ produce different components of the aircraft given the overall complexity of aircraft design. In this sense, Howmet provides subcomponents that are used to produce components that are eventually used in the final aircraft. Essentially, the industry has two major designers and many subcomponent manufacturers. Going further back on the supply chain, the industry uses varying metals, titanium being one of the most important. Before the Russia-Ukraine war, Russia provided 50% of the titanium globally. Since the war, however, there has been an increased shift to Japanese manufacturers, with the chain of global titanium still being fairly disrupted.

That is commercial aerospace will greatly fluctuate with the demand for global travel. Given that travel demand is often a function of disposable income, this sub-segment of the aerospace industry is often thought to be procyclical since aircraft demand is likely to be heightened in periods of strong growth. However, the defense spending segment is thought to be more stable. This is owing to the government having the largest demand for these services with government defense spending being often stickier relative to consumer spending.

Current State

The COVID-19 pandemic grounded multiple flights and led to a decline in global and domestic US travel. In a similar vein, production from the major producers declined (i.e. Boeing and Airbus pulling back on production) and many downstream suppliers had also cut back on production. However, since then, global travel has recovered significantly. This, for example, can be seen with Airbus declaring that available seat kilometres (essentially available airline seats multiplied by possible travel distance in kilometers which serves as a measure of capacity) have increased to over pre-pandemic levels globally, with domestic travel being 108% of 2019 capacity, while international travel has lagged at 89% of 2019's capacity.

In line with improving capacity and the return of travel demand, the IATA(International Air Transport Association) expects that the industry will return to profit for the first time since the COVID era in 2023. A testament to the stronger-than-expected growth is further seen through the IATA revising their initial projections of industry-wide profit from $4.7 billion to $9.8 billion in their half-year June update. This therefore bodes well for the near-term outlook for the sector and its derivative sub-sectors. Linking this more directly to the suppliers, Fitch for example projects that total aircraft deliveries from Boeing and Airbus will total 1250 in 2023 vs. 1140 in 2022, which directly links to growth in the sub-component manufacturers who provide the equipment for aircraft manufacture.

Outlook

Looking at an even further long-term outlook, the IATA is expecting that through 2023- 2040 passenger traffic will grow at a CAGR of 3.4%. In addition to this, Airbus has stated that they expect 40,850 new passenger and freight deliveries through 2042, compared to their prediction of 39,490 last year. Boeing likewise has released their forecast on future deliveries and is expecting 42595 new deliveries through to 2042. Notably for both Companies, China is expected to be a major destination for new aircraft delivery in their long-term forecasts.

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As it relates to the suppliers, we note that supply chain issues exacerbated by the Ukraine war provide some headwinds despite the strong expected industry growth. However, it is notable that there will continue to be some easing of these supply issues in the long term which may aid subcomponent manufacturers to normalize earnings and meet delivery targets. Nonetheless, we remain cautiously optimistic about the ongoing impact of the war and other geopolitical tensions that may impact supply chains.

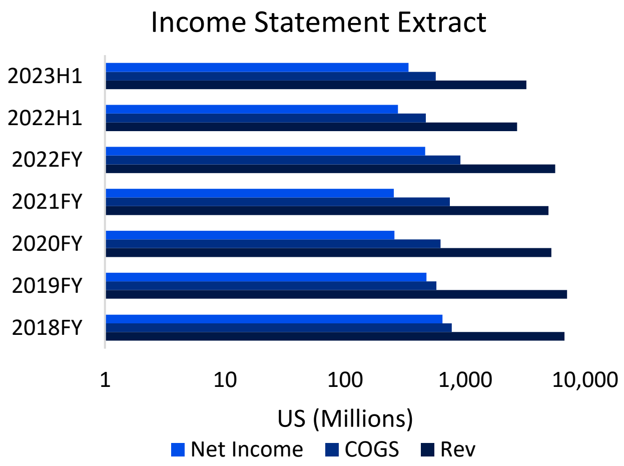
Financial Performance

All items are in US$ unless stated otherwise stated.

Financial Year Ended December 31, 2022

Volatile revenue growth, partly due to the pandemic.

The group saw revenue growth of approximately 13.9% to $5.7 billion for 2022, compared to $5.0 billion in 2021. This represents a return to growth following two years of consecutive revenue decline in 2021 and 2020 of 5.5% and 25.9% respectively. The declines in these years were due to a mixture of factors. Firstly, the impact of the COVID-19 pandemic resulted in lower volume sales to the commercial aerospace and commercial transport markets as travel nose-dived and production of 737 Max and 787 declined. Secondly, in 2020 the forging business line in the UK was divested, which further lowered overall sales.



However, as the industry recovered, the Company started to see lower declines in revenue in 2021 and an eventual return to growth in 2022. The 2022 outturn was driven by the improvement in the travel industry which led to greater sales in the commercial aerospace market, as well as positive price movements above inflationary material cost which the company successfully passed on to consumers. In this vein, as of FY 2022, the Company saw its gross profit margin contract slightly to 27.5%, compared to 27.7% in 2021. This contraction despite the previously stated higher cost "pass-through" was partly due to increased costs associated with three plant fires during the year, which were only partially offset by favorable product pricing. Notably, this recent result still represents an improvement over the gross margin of 24.6% that was seen in 2018. The improved revenue and only marginal decline in the gross margin for 2022 culminated in an over 13.4% increase in the Company's gross profit to $1.6 billion, compared with $1.4 billion in 2021. However, gross profits remain below pre-pandemic levels (2019) of $1.9 billion.

Higher Operating Profits aided via Efficiency Growth

Howmet generated approximately $919 million in operating income. This represents an increase of 22.9% relative to 2021. This also represents the highest operating income generated by the Company between 2018 and 2022, i.e., even higher than pre-pandemic levels. This record income came through a combination of a return to revenue growth in 2022, combined with improved margins. In this regard, operating expenses for 2022 came in at $641 million compared to $628 million in 2021 and down from over $1.3 billion in 2019. Hence the Company's operating expense ratio has fallen from over 18.4% in 2019 to 11.3% in 2022, which was also better than the 12.6% seen in 2021.

The main reasons for the decline in the operating expense ratio and the general size in operating expenses have been a decline in Selling, general administrative, and other expenses (SG&A) (over $400 million spent in 2019, to $288 million spent in 2022) and a fairly large reduction in Restructuring and other charges (from over $582 million in 2019 to $56 million in 2022). The decline in SG&A over the period was partly due to overhead cost reductions, partly as the Group divested some businesses, along with a general reduction in legal fees amidst the run-off of non-reoccurring litigation, such as the Grenfell Tower Fire case, which was partially offset in later years by insurance reimbursements. Notably, as a percentage of revenue, SG&A expenses have trended downwards from 5.6% in 2019 to 5.1% in 2022. The mild pick-up in 2022 relative to 2021 was mainly due to higher employment, travel, and lease costs. The historical reduction in restructuring costs comes as the Group had to foot costs associated with laying off staff in prior years, impairment costs associated with the divestment of some business lines, and pension settlement payments.

While operating profits grew by only 11.3 %, profit before taxes grew by close to 87.0 % for 2022. This came as the Group saw fewer losses on debt redemption and lower interest costs in 2022. This culminated in a profit before tax of $606 million compared to $324 million in 2021, and its highest PBT over the review period 2018-2022. In 2021 the Group repurchased debt securities at a premium, which led to losses of approximately $146 million. However, in 2022, the premiums on the debt repurchases were less, which led to losses on debt redemption of only $2 million. In line with this, as a function of the Company reducing its debt load, annual interest expenses have also declined in recent years, including 2022. In 2022, interest expense came in at $229 million, compared to $377 million in 2018 and $259 million in 2021. This gain from lower interest costs and lower losses on debt redemptions were only partially offset by increased other expenses, which totalled $82 million in 2022, compared to $19 million in 2021, $63 million of which was due to an adverse court ruling which led to increased expense.

Historically High Profits

Ultimately, a return to revenue growth combined with relatively stable gross profit margins and improved operating profit margins, coupled with lower debt-related costs led to a fairly large improvement in net profits for the Company. Net profits were $469 million for 2022, compared to $256 million in 2021, an improvement of 81.8%, and again represents record profitability (from continued operations) for the Company.

Six Months ended April 30, 2023

The momentum of the return to growth seen in 2022 continued for the 6M 2023, with revenue of $3.3 billion, its best first half-year performance since 2019, while being 19.7% higher than the outturn for 2022. Management noted that this performance continues to be driven by the improving performance of commercial aerospace likely driven by continued travel demand and therefore continued orders for new equipment delivery as the order backlogs remain. In addition to this management noted that they have continued to pass on inflationary increases to the consumer (Boeing, Airbus, etc.) and as such, this has also positively impacted revenues. Despite a slight dip in the gross profit margin for the half year to 27.4%, vs. 28.7% in the comparable period last year, the strong overall growth in revenue ensured that the overall increase in gross profit was strong for the period, (14.2%) with an outturn of $891 million.

Improved Operating Efficiency Lower Finance Costs, Record Profits

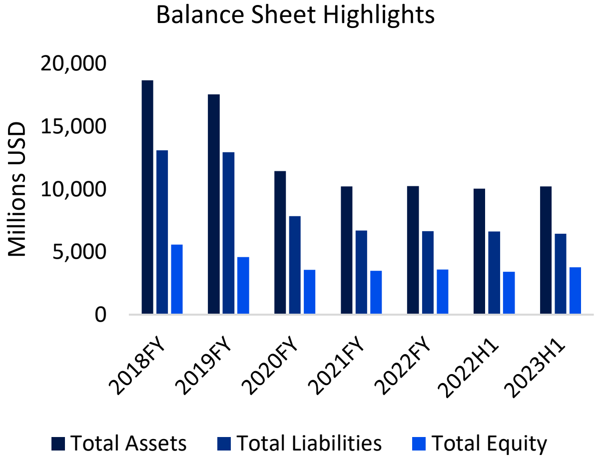
The operating efficiency gains that we have seen from the company over the 2018-2022 financial years have continued into the first half of 2023. Operating expenses relative to 2022 grew marginally by 3.9% to $321 million. This marginal growth was driven by higher selling SGA expenses in line with the increased revenue generation from all business segments. The Company's operating expense margin continued its descent for the 6M 2023, with an outturn of 9.9%, compared to 11.4% in 2022 and over 25.3% in 2019. The previously mentioned factors of lowered restructuring costs and efficiency gains from divestments were the main driving factors for this decline.

This culminated in operating profits improving 21.0 % to $570 million for 6m 2023. In addition to this, the past few years of debt repayment have also lowered interest costs with interest expenses totaling $112 million for 2023 compared to $115 million in 2022 and compared to over $171 million in 2019. This lowered interest expense in combination with much improved operating income contributed to profit before tax and overall net income of $463 million (30.8% growth over the 6M 2022) and $340 million (22.7% growth over 6M 2022) respectively, are currently the highest it has been in every comparable period between 2019-2022.

Balance Sheet As of Q2 2023 and Historical

At the end of Q2 2023, the Group had total assets of $10.2 billion which was up marginally from the comparable period last year. In terms of how these total assets were funded, the Group had total equity of approximately $3.8 billion and total liabilities of $6.5 billion. Notably, the marginal increase in total assets of approximately $181 million or 1.8% was primarily seen through a $354 million increase in total equity, while total liabilities decreased by $173 million only marginally offsetting the increase in equity.

Assets: History of Divestments



Historically, the Company's total assets have declined from $18.7 billion in 2018 to $10.3 billion as of the end of the financial year 2022. This arose since in 2020, Arconic Inc. separated its business into two independent publicly traded companies: Howmet Aerospace Inc. (the new name for Arconic Inc.) and Arconic Corporation. Hence the completed separation led to the derecognition of assets from discontinued operations on Howmet's balance sheet which facilitated total assets falling from $17.6 billion in 2019 to $11.4 billion in 2020.

Currently (Q2 2023) the Group's total assets stand at $10.2 billion, with approximately 30.6% representing current assets and 69.4% representing non-current assets. The majority of current assets represent inventory balances (16.8% of total assets), receivables (6.4% of total assets), and cash and cash equivalent (5.2% of total assets). Notably the largest non-current asset, and the largest single item on the Company's balance sheet is goodwill assets of $4.0 billion representing 39.3% of total assets. This goodwill represents a legacy item from past acquisitions with its size relative to other assets increasing substantially in 2020 given the derecognition of assets due to the business split. However, the marginal increase in total assets of approximately $181 million or 1.8% was due to a $291 million increase in current assets mainly reflecting higher receivables and inventory balances.

Liabilities and Equity

Historically the Group's asset base has been primarily funded by liabilities. However, the Group's total liabilities have declined over the period, declining from $13.1 billion in 2018 to $6.7 billion in 2022. The decline comes as the Group pursues deleveraging, with total debt declining from $6.3 billion in 2018 to $4.2 billion in 2022. In addition to this, the split of Arconic which led to the creation of Howmet, precipitated the derecognition of liabilities related to the discontinued operations, which further reduced total liabilities (falling from $13.0 billion in 2019 to $7.7 billion in 2020, with approximately $3.7 billion being derecognized liabilities).

As of Q2 2023, total liabilities declined by $173 million or 2.6% to $6.5 billion year-over-year. Of this decline, approximately $261 million represented a decrease in non-current liabilities. This decrease in non-current liabilities was marginally offset by a $88 million increase in current liabilities. The decline in non-current liabilities reflected a $180 million decrease in long-term debt as the Group continued its deleveraging strategy, which included the redemption of some amount of outstanding debt (total debt stood at $4.0 billion end Q2 2023 compared to $4.2 billion end Q2 2022). In the first quarter of 2023, the

Company redeemed $150 million and additionally repurchased approximately $26 million of the aggregate principal amount of its 2024 Notes.

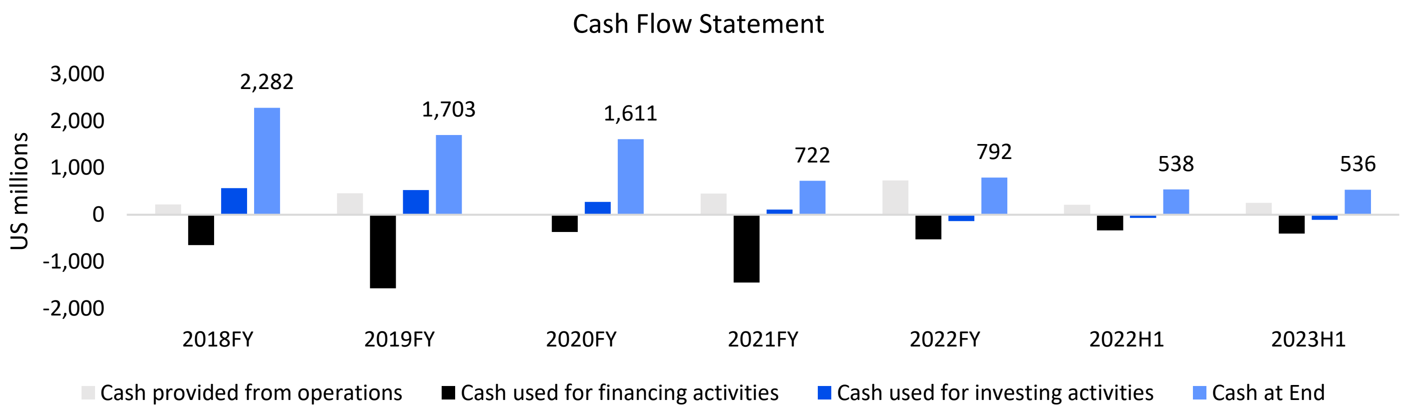
The Company's equity base declined from $5.6 billion in 2018 to $3.6 billion in 2022. The main contributor to this was a decline in additional capital from $8.3 billion in 2018 to $3.9 billion in 2022. This decline was largely due to the aggressive share buyback program, particularly in 2019, when over $1.1 billion in shares were retired, followed by the distribution of over $2.6 billion to Arconic Corporation Shareholders. Hence the distribution was affected by the distribution by the Company of all of the outstanding common stock of Arconic Corporation on April 1, 2020, to the Company's stockholders who held shares as of the close of business on March 19, 2020 (the "Record Date"). In total, these actions reduced equity from $8.3 billion at the end of 2018 to $2.6 billion by the end of 2019. However, the improved profitability of the company has facilitated total equity improvement since these actions, moving from $3.6 billion at the end of 2020 to $3.8 billion As of Q2 2023. This was attributable to improved retained earnings ($364 million in 2020 to $1.2 billion as of Q2 2023) outweighing the impact of share buybacks.

Cashflows

The Group has historically generated positive operating cashflows. Between 2018-2022 operating cashflows were positive each year, even the pandemic-ridden years of 2020 and 2021. The Group generated operating cashflows of $733 million in 2022, representing growth of 63.3% relative to 2021 and up from the only $9 million in operating cashflows generated in 2020 and represents its strongest cash generating year in the review period 2018-2022. Historically this positive historical operating cashflow has primarily been used to partly fund financing activities i.e., pay dividends and buy back shares (financing cashflows) with the aid of net positive investing cashflows via the sale of receivables.

Operating cashflows have been relatively small compared to financing cash outflows over the 2018-2022 period, averaging approximately $374 million. Financing cash outflows on the other hand have averaged $911 million. The reasons for this historically large negative financing cashflow as stated prior were due to large debt repayments, with Net debt repayments averaging $292 million as well as share repurchases, which averaged $410 million over the same period. As such, given the large financing outflows relative to historical operating inflows, the Company has typically used the proceeds from selling receivables and from the sale of assets to partly aid the funding of debt repayments and share buybacks, along with the utilization of cash balances. Hence investing cash inflows have averaged $269 million over the 2018-2022 period, while cash balances declined from $2.3 billion in 2018 to $792 million at the end of 2022.

The trend of improving profitability and stronger operating cashflow generation continued in the 6M 2023. During this period operating cashflows came in at $252 million, compared to $213 million for the same period in 2022. Again, the Group saw significant financing outflows as they continued to pay back debt ($176 million in debt repayment) and repurchase common stock ($125 million spent in the 6M 2023). As such, financing outflows totalled $403 million, and being that there were no further asset sales or receivables sales, there was also an investment cash outflow of $105 million, which together drove an overall decline in cash balances from $792 million at the end of the 2022 financial year to $536 million as of Q2 2023.



Liquidity and Solvency

The progression of the Company's liquidity profile has been mixed over the past several years. While the current ratio over the period moved from 1.9x in 2018 to 2.2x as of the end of Q2 2023, the quick ratio (current ratio excluding inventory balances) declined marginally from 1.2x in 2018 to 1.0x end of Q2 2023. This comes as inventories have become a larger portion of current assets, particularly as the Company has been using cash balances to both pay down debt and repurchase shares. However, we do believe that the debt reduction aspect of this will augur well for cashflows going forward. Notably, the Company generated $147 million in free cash flow for the 6M 2023, compared to $107 million in 2022, a reversal from positing consistent negative free cash flow pre-2020. The Company also has a $1.0 billion revolving credit facility, which the Company can draw on for liquidity needs.

Regarding, direct credit metrics, the Company's interest coverage ratio as of Q2 2023 stood at 5.6x, coming from 3.0x at the end of 2020. In addition to this, with the extensive debt reduction strategy that the Company has undergone, total debt to EBITDA has fallen to 2.9x, from over 4.4x in 2020, with Net Debt to EBITDA falling from 3.0x to 2.5x over the same timeframe. Howmet also announced in July that it intends to pay down $200 million of its 2024 notes in September 2023, leaving $705 million to mature. It is expected that this will further reduce annualized interest costs by $10 million, which when combined with YTD redemptions, means that total interest cost savings could be to the tune of $19.0 million.

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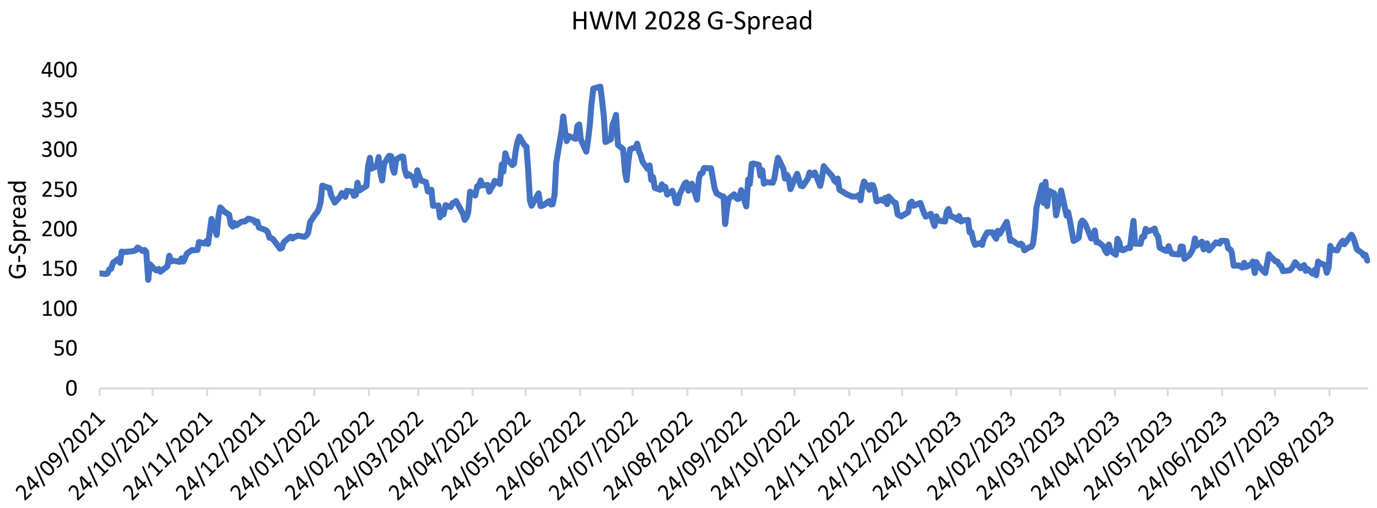
Relative Value and Spread Analysis

	HWM	TXT	HEI
EBITDA/Interest	6.1	17.6	5.6
FCF/Debt	15%	30%	9%
Net Leverage	3.1	1.1	3.3
Spread	168.81	126.54	117.56

In evaluating the note, we compared Howmet to similar companies in the aerospace and defence industry. In this case, we opted to compare Textron (TXT), a Rhode Island US-based Industrial Conglomerate with Aerospace development operations, and HEICO, an aerospace and electronics company that also manufactures parts used in aircraft, spacecraft, and defense equipment and hence directly comparable to Howmet. Notably, both comparisons are investment grade (ranging between BBB- and BBB+ specifically). As well as being a larger and more diversified conglomerate TXT currently outperforms HEI and HWM on each of the credit metrics shown in the table above and trades at a spread to treasuries (G-Spread) of approximately 126.54 basis points. However, when we focus on HEI which is also a more niche manufacturer of parts for aircraft, spacecraft, and defense equipment, we note that HWM currently has better interest coverage, FCF metric, and lower Net leverage, which is expected to fall even further by the end of the year as the Company continues to prioritize debt reduction. Despite this, we note that HWM trades at a spread of 168.81, compared to $117.56 for HEI. As such, we expect there to be more room for spread tightening as HWM continues to deleverage and further solidify its spot as an investment-grade option.



Further to the relative analysis we also looked at the historical spread analysis of the HOWMET 2028 note. From this, we note that since mid-2022, the Company has seen spreads decline drastically from over 360 basis points to a little over 160 basis points as of September 14, 2023. This coincides with the improved profitability of the Company and the continued management deleveraging which ultimately culminated in the rating upgrade this year. Hence, spreads are currently at a two-year low. However, with the industry trends of improved global travel and increased global defence spending, coupled with management continuing to target lower levels of leverage, we believe that further spread compression given improving

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fundamentals is still possible despite the historically tight spreads. In this regard, we recommend investors **OVERWEIGHT** this note as we believe it gives investors exposure to an industry with strong tailwinds, while also being able to enjoy fairly high yields on an investment grade issue with a positive fundamental trajectory.

Financial Statements Summary

	2018FY $M	2019FY $M	2020FY $M	2021FY $M	2022FY $M	2022H1 $M	2023H1 $M
Rev	6,778	7,098	5,259	4,972	5,663	2,717	3,251
COGS	5,114	5,214	3,878	3,596	4,103	1,937	2,360
Net Income	651	477	259	256	467	277	340
Total Assets	18,693	17,562	11,443	10,219	10,255	10,052	10,233
Total Liabilities	13,108	12,957	7,866	6,711	6,654	6,631	6,458
Total Equity	5,585	4,605	3,577	3,508	3,601	3,421	3,775
Cash provided by operations	217	461	9	449	733	213	252
Cash used for financing activities	(649)	(1,568)	(369)	(1,444)	(526)	(331)	(403)
Cash used for investing activities	565	528	271	107	(135)	(65)	(105)
Current Ratio	1.87	1.42	2.21	2.18	2.12	2.15	2.22
Quick Ratio	1.16	1.03	1.32	1.07	1.04	0.96	0.89
Debt to Equity	1.13	1.29	1.42	1.21	1.16	1.22	1.06
Interest Coverage	2.90	4.30	4.50	4.60	4.80	5.10	6.10

Definitions:
Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO
UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET
MARKETWEIGHT/HOLD = EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO
OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO