LONG IDEA
10/21/21

Thinking Inside and Outside the (Retail) Box

Despite short-term headwinds, this Retail Apocalypse winner's high-touch customer service and expansive store network position it for continued success. Best Buy (BBY: $114/share) is this week's Long Idea.

Learn more about the best fundamental research

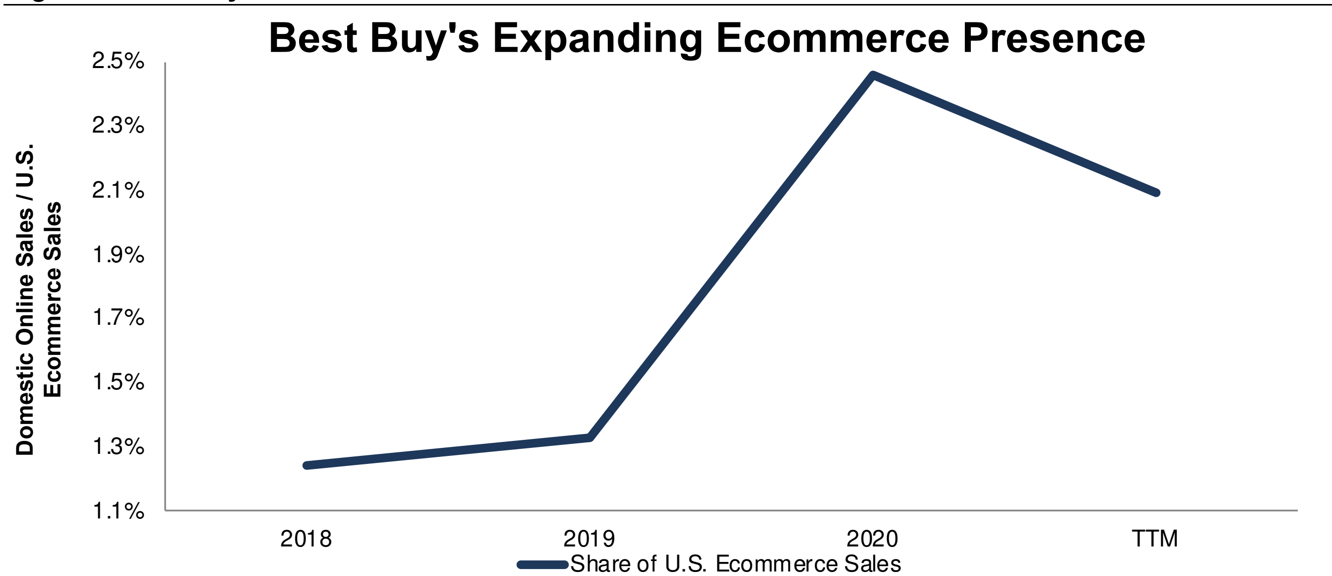
We originally made Best Buy a Long Idea in April 2018, and, since then, the stock is up 54% vs. a 72% gain for the S&P 500. Despite its underperformance, BBY still presents quality risk/reward given the company's:

- growing ecommerce market share
- efficient omni-channel strategy
- superior profitability to peers
- position for continued growth with rise of work from home
- current valuation implies profits will never exceed pre-2020 levels

Ecommerce Drove Market Share Gains

Per Figure 1, Best Buy's share of U.S. ecommerce sales doubled from 1.2% in 2018 to 2.5% in 2020. While the company's share of U.S. ecommerce shares has fallen to 2.1% over the TTM, it is still much higher than its pre-pandemic levels. The company also saw gains in the overall U.S. consumer electronics, where its market share expanded from 9.6% in 2019 to 9.8% in 2020.

Figure 1: Best Buy's Share of U.S. Ecommerce Sales: 2018 - TTM



Sources: New Constructs, LLC, company filings, and FRED.

Stores Support Omnichannel Growth

Best Buy has not only survived the Retail Apocalypse, but it has emerged with the most developed omnichannel experience in the market as it reaches customers with its physical stores, online platform, and in-home service. Even Amazon utilizes Best Buy's omnichannel capabilities to distribute its own products, such as TVs and tablets in Best Buy stores.

The company will continue to leverage its 983 stores across the U.S. to grow its omnichannel business. The company's stores' staff are cross-trained to fulfil online orders, provide in-store customer service, and virtual customer support.

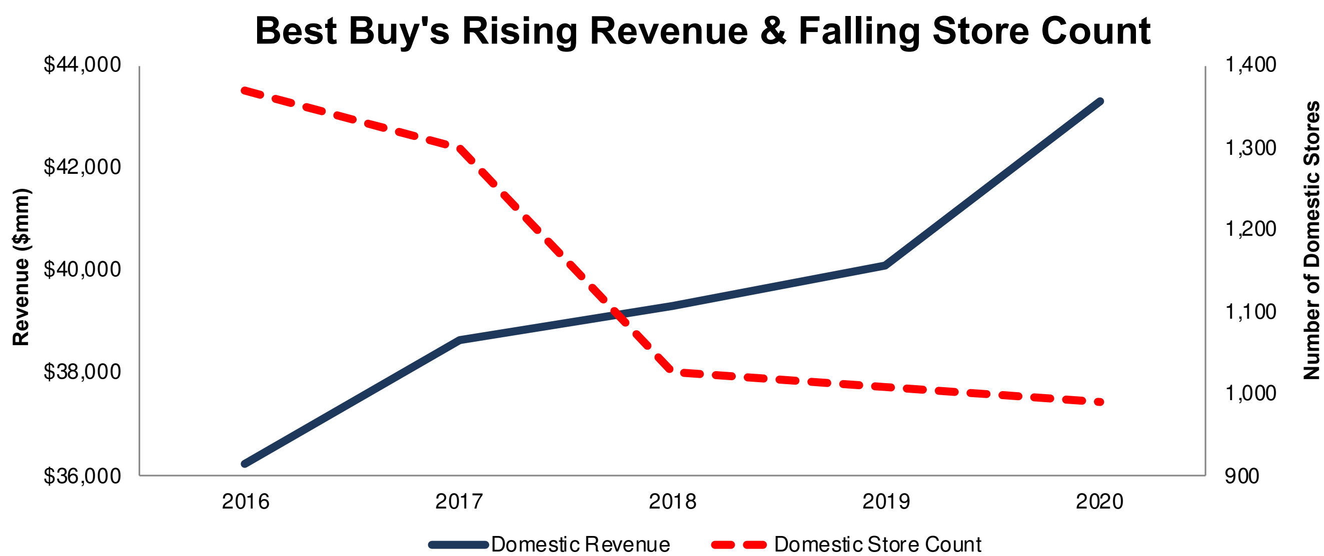
More than just facilitating physical shopping and product demonstrations, stores also serve as service centers for the company's Geek Squad, fulfillment centers for online orders, and customer pick-up/return locations for online orders. No other retailer can match the depth of services offered by Best Buy's stores and ecommerce operations.

Despite Shrinking Store Count, Revenue Can Still Grow

Bears may believe Best Buy is out of growth opportunities because it has been shrinking its store count for years and has not been able to replicate its success internationally. However, Best Buy's omnichannel offering and high-touch customer service are driving revenue growth.

Best Buy grew domestic revenue from $36.2 billion in 2016 to $43.3 billion in 2020 even as its domestic store count fell from 1,369 to just 991 over the same time.

Figure 2: Best Buy's Domestic Revenue & Store Count: 2016 - 2020



Sources: New Constructs, LLC and company filings

Superior Customer Service Drives Revenue Growth

The ever-changing nature of new technology creates persistent demand for high-touch customer service. Best Buy's commission-free support staff, knowledgeable Geek Squad, and in-home advisors provide a level of customer service unrivaled by other consumer electronics retailers the market. Per Figure 3, Best Buy has the most extensive customer experience amongst competitors.

Figure 3: Best Buy's & Competitors' Consumer Electronics Offerings

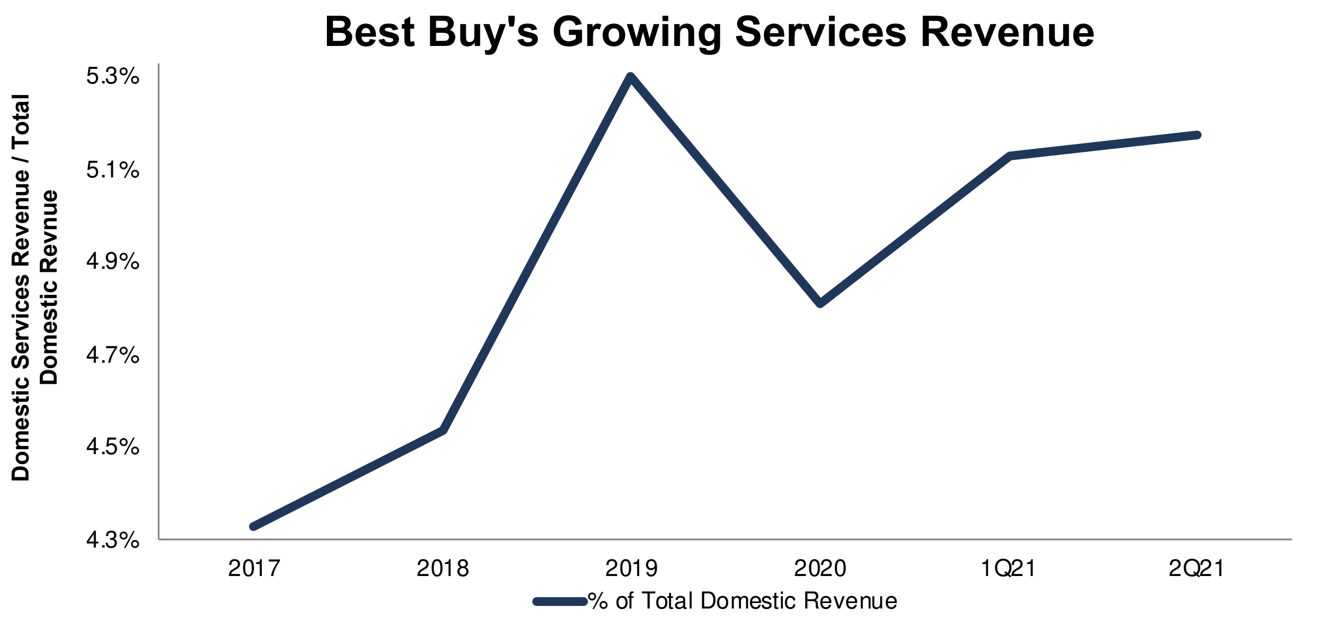
Company	Physical Store Platform	Online Platform	Membership Program	Expert Sales Team	Technical Support	In-home Installation
Best Buy	✓	✓	✓	✓	✓	✓
Costco	✓	✓	✓		✓	✓
Walmart	✓	✓	✓			✓
Amazon		✓	✓			✓
Staples	✓	✓	✓	✓	✓	✓

Sources: New Constructs, LLC

Best Buy's 20,000 Geek Squad agents enable the company to offer service, convenience, and solutions at competitive prices. The Geek Squad services and supports 4.5 million customers a year, which reinforces the Best Buy brand and deepens customer loyalty.

Best Buy's breadth of services will continue to contribute to the company's revenue growth going forward as well. Per Figure 4, Best Buy's domestic services revenue as a percent of total domestic revenue grew from 4.3% in 2017 to 5.3% in 2019. After falling to 4.8% in 2020[1] during the pandemic, Best Buy's domestic services revenue accounted for 5.2% of total domestic sales in 2Q21.

Figure 4: Best Buy's Services Revenue as % of Total Revenue: 2017 - 2Q21



Sources: New Constructs, LLC, company filings.

Deeper Customer Relationships Drive Revenue Growth

The company's Totaltech membership program will further develop customer loyalty and drive more sales from existing customers. Best Buy noted in its calendar 2Q21 earnings call that, "Beta members [a pilot membership program similar to Totaltech] interact more frequently and have higher incremental spend than non-members." The membership fee for a service such as Totaltech certainly generates revenue, but also creates stickier customer relationships that drive revenue growth over both the short and long term.

Digital Healthcare Offering Will Drive Revenue Growth

Best Buy aims to leverage its successful high-touch customer service and support network into other verticals, such as healthcare. Best Buy's expansive physical presence across the U.S. and 24/7 customer care operation uniquely positions the company to install and calibrate healthcare devices along with supporting and training users. Best Buy has acquired numerous health tech firms in recent years, and in October 2021, acquired Current Health, which combines remote health monitoring, telehealth, and patient engagement.

Expanding into digital healthcare significantly enlarges the company's growth potential and total addressable market. ResearchAndMarkets expects the U.S. digital health market to grow 28% compounded annually from 2021 to 2025 and reach ~$192 billion, or 43% of the U.S. consumer electronics market in 2020.

Better yet, expanding into the healthcare segment is an easy add to Best Buy's existing value proposition at a much lower cost than competitors, given that it already has the necessary operations (physical stores and highly trained staff) to set up and support at-home electronics.

With an expanding online presence, growing membership programs, and entry into the healthcare market, Best Buy has plenty of room to grow revenue from its current brick-and-mortar footprint.

[1] Best Buy's last fiscal year ended January 30, 2021, which we refer to throughout the report as 2020.

Amazon Can't Easily Replicate Best Buy's Omnichannel Platform

For years, investors have considered Best Buy a casualty of the Amazon-led Retail Apocalypse. However, Best Buy has proven that its omnichannel offering is highly competitive in the age of digital retail.

Though Best Buy has established a strong omnichannel experience, Amazon's larger online presence makes it the consumer electronics leader in the U.S. However, Amazon recognizes the limitations to an online-only business and plans to expand its physical footprint by opening department stores. Amazon's move to grow its brick-and-mortar presence underscores the merits and success of Best Buy's omnichannel model.

Creating a successful omnichannel experience in the consumer electronics market requires more than building out a brick-and-mortar footprint. With over 80,000 cross-trained employees and 20,000 high-skilled Geek Squad agents, Best Buy compliments its brick-and-mortar footprint with an extensive customer service offering, which will be much more difficult for Amazon to replicate.

Optimized Store Base

Best Buy's decision to close underperforming stores gives it one of the most profitable store portfolios around. Figure 5 shows the company generates more profits from its retail space than its closest competitors. The company's U.S. revenue per square foot is 2x Walmart's (WMT) and 3x Target's (TGT). Best Buy's net operating profit after tax[2] (NOPAT) per square foot from U.S. operations is superior to Costco (COST), nearly twice Target's, and ~2.5x Walmart's.

Figure 5: Best Buy Vs. Select Competitors: U.S. Revenue & NOPAT per Square Foot: 2020

Company	Ticker	U.S. Rev / Sqft	U.S. NOPAT / Sqft
Best Buy	**BBY**	**$1,134**	**$50**
Costco Wholesale Corp	COST	$1,699	$49
Target Corporation	TGT	$387	$22
Walmart Inc.	WMT	$557	$19

Sources: New Constructs, LLC and company filings

High Profitability Should Be No Surprise

With its ability to generate large amounts of revenue from its retail space, it comes as no surprise that Best Buy has the second-highest invested capital turns and second-highest return on invested capital (ROIC) versus the competitors listed in Figure 6. Best Buy's invested capital turns rose from 3.6 in 2014 to 6.1 over the trailing twelve months (TTM), as its NOPAT margin grew from 3% to 5% over the same time. Rising invested capital turns and margins drive Best Buy's ROIC from 7% in 2014 to 32% TTM.

Figure 6: Best Buy's Profitability Vs. Competitors: TTM

Company	Ticker	NOPAT Margin	Invested Capital Turns	ROIC
The Home Depot, Inc.	HD	12%	3.2	37%
Best Buy	**BBY**	**5%**	**6.1**	**32%**
eBay Inc.	EBY	25%	1.1	28%
Costco Wholesale Corp	COST	3%	7.2	21%
Amazon.com Inc.	AMZN	7%	2.8	19%
Target Corporation	TGT	7%	2.9	19%
Walmart Inc.	WMT	4%	3.0	10%
Kohl's Corporation	KSS	6%	1.5	8%
The ODP Corp	ODP	3%	1.1	3%
GameStop	GME	-1.6%	1.5	-2%
Market-Cap-Weighted Avg of Competitors		**7%**	**3.2**	**20%**

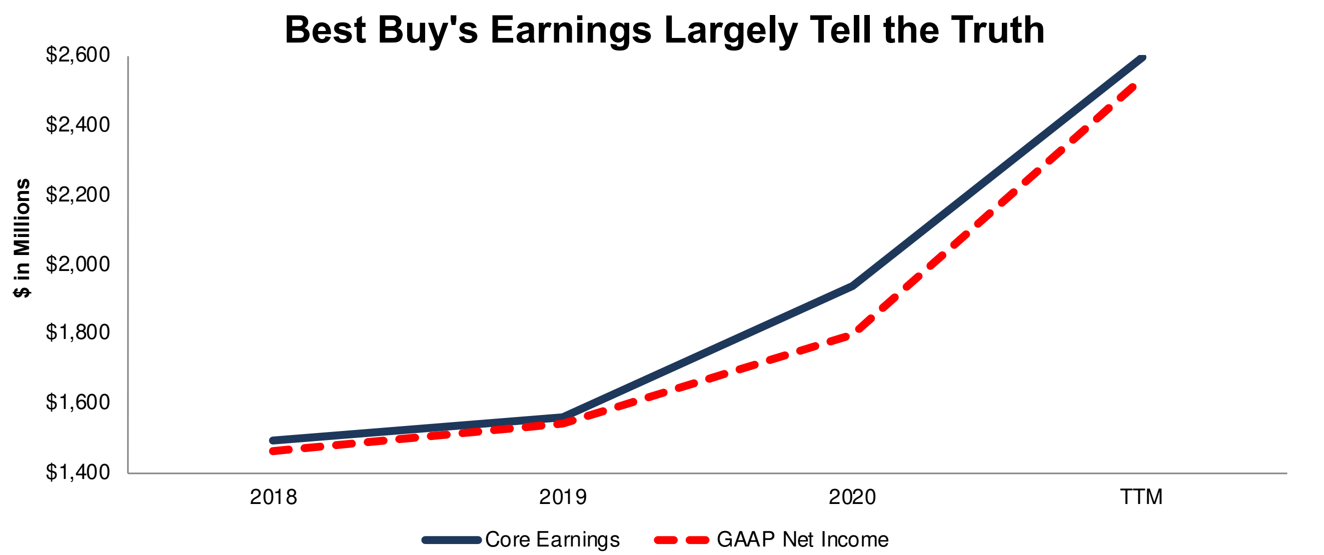
Sources: New Constructs, LLC and company filings

[2] U.S. NOPAT is estimated as company-wide NOPAT margin x U.S. revenue

Reported Numbers Are More Reliable Than Most

Best Buy grew Core Earnings[3] year-over-year in each of the past 8 years. More recently, the firm grew Core Earnings from $1 billion in 2014 to $1.6 billion in 2019. Over the TTM period, Core Earnings have soared to $2.6 billion, which is nearly equal to its GAAP earnings of $2.5 billion, per Figure 7. With its Earnings Distortion at just 2% of GAAP Earnings, the company's reported financials are more reliable than most, which is good news for investors since stocks, known as Truth Stocks, of companies with little-to-no Earnings Distortion have been proven to generate novel alpha.

Figure 7: Best Buy's Revenue & Core Earnings Since 2016



Sources: New Constructs, LLC and company filings.

Short-Term Headwinds Create Long-Term Opportunity for Investors

Over the short term, Best Buy's stock is weighed down from a number of challenges. However, a careful consideration of these troubles re-affirms that Best Buy is on the right path for long-term profit growth.

Difficult Comps: No doubt, Best Buy's sales in 2020 received a boost from post-pandemic pent-up demand. However, a large portion of the sales the company gained in 2020 are likely to stick. The company noted in its calendar 2Q21 earnings release that due to a strong increase in the need for technology it "serves a much larger install base of consumer electronics with customers who have an elevated appetite to upgrade due to constant technology innovation and needs that reflect permanent life changes."

The company's management is guiding for 2021 sales to be between $51 billion to $52 billion, which is above its pre-pandemic target of $50 billion in sales by calendar 2024. Even at the low end of guidance, Best Buy's 2021 revenue would still be 8% higher than 2020 and up 17% from pre-pandemic levels.

Labor Shortage: While the labor shortage will likely cause Best Buy's SG&A expense to rise from 2020 levels, the company reduced its headcount by ~20% in 2020, which gives it room to absorb the cost of rising wages.

Additionally, Best Buy's focus on employee training should help it navigate the difficult labor market. 80% of the company's employees are trained to work in multiple work zones with half capable to work in four or more roles. Cross-training gives Best Buy and its employees more scheduling flexibility, which should result in fewer disruptions to the company's operations and a more enjoyable employee experience.

Supply Chain Challenges Can Be Managed: Disruptions to the global supply chain are worsening during the most critical quarter of the year for most retailers, Best Buy included. In 2019, 35% of Best Buy's annual sales came in the fourth quarter.

[3] Only Core Earnings enable investors to overcome the inaccuracies, omissions and biases in legacy fundamental data and research, as proven in Core Earnings: New Data & Evidence, written by professors at Harvard Business School (HBS) & MIT Sloan and published in The Journal of Financial Economics.

To combat the potential loss of holiday sales due to inventory shortages, Best Buy is stretching out its holiday season to accommodate longer transportation times by starting some Black Friday offers as early as October 19. The extended sales period should allow customers more time to participate in promotional offers while alleviating some of the typical inventory challenges a traditional Black Friday sale causes.

Furthermore, the firm is also prioritizing inventory for its Totaltech customers by providing access to "hard-to-find products." If supply issues worsen, Totaltech memberships may increase at a faster than anticipated rate as more customers may sign up in hopes of procuring desired items.

Best Buy also has the opportunity to attract new customers to its omnichannel experience as customer search for items other retailers are unable to supply.

Inflation Could Reduce Discretionary Spending: Rising inflation could affect consumer discretionary spending, and cause demand for Best Buy's products and services to slump. This scenario would not just affect Best Buy, but the entire consumer electronics industry. As it did during the pandemic, Best Buy's large market presence and strong financial position equips it to take market share from weaker competitors in challenging market environments.

BBY Is Priced for Profits to Fall Below Pre-Pandemic Levels

Even though ResearchAndMarkets projects the U.S. retail market to grow 3.5% from 2020 to 2025, Best Buy is priced as if its profits will permanently fall to below pre-pandemic levels. We calculate Best Buy's price-to-economic book value (PEBV) of 1.0 based on its pre-pandemic three-year average NOPAT from 2017-2019. This ratio means the stock is priced for profits to never meaningfully exceed its pre-pandemic profit levels.

When we use our reverse discounted cash flow (DCF) model to analyze the future cash flow expectations baked into Best Buy's stock price, we can provide clear mathematical evidence that the current valuation implies profits will not ever regain 2017 levels. We also provide an additional scenario to highlight the upside potential in shares if Best Buys grows revenue at consensus rates. Each scenario also assumes Best Buy will experience persistently lower NOPAT margins going forward, which could prove conservative.

DCF Scenario 1: we assume Best Buy's:

- NOPAT margin falls to 4% (3-year average vs. 5% TTM) in 2021 through 2030 and
- revenue falls 1% compounded annually from 2021-2030

In this scenario, Best Buy's NOPAT falls 2% compounded annually for the next decade and the stock is worth $114/share today – equal to the current price. In this scenario, Best Buy earns $1.7 billion in NOPAT in 2030, which would be its lowest NOPAT since 2017.

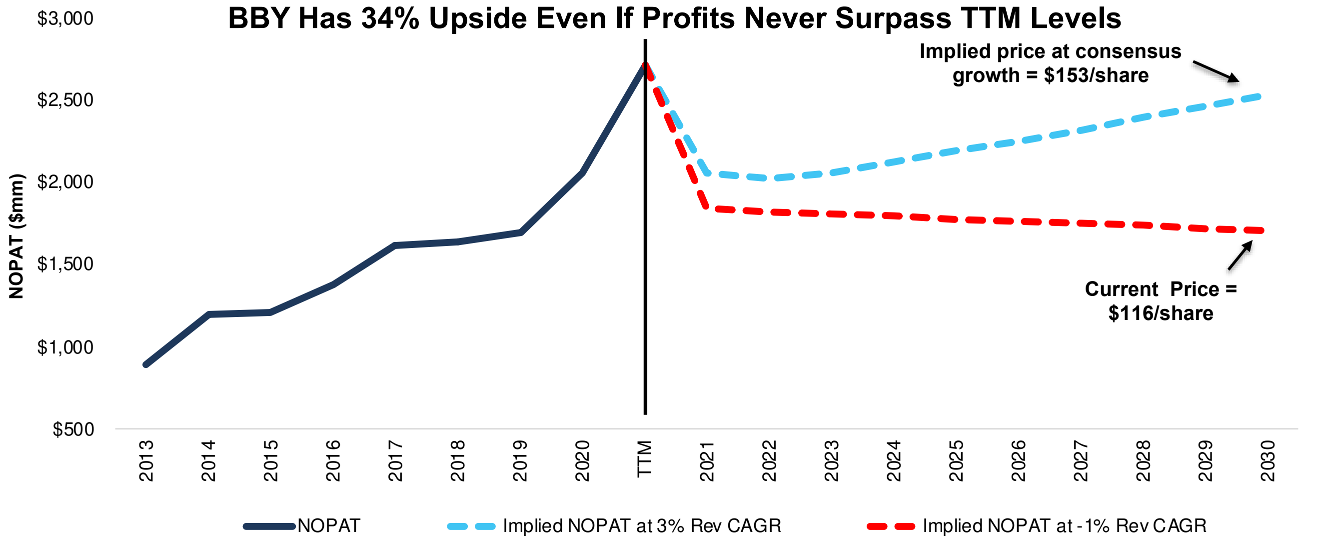
DCF Scenario 2: Shares Are Worth $153+: If we assume Best Buy's:

- NOPAT margin falls to 4% (3-year average) from 2021 through 2030 and
- revenue grows at a 3% CAGR (2021-2023 consensus CAGR) from 2021-2030 then

BBY is worth $153/share today – a 34% upside to the current price. See the math behind this reverse DCF scenario. In this scenario, Best Buy NOPAT grows 2% compounded annually over the next 10 years and is just $2.5 billion in 2030, or 6% below TTM levels. For reference, Best Buy grew NOPAT 7% compounded annually before the pandemic from 2014 to 2019. Should Best Buy grow NOPAT more in line with historical growth rates, then the stock has even more upside.

Figure 8 shows Best Buy's historical NOPAT alongside its implied NOPAT in each of the above DCF scenarios.

Figure 8: Best Buy's Historical and Implied NOPAT: DCF Valuation Scenarios



Sources: New Constructs, LLC and company filings.

Sustainable Competitive Advantages Will Drive Shareholder Value Creation

Here's a summary of why we think the moat around Best Buy's business will enable it to continue to generate higher NOPAT than the current market valuation implies. The following competitive advantages also help Best Buy grow its market share over the long term:

- superior omnichannel platform
- unrivaled, high-touch customer support
- high profitability compared to peers

What Noise Traders Miss With Best Buy

These days, fewer investors focus on finding quality capital allocators with shareholder friendly corporate governance. Instead, due to the proliferation of noise traders, the focus is on short-term technical trading trends while more reliable fundamental research is overlooked. Here's a quick summary of what noise traders are missing:

- large ecommerce market share gains throughout the pandemic
- large growth opportunity in digital healthcare
- growth opportunity with growing membership business
- historical ability to grow revenue from a smaller physical footprint
- valuation implies profits will fall to 2017 levels

Earnings Beats, Totaltech Membership Growth, or More Health Tech Could Send Shares Higher

According to Zacks, Best Buy beat EPS estimates in each of the past 12 quarters and doing so again could send shares higher.

Should Best Buy's early and extended Black Friday promotion successfully offset supply-chain challenges, the company's holiday sales may do better than expected, and create renewed momentum amongst previously concerned investors.

In the past, Best Buy launched its Total Tech Support program, which previously primarily included Geek Squad benefits, which helped drive the company's Services revenues up ~13% year-over-year in calendar 3Q18. Starting on October 5, 2021, revamped Totaltech memberships are available nationwide. The membership could help offset waning post-pandemic consumer electronic demand through additional revenue from membership fees and incremental product purchases from members.

Lastly, should Best Buy launch a bolder digital healthcare program, the market could begin to realize Best Buy's growth potential beyond consumer electronics.

Dividends and Share Repurchases Could Provide 11.2% Yield

Best Buy has increased its dividend each year since 2013. Since 2016, the firm has paid $2.5 billion in cumulative dividends. The firm's current dividend, when annualized, provides a 2.4% yield.

Best Buy also returns capital to shareholders through share repurchases. From 2016 to 2020, the firm repurchased $8 billion (28% of current market cap) of stock. Best Buy has already repurchased $1.3 billion 1H21 and plans for its 2021 repurchases to total $2.5 billion, which would provide an annual yield of 8.8% at its current market cap.

Executive Compensation Plan Could Be Better

No matter the macro environment, investors should look for companies with executive compensation plans that directly align executives' interests with shareholders' interests. Quality corporate governance holds executives accountable to shareholders by incentivizing them to allocate capital prudently.

Best Buy compensates executives with salaries, annual bonuses, and long-term stock options and equity awards.

The company awards executives' long-term performance share awards based on three-year total shareholder return and three-year enterprise revenue growth.

The company evaluates its operational and capital efficiency by using a non-GAAP return on investment (ROI). However, Best Buy does not tie executive compensation to ROI or, better yet, ROIC. Tying executive compensation to ROIC ensures that executives' interests are actually aligned with shareholders' interests as there is a strong correlation between improving ROIC and increasing shareholder value.

Despite its underwhelming compensation plan, Best Buy has not compensated executives while destroying shareholder value. Best Buy grew economic earnings from $300 million in 2013 to $2.2 billion TTM.

Insider Trading and Short Interest Trends

Over the past 12 months, insiders have bought 305 thousand shares and sold 307 thousand shares for a net effect of ~3 thousand shares sold. These sales represent less than 1% of shares outstanding.

There are currently 8.4 million shares sold short, which equates to 3% of shares outstanding and just under 4 days to cover. Short interest is down 9% from the prior month. The lack of short interest reveals not many are willing to take a stake against this market leader loaded with growth potential.

Critical Details Found in Financial Filings by Our Robo-Analyst Technology

Fact: we provide more reliable fundamental data and earnings models – unrivaled in the world.
Proof: Core Earnings: New Data & Evidence, forthcoming in The Journal of Financial Economics.

Below are specifics on the adjustments we make based on Robo-Analyst findings in Best Buy's 10-K and 10-Qs:

Income Statement: we made $623 million of adjustments, with a net effect of removing $263 million in non-operating expenses (<1% of revenue). You can see all the adjustments made to Best Buy' income statement here.

Balance Sheet: we made $7.2 billion of adjustments to calculate invested capital with a net decrease of $133 million. One of the largest adjustments was $2.4 billion in asset write-downs. This adjustment represented 28% of reported net assets. You can see all the adjustments made to Best Buy's balance sheet here.

Valuation: we made $5.9 billion of adjustments to shareholder value for a net effect of decreasing shareholder value by $2.4 billion. Apart from total debt, one of the most notable adjustments to shareholder value was $1.7 billion in excess cash. This adjustment represents 6% of Best Buy's market cap. See all adjustments to Best Buy's valuation here.

Attractive Funds That Hold BBY

The following funds receive our Attractive rating and allocate significantly to BBY:

1. First Trust NASDAQ Retail ETF (FTXD) – 3.7% allocation
2. Touchstone Dividend Equity Fund (TQCYX) - 2.9% allocation

This article originally published on October 20, 2021.

Disclosure: David Trainer, Kyle Guske II, Alex Sword, and Matt Shuler receive no compensation to write about any specific stock, style, or theme.

Follow us on Twitter, Facebook, LinkedIn, and StockTwits for real-time alerts on all our research.

It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our "novel database" enables investors to overcome these flaws and apply reliable fundamental data in their research.
3. Our proprietary measures of Core Earnings and Earnings Distortion materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in The Journal of Financial Economics, a top peer-reviewed journal, Core Earnings: New Data & Evidence proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior fundamental data, earnings models, and research. More details.

Key quotes from the paper:

- "[New Constructs'] *Total Adjustments* differs significantly from the items identified and excluded from Compustat's adjusted earnings measures. For example… 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global's (SPGI) Adjustments* individually." – pp. 14, 1st para.
- "A final source of differences [between New Constructs' and S&P Global's data] is due to data collection oversights…we identified cases where Compustat did not collect information relating to firms' income that is useful in assessing core earnings." – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg's in Getting ROIC Right. See the Appendix for direct comparison details.

Key quotes from the paper:

- "…an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC." – pp. 8, 5th para.
- "The majority of the difference…comes from New Constructs' machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies." – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts' stock ratings outperform those from human analysts as shown in this paper from Indiana's Kelley School of Business. Bloomberg features the paper here.

Key quotes from the paper:

- "the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant." – pp. 6, 3rd para.
- "Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts." – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are here.

DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first two days after New Constructs issues a report on that security.

DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.