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INVESTMENTS LIMITED
Established 1985

ISSUE: 09 | OCTOBER 2017 ■ MAGAZINE ■

CEO CORNER

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September's edition of the monthly Investor Forum, featured 3 female business leaders. L-R: Michelle Chong, CEO of Honeybun (1982) Limited, Jacki Stewart Lechies, Director of Stewarts Automotive Group and Audrey Hinchcliffe, CEO of Manpower & Maintenance Services Limited.

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CEO CORNER

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OCTOBER 2017 CEO CORNER

A Company's Stock Price: what does it mean?

the investment has been made. Nonetheless, over the long term they can generate good returns. Investors receive two types of returns from the purchase of shares they buy: long-term capital growth and annual income, where shares offer income in the form of dividends, which are usually paid once to twice a year to shareholders. This is generally paid when a company is making substantial amounts of profits.

Many companies have faced challenges in becoming undermined with the value of share price. This occurs when management is unable to utilise the funds raised to increase future earnings with the value of the business. There are conditions that the company must undergo in making its share price beneficial for all stakeholders: it is imperative that the business is a reputable entity with steady profit growth where the increase in share price is aligned with the increase in the value of the business or employ corporate strategies that aids in increasing the added value of the company. Invariably these elements will be advantageous in increasing shareholders' value.

Good management must have a vision for its company in taking advantage of its share price to expand and grow the business. Once the value of the stock price has increased, it will provide alternative opportunities to develop the future of the company and its stakeholders. This will furthermore attract potential investors as well as build strong strategic partnerships. ■

Companies enter the stock market either to issue or sell shares after their initial public offering (IPO), which a company usually does to raise more capital for expanding their operations. Studies have proven, over time, that shares or equities are one of the best long-term investments in the financial marketplace and therefore, can be a measure of the overall strength and well-being of a company's performance.

The stock price of the company is varied to change in its value; investing in equities involves the taking of risk once



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A TRIBUTE TO
SUSHIL JAIN



We are deeply saddened by the sudden passing of our Director and friend, Sushil Jain. Sushil was the consummate professional, an astute businessman and a great advisor. He possessed a wealth of knowledge and experience in business and financial management.

Sushil was an integral member of our team at Mayberry Investments, where he served as Director for over 11 years. He enlivened each board meeting, AGM and our monthly Forums with his hard-hitting observations, perspicacity and priceless counsel.

Sushil was a stalwart of the Jamaican business community and a man of impeccable integrity; he will certainly be missed!

We use this opportunity to extend heartfelt condolences to his family: his wife, Shashi, son, Alok, daughter-in-law, Alka and 2 grandchildren, Aashni and Aayush and give our assurance that they are in our prayers at this very sad time. Though not a consolation, we do hope that they will find solace in knowing that Sushil contributed significantly to Jamaica's business community and more importantly, was a wonderful human being.

Watk good Sushil!



COMPANY ANALYSIS

Jamaica Broilers Group Limited (JBG)



Executive Summary

JBG began operations in 1958 as Jamaica's pioneer in the production and distribution of poultry products, animal feeds and agricultural items. Today, it is a fully integrated poultry operation and has diversified into feed milling and cattle rearing, along with the development and marketing of other value-added products for both local consumption and export. The major activities within the Jamaica operations take place in the Best Dressed Chicken Division, Hi-Pro Division and Jamaica Egg Services. The US operations segment consists of Wincorp International in Florida and International Poultry Breeders in Georgia, Arkansas and Iowa. Haiti Broilers S.A. is the major activity within the other Caribbean operations segment, along with Atlantic United Insurance Company Limited in St Lucia.

Three months into the 2017/2018 financial year (FY), JBG posted a 15 per cent increase in revenue with net profit declining by 47 per cent to close the period at \$212.6 million. Notably, revenue rose to 15 per cent for the last FY to \$44.44 billion (2016FY: \$38.52 billion). Over the past five years, the company's revenue has grown at an annual average compounded rate (CAGR) of 14 per cent moving from \$26.52 billion in 2013 to \$44.44 billion in 2017. Net profit attributable to shareholders over the past five years showed an upward trajectory, moving from \$1.09 billion in 2013 to \$2.23 billion in 2017, a CAGR of 20 per cent. The company's total asset base increased for the year ended April 2017, closing at \$27.47 billion relative to \$24.38 billion for the prior year, while shareholders' equity closed at \$14.42 billion, an increase of 10 per cent year over year, resulting from an increase in retained earnings.

Year to date, the company has improved revenue for the three months ended July 31, 2017 by 15 per cent to close at \$11.49 billion versus \$10.02 billion booked for the corresponding quarter in 2016. Profit for the first quarter however, fell 47 per cent to \$212.59 million, relative to \$401.27 million booked in 2016. Management indicated that this resulted from inflation, exchange rate movements, increased development costs associated with the improvement of the Group's information systems and IT security and higher distribution costs compared to the prior year. JBG's earnings per share is projected at \$1.477 for the 2018 FY. Using an industry price to earnings (P/E) ratio of 16.09 times as at October 04, 2017 the stock could be valued at \$23.66 over the medium term. As such, at the current market price of \$18.64 as at October 04, 2017, the stock is considered a HOLD at this time.

SWOT

Strengths

- Dominant market player.
- Strong brand recognition.
- Operations important to country's food security.
- Extensive distribution network.
- High barriers to entry

Weaknesses

- Poultry operation susceptible to any extreme weather condition.
- Low margin due to the high cost associated with the industry.
- Susceptible to foreign exchange fluctuation

Opportunities

- Expansion regionally.
- Booming tourism industry and the imminent increase in rooms available within the industry presents the company with the opportunity to grow sales.

Threats

- Movement in the price of main inputs

Economic Analysis

According to the World Bank, "Jamaica is an upper middle-income country with the largest population in the English-speaking Caribbean. For decades, Jamaica has struggled with low growth, high public debt and many external shocks that further weakened the economy. Over the last 30 years, real per capita GDP increased at an average of just 1% per year, making Jamaica one of the slowest growing developing countries in the world". With the implementation of the reform program in 2013, the economy has begun to show signs of improvements. Government reforms and measures to improve fiscal responsibility and improve the investment climate have started to restore confidence in the Jamaican economy. The country's credit rating has improved according to various credit agencies, and Jamaican bonds currently trade at a premium in international markets, which has led to the country now retiring previous debt obligations and borrowing at a lower rate. Continued prudent economic policies and good liability management has also helped to reduce total government debt. According to the Ministry of Finance, in the Fiscal Policy Paper 2017-18 "Debt/GDP (current Jamaica definition) at end March 2017 is estimated at 124.1% of GDP, a 1.8 percentage point increase over the previous year, due primarily to depreciation of the Jamaica dollar and pre-financing of FY 2017/18. For FY 2017/18, the Debt/GDP of the Specified Public Sector is projected to be at 108.6% GDP".

The inflation rate year to date is 3 per cent, while the point-to-point rate (August 2016 – August 2017) and fiscal year 2017/

COMPANY ANALYSIS

Jamaica Broilers Group Limited (JBG)



2018 was 4.5 per cent and 2 per cent respectively. The inflation rate for the month August 2017 was 0.3 per cent, following an upward movement of 0.6 per cent in July 2017. For the second quarter of 2017, the Jamaican economy contracted by 0.1 per cent compared to the corresponding quarter in 2016. This decline was attributed to a 3.3 per cent decrease in the goods producing industries as the Agriculture, Forestry and Fishing and Mining and Quarrying industries declined. According to the Statistical Institute of Jamaica (STATIN), "the 'Agriculture, Forestry & Fishing industry fell by 9.5%, as a result of unfavourable weather conditions and the "devastation of crops from the beet armyworm infestation".

The latest visit from the International Monetary Fund (IMF) team led by Dr Uma Ramakrishan concluded on September 10, 2017. In her stint on the island, Dr Ramakrishan highlighted that the country's economic program continues to produce strong results, supporting high confidence and growing job creation. She noted that this was evident as, "the Jamaican economy is rebounding, despite the impact of weather swings in 2017. Growth has been positive for 9 consecutive quarters, with strong performances especially in tourism, construction, and manufacturing. For FY17/18, economic activity is projected to expand by 1.6%, slightly lower than anticipated, as flooding adversely impacted agriculture. Over the medium-term, economic expansion is expected to be around 2½-3%, as sustained reforms yield higher investment and productivity dividends."

All things being equal, the economy is poised for growth with lower interest rates, reduced unemployment and a focus on improving the wealth distribution. These positive economic factors are expected to increase consumer spending and manufacturers are expected to see greater sales in the years to come, as the country continues to show fiscal prudence and place emphasis on the growth agenda.

Operational Analysis

JBG was incorporated in 1958 with its registered office located at Content, McCooks Pen, St Catherine. The company's principal activities and its subsidiaries include the production and distribution of poultry products, animal feeds and agricultural items. The Group's operations are divided into three main operations:

- Jamaica operations
- US operations
- Other Caribbean operations

For the period ending:	Apr. 2013	Apr. 2014	Apr. 2015	Apr. 2016	Apr. 2017	Change (YOY)	Change (YOY)	CAGR
	\$'000	\$'000	\$'000	\$'000	\$'000	TN	TN	TN
Revenue	26,522,910	30,851,250	34,570,020	38,520,649	44,444,248	15%	5,523,599	14%
Cost of Sales	21,054,251	24,343,646	26,548,666	28,190,377	32,594,573	16%	4,444,196	12%
Gross Profit	5,468,659	6,507,604	8,021,353	10,330,272	11,849,675	14%	1,479,403	21%
Other (Losses)/ Gains	132,598	203,304	174,117	268,860	328,347	22%	59,487	25%
Distribution Costs	-795,938	-463,079	-1,033,495	-1,206,086	-1,578,385	31%	-369,297	19%
Administration and other expenses	-3,181,407	-4,862,543	-5,041,730	-6,126,680	-7,306,636	20%	-1,237,974	23%
Operating Profit	1,613,932	1,385,084	2,120,772	3,301,364	3,233,003	-2%	-68,361	19%
Finance Income	22,504	300,088	145,781	159,078	379,379	136%	220,301	103%
Finance Costs	-463,752	-505,070	-554,721	-493,304	-642,728	-7%	-49,466	9%
Profit before taxation	1,172,684	1,179,099	1,711,832	2,767,138	2,969,654	7%	199,486	26%
Taxation	-144,681	-155,867	-252,398	-471,860	-700,615	4%	-26,655	48%
Net Profit	1,027,993	1,018,109	1,459,434	2,295,278	2,269,039	31%	541,657	22%
EPS	0.86	0.77	0.84	1.44	1.89			

Over the past five years, JBG managed to grow its revenue by a CAGR of 14 per cent from \$26.52 billion in 2013 to \$44.44 billion in 2017. Year over year, the company posted a 15 per cent upward movement in revenue from the \$38.52 billion reported in 2016 as the Group experienced growth across all three operations.

	Jamaica Operations		U.S. Operations		Other Caribbean Operations		Eliminations		Group	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
External Revenue	28,421,780	31,955,577	8,802,209	10,862,452	1,316,890	1,826,219			38,520,649	44,444,248
Revenue from Other Segments	369,513	268,298	2,371,002	2,821,429	457,840	498,471	-3,198,365	-3,685,598		
Total Revenue	28,791,293	32,223,875	11,173,211	13,783,881	1,774,730	2,324,690	-3,198,365	-3,685,598	38,520,649	44,444,248
Segment Results	3,575,838	2,872,907	1,023,127	1,291,764	254,039	843,657	-209,783	-176,102	4,643,221	4,932,316

The Jamaica Operations experienced a 13 per cent growth year over year to close at \$31.96 billion (2016: \$28.40 billion) driven by, "the demand for protein meat offered under our various business lines and brands remained stable and saw us returning good financial performances across the board. This, even as the strong demand for poultry meat witnessed for the prior year did not hold true for the fiscal year". Additionally, management noted, "We introduced new products under our further processed lines that continue to eke out market share, in a highly competitive retail landscape. Consumers within varying demographic profiles have embraced the recently launched suite of value-added products rolled out under the Best Dressed Chicken and Reggae Jammin' brands".

The US operations performance showed a 23 per cent growth in external revenues to \$10.86 billion (2016: \$8.80 billion), and a 26 per cent upward movement in the segments results to \$1.29 billion (2016: \$1.02 billion). During the last FY, the US operations grew and focused on quality according to management. Given this, strict quality control policies were implemented across the operations with trainings being a key component to success. Management noted, "The combination of these elements has made this year particularly exciting as we saw firsthand where our efforts translated to growth. Our focus on disease control and consistently producing high quality products have led us to great opportunities".

The Other Caribbean operations in 2017 compared to 2016 performance reflected a 24 per cent growth in external revenues and a 271 per cent improvement in segment result to \$1.63 billion (2016: \$1.32 billion) and \$943.66 million (2016:

COMPANY ANALYSIS

Jamaica Broilers Group Limited (JBG)



\$254.04 million) respectively. The Group acknowledged the exponential growth and attributed the movement to, "continued increase in our sales year over year to 851M Haitian Gourdes from 619M Haitian Gourde the previous year. Egg sales accounted for most of this increase as we invested in the expansion of layer hens for egg production on the farm. As our production increases our efficiencies through our feed mill, hatchery and general overheads improve".

Gross profit over the past five years for the Group has grown at a CAGR of 21 per cent from \$5.47 billion in 2013 to \$11.85 billion in 2017. Notably, the company achieved a 14 per cent improvement year over year from the \$10.37 billion recorded in 2016.

Operational expenses have grown by 22 per cent in FY 2017 to total \$8.95 billion (FY2016: \$7.34 billion). This was due mainly to increased administration and other expenses, which totalled \$7.37 billion compared to the prior year's figure of \$6.13 billion, a 20 per cent year over year change. Distribution costs also contributed to the year over year increase in total expenses, reflecting a 31 per cent growth to close at \$1.58 billion (2016: \$1.21 billion). As such, operating profit year over year declined 2 per cent to \$3.23 billion relative to \$3.30 billion booked in 2016.

Finance income for the year jumped 138 per cent to \$379.38 million (2016: \$159.08 million) due to an increase in interest income and foreign exchange gains, while finance cost fell 7 per cent or \$46.57 million to \$647.24 million (2016: \$693.80 million). This resulted in the company reporting a profit before taxation of \$2.97 billion versus \$2.77 billion in 2016. Notably, the Group booked a profit from discontinued operations of \$3.94 million compared to a loss of \$368.08 million in 2016. As such, JBG's net profit attributable to shareholders for the FY 2017 amounted to \$2.23 billion (2016: \$1.74 billion). Over the past five years, beginning in 2013, the company managed to grow its profit by a CAGR of 22 per cent.

Balance Sheet Analysis

Jamaica Broilers Group (JBG)							
	Apr.2013	Apr.2014	Apr.2015	Apr.2016	Apr.2017	Change	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	(%)	(\$)
Non-Current Assets	8,777,362	10,587,615	10,948,947	11,911,519	10,944,574	-8%	-966,945
Intangible Asset	165,702	931,016	890,602	1,165,272	1,086,547	-7%	-78,725
Property, plant and equipment	8,308,510	9,695,304	9,999,390	10,501,877	7,862,286	-33%	-3,639,591
Loans Receivable					2,841,914		2,841,914
Current Assets	8,779,674	9,771,136	11,627,101	12,447,742	16,521,078	33%	4,073,336
Inventories	2,564,774	3,693,394	3,948,001	4,266,347	3,164,299	-21%	-1,099,942
Biological assets	1,344,672	2,267,869	2,509,701	2,952,244	4,457,372	51%	1,505,128
Receivables	2,233,526	2,699,611	2,799,662	3,276,234	3,568,655	9%	290,421
Cash and short term investments	1,531,999	470,737	1,628,446	1,199,194	2,609,565	67%	805,371
Total Assets	17,556,976	20,358,751	22,566,048	24,379,261	27,465,652	13%	3,086,391
Current Liabilities	4,197,917	5,617,229	6,893,195	5,673,254	7,095,032	25%	1,421,678
Payables	1,876,759	2,825,067	3,664,605	3,207,847	4,414,142	38%	1,206,295
Borrowings	2,321,158	2,635,849	2,763,031	1,965,290	2,581,613	26%	516,322
Stockholders Equity	9,648,819	10,521,218	11,396,414	13,182,210	14,417,999	10%	1,235,789
Capital reserve	1,432,820	1,746,374	1,856,181	2,062,156	1,170,695	-43%	-891,463
Retained Earnings	7,505,931	8,045,710	8,816,721	10,332,434	12,504,998	21%	2,172,564
Non-Current Liabilities	3,711,640	4,220,294	4,278,439	3,603,697	5,952,627	6%	348,930
Borrowings	3,241,562	3,568,071	3,551,907	5,096,511	5,200,463	2%	103,952
Deferred income taxes	411,035	530,823	567,832	405,286	729,764	50%	244,479
Post-employment benefit obligations	14,800	15,500	14,800	21,900	22,400	2%	500
Total Liabilities	7,909,957	9,817,533	11,171,634	11,277,051	13,047,659	16%	1,770,608
Total Liabilities and Shareholders Equity	17,556,976	20,358,751	22,566,048	24,379,261	27,465,652	13%	3,086,391

JBG reported a general improvement in its balance sheet as at April 2017, marked by an increase in its asset base and shareholders' equity. Total assets grew from \$24.38 billion in 2016 to \$27.47 billion. The increase was due mainly to a \$1.51 billion increase in biological assets. Inventories and cash and short-term investments also contributed to the upward movement, with a 21 per cent and a 67 per cent increase respectively.

Shareholders' equity improved by 10 per cent to \$14.42 billion as at April 2017, compared to \$13.10 billion as at April 2016. This was mainly as a result of an increase in retained earnings from \$10.33 billion in 2016 to \$12.50 billion currently.

Total liabilities reflected an increase of 16%, moving from \$11.28 billion to \$13.05 billion. Contributing to the movement was a 25 per cent and a 6 per cent growth in current liabilities and non-current liabilities respectively. The movement in current liabilities was traced to increases in payables by \$1.21 billion and a \$518.32 million rise in borrowings. The upward movement in non-current liabilities was linked to a 50 per cent and a 2 per cent increase in deferred income taxes and borrowings respectively.

RATIO ANALYSIS

Profitability:

Profitability	2013	2014	2015	2016	2017
Gross Profit margin	21%	21%	23%	27%	27%
Operating Profit Margin	6%	4%	6%	9%	7%
Pretax Margin	4%	3%	5%	7%	7%
Net Profit margin	4%	3%	3%	5%	5%
Return on Average Assets	6%	5%	5%	9%	9%
Return on Average Total Capital	7%	6%	6%	11%	11%
Return on Average Equity	11%	9%	9%	17%	16%

The company's gross profit margin has been between 21 per cent and 27 per cent over the last five years, with 27 per cent being reported in 2016 and 2017. This gross profit margin of 27 per cent means that the company makes a gross profit of \$0.27 for each dollar of revenue earned. The company's return on average assets has increased, moving from 6 per cent in FY 2013 to 9 per cent in FY 2017. This shows management's increased efficiency in generating profit from their assets. The operating profit margin declined by 2 percentage points to 7 per cent in 2017, due to increased costs. JBG's net profit margin for the FY 2017 was 5 per cent, consistent with the prior year's 5 per cent. Return on average equity has also increased over the past five years, moving from 11 per cent in 2013 to 16 per cent in 2017. However, there was a slight decline from the 17 per cent recorded in 2016.

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Jamaica Broilers Group Limited (JBG)



Activity:

Activity Ratios	2013	2014	2015	2016	2017
Average Asset Turnover Ratio	1.61	1.63	1.61	1.64	1.71
Average Receivables Turnover	13.48	12.56	12.60	12.70	12.98
No. of Days of Sales Outstanding	27.07	29.06	28.97	28.75	28.12
Average Inventory Turnover	6.64	7.31	6.95	6.84	6.90
Days of Inventory on hand	54.95	49.92	52.53	53.35	52.88
Average Payables Turnover	10.49	10.21	9.77	9.39	9.78
No. of Days of Payables	34.78	35.76	37.37	38.88	37.32
Cash Conversion Cycle	47.24	43.22	44.14	43.22	43.67

Asset turnover has increased to 1.71 times compared to 1.64 times in the FY 2016. Average receivables turnover has increased from 12.70 times to 12.98 times showing the company's increased efficiency in recovering receivables. Inventory Turnover days has increased from 6.84 times in the FY 2016 to 6.90 times in the FY 2017, showing the company's increased efficiency in turning their inventory approximately 6.90 times for the year. JBG's payables turnover ratio indicates that the company is paying its suppliers at a faster rate with a ratio of 9.78 times relative to 2016 FY's 9.39 times. The company's average payable period has reduced from 38.88 days in 2016 to 37.32 days in 2017. Over the past five years, JBG's cash conversion cycle has improved from 47.24 days in 2013 to 43.67 days in 2017. There was however, a slight increase year over year from the 43.22 days in 2016. The ratio shows the effectiveness of JBG's health and management of the company, as it takes 43.67 days to convert cash on hand into inventory and accounts payable, through sales and accounts receivable, and then back into cash.

Liquidity:

Liquidity Ratios	2013	2014	2015	2016	2017
Current Ratio	2.09	1.74	1.69	2.19	2.33
Quick Ratio	0.89	0.60	0.67	0.79	1.15
Cash Ratio	0.36	0.12	0.27	0.21	0.28

There were increases in the company's liquidity ratios between FY 2016 and FY 2017. This shows the company's continued focus on improving its liquidity. The company's current liabilities can be easily covered by its current assets. The company's cash and quick ratio also continue to improve as the Group continues to increase its efficiency and looks to build stronger, more robust platforms from which to operate.

Solvency:

Solvency Ratios	2013	2014	2015	2016	2017
Total Debt-to-Equity	56%	59%	56%	54%	53%
Total Debt-to-Capital	36%	37%	36%	35%	35%
Total Debt-to-Assets	31%	30%	28%	29%	28%

The company has managed to reduce its debt to equity and debt to assets ratios as the company continues to take advantage of favourable market conditions to structure its debt and align same to its strategic objectives. According to management, "Almost all of the debt is denominated in Jamaican currency, thereby mitigating foreign exchange

risk. The debt is also primarily at a fixed rate of interest, thereby mitigating interest rate risk. The debt facilities are predominantly long term, bringing further stability to the Balance Sheet". Management has further noted that it is comfortable with its debt level and is focused on reducing it. This was shown by stable debt ratios which show a declining trend over the past five years.

Cash Inflows and Outflows:

JBG Abridged 5 Year Cash Flow Statement	2013	2014	2015	2016	2017
Net Cash from Operating Activities	590,101	1,416,115	2,901,790	1,227,871	1,354,130
Net Cash used in Investing Activities	-1,120,676	-2,374,982	-938,316	-1,660,156	-137,224
Net Cash used in Financing Activities	740,084	111,154	-731,162	-414,205	-539,004

The company's net inflow provided from operating activities increased by 10 per cent from \$1.23 billion in FY 2016 to \$1.35 billion in FY 2017. The company reduced its cash outflow used for investing activities moving from \$1.66 billion in FY 2016 to \$137.22 million in FY 2017. Notably, in March 2016, JBG acquired the hatchery assets for a newly incorporated subsidiary, International Poultry Breeders Hatcheries, Inc. (USA). Cash outflow used for financing activities increased by \$124.80 million moving from \$414.21 million in FY 2016 to \$539 million in FY 2017. This was mainly due to an increase in dividends paid.

Year to Date Performance

Jamaica Broilers Group (JBG) Performance Year to Date				
	1Q. Jul. 2016	1Q. Jul. 2017	Change (%)	Change (\$)
Revenue	10,018,719	11,487,354	15%	1,468,635
Cost of Sales	-7,363,879	-8,815,615	20%	-1,451,736
Gross Profit	2,654,840	2,671,739	1%	16,899
Other (losses)/gains	55,037	68,943	25%	13,906
Distribution Costs	-321,256	-443,776	38%	-122,520
Administration and other expenses	-1,787,653	-1,860,476	4%	-72,823
Operating Profit	600,968	436,430	-27%	-164,538
Finance Income	123,289	10,439	-92%	-112,850
Finance Costs	-163,268	-150,447	-8%	12,821
Profit before taxation	560,989	296,422	-47%	-264,567
Taxation	-159,715	-83,837	-48%	75,878
Net Profit	406,002	212,585	-48%	-193,417
EPS	0.33	0.16		

Revenues totalled \$11.49 billion, a 15 per cent increase on the \$10.02 billion reported in 2016. Total revenue was broken down as follows:

The Jamaica operations contributed \$7.87 billion, a 9 per cent increase compared to \$7.23 billion for the same period of 2016. JBG noted, "Jamaica Operations reported a first quarter segment result of \$499 million, which was \$192 million of 30% below last year's normalised segment result of \$641 million. This decrease was attributed to low??? production volumes and higher distribution costs when compared to the prior year. These higher costs were as a result of a rebalancing of the inventory in the poultry segment, as well as some third-party storage issues that took place in the first quarter. Total revenue for our Jamaica Operations showed a strong increase of 8%".

COMPANY ANALYSIS

Jamaica Broilers Group Limited (JBG)



US operations recorded an increase of 27 per cent to total \$3.09 billion relative to the \$2.43 billion booked last year. According to the company, "our US Operations continued to grow steadily and reported a segment result of \$318 million, which was a 7% increase over the prior year's result of \$297 million. Our presence in this market remains robust with a broad and diverse customer base. Total revenue for this segment increase driven by increased sales of our main products – fertile eggs and baby chicks".

Other Caribbean operations contributed \$526.77 million, an increase of 47 per cent when compared to \$359.50 million. Management highlighted, "in the Other Caribbean segment, Haiti Broilers SA continues to benefit from the increased production and sale of table eggs which increased to 30% of the market, compared to 22% of the market at the end of the first quarter last year. The segment result for the first quarter amounted to \$121 million, which was 64% above the previous year".

Cost of sales grew by 20 per cent to \$8.82 billion from \$7.36 billion in 2016. Gross profit for the first quarter reflected an increase of 1 per cent to close at \$2.67 billion versus \$2.65 billion booked for the corresponding period in 2016.

Other income climbed 25 per cent from \$55.04 million for the first quarter of 2016 to \$68.94 million in 2017. Distribution costs rose 38 per cent to close at \$443.78 million relative to \$321.26 million recorded for the prior year's comparable period, while administration and other expenses grew by 4 per cent to \$1.86 billion (2016: \$1.79 billion). According to the company, "distribution costs and administrative costs, reflect an increase of 9% over the previous year due primarily to inflation, exchange rate movements and increased development costs associated with the improvement of the Group's information systems and IT security. These expenses include one-off cost elements incurred in the quarter which are not expected to recur".

Operating profit declined by 27 per cent, totalling \$436.43 million, relative to \$660.97 million last year. JBG reported finance income of \$10.44 million (2016: \$123.29 million), a decrease of 92 per cent, while finance costs declined by 8 per cent to \$150.45 million relative to \$163.27 million in 2016.

Profit before taxation decreased for the period amounting to \$296.42 million (2016: \$560.99 million). Tax charges for the quarter totalled \$83.84 million (2016: \$159.72 million). As such, net profit amounted to \$212.59 million (2016: \$401.27 million). Net profit attributable to shareholders amounted to \$197.69 million, relative to \$400.02 million booked for the comparable period in 2016.

Total comprehensive income for the first quarter amounted to \$211.35 million relative to a loss of \$459.85 million.

Consequently, earnings per share (EPS) totalled \$0.16 relative to \$0.33 booked for the first quarter of 2016. The trailing twelve months EPS amounted to \$1.69. The total shares used in our calculation was 1,199,276,400 units.

Balance sheet at a glance

Total assets amounted to \$27.70 billion as at July 31, 2017 relative to \$23.92 billion a year prior. The increase in total assets was due mainly to an increase in biological assets and cash and short-term investments, which rose 41 per cent and 85 per cent respectively. Biological Assets and cash and short-term investments as at July 31, 2017 amounted to \$4.34 billion (2016: \$3.08 billion) and \$1.98 billion (2016: \$1.07 billion) respectively. Inventories also contributed to the growth in the asset base with a 15 per cent or \$742.72 million increase from \$4.82 billion in 2016 to \$5.57 billion.

Shareholders equity amounted to \$14.65 billion (2016: \$12.70 billion) with a book value per share of \$12.22 (2016: \$10.59).

Price History:



Since October 04, 2016, the company has traded at an average of \$16.33, with a high of \$19.99 on May 17, 2017 and a low of \$14.03 on October 28, 2016. JBG's stock price appreciated by approximately 28 per cent over the past year to close at \$18.64 on October 04, 2017.

Projections

JBG's Forecast and Valuation 2018

Jamaica Broilers Group (JBG) Projections			
For the period ending:	Apr.2017 \$'000	Apr.2018 \$'000	Change (%)
Revenue	44,444,248	51,110,885	15%
Cost of Sales	<u>-32,594,573</u>	<u>-38,844,273</u>	19%
Gross Profit	11,849,675	12,266,612	4%
Other (losses)/gains	328,347	266,069	-19%
Distribution Costs	-1,578,385	-1,972,981	25%
Administration and other expenses	<u>-7,366,634</u>	<u>-7,919,132</u>	8%
Operating Profit	3,233,003	2,640,569	-18%
Finance Income	379,379	322,472	-15%
Finance Costs	<u>-647,238</u>	<u>-601,788</u>	-7%
Profit before taxation	2,965,144	2,361,253	-20%
Taxation	<u>-700,615</u>	<u>-566,701</u>	-19%
Net Profit	2,268,473	1,794,552	-21%
EPS	1.89	1.47	

COMPANY ANALYSIS

Jamaica Broilers Group Limited (JBG)



The Group recently announced that it has acquired a second hatchery in the US, which is expected to increase its capacity by 40 per cent. The hatchery, named Bell & Evans Hatchery, in Big Valley, Pennsylvania, will be renamed International Poultry Breeders Hatcheries Inc. With this acquisition, the Group's growth potential as well as its bottom line, are expected to increase. Additionally, management has indicated that, "2017-2018 will be a year of consolidation and we are grateful for the economic stability being experienced in Jamaica and to a lesser extent, in Haiti". Management further highlighted that future growth for the Group will stem from the US operations, as there are numerous opportunities. The Group continues to be a major supplier within the Jamaican market, however, the potential growth in the US is much greater than that of the Jamaican operations. Growth for the Jamaican operations is expected to stem from the positive impact of the tourism industry, with tourist stopover arrivals increasing year over year. This will also be aided by the significant increase in rooms available in the hotel industry, according to management. As such, for the 2017-2018 FY, we estimate revenues increasing 15 per cent.

Costs of sales however, rose by 20 per cent year to date. The cost of sales margin year to date was 76 per cent compared to the 74 per cent booked for the prior year. Cost of sales is expected to continue growing and should end the FY 2017 with a 12 per cent increase based on the cost of sales margin of 76 per cent projected for the full year. Resultedly, gross profit is expected to increase by 3 per cent at the end of the year.

Distribution and administration costs are expected to trend upwards for the FY, consistent with the trend observed year to date. Finance cost for the company is expected to fall, as management indicated that it is comfortable with its debt levels at the moment. Consequently, due to the year to date increase observed, distribution and administration costs due to JBG's profitability is expected to decline 22 per cent. This would translate to an EPS of \$1.47 relative to the \$1.86 booked in 2017. Using a main market P/E ratio of 16.09 times as at October 03, 2017, the stock may be valued at a price of

\$23.66 over the short term. JBG traded at \$18.64 on October 04, 2017 and is therefore recommended as a HOLD at this time.

Looking ahead, management has noted that, "We have a dynamic three years ahead of us as we plan to focus on updating our overall approach to systems and administration. The attention will be internal, as we look to build a stronger, more robust platform from which to operate. Streamlining the way we do things across our three operations can only make us more efficient in our day to day dealings and provide the foundation to continue our growth".

Conclusion

JBG is a pioneer and a diversified company with operations in Jamaica, US and the Caribbean. The company operates a poultry segment, led by the Best Dressed Chicken - the Group's marketing arm for protein products, such as chicken and hamburgers; International Poultry Breeders, located in Georgia, Arkansas and Iowa, USA, which manages the international sales of the products and the Jamaica Poultry Breeders association. Hi-Pro Farm Supplies store, the aquaculture segment, Wincorp International Inc., USA, Haiti Broilers S.A. and Atlantic United Insurance Co. in St. Lucia. The company has shown an improvement in efficiency as well increases in sales over the past five years and a general improvement of its key ratios. JBG's EPS is projected at \$1.47 for the 2018 FY. Using an industry P/E ratio of 16.09 times as at October 02, 2017, the stock could be valued at \$23.66 over the short term. On October 04, 2017 the stock traded at a price of \$18.64, consequently, the stock is considered a HOLD at this time and for the medium term.

Disclaimer

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FORUM RECAP

Entrepreneurship: successful women in business

The journey of an entrepreneur is never an easy one. After all, the process of organising and managing a business, assuming all the risks for what may or may not lead to a significant reward can be a pretty daunting undertaking for anyone. It can be argued that women have always been entrepreneurs; as far back as the days when it was uncommon to see them in the world of enterprising, when they stayed home and ran the household where, if you think about it, with all the elements involved, is not so different from running a small business. Today, 1 in 3 entrepreneurs globally is an entrepreneur. There are numerous theories as to why the number of female entrepreneurs lag behind their male counterpart, but that would make another worthwhile Forum topic as we contemplate this most recent staging.

As is customary, Mayberry hosted its annual entrepreneurship Forum, which, this year was dedicated to exploring the journeys of some of the women who have blazed the trail in business here in Jamaica. The panel featured 3 successful female entrepreneurs, who each had a different path to success, and they were happy to join us to share with our audience some of their insights and experiences along the way.

Our Panellists were: Michelle Chong, CEO of Honey Bun (1982) Limited, Jackie Lechler Stewart, Director of Stewarts Automotive Group and Audrey Hinchcliffe, CEO of Manpower and Maintenance Services Limited. Each panellist spoke of her journey as an entrepreneur, highlighted some of her key challenges, regrets, passion, philanthropic efforts and advice for young women looking to follow in their footsteps.

Chong and her husband founded Honey Bun Limited in 1982 by taking out a bank loan to start their family business. Since then, Honey Bun has evolved into an enterprise that employs more than 200 people, has earned multiple national awards for both business process and quality of its products and has established itself as a key player in the area of baked goods throughout the Caribbean, North America and Europe.

Formerly a math teacher, Chong spoke of some of her proudest moments, one of which was her company listing on the Junior Market

of the Jamaica Stock Exchange, saying "It has been tremendous for me, personally". She credits her mentors, such as the late Sushil Jain, for guiding and inspiring her to continue to strive to maximise the full potential of her company.

Stewart Lechler's path as an entrepreneur differed from that of Chong's in that she went to work in the family business that had already been established by her parents Diana, and the late Richard Stewart. To date she has had over 30 years of experience in the automobile industry and she believes in the organisation's mission of promoting investment and trade between the United States, Jamaica and the region. According to Stewart Lechler, the Stewart's Automotive Group of Companies, which comprises the dealerships of Mercedes-Benz, Suzuki, Mitsubishi and Jaguar Land Rover marques, does contribute to our country's development and infrastructure in providing transportation -- a key element in the advancement of any economy, to people from a variety of backgrounds. Stewart Lechler and her company take pride in giving back, saying "to whom much is given, much is expected". The company's philanthropic efforts are channelled primarily through the Richard and Diana Stewart Foundation, which supports numerous efforts across Jamaica. "In other words, we take pleasure whether it is charity run, helping basic schools, which are one of our projects. We need to give back", said Stewart Lechler.

Unlike the other ladies, Hinchcliffe's journey to entrepreneurship was a mostly solo effort. She spoke openly about trying her hands at different ventures, failing, trying again until she managed to organise a successful business that today has unbelievable growth capacity and potential. Her company, established in the 1990s, provides janitorial, building and grounds maintenance services to businesses. Today the business employs a staff of 1,800 and is looking to expand that to 2000 in the near future. Hinchcliffe does not buy into the theory that women are at a disadvantage in business. She admits that she has never been affected by a glass ceiling simply because she does not acknowledge its existence. "Stop playing the woman card because they will always use it against you" she warned. Hinchcliffe goes on to encourage women to gain the advantage of continuously learning and training to obviate the need to depend on a anyone. ■

FORUM HIGHLIGHTS

FOR SETEMBER 2017



L-R: Mayberry's CEO, Gary Peart (far left), is joined here by the evening's panellists, Michelle Chong, CEO of Honeybun; Audrey Hinchcliff, CEO of Manpower Maintenance Services; Jackie Stewart Lecher, Director of Stewarts' Auto Group; Christina Lechler, also of the Stewarts Automotive Group and Tania Waldron-Gooden, Mayberry's Senior VP of Investment Banking.



Audrey during the evening's panel discussion.



Floyd Wilson, Investment Advisors at Mayberry, was the evening's host.



Mayberry's Director, the late Sushil Jain, poses a question to the panel during the Q&A section.



Ahead of the evening's programme, Jackie shares lens time with her mother, Diana Stewart and her daughter, Christina.



Executive Investment Advisor, Okella Parredon, was the moderator for the evening's discussion.



Michelle was presented with a token of appreciation by Investment Advisor Shane Hussett.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR SEPTEMBER 2017

	September 2017	August 2017	Change
91 Days Treasury Bills Avg. Yield (%)	4.985	5.496	-0.512
182 Days Treasury Bills Avg. Yield (%)	5.454	5.989	-0.534
Exchange Rate (US\$:J\$)	130.49	128.59	1.90
Net International Reserves (NIR) (US\$M)	3,137.14	3,669.37	532.23

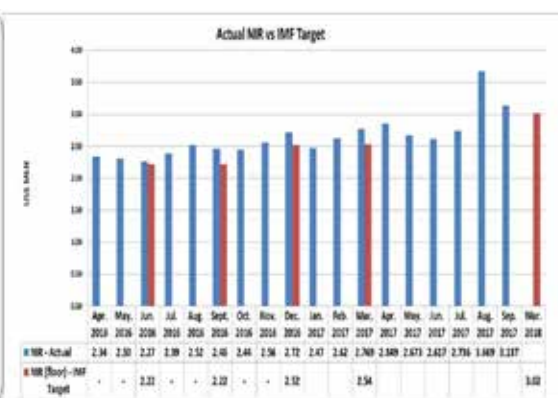
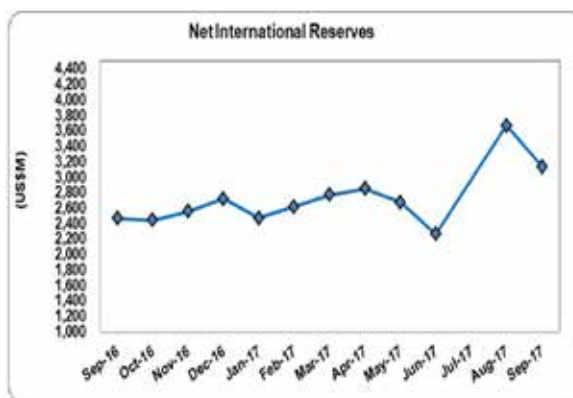
Net International Reserves – September 2017

Jamaica's Net International Reserves (NIR) totalled US\$3,137.14 million as at September 2017, reflecting a decrease of US\$532.23 million relative to the US\$3,669.37 million reported as at the end of August 2017.

Changes in the NIR resulted from a 13 per cent or US\$532.27 decline in foreign assets to total US\$3,714.94 million compared to US\$4,247.21 million reported for August 2017. The decline in foreign assets was linked to a downward movement in currency & deposits. As at September 2017, currency & deposits totalled US\$3,135.68 million, reflecting a decrease of US\$604.10 million compared to US\$3,739.78 million booked as

at August 2017. Securities amounted to US\$303.37 million, US\$71.99 million more than the US\$231.39 million reported in August 2017. Foreign liabilities as at September 2017 amounted to US\$577.80 million. Liabilities to the IMF accounted for 100 per cent of total foreign liabilities and reflected a marginal decrease month over month from the US\$577.84 million reported for August 2017.

At its current value, the NIR is US\$674.13 million more than its total of US\$2,463.01 million at the end of September 2016. The current reserve is able to support approximately 40.87 weeks of goods imports or 23.70 weeks of goods and services imports. ■



Jamaica and the IMF have entered into a New Agreement to support growth and create jobs, with the international body citing, "Jamaica has made good progress under the previous IMF – support program". As such, the entity has approved a new US\$1.64 billion loan for the country. According to the IMF, the loan is "intended as insurance to support the

country's ongoing reform program to tackle poverty, create jobs, and improve living standards". The NIR target outlined, as per the new agreement for the 2017/18 fiscal year, is US\$3.02 billion. As at September 2017, the value of the NIR is above the March 2018 target.

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JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR SEPTEMBER 2017

Report for September 2017

Main JSE Index: 262,729.17 points
Point Movement: 7,109.61 points
Percentage Change: 2.78%

Advance Decline Ratio: Positive
Advancers: 17 **Decliners:** 15
Traded Firm: 4

Junior JSE Index: 2,906.83 points
Point Movement: -192.12 points
Percentage Change: -6.20%

Advance Decline Ratio: Positive
Advancers: 15 **Decliners:** 17
Traded Firm: 3

Major Winners (Main & Junior)

Stock	Increase	Closing Price
Key Insurance Company Limited	29.03%	\$4.00
Medical Disposables and Supplies Limited	24.12%	\$5.30
PanJam Investments Limited	20.77%	\$39.89

Major Losers (Main & Junior)

Stock	Decrease	Closing Price
Lasco Manufacturing Limited	-21.16%	\$3.54
Jamaica Teas Limited	-16.38%	\$3.88
Access Financial Services Limited	-14.29%	\$42.00

Total Shares Traded (Main): 146,470,520 million units
Total value (Main): Approx. \$1.88billion

Volume Leaders (Main)

Stock	Units Traded	Market Volume
Jamaica Broilers Group Limited	12,522,375	8.55%
GraceKennedy Limited	10,106,802	6.90%
Cable and Wireless Jamaica Limited	8,118,337	5.54%

This announcement is a matter of record only



is pleased to announce its role as
Lead Broker and Arranger

in collaboration with



as Lead Underwriters to

Zodiac International Investments & Holdings Limited

in the closing of its

J\$6.6 Billion

Corporate Notes and Equity Financing
to acquire all ordinary shares in
Zodiac Caribbean Ventures Limited
(formerly Intralot Caribbean Ventures Limited)

October, 2017

We are proud that Jamaican and
Caribbean investors were able to
re-acquire shares of a major Jamaican
company from an international investor.

TRANSFORMING LIVES POSITIVELY... *through lasting relationships*

BUY

HOLD

SELL


General Accident Insurance Company Limited (GENAC)

For the six months ended June 30, 2017

BUY

GENAC reported net premium written of \$673.34 million, 15 per cent more than the \$585.29 million reported for 2016. This was as a result of a 4 per cent increase in gross premium written to \$4.55 billion (2016: \$4.37 billion), while reinsurance ceded increased by 3 per cent from \$3.73 billion last year to \$3.82 billion. Excess of loss reinsurance grew by 4 per cent to \$53.57 million from \$51.51 million.

Net changes in unearned premiums totalled \$55.57 million, 26 per cent more than the \$44.23 million recorded last year. Consequently, net premiums earned grew by 14 per cent to a total of \$617.78 million compared to \$541.06 million for the same period last year.

Claims expenses saw an increase of 14 per cent, closing the period at \$539.04 million (2016: \$474.49 million), while management expenses rose by 26 per cent to total \$272.23 million compared to the 2016 total of \$216.19 million. Net change in commission totalled \$43.70 million, 347 per cent higher than \$9.77 million reported last year.

Underwriting loss for the period totalled \$67.95 million compared to a loss of \$43.05 million in 2016.

Investment income closed at \$90.45 million, a 1 per cent decline compared to last year's \$91.03 million, while other income totalled \$3.42 million, a significant decline compared to the \$34.23 million reported for the same period last year. Other operating expenses grew by 2 per cent to \$14.33 million, relative to \$13.99 million in 2016.

Profit before taxation amounted to \$11.58 million (2016: \$68.22 million). Net profit totalled \$8.34 million for the period, a decrease of 88 per cent compared to the \$68.19 million reported last year, following tax charges of \$3.2 million (2016: \$30,000). Net loss for the second quarter amounted to \$9.02 million relative to profit of \$47.07 million in 2016.

As such, earnings per share (EPS) for the six months amounted to \$0.008 (2016: \$0.066), while loss per share for the quarter amounted to \$0.009 compared to \$0.046 in 2016. The twelve-month trailing EPS was \$0.317. The number of shares used in our calculations was 1,031,250,000 units.

Rating System

BUY: We believe the stock is attractively valued. The company has sound or improving fundamentals that should allow it to outperform the broader market. We anticipate that the stock will outperform the market over the next 12 months. The risk factors to achieving price targets are minimal.

HOLD: We believe the stock is fairly valued at the current price. The company may have issues affecting fundamentals that could take some time to resolve. Alternatively, company fundamentals may be sound, but this is fully reflected in the current stock price. The risk factors to achieving price targets are moderate. Some volatility is expected. In addition, technically, it may be difficult to attain additional volume of the stock(s) at current price.

SELL: We believe the stock is overpriced relative to the soundness of the company's fundamentals and long-term prospects.

SPECULATIVE BUY: We believe the prospect for capital appreciation exists, however, there is some level of uncertainty in revenue growth.


Scotia Group Jamaica Limited (SGJ)

For the nine months ended July 31, 2017

HOLD

SGJ reported an improvement in net interest income to \$19.93 billion from \$18.78 billion for the corresponding period in 2016. Interest expenses declined by 11 per cent to total \$3.33 billion (2016: \$3.76 billion). Interest income for nine months amounted to \$23.26 billion, a 3 per cent increase relative to the \$22.54 billion booked for the comparable period in 2016. Interest income for the quarter increased 4 per cent from \$7.57 billion in 2016 to \$7.86 billion. Interest expense for the quarter fell 8 per cent to close at \$1.10 billion (2016: \$1.19 billion), resulting in net interest income climbing 6 per cent to \$6.76 billion (2016: \$6.38 billion).

Impairment losses of loans rose 30 per cent to \$1.48 billion compared to \$1.14 billion for the comparable period in 2016. Total other revenue increased by 10 per cent to \$11.04 billion (2016: \$10.03 billion). Of this, net fees and commission income amounted to \$6.59 billion (2016: \$5.35 billion), an increase of 23 per cent relative to the corresponding period in 2016. Net gains on financial assets rose to \$447.80 million relative to \$191.99 million. Other revenue grew from \$26.99 million reported last year to \$65.22 million, a 142 per cent improvement. Gross operating income for the nine months amounted to \$34.30 billion compared to the \$32.27 billion reported in 2016. Total operating income for the nine months increased 7 per cent to total \$29.48 billion versus \$27.67 billion for the corresponding period in 2016.

Total operating expenses for the nine months amounted to \$16.12 billion, a 3 per cent growth from the \$15.59 billion booked for the corresponding period in the prior FY. Expenses for the quarter moved from \$4.77 billion in 2016 to close at \$5 billion, a 5 per cent increase year over year.

Profit before taxation totalled \$13.36 billion; this represents an increase of 11 per cent from the \$12.08 billion recorded in 2016. Profit attributable to shareholders amounted to \$8.81 billion, 7 per cent more than the total of \$8.20 billion a year earlier. For the quarter, profit attributable to shareholders totalled \$3.21 billion compared to \$3.21 billion booked for the comparable quarter last year. Earnings per share (EPS) for nine months totalled \$2.83 (2016: \$2.64), while the EPS for the quarter was \$1.03 (2016: \$1.07). The trailing EPS was \$3.93. The total number of shares used in our calculations was 3,111,572,984 units.



FINANCE SERVICES LTD.

ISP Finance Services Limited (ISP)

For the first quarter ended March 31, 2017

SELL

Total interest income amounted to \$65.53 million compared to \$52.43 million in 2016, an increase of 25 per cent. It is broken down as follows:

Interest Income from Loans grew by 26 per cent to total \$64.28 million relative to the \$51.21 million reported in the same period of 2016.

Interest income from banks and other receivables was up 3 per cent, amounting to \$1.25 million (2016: \$1.21 million). Interest expenses totalled \$6.33 million relative to \$4.35 million in 2017; this represents a 45 per cent increase. As a result, net interest income grew by 23 per cent to total \$59.2 million (2016: \$48.07 million).

Commission expense grew by 69 per cent to \$880,129 (2016: \$521,978). Foreign exchange gain totalled \$1.23 million (2016: Nil), while other income amounted to \$11,081 (2016: \$1.45 million).

The company's total operating expenses amounted to \$51.32 million, down from \$52.09 million in 2016.

Consequently, net profit for the quarter amounted to \$8.25 million relative to a net loss incurred of \$3.09 million in 2016.

As a result, EPS closed at \$0.079 (2016: LPS \$0.029). The 12-month trailing EPS was \$0.48 and the number of shares used in our calculations was 105,000,000 units.


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