

UMH Properties, Inc. NYSE:UMH

FQ3 2019 Earnings Call Transcripts

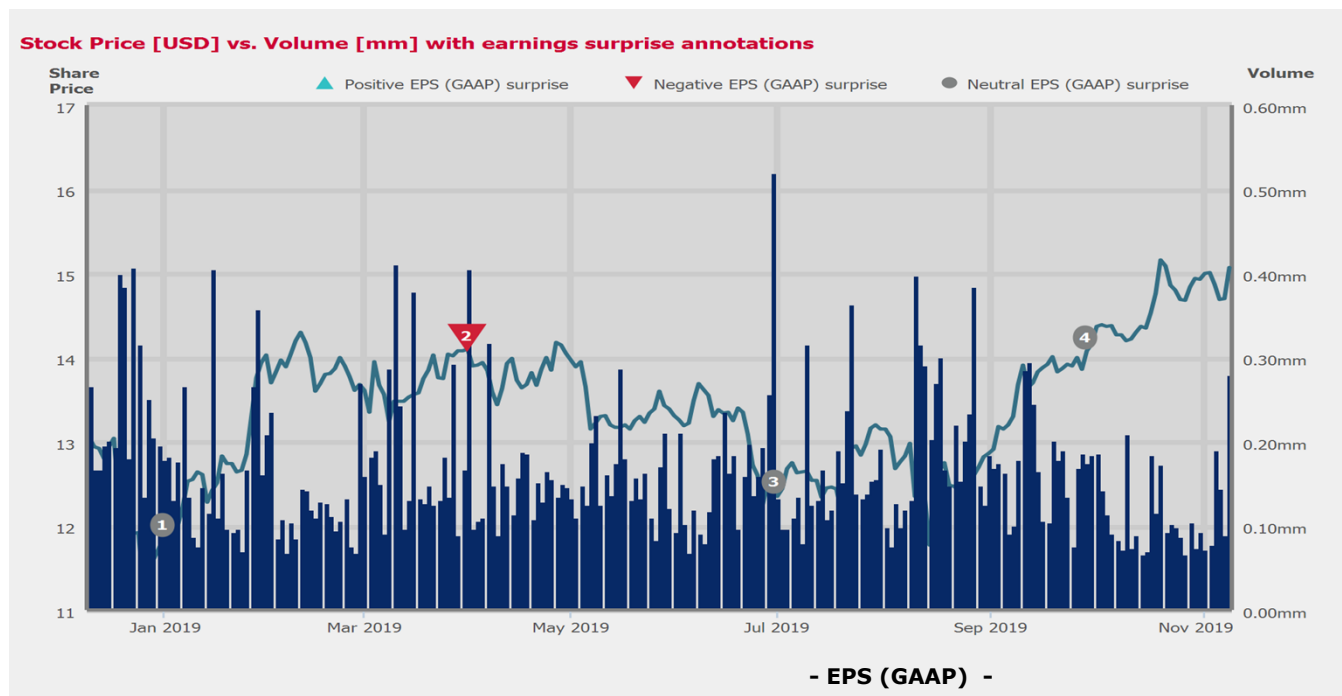
Friday, November 08, 2019 3:00 PM GMT

S&P Global Market Intelligence Estimates

| | -FQ3 2019- | | | -FQ4 2019- | -FY 2019- | -FY 2020- |
|---------------------|------------|--------|------------|------------|-----------|-----------|
| | CONSENSUS | ACTUAL | SURPRISE | CONSENSUS | CONSENSUS | CONSENSUS |
| EPS (GAAP) | (0.05) | 0.14 | NM | (0.03) | (0.10) | (0.16) |
| Revenue (mm) | 39.90 | 37.33 | ▼ (6.44 %) | 41.16 | 152.58 | 174.96 |

Currency: USD

Consensus as of Aug-21-2019 9:51 PM GMT



| | CONSENSUS | ACTUAL | SURPRISE |
|-----------------|-----------|--------|-------------|
| FQ4 2018 | (0.04) | (0.88) | NM |
| FQ1 2019 | 0.18 | 0.15 | ▼ (16.67 %) |
| FQ2 2019 | (0.06) | (0.15) | NM |
| FQ3 2019 | (0.05) | 0.14 | NM |

Table of Contents

| | | |
|---------------------|-------|---|
| Call Participants | | 3 |
| Presentation | | 4 |
| Question and Answer | | 8 |

Call Participants

EXECUTIVES

Anna T. Chew

*VP, Chief Financial & Accounting
Officer, Treasurer and Director*

Brett Taft

VP & Corporate Officer

Eugene W. Landy

Founder & Chairman of the Board

Nelli Madden

Director of Investor Relations

Samuel A. Landy

President, CEO & Director

ANALYSTS

Craig Gerald Kucera

*B. Riley FBR, Inc., Research
Division*

Robert Chapman Stevenson

*Janney Montgomery Scott LLC,
Research Division*

Presentation

Operator

Good morning, and welcome to UMH Properties Third Quarter 2019 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

It is now my pleasure to introduce your host, Ms. Nelli Madden, Director of Investor Relations. Thank you. Ms. Madden, you may begin.

Nelli Madden

Director of Investor Relations

Thank you very much, operator. In addition to the 10-Q that we filed with the SEC yesterday, we have filed an unaudited third quarter supplemental information presentation. This supplemental information presentation, along with our 10-Q, are available on the company's website at umh.reit.

I would like to remind everyone that certain statements made during this conference call, which are not historical facts, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements that we make on this call are based on our current expectations and involve various risks and uncertainties. Although the company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the company can provide no assurance that its expectations will be achieved. The risks and uncertainties that could cause actual results to differ materially from expectations are detailed in the company's third quarter 2019 earnings release and filings with the Securities and Exchange Commission. The company disclaims any obligation to update its forward-looking statements.

In addition, during today's call, we will be discussing non-GAAP financial metrics. Reconciliations of these non-GAAP financial metrics to the comparable GAAP financial metrics as well as explanatory and cautioning language are included in our earnings release, our supplemental information and our historical SEC filings.

Having said that, I would like to introduce management with us today: Eugene Landy, Chairman; Samuel Landy, President and Chief Executive Officer; Anna Chew, Vice President and Chief Financial Officer; and Brett Taft, Vice President.

It is now my pleasure to turn the call over to UMH's President and Chief Executive Officer, Samuel Landy.

Samuel A. Landy

President, CEO & Director

Thank you very much, Nelli. We are pleased to report our results for the third quarter ended September 30, 2019. UMH had a busy quarter on the acquisition front. During the quarter, we closed on the acquisition of 4 communities containing 1,500 homesites for approximately \$56 million. These acquisitions bring our total portfolio to 122 communities containing approximately 23,000 developed homesites. These communities were acquired at a weighted average occupancy rate of 63%. Two of these communities are in Pennsylvania, one in Ohio and one in Michigan. These communities are in markets where we are experiencing strong demand. As we have proven in the past, our business plan of upgrading the communities we acquire will, over time, result in strong occupancy and NOI growth, driving significant value creation. The acquisition market remains challenging. Both one-off acquisitions and portfolio sales continue to trade at historically low cap rates. We are looking at several opportunities and hope to grow our acquisition pipeline soon. We are working to identify deals in our target markets that are immediately accretive to earnings.

Our acquisition program has been very successful. Generating strong returns at value-added communities takes time. The longer we own these communities and integrate them into our platform, the better they will perform. When visiting our communities, it is clear to see how well we have executed our business plan. We have acquired many value-add communities that required significant capital improvements and

had a lot of deferred maintenance. The work has been completed, and we are rapidly filling sites through our rental and sales programs.

The appreciation of our properties is a fundamental component of our long-term business plan. Many of our encumbered properties exhibit strong appreciation that will be realized when mortgages come due and they are refinanced. As a case in point, during the quarter, we refinanced a community that we acquired in 2012 for \$4.4 million with a loan for \$2.8 million at an interest rate of 5.75%. This community appraised for \$8.1 million, and we refinanced for \$6.1 million at an interest rate of 3.37%. This represents an 86% increase in value over the 7-year period that we have owned the property. This refinancing demonstrates the appreciation created by our business plan.

Our same-property results continue to validate our business plan. During the quarter, same-property revenue was up 7.8% over the prior year period and expenses were up 10.1%, resulting in same-property NOI growth of 6%. While we are happy with these results, as we continue to execute our business plan, we expect these numbers to improve further.

Same-property occupancy was up 357 sites over the prior year period, increasing occupancy 170 basis points to 84% from 82.3% in the prior year period. We added 688 rentals to our same property portfolio, an increase of 11.3% over the prior year period. Same-property pool contains several recent acquisitions that are now starting to generate strong income gains and are beginning to see a reduction in overall expenses.

Although sales for the quarter were down 7% over the prior year period, we are pleased with our year-to-date sales growth of 25% over the prior year period. This quarter, we sold 71 homes as compared to 80 homes in the prior year period. Our average sales price during the quarter was approximately \$62,000 as compared to \$59,000 in the prior year period. This represents an increase of approximately 4.6%.

Our gross profit percentage for the quarter was 25% versus 26% in the prior year period. Our gross profit percentage year-to-date was 27% versus 24% in the prior year period. Year-to-date, we have sold 230 homes as compared to 204 homes in the prior year period. Our average sales price year-to-date was approximately \$60,000 versus \$54,000 in the prior year period, representing an increase of 10.8%. Our sales operation continues to meet our expectations. Sales demand is strong throughout the portfolio. We expect our sales operation to generate meaningful returns in the future.

We continue to make progress with our expansions. This year, we expect to deliver 170 newly developed homesites at 3 locations. In 2020, we expect to obtain approvals for 680 homesites at 16 locations. These newly developed sites will allow us to continue our sales and rental growth at communities that have consistently produced excellent results.

Subsequent to quarter end, we implemented an at-the-market, or ATM, sales program, allowing us to tap into the preferred market on an as-needed basis. This ATM program further enhances our balance sheet and improves our financial flexibility. This program is intended to largely replace our common stock issuances through (sic) [under] the dividend reinvestment and stock purchase plan.

And now, Anna will provide you with greater detail on our results for the quarter.

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

Thank you, Sam. Funds from operations, or FFO, was \$5.8 million or \$0.40 (sic) [\$0.14] per diluted share for the third quarter of 2019 compared to \$7.1 million or \$0.19 per diluted share for the prior year period. Normalized FFO, which excludes realized gains and losses on the sale of securities and other nonrecurring items, was \$6 million or \$0.15 per diluted share for the third quarter of 2019 compared to \$7.1 million or \$0.19 per diluted share for the prior year period. This decrease in per share FFO is primarily attributable to the impact of our raising capital and a reduction in dividend income from our securities portfolio. Sequentially, normalized FFO increased 7% as compared to the second quarter.

Rental and related income for the quarter was \$32.9 million compared to \$28.7 million a year ago, representing an increase of 15%. This increase was primarily due to community acquisitions, the addition

of rental homes and the growth in occupancy. Community NOI increased by 11% for the quarter from \$15.4 million in 2018 to \$17.2 million in 2019. Our normalized operating expense ratio increased to 47.5% from 46.3%. We expect the expense ratio to decline as new revenue originated during the first 3 quarters offsets the increased expenses.

As we turn to our capital structure, at the end of the quarter, we had approximately \$452 million in debt, of which \$376 million was community-level mortgage debt and \$76 million were loans payable. 85% of our total debt is fixed rate. Weighted average interest rate on our mortgage debt was 4.1% at the end of the third quarter 2019 compared to 4.2% in the prior year and 4.3% at year-end 2018. The weighted average maturity on our mortgage debt was 6.2 years at quarter end compared to 6.3 years a year ago.

During the quarter, we completed the financing/refinancing of 4 of our communities for total proceeds of approximately \$44.9 million. These Fannie Mae mortgages are at a weighted average fixed rate of 3.4% with 10-year maturities and principal repayments based on 30-year amortization schedule. Proceeds were primarily used to repay the existing mortgages, which had a total balance of approximately \$13.8 million with a weighted average interest rate of 5.91%.

As of quarter end, UMH had a total of \$389 million in perpetual preferred equity. Our preferred stock, combined with an equity market capitalization of \$575 million and our \$452 million in debt, results in a total market capitalization of approximately \$1.4 billion.

As Sam mentioned, subsequent to quarter end, we implemented an ATM program. To date, we have sold approximately 350,000 shares of our 6.375% Series D preferred stock for net proceeds of approximately \$8.7 million after offering expenses.

From a credit standpoint, our net debt to total market capitalization was 31%. Our net debt less securities to total market capitalization was 23%. Our net debt to adjusted EBITDA was 6.7x. Our net debt less securities to adjusted EBITDA was 4.9x. Our interest coverage was 3.4x, and our fixed charge coverage was 1.5x.

From a liquidity standpoint, we ended the quarter with \$11.1 million in cash and cash equivalents and \$18.3 million available on our revolving lines of credit for the financing of home sales and the purchase of inventory and \$70 million available on our unsecured credit facility with an additional \$50 million potentially available pursuant to an accordion feature. We also had \$116 million in our REIT securities portfolio, encumbered by \$41 million in margin loans. Subsequent to quarter end, we reduced the balance of our margin loans by approximately \$10 million. The performance of our securities portfolio has improved substantially during the quarter and subsequent to quarter end. At quarter end, the portfolio represented approximately 9.4% of our undepreciated assets. We limit our portfolio to no more than 15% of our undepreciated assets.

With our strong financial position, we are poised to continue our growth initiatives. And now let me turn it over to Gene before we open it up for questions.

Eugene W. Landy

Founder & Chairman of the Board

We are happy with the progress that we have made with respect to our business plan. The fundamentals of our business remain encouraging. There is a continuing national need for quality, affordable housing. We are well positioned to fill this need. As federal, state and local legislators continue to support our industry, this may lead to growth opportunities through the development of new communities in the future. The recent changes in credit markets have increased the value of all REITs. The combination of lower rates and longer terms make debt an attractive substitute for both the preferred equity and mortgage debt on our balance sheets.

The existence of \$13 trillion invested in negative rate investments create a downward pressure on all property cap rates so that sub-5% valuations have become common place. Applying these cap rates to UMH's financials may lead analysts to determine that UMH is significantly undervalued by the public market.

Year-to-date, same-property NOI is up \$2.3 million, or on an annualized basis, \$3.1 million. As I already stated, high-quality manufactured housing communities and portfolios are currently trading at sub-5% cap rates. Applying a conservative 5% cap rate to our increase in NOI depicts an increase in value of \$62 million or \$1.55 per share. As we can recapture this increase in value for the refinancing of our communities, our common shareholders will benefit. Next year, we can improve our already strong balance sheet by redeeming approximately \$95 million of our 8% Series B perpetual preferred. This will enable us to reduce the cost of our preferred dividends substantially. We estimate potentially realizing annual savings of approximately \$3 million or \$0.08 per share.

We are very proud of the business we are in and the portfolio that we have built. We will now be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] The first question today comes from Rob Stevenson with Janney.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Sam, so you sold 71 homes in the third quarter this year versus 80 in the year ago quarter. How are sales going versus your expectations? And how is the availability of financing today for residents?

Samuel A. Landy

President, CEO & Director

Sales are according to expectations. Basically, because our sales increased so much the first and second quarters, we ran the inventory down. So it was a little bit hard to catch up, which is why sales didn't grow this past quarter. But sales are on target. We hear about more and more large price home sales, and we think that will continue to meet our expectations. We sold so many homes that we wound up with a little bit of a lag in the time it took to set up the replacement homes.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Okay. And how is financing for -- in the space these days? I mean is it -- how -- given the average sort of FICO cost and the lack of land, I mean, how easy is it today versus a year ago or 3 years ago for someone to get financing for one of these homes, not only just in your communities, but just in general?

Samuel A. Landy

President, CEO & Director

Yes. No. It's improving. I mean compared to 2, 3 years ago, it's improved dramatically. The higher incomes the wage earners receive, the more they qualify for financing, more people. 55 and older are selling their homes and realize positive cash after the sales. So they have higher down payments or they could pay cash to buy a home from us. So all of that's improving.

Part of the reason our business plan works so well is there are still so many people that cannot get financed under the existing laws that we rent 8 homes for every 1 we sell. But the sales are improving. The increased incomes, changes in the finance laws and the additional money people have from the appreciation of conventional homes all improve home sales.

Eugene W. Landy

Founder & Chairman of the Board

I have to add to that. Samuel Landy had an award from the Manufacturing Housing Institute this year that we're very proud of. He had the Chairman's Award for his work in helping the industry demonstrate that there is a need for manufactured housing and there's a need for manufactured housing finance. We exhibited on the Washington Mall. The attendance was wonderful. The people that attended were very important people. We anticipate that there will be action in Congress and with the President. And even if it is a pilot program, we think there's going to be financing available for the public, so they can buy manufactured homes, not paying 7%, 7.5%, 8% mortgages, but more competitive rates to the 3.5%, 4% rates you get on a conventional home. And we know that, just yesterday, there were congressional hearings on this subject.

And as I said, I'm very proud of what Sam and the team has done. The team set up a model home with short notice and a wonderfully set-up home, and there's a video on our website that you can see. We told our story, and we're very hopeful that we will get the government to help us provide affordable financing to meet the affordable housing shortage.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Okay. And then a question on the rental business. If I look -- I mean, sequentially, last quarter, your rentals were 93.6% occupancy, and this quarter, 92.4%. Is that just a timing situation where you've had units that are set up but the person hasn't moved in yet? Or did you get move-outs in certain communities, et cetera? Could you just talk about what the trend is there and what's going on there during the quarter.

Samuel A. Landy

President, CEO & Director

Yes. Brett, I'm going to have you answer specifically, but I just want to point out one thing. We found that our normal average move-outs per month is 170 homes. So approximately 170 homes turn over each month, which means that 30% of our rental homes turn over per year, and we maintain our high occupancy, and Brett will go into detail on that now.

Brett Taft

VP & Corporate Officer

Yes. Just a little bit more detail there. But you're looking at our overall rental occupancy, which would include homes that were acquired with our recent acquisitions, and they do not have a strong occupancy as our same-store pool. If you look at our same-store pool, occupancy remained strong at 93.6% as compared to 93.4% a year ago. So it's just a function of acquiring vacant homes that we either need to remove, remodel and occupy. So that should sort itself out shortly.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Okay. And have you guys sort of pushed leasing? I mean most of your -- I mean, all of your assets are essentially in cold weather states. I mean the apartment industry has pushed the vast majority of their expirations into sort of second and third quarter on a calendar basis. I mean are you guys -- how is your sort of trend in terms of lease expirations in the rental business? Do you still -- do you -- basically 25% a quarter? Or have you guys pushed your rentals into the warmer weather months as well?

Samuel A. Landy

President, CEO & Director

No. I mean we strictly -- people move in. They get a 1-year lease. The lease expires. It gets renewed, and they get their annual rent increase. The timing is based on when the people move in and we maintain our almost 95% occupancy. And we continue to add our 800 rental homes per year that we fill up.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Okay. And then what were the major drivers of the nearly 10% year-to-date increase in same-store expense growth? What's the big chunky stuff in there?

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

Well, part of it was the increased employee costs because of the new acquisitions. Don't forget, the same-store pool this year included the 2017 acquisitions, which is about 2,000 sites, and that was only about 65% occupied. So it takes a little more of expenses in order to bring those -- the occupancy up for that. So we have a little bit of the increase in salaries, a little bit of rental home expense because we are putting new rentals in there. And also included in the rental home expense was the real estate taxes for the rental homes.

Robert Chapman Stevenson

Janney Montgomery Scott LLC, Research Division

Okay. And then last one for me. I mean, other than the Monmouth dividend reinvestment, did you guys make any additions to the securities portfolio this quarter?

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

No.

Operator

[Operator Instructions] The next question comes from Craig Kucera with B. Riley FBR.

Craig Gerald Kucera

B. Riley FBR, Inc., Research Division

Appreciate the color on home sales, Sam. But given the accelerated demands, do you think you've rightsized inventory today to meet demand as we sit here in the fourth quarter?

Samuel A. Landy

President, CEO & Director

We're doing everything we can to bring our inventories to the highest levels we've ever had because we always know that whoever has the homes ready in the winter and early spring would get the sales. So we are actively pushing all of our communities to add vacant rental homes, vacant homes for sale, and I believe everybody is doing that. And we'll go into the winter season with the highest inventories of vacant rentals and vacant homes for sale we ever had because we're very optimistic of our ability to fill those profitably.

Craig Gerald Kucera

B. Riley FBR, Inc., Research Division

Okay, great. I want to switch to the rental home segment. I think you're almost at 800 units for the year, which is typically your annual target. Can you tell us our expectations for fourth quarter? And was that more of a seasonal event, picking up north of 400 in the third quarter? Or do you anticipate running at maybe a higher level on a go-forward basis? Any color would be appreciated.

Samuel A. Landy

President, CEO & Director

Brett will give you some specific information.

Brett Taft

VP & Corporate Officer

Yes. So that -- the number is -- I think it's, what, 760-something units for the year.

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

Right, and that's right.

Brett Taft

VP & Corporate Officer

It includes units that were acquired at our recent acquisitions. I believe there was about 100...

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

160, 180, I believe.

Brett Taft

VP & Corporate Officer

Yes. Exactly. So we do believe we remain on track. And looking at our VP of Rental's report the other day, to date, as of today, not the end of the quarter, we've ordered 730 homes. And we do believe that we'll meet that target of 800 new homes at our communities.

Craig Gerald Kucera

B. Riley FBR, Inc., Research Division

Got it. That makes sense. I guess just given the amount -- I guess can you talk about traffic and uptake for the rental units, both those acquired recently as well as what you deployed?

Samuel A. Landy

President, CEO & Director

So we are 100% convinced that the solution to vacant manufactured homesites is the rental business. There was a time, decades ago, when people could sell 4 homes per month. There's very few manufactured home communities expansions that sell 4 homes per month, but we can rent 4 homes per month in many communities. So the customer acceptance is fantastic. It's a great, great product, the 3-bedroom, 2-bath house on a 50x100 lot, and the demand for it creates waiting list in a lot of communities. We maintain that 94% rental occupancy, and we're more optimistic about it than ever. We think we still have to obtain more acceptance of it from the finance companies because we think we should pay a lower rate of interest on the house, but that's the last hurdle to jump. It has investor acceptance. It has customer acceptance, and we just want lower rates of interest for the rental units.

Craig Gerald Kucera

B. Riley FBR, Inc., Research Division

Got it. And given your commentary on rentals versus sales, I think you quoted sort of an 8:1 ratio. As you expand 170 homesites this year, I think a pretty decent amount next year, is that sort of the expectation is that you'll probably see a mix somewhere along those lines as you expand those communities?

Samuel A. Landy

President, CEO & Director

For the company, that will be the total mix. But on expansions, we generally build in areas where we anticipate home sales and we anticipate profit. So Memphis Blues is the exception because that's the all rental community and 50 of the last -- or 100% for rental houses. But as a general matter, we build lots in places we think we can earn sales profits.

Craig Gerald Kucera

B. Riley FBR, Inc., Research Division

Okay. Got it. One more for me. Just want to circle back to your comment on the preferred ATM. I think you've been raising somewhere on a run rate of \$30 million, plus or minus, from the DRIP program. Are you basically saying that you're effectively going to shut that off and really kind of fill that part of the capital stack with preferred going forward versus common?

Samuel A. Landy

President, CEO & Director

I think it's important to note we did shut it off. There's still the dividend reinvestment plan and the \$1,000 maximum waiver.

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

Maximum, yes.

Samuel A. Landy

President, CEO & Director

But beyond that, there is no additional shares of common stock through the shareholder investment plan.

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

We shut it off in -- effective for the September dividend reinvestment and shareholder purchase plan.

Craig Gerald Kucera

B. Riley FBR, Inc., Research Division

So I guess what is -- what will the common equity then issuance be out of that program going forward? I know you mentioned it was -- there was still going to be a portion of it.

Eugene W. Landy

Founder & Chairman of the Board

Well, the dividend reinvestments, we have 40 million shares. We paid \$28 million in dividends, and we encourage our shareholders to reinvest dividends. I believe it's between \$10 million and \$15 million.

Anna T. Chew

VP, Chief Financial & Accounting Officer, Treasurer and Director

I believe so.

Eugene W. Landy

Founder & Chairman of the Board

We invested and we always continue that program. We have shareholders for decades who have reinvested and compounded their investments and are very pleased with that program, so we will continue the dividend reinvestment program. But the optional cash part of it, the shareholder investment plan used to raise \$3 million, \$4 million a month, \$36 million to \$40 million a year, and that capital was used to make acquisitions and to buy rental homes and keep a very sound balance sheet.

Well, Anna points out in her remarks, we have very low leverage, and we have the ability to borrow a substantial amount on our communities, and we don't think it's necessary to continue to sell our equity. So we want to keep as close to the 40 million shares outstanding for the future, and our capital base will continue to grow through the preferred stock, which we think is a great deal, both for the investor and for the company.

Operator

[Operator Instructions] There appears to be no further question. This concludes our question-and-answer session. I would now like to turn the conference back over to Samuel Landy for any closing remarks.

Samuel A. Landy

President, CEO & Director

Thank you, operator. I would like to thank the participants on this call for their continued support and interest in our company. As always, Gene, Anna and I are available for any follow-up questions. We hope to see you at the NAREIT conference later this month, and we look forward to reporting back to you in March with our year-end results. Thank you.

Operator

This conference is now concluded. Thank you for attending today's presentation. The teleconference replay will be available in approximately 1 hour. To access this reply, please dial U.S. toll-free 1 (877) 344-7529; or international, 1 (412) 317-0088. The conference ID number is 10134882.

Thank you, and please disconnect your lines at this time.

Copyright © 2019 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2019 S&P Global Market Intelligence.