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At the March edition of our monthly forum, our special guest speaker was Peter Donkersloot, Managing Director of Caribbean Cement Company Limited, who gave our audience an Investor Update on his Company's performance.

Investments Inquiries sales@mayberryinv.com
General Inquiries (876) 929-1908 - 9
Fax (876) 929-1501
facebook.com/Mayberryinvja
@Mayberryinvja

CEO CORNER
Gary Peart
CEO of Mayberry Investments
gary.peart@mayberryinv.com

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CEO CORNER

Feeding Ineligible children who should be on PATH

The Government of Jamaica (GOJ) and the World Bank have collaborated in developing The Programme of Advancement through Health and Education (PATH), which is a Conditional Cash Transfer (CCT) programme bank and is intended to deliver benefits by way of cash grants to the most deprived and vulnerable in the society. PATH has implemented a beneficiary feeding programme that is frequently targeted towards eligible students in early childhood, primary and secondary schools, who are deprived of food and are from a low socioeconomic background. However, there are thousands of children living below the poverty line in areas all across the country, who are ineligible for free meals and who should, in fact, be highly considered to be on PATH.

The Ministry of Education, Youth and Information spent $4.3 billion under the School Feeding Programme in 2016/17 academic year. As a part of this allocation of providing meals for over 130,000 eligible students, including recipients under PATH, the government should contemplate extending free school meals eligibility to more low-earning families, who may be in full-time jobs but struggle to cope with rising living costs. This would consequently result in increasing the number of children who are turning up to school without lunch or the means to pay for it or those who do not show up at all.

Furthermore, the primary concern for targeting ineligible children to be on PATH is not only to improve a child's nutrition and health but also to improve their cognitive abilities and provide them an opportunity to achieve the highest level of education possible, so as to improve their potential long-term development.This will, in turn, lead to avenues for greater earning potential later in life, thus breaking the cross-generational cycle of poverty. In order to achieve this goal, it is, therefore, necessary that even the most ineligible, deprived children, who are identified as either poor, marginalised, or fragile state, who often suffer from ill health and malnutrition, will be able to benefit most from the school attendance and the ability to actually learn. No child should go hungry at school and every child must have the essential survival resources to aid them in their growth and educational development.

In reality, the importance of education is a fundamental asset in securing our country's future. Every student should be given an equal chance at learning and achieving. It is very important that all children from low income earning families should be considered eligible for free school meals. This is an opportunity for our government to invest in the long-term development of the most disadvantaged children and the overall economic development of our country.

PUBLISHER
Mayberry Investments
marketing@mayberryinv.com

Editor-in-Chief
Stephanie Harrison
Digital Marketing Manager
stephanie.harrison@mayberryinv.com

Managing Editor
Jason Martinez
Research Manager
jason.martinez@mayberryinv.com

Researcher and Contributor
Oniel Edwards
Research Analyst
oniel.edwards@mayberryinv.com.

Research Analyst
Rachel Kirlew
Research Analyst
rachel.kirlew@mayberryinv.com

Is it the right time to refinance my company's debt?

Damali Morgan
Assistant Manager
Asset Management
damali.morgan@mayberryinv.com

Refinancing corporate debt is the process through which a company rearranges its financial obligations by replacing or restructuring existing debts. This is often done to improve a company's financial position and is generally prompted by favourable interest rates, improving credit quality, and in response to more favourable financing. The advantages of corporate refinancing are reduced monthly interest payments, better loan terms, reduction of risk, and access to more cash for operations and capital investments.

The biggest driver of the increasing debt refinancing in Jamaica has been the continued prevailing low-interest rate environment, created by the BOJ rate reduction. As at March 2018, policy interest rates were held at 2.75 per cent. According to the Bank of Jamaica, "Inflation for the next eight quarters should remain within the target of 4.0 per cent to 6.0 per cent, with the risks assessed to be balanced. Over the next three quarters, inflation is expected to track close to the lower bound of the target, primarily reflecting a decline in food prices as a result of a recovery in agricultural supplies. Thereafter, headline inflation is expected to converge towards the centre of the target". With recent Consumer Price Index (CPI) results showing a second consecutive month of economic contraction, the country seems poised to remain in this low-interest rate environment.

This will result in investors seeking more attractive investments for their Jamaican dollar than government securities and will result in increased debt refinancing in Jamaica. For the 2018 calendar year, we have already seen the issuance of at least four new classes of preference shares with lower rates, the most recent being the Derrimon Trading fixed and floating rate cumulative preference share, which also saw a significant increase in the amount raised. All preference shares offered for the 2018 calendar year have been oversubscribed, with some having been redeemed and reissued at lower interest rates.

With investors looking for more attractive fixed income securities than government debt, and Government looking to borrow less money from the market, an increase in the supply of Jamaican dollar cash in the market is expected. With the myriad of investment professionals and persons who understand the value of smart financing, it might be the best time to take a look at your books and engage with your broker on how your company can benefit from refinancing your debt.

COMPANY ANALYSIS

Kingston Wharves (KW)

KINGSTON WHARVES LIMITED

Executive Summary

Kingston Wharves Limited (KW) since its inception in 1945, has transformed into a company providing regional multi-purpose, multi-user port, providing a full range of logistics, cold storage facility rentals and repairs, property rental and security services. The Company's shares were listed on the Main Market of the Jamaica Stock Exchange (JSE) in 1995, and since then has not only managed to grow its revenue pass the $6 billion dollar mark but, also gain the status of being the Caribbean's leading multipurpose port terminal. The company is currently organized around two specific business lines:

•Terminal Operations: Operation of public wharves and stevedoring vessels.

•Logistics and Ancillary Services: Operation of warehousing and logistics facilities, security services, rental of and repairs to cold storage facilities and property rental.

KW's revenue for the financial year (FY) 2017 grew by 18 per cent to $6.37 billion compared to $5.41 billion in 2016. This growth year over year was due to growth in domestic and transshipment container and motor vehicle cargo from the terminal operations segment. The logistics and ancillary segment reported increases as a result of the operationalization of the aforementioned facilities which handled a wide range of cargo types on behalf of local and international shippers. This performance trickled down to a net profit of $1.65 billion, 25 per cent above 2016's $1.31 billion. The company's performance in 2017 is expected continue into 2018 with revenue projected to increase by 10 per cent. This is against the background that the company expanded its core business to include its total logistics facility and opened a Global Auto Logistics Centre in the final quarter of 2017. In addition, KW's Chairman, Jeffrey Hall, indicated that the Company also, "expanded its equipment fleet and not least, made significant strides in the training and development of staff".

Equipped for the future, KWL's focus in 2018 will be, "to harness the benefits of its investment programme, gaining efficiencies in terminal operations, widening further its customer base particularly within the logistics division, and expanding and diversifying its logistics product offering, " the Chairman noted.

The KW's current ratio of 2.31 times indicates the company is able to cover its short-term liabilities despite weakening over the past five years from a high of 3.94 times in 2013. Return on assets and equity have shown increasing trend over the prior five years. Return on equity moved from 6.79 per cent in 2013 to 7.90 per cent in 2017, while return on equity rose from 5.12 per cent 2013 to 6.22 per cent in 2017.

For the 2017 year end, KW's earnings per share (EPS) closed at $1.14 relative to $0.90 for the previous financial year. For the ensuing financial year (2018FY) the year-end projected EPS is estimated at $1.29. The stock currently trades around $40.61 as at April 17, 2018, and is projected at approximately $24.23 over the short to medium term based on expected earnings. As such, the stock is recommended as a SELL at this time.

Economic Overview

For the calendar year 2017, the Jamaican economy has shown signs of improvement. The latest data from the Statistical Institute of Jamaica (STATIN) indicates, "The Jamaican economy grew by 0.8 per cent in the third quarter of 2017 when compared to the similar quarter of 2016". The rate of inflation for the calendar year 2017 was 5.2 per cent, within BOJ's target range, and the point-to-point rate and fiscal year were 5.2 per cent and 4.2 per cent respectively. The inflation for the month of January 2018 however recorded a negligible movement following an upward movement of 0.6 per cent in December 2017.

Though the Governor BOJ states this recovery in the economy is still sluggish, the Bank expects inflation for the next eight quarters to continue to track around the lower half of the 4.0 per cent to 6.0 per cent target before rising around 5.0per cent. It is against this background that BOJ announced the decision on February 20, 2018, to lower the policy rate by 25 basis points to 2.75 per cent. He indicated, "A decision to reduce the policy rate is consistent with a view that there is a relatively low risk of future inflation rising above the target".

According to results from STATIN, Jamaica's total labour force at October 2017, was 1,347,600 representing a decrease of

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6,500 (0.5 per cent) compared to 1,354,100 in October 2016. The unemployment rate has been trending downwards over the last decade. In October 2017, unemployment rate was 10.4 per cent, the lowest since October 2008.According to BOJ "This suggests that employment is growing faster than the labour force. While these numbers are heartening, they also suggest that Jamaica is beginning to approach its capacity limits in terms of skilled labour. It is therefore becoming critical for the country to increase the pool of skilled workers in order to facilitate sustained economic growth without igniting faster inflation". Mr. Wynter went on to further state, "these and other developments point to an improving economy where macroeconomic stability as a foundation for growth appears to be entrenched. This is underpinned by the remarkably strong performance recorded to date under the IMF-supported economic programme. The stable outlook for inflation and continued fiscal consolidation encourages continuation of the Bank's accommodative policy stance in support of further improvements in domestic output and employment".

SWOT ANALYSIS

STRENGTHS:

- The single largest warehouse operating within the boundaries of the Jamaican port system and special economic zones.
- Operates largest mobile harbour crane in the Caribbean.
- Offers full range of logistics services.
- Caribbean's leading multipurpose port terminal (awarded 2006, 2007, 2009, 2013 and 2015).
- Geographical location.
- Modern facilities.

WEAKNESSES:

- KW's revenue is dependent on how the region grows in line with its economic potential.
- Low efficiency ratios.

OPPORTUNITIES:

- Further expansion in its customer base within the logistics division.
- Provide further integrated logistics services to the region.
- Expand the range of cargo types offered by terminals.
- Expand the range of ports.
- Growing economy.

THREATS:

- Slow economic growth could hinder sales revenue.
- Growing Competition of other Regional Ports.

OPERATIONAL ANALYSIS

Kingston Wharves Limited (KW) was established in 1945 and has been awarded the status of the Caribbean's Best Multi-Purpose Terminal for the years 2006, 2007, 2009, 2013 and 2015. KW's strategic priority of maintaining its market leadership as a regional multi-purpose, multi-user port as well as in the provision of the full range of logistics services, has led the Group being organized around two specific business lines: terminal operations and logistics and ancillary services.

In addition to its core business of terminal operations and logistics, the KWL group operates Security Administrators Limited, a provider of industrial and port security services, Harbour Cold Stores for cold storage and cold storage equipment installation and Western Storage and Western Terminals that handles property rentals. The table below shows the Kingston Wharves Limited Group's subsidiaries as at 2017.

Table 1:1 Kingston Wharves Limited Group's subsidiaries as at 2017

Name	Principal Activities
Harbour Cold Stores Limited	Rental of and repair services to cold storage facilities
Security Administrators Limited	Security services
Western Storage Limited	Property rental
Western Terminals Limited	Property rental
KWL Group Holdings (St. Lucia) Limited (KWGHSLL)	Non-Trading
Kingston Terminal Operators Limited	Dormant
Newport Stevedoring Services Limited (formerly Jamaica Cooling Stores Limited)	Provision of contract labour
Kingston Wharves Group Limited	Non-Trading
KW Logistics Limited	Non-Trading
KW Stevedores Limited	Non-Trading
Security Administrators Specialist Services Limited.	Security services

Notably, KW is not just limited to Jamaica but facilitates connections to more than forty ports around the world. According to management, they are, "committed to continual improvement in the interest of their customers, shareholders, employees, and community". Against this background, KW extended its core business to include both its Total Logistics Facility (TLF) and its Global Auto Logistics Centre in the final quarter of 2017. KW indicated the "Total Logistics Facility is a state of the art integrated cargo warehousing, processing, logistics and distribution centre designed to transform the ease of importing and exporting commercial cargo and personal effects". The global automotive logistics centre, on the other hand, will handle the warehousing of cars for regional markets, the company explained.

KW's revenue for the 2017 financial year amounted to $6.34 billion representing an 18 per cent growth year over year. Of total revenue, KW's Terminal Operations division, the leading multi-purpose terminal in the Caribbean, delivered $4.92 billion (2016: $4.17 billion) in revenues, an increase of 18 per cent year on year. This was driven by the growth in domestic and transhipment container and motor vehicle cargo. The Logistics and Ancillary division, which consists of services including, but not limited to, warehousing and inventory management, reefer management, and port security operations earned revenues of $1.45 million (2016: $1.24 billion), a 17 per cent increase year on year. These increases were realized largely as a result of the operationalization of the aforementioned facilities which handled a wide range of cargo types on behalf of local and international shippers.

COMPANY ANALYSIS

Kingston Wharves (KW)

KINGSTON WHARVES LIMITED

Graph1.1: Kingston Wharves Divisional Revenue

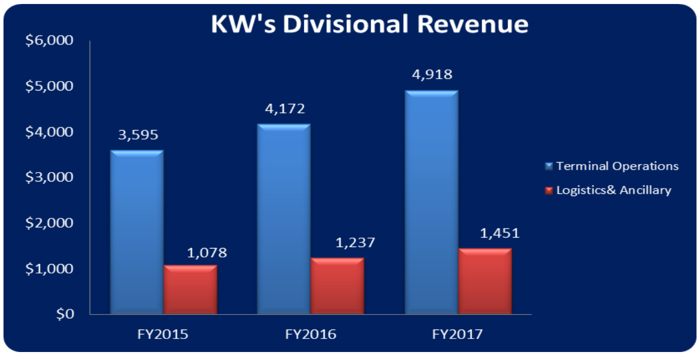


Table 2:1 KW's Five Year Abridged P&L

Kingston Wharves (KW) Profit & Loss For The Year Ended	Year End 2013	Year End 2014	Year End 2015	Year End 2016	Year End 2017	Change (%)	Change ($)
	$'000	$'000	$'000	$'000	$'000		$'000
Turnover	4,232,408	3,819,691	4,672,884	5,409,801	6,369,238	18%	959,437
Cost of Sales	-2,428,476	-2,154,472	-2,525,895	-2,897,704	-3,310,521	14%	-412,817
Gross Profit	1,803,932	1,665,219	2,146,989	2,512,097	3,058,717	22%	546,620
Other Operating Income	488,902	278,117	249,045	196,642	31,029	-84%	-165,613
Administrative expenses	-815,792	-798,069	-823,978	-1,033,488	-1,063,061	3%	-29,573
Operating Profit	1,477,042	1,145,267	1,572,056	1,675,251	2,026,685	21%	351,434
Finance costs	-325,746	-224,151	-162,718	-186,408	-134,923	-28%	51,485
Profit before taxation	1,151,296	921,116	1,409,338	1,488,843	1,891,762	27%	402,919
Taxation credit/(charge)	-304,322	-71,724	-141,879	-176,056	-244,266	39%	-68,210
Net Profit/(loss)	846,974	849,392	1,267,459	1,312,787	1,647,496	25%	334,709
Net profit to shareholders	839,255	842,730	1,256,397	1,293,480	1,628,538	26%	335,058
Earnings Per Share	0.59	0.59	0.88	0.90	1.14	26%	0.23

The Group's revenues over the last five years have moved from $4.23 billion in 2013 to $6.37 in 2017, a compounded annual growth rate of 11 per cent.

Cost of sales over the past five years has moved from $2.23 billion in 2013 to $3.31 billion in 2017. This reflects a compounded annual growth rate of 8 per cent. Year over year cost of sales increased 14 per cent from $2.90 billion in 2016 to total the $3.31 billion booked in 2017. Consequently, gross profit for the year ended December 31, 2017, closed at $3.06 billion, a 22er cent increase from the $2.51 billion recorded a year ago. Over the past five years, gross profit has grown by a compounded annual growth rate of 14 per cent, from $1.80 billion in 2013.

With regards to expenses, the Group's year over year administrative expenses rose 3 per cent, to close at $1.06 billion from the $1.03 billion recorded in 2016. This was due to increases in depreciation, bank charges, equipment rental, security, and utilities.

KW's other operating income which includes dividends, interest, foreign exchange gains, management fees, proceeds from insurance claims and others contracted by a compounded annual growth rate of 50 per cent over the past five years. Notably, KW's other operating income declined 84 per cent year over year to total $31.03 million (2016: $196.64 million).

Notwithstanding, operating profit for the past five years has grown by 8 per cent. Year over year operating profit has also increased by 21per cent to close the 2017 year end at $2.03 billion, relative to the $1.68 recorded for the comparable period in 2016. In addition, profit before taxation closed the 2017 year at $1.89 billion, growing 27 per cent year over year (2016: $1.49 billion).

Profitability for the past five years reflects an increasing trend, growing by a compounded annual growth rate of 18 per cent. KW's net profits attributable to shareholders has moved from $839.26 million in 2013 to $1.63 billion (2016: $1.29 billion). However, the bulk of this growth in profits occurred in 2015, when profit climbed by 49 per cent to total $1.26 billion relative to $842.73 million in 2014. This movement according to Grantley Stephenson, Chief Executive Officer, was due to a 20 per cent increase in vessel calls compared to 2014 and a 51 per cent increase in the number of domestic motor-units handled during the year. The Group also outfitted KWL Terminal with a new mobile harbour crane. Innovative technologies were introduced to bolster operations. Since then the company has maintained an average growth rate of 14 per cent. EPS for the year ended December 31, 2107, amounted to $1.14 (2016: $0.90). The total number of shares used in the calculations amounted to 1,430,199,578 units.

Graph 2.1: Kingston Wharves Five Year Profitability

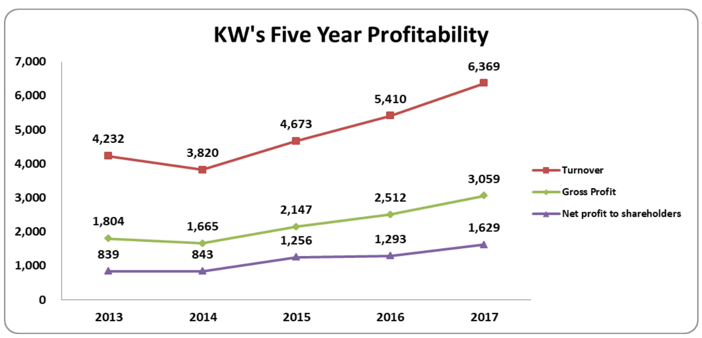


Table 3.1: KW's Revenue Growth and Profitability over the past five years

KW's Revenue Growth & Profitability Over The Past Five Years	2013	2014	2015	2016	2017
Turnover Growth	15%	-10%	22%	16%	18%
Cost of Sales margin	57%	56%	54%	54%	52%
Gross Profit Margin	43%	44%	46%	46%	48%
Operating Expense Margin	19%	21%	18%	19%	17%
Pre-tax Profit Margin	27%	24%	30%	28%	30%
Net Profit Margin	20%	22%	27%	24%	26%

Based on Table 2.1 above, it is evident that over the past five financial years, KW's most significant growth in revenue occurred in 2015, with turnover rising by 22 per cent compared to a contraction of 10 per cent the prior year. Turnover for the company increased 18 per cent in 2017 relative to 2016's growth of 16 per ecnt. On average, however, the company has managed to maintain an 11 per cent growth rate over the last five years.

In addition, the table above also highlights KW ability to manage its expenses as both its cost of sales and operating expense margins declined from 57 per cent and 19 per cent in 2013 to 52 per cent and 17 per cent respectively, which may imply the company has implemented effective cost containment initiatives.

This led to an increase in the gross profit margins over the years from 43 per cent in 2013 to 48 per cent in 2017 and ultimately facilitated an increase growth rate in the company's pre-tax margin and net profit margin over the 5 five year period. Year over year, the company's pre-tax profit margin, and net profit margin both witnessed increases of 30 per cent and 26 per cent when compared with 2016.

Table 4.1: KW's Balance Sheet as at December 31, 2017

Kingston Wharves (KW) Balance Sheet For The Year Ended	Year End 2013	Year End 2014	Year End 2015	Year End 2016	Year End 2017	Change (%)	Change ($)
	$'000	$'000	$'000	$'000	$'000		$'000
Non-Current Assets							
Property, Plant and Equipment	11,981,800	16,121,451	16,644,894	18,085,443	22,886,762	27%	4,801,319
Current Assets							0
Inventories	137,902	187,420	203,049	303,994	345,729	14%	41,735
Trade and Other Receivables	586,285	586,747	404,351	617,395	839,578	36%	222,183
Cash and Bank Deposit	1,060,566	1,161,523	332,129	360,819	374,861	4%	14,042
Short term Investments	2,099,333	1,747,912	2,687,739	2,830,027	3,573,360	26%	743,333
Total Current Assets	3,900,958	3,695,354	3,636,468	4,128,488	5,150,625	25%	1,022,137
Total Assets	16,716,664	21,001,026	21,327,917	23,536,808	29,475,959	25%	5,939,151
Current Liabilities							
Trade and Other Payables	359,029	535,212	735,090	1,002,529	1,641,672	64%	639,143
Total Current Liabilities	989,583	1,089,320	1,355,259	1,650,143	2,227,898	35%	577,755
Net Current Assets/ (Liabilities)	2,911,375	2,606,034	2,281,209	2,478,345	2,922,727	18%	444,382
Non-Current Liability							
Borrowings	1,498,689	1,490,542	1,095,836	1,795,373	2,385,038	33%	589,665
Deferred Tax Liability	1,299,521	1,110,748	1,111,131	1,168,265	1,407,914	21%	239,649
Total Liabilities	3,967,737	3,976,569	3,837,389	4,899,997	6,378,642	30%	1,478,645
Total Equity	12,748,927	17,024,457	17,574,154	18,636,811	23,097,318	24%	4,460,507
Total Non-Current Liability and Equity	15,667,547	19,845,510	19,979,026	21,790,100	27,132,539	25%	5,342,439

KW's Balance Sheet Analysis 2017

The company reported a general increase in total assets and liabilities on its balance sheet as at December 31, 2017. Total assets increased from a total of $23.54 billion in 2016 to $29.48 billion in 2017, a 25 per cent increase year over year. The growth in assets was driven mainly by increases in both 'short-term investments' and 'property, plant, and equipment' which closed at $3.57 billion (2016: $2.83 billion) and $22.89 billion (2016: $18.09 billion) respectively. Cash and bank deposits and accounts receivables also contributed to the overall growth in the asset base with a 4 per cent and 36 per cent growth respectively to close at $374.86 million (2016: $360.82 million) and $839.58 million (2016: $617.40 million).

Shareholders' equity amounted to $22.98 billion compared to equity of $18.54 billion reported in 2016 and reflects a steady increase from the $12.69 billion reported in 2013.

Total liabilities over the past five years reflect an upward trend, climbing from $3.98 billion in 2013 to $6.38 billion in 2017 (2016: $4.90 billion). Current liabilities amounted to $2.23 billion; a 35 per cent increase year over year compared to $1.65 billion in 2016 due to a $639.14 million increase in 'trade and other payables'. 'Trade and other payables' increased from $1 billion in 2016 to $1.64 billion in 2017. Notably, the company's long-term borrowings increased significantly in 2017, from $1.79 billion to total $2.38 billion, a 33 per cent increase over the prior twelve months.

Table 5.1: KW's Turnover Ratios:

KW Turnover Ratios Financial Year	2013	2014	2015	2016	2017
Avg. Accounts Receivables Turnover	6.18	6.51	9.43	10.59	8.74
Avg. Accounts Payables Turnover	5.95	4.93	4.00	3.45	2.54
Avg. Inventory Turnover	28.92	13.25	12.94	11.43	10.19
Asset Turnover (Times)	0.24	0.24	0.26	0.20	0.22
Days of Inventory on Hand	12.62	27.56	28.21	31.93	35.82
Day Sales Outstanding	59.04	56.05	38.71	34.47	41.75
Days Payable Outstanding	61.39	74.05	91.22	105.75	143.95

Ratio Analysis

The accounts receivables turnover ratio for KW has increased over the last five years (2013- 2017), moving from 6.18 times to 8.74times respectively. Notably, this rate spiked in 2016 to 10.59 times, before declining to 8.74 times thereafter. A trend was also observed in the day sales outstanding ratio, where a general improvement was observed as it now takes KW 41.75 days to collect payment after a sale has been made compared to 59.04 days. Notably, however, a substantial increase in the ratio was seen year over year from the 34.47 days in 2016.

The accounts payable turnover ratio declined from 5.95 times in 2013 to 2.54 times in 2017; signifying the rate at which KW pays off its suppliers. This is corroborated by the steady increase in the day's payable outstanding ratio, which increased from 61.39 days in 2013 to 143.95 days in 2017. This illustrates that KW takes approximately 143.95 days to pay its invoices from suppliers.

KW showed deterioration in its inventory turnover ratio, as the ratio decreased from 28.92 times in 2013 to 10.19 times in 2017; indicating inventory is turned or sold 10.19 times during 2017. However, it should be noted that the Group's growth over the five year period has also led to increased level of inventory. The deterioration in the ratio is supported by the days of inventory on hand which

increased during the five years, moving from 12.62 days in 2013 to 35.82 days in 2017. This illustrates that KW takes 35.82 days to turn its inventory into sales relative to 12.62 days in 2013. The Group's asset turnover ratio as at December 31, 2017, was 0.22 times, hinting that the KW generates $0.22 from each dollar of assets.

KINGSTON WHARVES LIMITED

Table 6.1: KW's Liquidity and Cash Conversion

KWs Liquidity and Cash Conversion					
KWs Liquidity and Cash Conversion	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Current Ratio	3.94	3.39	2.68	2.50	2.31
Cash Conversion Cycle	10.27	9.56	-24.30	-39.35	-66.39

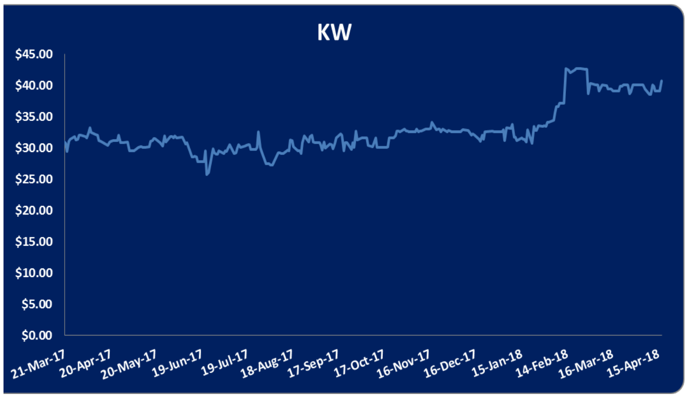
For 2017, KW achieved a negative cash conversion cycle in 2015 of 24.30 days which increased to negative cash conversion cycle of 66.39 days. Not all companies can achieve a negative cash conversion cycle due to the nature of the products of consumers. This negative cycle illustrates that KW may not pay for its inventory or materials until after they've sold the final product associated with them. In other words, KW's is using its working capital as efficiently as possible and have available cash for other needs. Assessment of KW's current ratio indicates that though the company's ratio decreased from 3.94 in 2013 to 2.31 in 2017 the company still has the ability to cover its short-term obligations with its current assets.

Table 7.1: KW's Leverage Ratios

KW's Leverage Ratios					
Financial Year	2013	2014	2015	2016	2017
Debt to Equity	16.05%	13.52%	9.48%	13.32%	13.94%
Debt to Assets	11.97%	9.58%	7.69%	10.25%	9.87%
Return on Equity	6.79%	5.71%	7.33%	7.25%	7.90%
Return on Assets	5.12%	4.50%	5.99%	5.85%	6.22%

As at December 31, 2017, it was evident that KW maintained a small preference for the use of debt in the financing of its operations as opposed to equity, as KW's debt to equity ratio averaged 13.26 per cent for the past five years (2013 to 2017). Their debt to equity ratio for FY2017 was 13.94 percent. Total debt accounted for 13.94 per cent of total equity for 2017. Their debt to assets ratio was 9.87 per cent in 2017, increasing from 7.69 per cent in 2015. KW generates a return on equity of 7.90 per cent in 2017 relative to the 7.25 per cent in 2016. On average, KW has a return on equity of 6.99 per cent for the last five years. KW's return on assets is 6.22 per cent in 2017, an increase from 5.12 per cent in 2013. KW has an average return on assets of 5.54 per cent for the last five years.

Graph 3 .1: Price History



The company's stock price appreciated 62.42 per cent in 2017. KW's stock price opened 2017 at $20.01 and closed the year at $32.50. Notably, KW's stock price has appreciated 24.95 per cent year to date to close the trading period on April 17, 2018, at a price of $40.61.

Table 8.1: KW's Abridged P&L and 2018 Projection

Kingston Wharves (KW) P&L and Projection				
Profit & Loss For The Year Ended	Year End Dec. 2017	Year End Dec. 2018	Change (%)	Change ($)
	$'000	$'000		$'000
Turnover	6,369,238	7,006,162	10%	636,924
Cost of Sales	-3,310,521	-3,643,204	10%	-332,683
Gross Profit	3,058,717	3,362,958	10%	304,241
Administrative expenses	-1,063,061	-1,137,475	7%	-74,414
Operating Profit	2,026,685	2,287,540	13%	260,855
Net profit to shareholders	1,628,538	1,838,904	13%	210,366
Earnings Per Share	1.14	1.29	13%	0.15

Future Outlook for FY2018

KW's Chairman indicated KWL realized a number of its initiatives outlined in its strategic development plan. The Total Logistics Facility began operations, while a Global Auto Logistics Centre was opened. KWL's focus in 2018 will be to harness the benefits of its investment programme, gaining efficiencies in terminal operations, widening further its customer base particularly within the logistics division, and expanding and diversifying its logistics product offering. Closing the year in a strong financial position, management remains confident about Kingston Wharves future performance. As such, we anticipate the following for KW:

Total revenue is projected to improve by 10 per cent for the full year compared to 18 per cent last year and 19 per cent over the last three years; revenue growth being supported by KW's expansion its core business to include its Total Logistics Facility and opened a Global Auto Logistics Centre. In addition, KW's Chairman Jeffrey Hall indicated that the Company also "expanded its equipment fleet and not least, made significant strides in the training and development of staff".

Cost of sales is estimated to grow 10 per cent for FY2018 using a COS margin of 52 per cent, consistent with that observed for the 201FY. The estimated increase is relative to the 14 per cent increase in FY2017 and a 15 per cent increase in FY 2016. KW is however currently striving to be more efficient as the Chairman announced that one of KWL's focus in 2018 will "gaining efficiencies in terminal operations". Consequently, the company's gross profit is expected to increase accordingly for FY2018, due primarily to their expansions in core business and strategic priority in increasing efficiency.

COMPANY ANALYSIS
Kingston Wharves (KW)

Administrative expenses are expected to increase in 20118 following expansion which is a testament to the continued development of its logistics product.

Thus, KW profitability is anticipated to increase for 2018 resulting in projected earnings per shares of $1.29 compared to $1.14 booked for the 2017 financial year (2016: $0.90). KW's stock price closed the trading period on April 17, 2018, at a price of $40.61, which is above its valuation based on expected earnings of $24.23 in the short to medium term. As such, the stock is recommended as a SELL at this time.

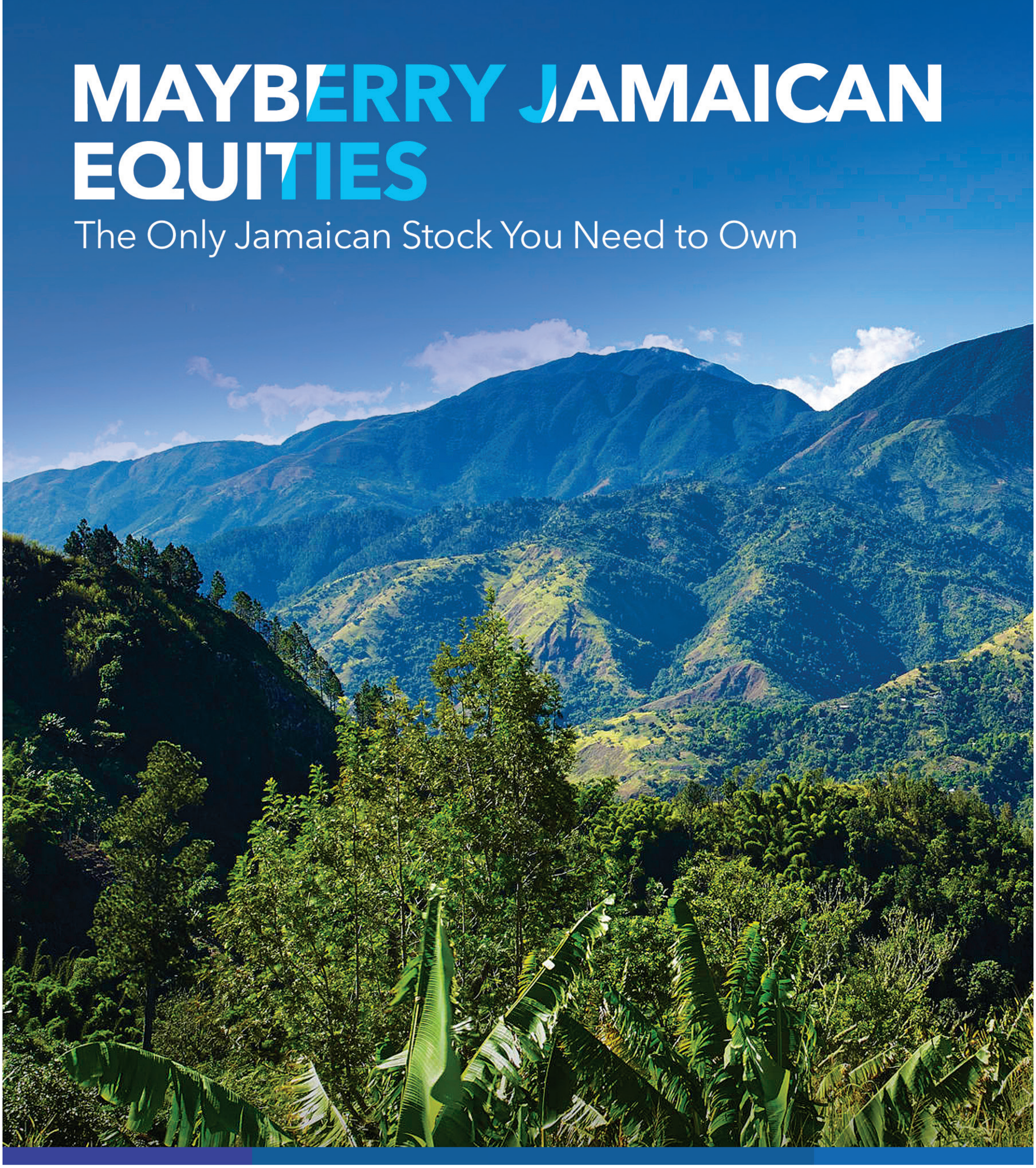
Conclusion

Kingston Wharves Limited (KW) was established in 1945 and has transformed since then the Company has transformed into to a regional multi-purpose, multi-user port, providing a full range of logistics, cold storage facility rentals and repairs, property rental and security services. The Company's operation is centralized around two main segments: Terminal Operations and Logistics and Ancillary Services.

The company has invested vastly in their operations to increase and diversify revenue as it has expanded its core business to include its Total Logistics Facility (TLF) and its Global Auto Logistics Centre in the final quarter of 2017. This indicates a commitment to the continued development of its logistics product. In addition, KW's Chairman Jeffrey Hall indicated that the Company also "expanded its equipment fleet and not least, made significant strides in the training and development of staff".

KW reported revenues of $6.34 billion for FY2017 and profit attributable to shareholders of $ 1.62 million. Though the company's current ratio of 2.31 times indicates their able to cover its short term liabilities, KW exhibits a general improvement in its operations as the cost of sales and operating expense margin declined over the past five years. Additionally, the company achieved a negative cash conversion cycle which indicates the Company is getting paid by their customers long before they pay their suppliers.

For the 2017 year end, KW's earnings per share (EPS) was $1.14 (2016: $0.90), while year-end projected EPS is $1.29. The stock currently trades around $40.61 as at April 17, 2018, above its valuation based on projected earnings. As such, the stock is recommended as a SELL at this time.



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FORUM HIGHLIGHTS
FOR MARCH 2018


Mayberry's CEO, Gary Peart (left), Executive Chairman, Christopher Berry (right) share a light moment with the Managing Director of Caribbean Cement Company Limited, Peter Donkersloot.


During cocktails, Mayberry's Executive Chairman, Christopher Berry (left), Director of Investment Banking, Tania Waldron-Gooden (right), engages with Drum Drummond, Corporate Secretary of Jamaica Network Access Point Ltd.


Host for the evening, Gary Peart during his welcome and opening remarks.


Mr Donkersloot during his presentation on the company's performance.


Mayberry Investment Advisor, Cherrice Lewis, presents Mr Donkersloot with a token of appreciation.


Audience member, Radiant Energy Limited's COO, Tai Dacosta, poses a question to Mr Donkersloot.


Mayberry's Executive Chairman, Christopher Berry joins in a conversation with Mr Donkersloot after his presentation.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR MARCH 2018

	January 2018	February 2018	Change
91 Days Treasury Bills Avg. Yield (%)	3.986	3.352	-0.634
182 Days Treasury Bills Avg. Yield (%)	4.160	3.593	-0.567
Exchange Rate (US$:J$)	124.93	126.77	1.84
Net International Reserves (NIR) (US$M)	3,203.36	3,179.50	-23.86

Net International Reserves

Jamaica's Net International Reserves (NIR) totaled US$3,179.50 million as at February 2018, reflecting a decrease of US$23.86 million relative to the US$3,203.36 million reported as at the end of January 2018 (see figure 1 below).

Changes in the NIR resulted from a decrease in Foreign Assets of US$28.38 million to total US$3,761.14 million compared to the US$3,789.51 million reported for January 2018. 'Currency & Deposits' contributed the most to the decline in Foreign Assets. 'Currency & Deposits' as at February 2018 totaled US$3,163.19 million reflecting a decline of US$21.88 million compared to US$3,185.07 million booked at January 2018.

'Securities' amounted to US$325.60 million; US$0.64 million less than the US$326.24 million reported in January 2018. Foreign Liabilities for February 2018 amounted to US$581.63 million compared to the US$586.15 million reported for January 2018. Liabilities to the IMF accounted for 100 per cent of total foreign liabilities, reflecting a US$4.52 million decline month over month from January 2018.
At its current value, the NIR is US$564.24 million more than its total of US$2,615.26 million as at the end of February 2017. The current reserve is able to support approximately 39.93 weeks of goods imports or 23.13 weeks of goods and services imports.

The country surpassed the benchmark of US$2.54 billion outlined by the International Monetary Fund (IMF) in the 14th review and adjusted agreement under the Extended Fund Facility (EFF). 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, "despite the toll of weather swings on growth, Jamaica's unemployment rate is at 8-year low, with record high employment levels. Inflation is modest, and expectations are anchored in the medium-term target range of 4-6 per cent. Non-borrowed net international reserves remain above the program target, supported by robust tourism inflows and a moderate current account deficit". As such the Net International Reserve (NIR) target outlined as per the new agreement for the 2017/18 fiscal year is US$3.28 billion (see figure 2 below).

Subsequent to the IMF's visit concluded on December 8th, 2017, Uma Ramakrishnan, IMF Mission Chief for Jamaica, stated that "Despite the toll of weather swings on growth, Jamaica's unemployment rate is at 8-year low, with record high employment levels. Inflation is modest, and expectations are anchored in the medium-term target range of 4-6 percent. Non-borrowed net international reserves remain above the program target, supported by robust tourism inflows and a moderate current account deficit".

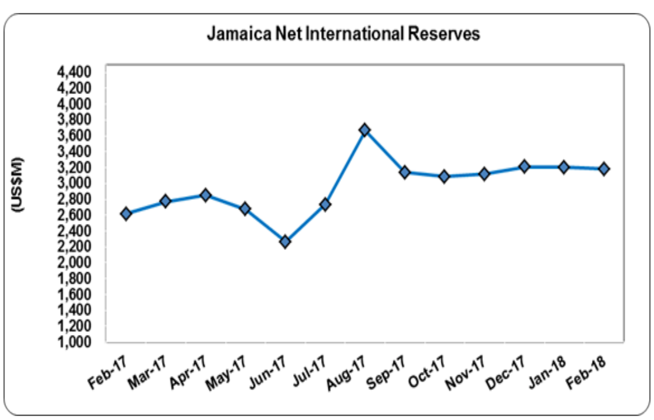


Figure 1

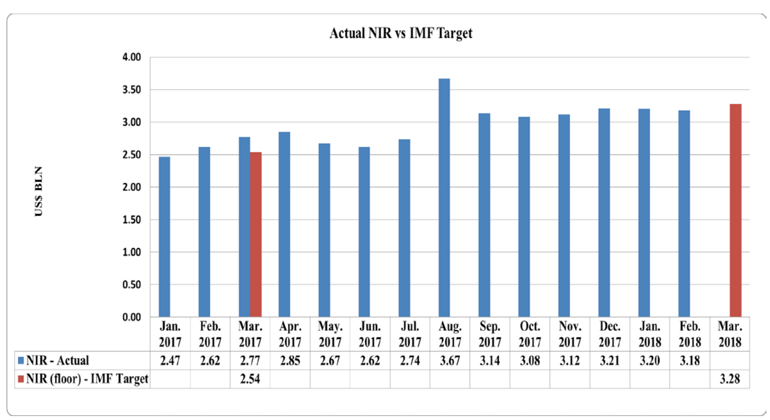


Figure 2

Jamaica Monthly Equity Market Report for February 2018

Main JSE Index: 292,656.49 points
Point Movement: 4,792.70 points
Percentage Change: 1.66%

Advance Decline Ratio: Positive
Advancers: 18 **Decliners**: 14
Traded Firm: 4

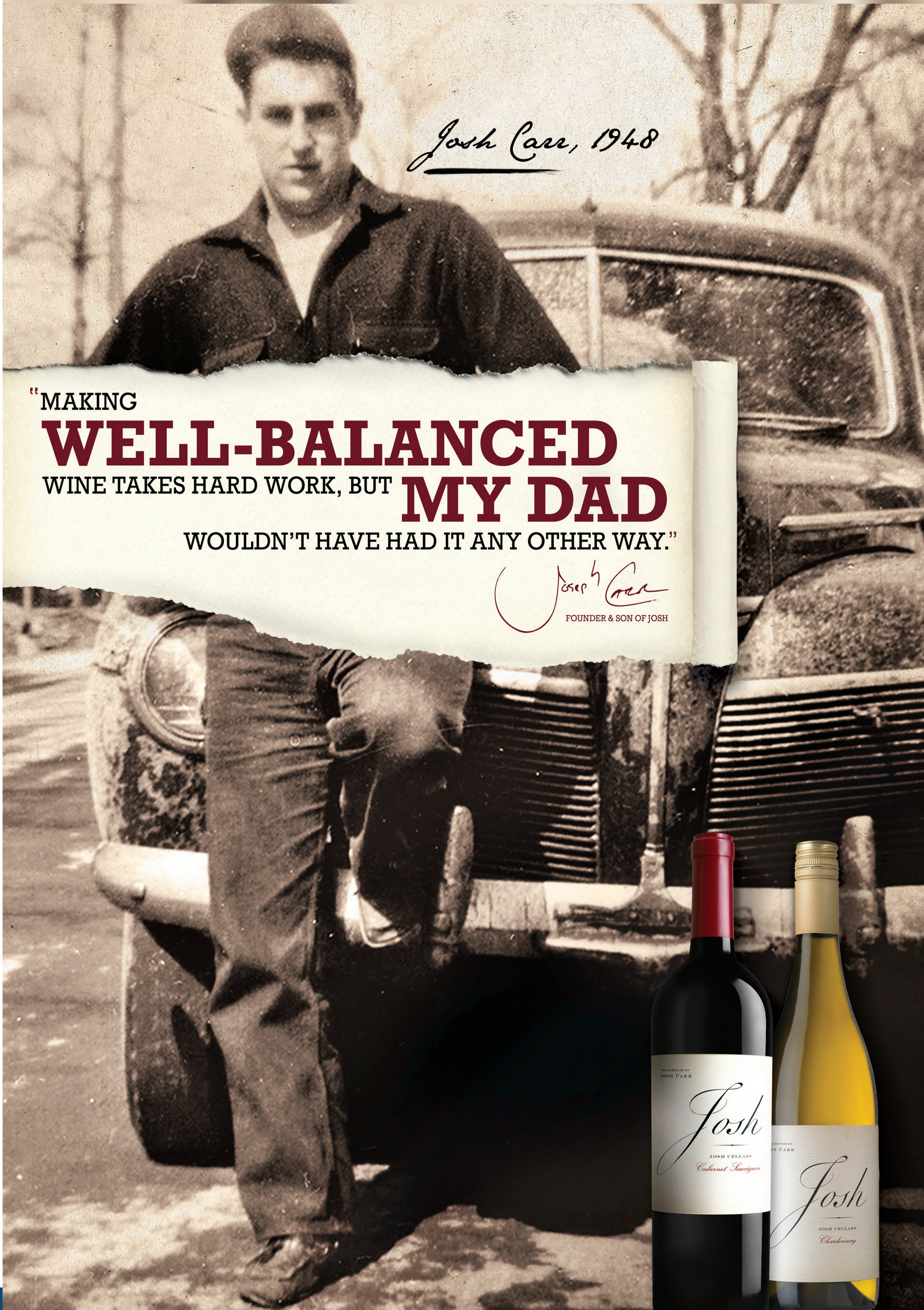
Junior JSE Index: 2924.93 points
Point Movement: 2.72 points
Percentage Change: .09%

Advance Decline Ratio: Positive
Advancers: 18 **Decliners**: 16
Traded Firm: 2

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Caribbean Cream Limited	20.36%	$6.62
Kingston Wharves Limited	15.77%	$38.62
Blue Power Group Limited	14.68%	$39.99
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
Ciboney Group Limited.	-54.55%	$0.10
Caribbean 2 World Music Limited	-25.00%	$0.45
Mayberry Investments Limited	-16.36%	$5.01

Total Shares Traded (Main): 113.52 million units
Total value (Main): Approx. $1.74 billion

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
Wisynco Group Limited	29,309,913	25.82%
Ciboney Group Limited	10,913,950	9.61%
Jmmb Group Limited	7,518,148	6.62%


Josh Carr, 1948
"MAKING
WELL-BALANCED
WINE TAKES HARD WORK, BUT MY DAD
WOULDN'T HAVE HAD IT ANY OTHER WAY."
Joseph Carr
FOUNDER & SON OF JOSH
Josh
JOSH CELLARS
Cabernet Sauvignon
Josh
JOSH CELLARS
Chardonnay

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BUY HOLD SELL

Caribbean Producers Jamaica Limited (CPJ)

For the six months ended December 31, 2017

BUY

•Revenues grew 17 per cent from $46.04 million, to close the period at $53.91 million compared to the prior year. For the second quarter, the company posted an 18 per cent growth in revenues to close at $29.54 million relative to $24.99 million for the same quarter of 2016. CPJ noted that "the increase was primarily driven by an aggressive growth in sales across all channels with a focus on targeted product categories".

•Cost of goods sold showed a 19 per cent increase closing the period at $39.52 million relative to $33.27 million for the corresponding period in 2016. For the quarter, the company recorded a 22 per cent increase in the cost of goods sold to close at $21.70 million relative to $17.72 million for the comparable period in 2016.

•Consequently, CPJ recorded an increase in gross profits to $14.39 million (2016: $12.76 million). Gross profits for the quarter however improved from $7.27 million in 2016 to $7.84 million.

•Selling and administrative expenses were $10.46 million, an 11per cent increase on the $9.45 million posted for the prior year. The company stated that "salary related expenses, repairs & maintenance" contributed to the increase in expenses.

•Depreciation for the period fell by 6 per cent closing the period at $1.25 million (2016: $1.33 million).

•Other operating income totaled $31,813; this compares with an operating income of $18,851 booked in 2016. Profit before finance costs, income, and taxation improved 32 per cent to total $2.65 million relative to $2 million in 2016.

•Finance costs amounted to $849,205 (2016: $895,245). Finance income decreased by 74 per cent to close at $203 (2016: $767). As such profit before taxation was $1.80 million compared to a profit of $1.10 million in 2016.

•Net profit attributable to shareholders for the six months amounted to $1.46 million (2016: $972,554). While for the quarter, net profit amounted to $1.07 million relative to a net profit $1.25 million booked last year.

•As a result, earnings per share (EPS) for the six months amounted to US0.133 cents compared to US0.088 cents in 2016. EPS for the quarter amounted to US0.107 cents relative to US0.117 cents. The number of shares used in our calculations amounted to 1,100,000,000 units.

•CPJ stated, "the company continues to execute its business transformation initiatives to strengthen its platform. The company views investment in technology and talent as vital to the creation of shareholders value as it continues to expand and grow both offshore and onshore. It is expected that the company will continue to benefit from significant improvements in operational excellence and management information capabilities and further growth in the tourism sector in the Caribbean. While management continues to be optimistic and encouraged by preliminary signs of continued growth, the effects, if any of the State of Emergency that was implemented in January 2018 for St. James will continue".

Sagicor Real Estate X Fund Limited (XFUND)

For the year ended December 31, 2017

HOLD

•Total Revenue for the year ended December 31, 2017, grew 29 per cent to $13.11 billion (2016: $10.25 billion). For the fourth quarter ended December 31, 2017, the company's total revenue, however, increased 56 per cent to close at 3.04 billion (2016: $1.95 billion).

•Hotel revenue for the 2017 year end increased to $10.27 billion relative to $8.46 billion in 2017. Management indicated, "Improvement in the hotels' Occupancy and Average Daily Rates (ADR) fuelled by ongoing renovation of the properties". Net capital gains on financial assets and liabilities increased by 61 per cent to close at $2.84 billion (2016: $1.77 billion). Interest Income increased 42 per cent to close at $59.89 million (2016: $42.29 million), while net investment property expense for the year amounted to $165.99 million compared to $16.79 million in 2016.

•Operating Expenses rose 20 per cent to $10 billion (2016: $8.33 billion). Hotel expenses increased 17 per cent from $6.52 billion in 2016 to $7.62 billion for 2017. Depreciation closed the year at $813.22 million (2016: $491.32 million). Interest expense for the period rose by $221.13 million to end the year at $1.51 billion (2016: $1.29 billion). SJ incurred other operating expenses for the year of $53.58 million relative to $22.96 billion booked in 2016. Operating expenses increased 39 per cent to close the fourth quarter at $2.76 billion relative to $1.99 billion for the comparable period in 2016.

•Consequently, profit before tax improved to $280.30 million compared to a loss of $37.42 million a year earlier. Following tax charges of $268.23 million (2016: $239 million), Net profit increased 62 per cent to $2.74 billion, up from $1.69 billion for the comparable period in 2016. For the fourth quarter Net profit surged to close at $379.33 million versus a profit of $3.57 million for the corresponding quarter of 2016. Notably, XFUND recorded tax credits of $99.03 million for the fourth quarter of 2017 compared to a tax credit of $40.99 million.

•The earnings per share (EPS) for the year end closed at $1.22 (2016: $0.75), while EPS for the quarter amounted to $0.169 (2016: $0.002).

Honey Bun Limited (HONBUN)

For the 3 months ended December 31 2017

SELL

•Consolidated Bakeries (Jamaica) Limited (PURITY) for the year ended December 31, 2017, recorded a 2.01per cent decline in revenue to $862.61 million from $880.27 million reported for the corresponding period in 2016. For the fourth quarter, the Company recorded revenue of $219.54 million (2016: $199.64 million), representing a 10 per cent improvement year over year.

•Cost of sales for the period decreased 1.45 per cent to close at $563.73 million (2016: $572.01 million), leading to a gross profit of $298.87 million (2016: $308.27 million). Within the quarter PURITY recorded cost of sales of $132.94 million, down 3.2 per cent relative to $137.35 million booked at the end of the Fourth quarter of 2016. As such, fourth quarter gross profits totaled $86.09 million, up 39 per cent year over year (2016: $62.29 million).

•Other income fell 90.53 per cent to $874,770 relative to $9.24 million booked for the comparable period in 2016.

•Purity's total expenses for the year amounted to $312.97million, an increase of 5.89 per cent versus the $295.56 million reported in 2016. Of this, administrative expenses closed at $155.17 million, down 3.37 per cent relative to the $160.59 million reported in 2016, while, selling expense was up 16.91per cent to close at $157.80 million (2016: $134.97 million). This resulted in an operating loss of $13.23 million for the reported for the year, compared to an operating profit of $21.95 million documented for the prior year.

•Finance costs increased 62.48 per cent to close at $18.88 million relative to $11.62 million in 2016. The company reported deferred tax payments of $7.99 million for the period. Consequently, PURITY recorded net loss of $40.10 million in contrast to a net profit of $10.33 million the prior year. A net loss of $17.24 million was booked for the fourth quarter, compared to a loss of $19.67 million for the corresponding quarter in 2016.

•As a result, loss per share (LSP) for the year ended December 2017 amounted to $0.18 compared to earnings per share (EPS) of $0.05 reported in 2016. The earnings per share for the quarter totalled $0.077 relative to an LPS of $0.088 in 2016. The number of shares used in our calculations is 222,709,171 units. Purity's stock price closed the trading period on Thursday, March 29, 2018, at a price of $2.00.

•Total Comprehensive income of $168.99 million was recorded for the period relative to the comprehensive income of $13.92 million recorded the prior year.

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.

Investments Inquiries sales@mayberryinv.com
General Inquiries (876) 929-1908 - 9
Fax (876) 929-1501
facebook.com/Mayberryinvja
@Mayberryinvja