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CEO CORNER

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For July's edition of our monthly Investor Forum, our special guest speaker was Ann-Dawn Young Sang, President and CEO of Supreme Ventures Limited, who gave our audience an Investor Update on the company's 2017 performance and strategic outlook for 2018.



Investments Inquiries
sales@mayberryinv.com



General Inquiries
(876) 929-1908 - 9



Fax
(876) 929-1501



facebook.com/Mayberryinvja



@Mayberryinvja



SEPTEMBER 2018 CEO CORNER

Jamaica's Economic Outlook for FY 2018/2019

per cent for FY 2018/19 where the budget is estimated to generate a primary surplus of \$141.1 billion, still in line with the 7.0 per cent of GDP. He further elaborated that through ongoing fiscal consolidation to stabilise the economy and a more proactive debt management, Jamaica's public debt-to-GDP ratio continues to decrease, to close FY 2017/18 with a ratio of 104 per cent, well below the targeted debt levels of 111 per cent of GDP. For the FY 2018/19 and FY 2019/20, debt-to-GDP is forecasted at 98 per cent and 93 per cent respectively, as the government aims to bring the public debt to GDP down to 60 per cent by FY 2025/26. This will facilitate more spending on infrastructure, citizen security, building agricultural resilience, health, education, and the social safety net.

Although the Governor of the Bank of Jamaica (BOJ), Brian Wynter, also stated the economy's recovery is still lethargic, the Bank expects inflation for the next eight quarters to continue to project to the lower half of the 4 per cent to 6 per cent target before rising around 5 per cent. He further indicated a decision to maintain the policy rate at 2.5 per cent to be steady with the assessment that there is a relatively low risk of future inflation rising above the target, as food prices are expected to decline as a result of a recovery in agricultural supplies.

As Jamaica continues to implement its strategy to develop the foreign exchange market, the market is experiencing more two-way movements and BOJ expects this behaviour to continue. "The exchange rate appreciated by 3.8 per cent during the review quarter, a trend that continued the first week of January. Since then, the market entered a new phase with a reversal of the previous appreciating trend". Mr. Wynter noted in his Quarterly Monetary Report.

However, if Jamaica intends to meet these targets outlined for FY 2018, and for its future, improving social outcomes and fostering resilient growth will require addressing structural impediments. These structural obstacles includes: "crime, bureaucratic processes, insufficient labour force skills, and poor access to finance" according to the IMF, all as they continue to hinder productivity and growth for the Jamaican economy. ■

Over the last 30 years, Jamaica has been faced with shallow growth, resulting in high public debt and external impediments that further weaken the economy. According to the International Monetary Fund (IMF), Jamaica has been slowly recovering since 2017 as its Growth Domestic Product (GDP) was estimated at 0.5 per cent for the year which was rather insufficient. However, signs of improvement for financial year (FY) 2017 were revealed in the country's third year review under the Stand-By-Arrangement, as unemployment rate is at a 10-year low, inflation is well-anchored, the current account deficit has been reduced, foreign exchange reserves are being restored and external borrowing costs are at historical lows. Notably, all measurable performance conditions and structural targets for the completion of this review were actually met.

The former Minister of Finance, Audley Shaw, stated that as Jamaica sets its targets to maintain macroeconomic stability, the government forecast a real GDP growth of 2.4



PUBLISHER

Mayberry Investments
marketing@mayberryinv.com



Editor-in Chief

Anika N. Jengelly
Assistant VP - Marketing
anika.jengelly@mayberryinv.com



Copy Editor

Stephanie Harrison
Digital Marketing Manager
stephanie.harrison@mayberryinv.com



Researcher and Contributor

Kimberly James
Research Analyst
kimberly.james@mayberryinv.com

Unlocking stock value with simple valuation techniques



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

Understanding stock valuation can be the difference between earning you a dollar or a million dollars. Here, you can maximise your value by simply being equipped with the knowledge to make the right decision in buying or selling stocks. There are many different valuation methods where you can maximise value by quickly identifying the value of a stock and determining whether it is trading at a discount or a premium. With the increasing number of IPOs entering the market, investors need to know of proper valuation techniques so that they can unlock stock value. Two methods likely to be used by investors are Net Asset Value (NAV) and Price to Earnings Ratio (PE ratio). Both methods can be used to value varying stocks found on any stock exchange.

PE ratio is one of the most utilised tools for stock valuation. It is calculated by dividing the current market price of the stock by its earning per share (EPS). It shows the sum of money investors are ready to pay for each dollar worth of the earnings of the company. PE ratio is a comparable method of valuation and cannot be a stand-alone valuation method as the PE ratio has to be compared to stocks within the same market, company size or industry to determine whether the stock is undervalued compared to its peers. The computation of the PE ratio is one of the reasons that this method cannot be used to value start-ups and asset intensive firms. Start-ups tend to have negative earnings in the first five years of operation, whilst asset intensive companies tend to store their value in other comprehensive income rather than in net profit.

NAV is calculated as the value of a company's assets minus the value of its liabilities. This is a straight forward valuation method that can be used standalone and is often used with real estate investment trusts (REITs), mutual funds and asset intensive stocks, since shares in such securities are often redeemed at its NAV. Recent IPOs such as Stanley Motta Limited and Mayberry Jamaican Equities Limited are best valued using NAV, whilst others such as Indies Pharma Limited and Everything Fresh Limited are best valued using a PE ratio.

To maximise value, investors need not only be aware of the varying valuation, but more importantly, grasp with the basic understanding that one method is simply not applicable for all companies listed on our stock exchange. If you are not the best number cruncher, your investment advisor should be able to help you to make the correct decisions. Knowing what they are doing and being able to actually do it is an added bonus which helps you to ensure the best decisions in buying or selling a stock. ■

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COMPANY ANALYSIS

Jamaica Producers Limited (JP)



Executive Summary

JP, formerly known as the Jamaica Banana Producers Association Limited, is a wholly-owned Jamaican company listed on the Jamaica Stock Exchange (JSE).

Initially, the company was focused on serving and protecting the banana industry from failure due to fierce competition from the large foreign-owned fruit companies in the shipping and marketing of Jamaican bananas. However, JP has evolved over the years and now focuses on establishing and maintaining their leading position within the market segment in which they compete. The company's two lines of business are: specialty foods and logistics and infrastructure.

In 2016 compared with 2017, JP experienced profitable returns through the gains from both the acquisition of Kingston Wharves (KW) (\$2.9 billion) and the divestment of the Group's holding in Mavis Bank Coffee Factory Limited (\$650 million).

JP reported earnings per share (EPS) in 2017 at \$0.59 (2016: \$3.51), while the 2018 year-end projected EPS is \$0.75. The stock currently trades around \$21.20 as at September 11, 2018, above its projected valuation. Furthermore, the stock trades at a P/E ratio of 28.82 times, which is above the main market P/E ratio of 14.35 times and is projected at approximately \$15.86 over the short to medium term based on expected earnings. As such, the stock is recommended as a SELL at this time.

Economic Overview

The recovery of the Jamaican economy for 2017 was rather slow, as GDP growth was estimated at 0.5 per cent for the calendar year and characterised as "disappointing" according to the IMF. The IMF however, highlighted in its 3rd Review under the Stand-By-Arrangement, that the economy still displayed signs of improvement for the financial year (FY) 2017 as unemployment rate was at a 10-year low, inflation is well-anchored and the current account deficit has been reduced. Foreign exchange reserves are being rebuilt and external borrowing costs are at historical

lows. Notably, all quantitative performance criteria and structural benchmarks for the completion of this review were met.

As Jamaica aims to maintain fiscal discipline and macroeconomic stability, the Government forecast a real GDP growth of 2.4 per cent for FY 2018/19, slightly above IMF's target of 1.7 per cent, where the budget is estimated to generate a primary surplus of \$141.1 billion, still in line with the 7.0 per cent of GDP programme target and includes no new revenue measures. The country has reduced its public debt from 145 per cent of GDP in 2012 to approximately 105 per cent of GDP at the end of March 2018.

The Jamaican economy continues to show signs of a gradual recovery supported by economic reforms, improving institutional capacity and policy effectiveness as reflected in Moody's Investors Service change in the economy's outlook to positive from stable. Real GDP is estimated to have grown in the range of 1 to 2 per cent in the June 2018 quarter, mainly reflecting an improvement in net external demand, augmented by increases in investment and, to a lesser extent, growth in private consumption. This growth is estimated to be above the 0.1 per cent and the 1.4 per cent recorded for the June 2017 and March 2018 quarters, respectively. Over the medium term, real GDP growth is projected to trend upward but remain below potential. Moderate inflationary pressures are expected over the forecast horizon, largely emanating from imported inflation and the accommodative monetary policy. Domestic demand will, however, be restrained by continued fiscal consolidation. The annual inflation as at June 2018 was 2.8 per cent, which was below the inflation target range of 4 to 6 per cent. Furthermore, the loosening of the policy stance was aimed at allowing greater credit expansion and increased pace in the country's GDP growth, which will support inflation returning to the 4 to 6 per cent range.

The Consumer Price Index (CPI) for the month of July 2018 increased 1 per cent, following the 0.4 per cent increase in June 2018, according to The Statistical Institute of Jamaica (STATIN). The CPI for the month amounted to 250.4, relative to the 248.0 reported for June 2018. This increase was largely attributed to the

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COMPANY ANALYSIS

Jamaica Producers Limited (JP)



movement in two divisions, Housing Water, Electricity, Gas and Other Fuels up by 3.4 per cent and Food and Non-Alcoholic Beverages up by 0.9 per cent. Inflation within the Greater Kingston Metropolitan Area and Other Urban Centres each registered an increase in their respective index of 1 per cent, while the index for Rural Areas increased by 0.9 per cent.

SWOT ANALYSIS

STRENGTHS:

- Globally diversified operations
- Majority of earnings denominated in hard currencies
- Evolution into a transnational corporation- JP has engaged in a broad span of economic activities
- Experienced business unit- JP's vertically integrated chips and drink operation

WEAKNESSES:

- Operates in a competitive market
- Higher demands than can be met; however, the company relies largely on the use of contracted farmers in order to fulfil these demand gaps

OPPORTUNITIES:

- Expansion of operations and market base across the Caribbean and other regions.
- Growth in the logistics and infrastructure division
- Expansion into the retail market

THREATS:

- Supply issues - susceptible to extreme weather conditions such as hurricanes, droughts and wild fire, which occur fairly often in the Caribbean
- Growing competition which could lead to lower profitability
- External business risks
- Increase in labour costs as well as technological problems

Operational Analysis

According to JP, the best way to deliver increasing shareholder returns is to pursue a strategy with two components:

- Continued pursuit of business prospects in all aspects of specialty food, ranging from agricultural production to food processing, marketing, distribution and specialty retail.
- Continued participation in select opportunities to develop and provide world-class logistics services and infrastructure for the Caribbean.

JP Food and Drink Division

The JP Food and Drink Division comprises a business portfolio that deals with farming, processing, marketing, distribution and retail of food and drink. Operational bases are located in the Netherlands, Jamaica, the United States, Dominican Republic, the Cayman Islands and Barbados. The Food and Drink

products include fresh juices, tropical snacks, fresh fruit and Caribbean rum and rum-based food items. The division reported a 9 per cent increase in revenue over 2016. Key operating subsidiaries within JP Food and Drink division include:

• A.L. Hoogesteger Fresh Specialist B.V.

Hoogesteger is the largest producer of fresh fruit and vegetable juices in the Netherlands and Northern Europe.

• JP Tropical Group

JP Tropical Group is deemed the umbrella organisation for its Caribbean food businesses. JP Tropical Group comprises subdivisions inclusive of Tortuga International Holdings Limited, JP Foods and JP Farms. JP Foods are the leading producer, marketer and distributor of branded tropical snack products. They sell snacks under the St Mary's and MonteCristi brands in the Caribbean and internationally, while JP Farms' main focus is on the production of bananas and pineapples. The company sell crops internally to JP Foods either for distribution as fresh or for manufacturing into chips.

JP Logistics and Infrastructure Division

The JP Logistics and Infrastructure Division operates in the logistics, transportation and port operation.

• Kingston Wharves Limited (KW)

KW is a key operating subsidiary which is recognised as the leading private multi-purpose port terminal operator in the Caribbean by both the industry and its customers.

• JP Shipping Services Limited

JPSS is the UK's leader in full service Caribbean focused logistics. It serves both private and commercial customers with operational platforms in the Port of Newport, Wales and the London heart of the Caribbean diaspora.

• Shipping Association of Jamaica Property Limited

The newest member of the JP Group of companies, primarily focused on land and investment holdings in the Kingston area. SAJPL expanded its location, as well as is focused on improving its rental yields.

JP's Five Year Abridged P&L

Jamaica Producers Limited (JP)							
Profit & Loss for the year ended	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017	Change	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	(%)	(\$)
Revenue	7,753,863	8,817,029	8,705,924	12,075,623	16,156,712	34%	4,081,089
Cost of Sales	(5,977,926)	(6,846,671)	(6,691,496)	(8,833,215)	(11,013,714)	25%	(2,180,499)
Gross Profit	1,775,937	1,970,358	2,014,428	3,242,408	5,142,998	59%	1,900,590
Expenses	(1,731,725)	(1,967,939)	(1,999,769)	(2,578,009)	(2,931,669)	14%	(353,660)
Operating Profit	44,212	2,419	14,659	829,191	2,285,653	176%	1,456,462
Profit before Finance Cost and Taxation	530,414	532,990	955,047	4,842,658	2,289,437	-53%	(2,553,221)
Finance Cost-Interest	(99,392)	(128,085)	(206,664)	(309,587)	(308,805)	0%	782
Profit/Loss Before Income Tax	431,022	404,905	748,383	4,533,071	1,980,632	-56%	(2,552,439)
Income Tax Expense	(161,062)	(86,079)	(133,808)	(222,950)	(356,661)	60%	(133,711)
Net Profit/Loss	269,960	318,826	614,575	4,310,121	1,623,971	-62%	(2,686,150)
Net Profit/Loss Attributable to:							
Equity Holders of the Company	252,273	358,220	792,256	3,940,446	661,884	-83%	(3,278,562)
EPS	0.22	0.32	0.71	3.51	0.59		

COMPANY ANALYSIS

Jamaica Producers Limited (JP)



Notably, in the FY 2017, JP generated a turnover of \$16.2 billion, an increase of 34 per cent relative to 2016's \$12.1 billion. A significant portion of this increase in revenue resulted from the full consolidation of its investment in KW, which came into effect June 23, 2016. As for 2016, revenues and costs for KW were included in the Group's profit and loss for the second half of the year. However, during 2017, the revenues and costs have been included for the full year.

In the Food and Drink Division, revenues grew by 9 per cent, where approximately 82 per cent of the revenues were generated outside of Jamaica. The Food & Drink Division benefitted from particularly strong year-on-year improvements in its European juice business, as well as in its tropical snack food business. In both cases, the improved results reflected ongoing investment in innovation and new product development. In Europe, the company expanded its range of healthy fresh juice recipes with highly innovative vegetable juices, and in its tropical snacks business, it launched a new line of frozen "ready-to-cook" tropical foods for the US market. JP expects the benefits of its division-wide product innovation programme to continue with the launch of rum cake bites under the Tortuga brand. The company expects this product to drive sales growth during the winter tourism season.

JP Logistics and Infrastructure Division generated an 85 per cent increase in revenues in 2017 and 51 per cent increase in earnings. This division continues to benefit from significant capital investment and business development initiatives to advance KW as a leading regional multipurpose and multi-user terminal, as well as a market-leading logistics service provider.

Over the past five years, cost of sales has climbed from \$5.98 billion in 2013 to \$11.01 billion booked in 2017 respectively. There was a 25 per cent increase between 2016 and 2017 from \$8.83 billion to \$11.01 billion, due to the consolidation of KW's results. JP recorded a gross profit of \$5.14 billion (2016: \$3.24 billion), 59 per cent above the prior year. JP's gross profit has grown at a five-year compounded annual growth rate (CAGR) of 30%.

JP's total expenses were recorded at an increase of 14 per cent relative to the prior year and a five-year CAGR of 14 per cent. Total expenses moved \$1.73 billion in 2013 to \$2.93 billion (2016: \$2.58 billion). As such, operating profit over the five years improved from \$44.12 million reported in 2013 to \$2.29 billion to close 2017.

The net profit for JP however, fell significantly from \$4.31 billion in 2016 to \$1.62 billion in 2017, reflecting a 62 per cent decrease over the prior year. In 2016, \$3.6 billion in non-recurring gains were recognised. However, in 2017, none was accounted for. According to JP, "Given the substantial minority interest in some of our subsidiaries, our Board and management also focused on the profits attributable to the shareholders of JP". The Group also stated that its underlying shareholders profitability grew by 78 per cent.

JP's Revenue Growth and Profitability Over the Past Five Years

JP's Revenue Growth and Profitability Over the Past Five Years					
	2013	2014	2015	2016	2017
Turnover Growth	14%	14%	-1%	39%	34%
Cost of Sales Margin	77%	78%	77%	73%	68%
Gross Profit Margin	23%	22%	23%	27%	32%
Operating Profit Margin	-99%	-100%	-100%	-93%	-86%
Pre-tax Profit Margin	6%	5%	9%	38%	12%
Net Profit Margin	3%	4%	7%	36%	10%

In 2016, JP its most significant growth in revenue compared to the past five years. Revenue increased 34 per cent in 2017, relative to 2016, which recorded an increase of 39 per cent. JP managed to reduce its cost of sales margin from 77 per cent in 2013 to 68 per cent in 2017. Additionally, this contributed to the increase in the gross profit margin from 27 per cent in 2016 to 32 per cent in 2017. As stated by JP, "This was driven partly by the full year of consolidation of Kingston Wharves (KW), which operates in an industry with structurally higher gross profit margin than those normally seen in the food and drink industry". However, strong margin growth was offset by severe productivity issues at their farms. In relation to pre-tax and net profit margin, they both declined relative to the prior year. Pre-tax margin recorded 12 per cent in 2017 (2016: 38 per cent), while a net profit margin of 10 per cent was recorded in 2017 compared to 36 per cent in the previous year.

JP's Balance Sheet as at December 31, 2017

Jamaica Producers Limited (JP)							
Balance Sheet For the Year Ended	2013	2014	2015	2016	2017	Change	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	(%)	\$'000
Intangible Assets	1,187,879	1,193,198	1,174,643	1,699,185	1,635,472	-4%	(63,713)
Property, Plant and Equipment	1,904,643	2,040,780	1,831,912	19,487,117	21,083,079	8%	1,595,962
Total Non-Current Assets	6,649,613	7,975,833	8,075,873	22,966,072	24,738,733	8%	1,772,661
Securities Purchased under Resale Agreements	37,394	148,730	355,500	2,830,027	3,805,031	34%	975,004
Accounts Receivable	836,795	993,898	1,071,138	1,857,690	2,450,355	32%	592,665
Total Current Assets	1,903,537	1,967,613	2,172,330	6,913,806	7,929,804	15%	1,015,998
Total Assets	8,553,150	9,943,446	10,248,203	29,879,878	32,668,537	9%	2,788,659
Accounts Payable	53,591	57,069	84,821	2,530,926	3,432,056	36%	901,130
Current Portion of Long-term Loans	72,810	106,155	194,013	1,213,145	772,256	-36%	(440,889)
Total Current Liabilities	1,404,687	1,770,850	1,746,833	3,833,798	4,377,562	14%	543,764
Long-term loans, being total non-current liabilities	1,117,360	1,986,859	1,940,906	3,384,564	4,004,476	18.3%	619,912
Total Non-Current Liabilities	1,117,360	1,986,859	1,940,906	4,847,606	5,546,119	14.4%	698,513
Total Liabilities	2,522,047	3,757,709	3,687,739	8,681,404	9,923,681	14.3%	1,242,277
Total Equity	6,031,103	6,185,737	6,560,464	21,198,474	22,744,856	7.3%	1,546,382
Total Non-Current Liabilities & Equity	8,553,150	9,943,446	10,248,203	29,879,878	32,668,537	9.33%	2,788,659

The Analysis of Jamaica Producers Limited Balance Sheet

JP's total assets increased from \$29.88 billion in 2016 to \$32.67 billion in 2017, reflecting a 9 per cent increase year over year. Property, plant & equipment was the main contributor to this increase in total assets, as it increased by 8 per cent to \$21.08 billion in 2017 (2016: \$19.48 billion). This increase resulted from the completion of KW's Total Logistics Facility & Global Auto Facility.

COMPANY ANALYSIS

Jamaica Producers Limited (JP)



Net current assets grew along with increased revenue, resulting in a higher receivable and an increase in payables accordingly. JP mentioned that, "The Group closely monitors our liquidity position, particularly with our continued capital expenditure plans and our debt profile in mind". JP realised a 40 per cent increase in their cash and short-term liquid investments. Total assets over the past five years increased at a CAGR of 40 per cent between 2013 and 2017.

On the other hand, current liabilities were recorded at \$4.38 billion relative to \$3.83 billion in prior year which accounted for a 14 per cent increase year on year. The major contributor to this increase was accounts payables which rose 36 per cent to \$3.43 billion compared to \$2.53 billion twelve months earlier. The movement in current liabilities was however tempered by a \$440.89 million decline in current portion of long-term loans to \$772.26 million. Non-current liabilities realised a 14 per cent increase to \$5.55 billion in 2017 from \$4.85 billion in 2016. The most significant contributing factor to non-current liabilities was long-term loans, which stood at \$4 billion in 2017, an 18 per cent increase relative to 2016's \$3.38 billion. According to management, "The Group refinanced debt in 2017 with the twin objectives of lowering rates and extending maturities". This led to short-term debt falling to \$0.8 billion in 2017 (2016: \$1.2 billion).

Jamaica Producers' Turnover Ratios

Jamaica Producers Limited					
Financial Year	2013	2014	2015	2016	2017
Average Accounts Receivables Turnover	10.8	9.6	8.4	8.2	7.5
Average Accounts Payables Turnover	5.6	4.9	4.4	4.5	3.7
Average Inventory Turnover	13.8	13.7	15.4	16.0	14.7
Asset Turnover (Times)	0.97	0.95	0.86	0.60	0.52
Days of Inventory on Hand	26.4	26.7	23.6	22.9	24.8
Days Sales Outstanding	33.9	37.9	43.3	44.3	48.7
Days Payable Outstanding	64.9	74.3	82.6	80.5	98.5

Jamaica Producers' Turnover Ratio Analysis

For JP, there was a decrease in the accounts receivables turnover to 7.5 times in 2017 from 8.2 times in 2016. This shows that JP collected its receivables in 48.66 days, which was a bit slower than the prior year. The days sales outstanding ratio increased from 44.26 days in 2016 to 48.66 days in 2017. This decline demonstrates the length of time it takes for the company to collect its receivables after they have made a sale, showing a deterioration of 4.4 days.

There was a notable decrease in the accounts payables turnover ratio to 3.71 times reported in 2017 (2016: 4.5 times) relative to 5.62 times in 2013. This ratio indicates the rate at which suppliers are paid by JP. Consequently, this performance impacted the days payable outstanding ratio, resulting in the company

taking 98.51 days (2016: 80.52 days) to pay its suppliers at the end of FY 2017. JP's day's payable outstanding ratio in 2013 was 64.90 days.

However, JP's inventory turnover ratio slid to 14.72 times from 15.97 times in 2016, alluding to the number of times the company's average inventory is turned or sold during the year. Despite the decline in the ratio year over year, JP's efficiency in managing its inventory improved over the past five years. The inventory turnover ratio in 2013 was 13.84 times. As such, the days of inventory on hand ratio improved from 26.37 days in 2013 to 24.80 days recorded for 2017 (2016: 22.85 days), a clear indication of the length of time taken for JP to turn its inventory.

JP's Liquidity and Cash Conversion Compared to Peers

Jamaica Producers Ltd.	FY 2014	FY2015	FY2016	FY2017
Current Ratio	1.11	1.24	1.80	1.81
Cash Conversion Cycle	-9.66	-15.71	-17.58	-25.04
Wisynco Group Ltd.	FY 2014	FY2015	FY2016	FY2017
Current Ratio	2.07	2.10	1.83	1.83
Cash Conversion Cycle	30.73	19.24	0.74	-0.53
Salada Foods Jamaica Ltd.	FY 2014	FY2015	FY2016	FY2017
Current Ratio	5.95	9.32	5.30	6.31
Cash Conversion Cycle	217.72	271.99	212.31	152.21
Industry Average	FY 2014	FY2015	FY2016	FY2017
Current Ratio	3.04	4.22	2.98	3.32
Cash Conversion Cycle	79.60	91.84	65.16	42.21

JP has constantly managed to achieve a negative cash conversion cycle over the last four years, which increased to negative cash conversion cycle of 25.04 days for 2017. Not all companies can achieve a negative cash conversion cycle due to the nature of the products of consumers. This negative cycle illustrates that JP may not pay for its inventory or materials until after they've sold the final product associated with them. In other words, JP's is using its working capital as efficiently as possible and have available cash for other needs.

In relation to the current ratio, which signifies the company's abilities to cover its short-term obligations with its current assets. There was a slight increase in the current ratio from 1.80 times in 2016 to 1.81 times in 2017. There was still an overall increase between 2014-2017, from 1.11 times to 1.81 times. As such, the company still manages to maintain a current ratio below the industry average ratio of 3.32 times in 2017.

COMPANY ANALYSIS

Jamaica Producers Limited (JP)



Jamaica Producers Group Limited (JP) Performance Year to Date

Jamaica Producers (JP) Six Months Performance			
Profit & Loss for the period ended	June. 2017	June. 2018	Change
	\$'000	\$'000	(%)
Revenue	7,404,210	9,287,390	25%
Cost of Sales	-5,083,211	-6,433,126	27%
Gross Profit	2,320,999	2,854,264	23%
Marketing, Selling and Distribution Expenses	-1,432,489	-1,638,556	14%
Operating Profit	980,980	1,369,162	40%
Profit/Loss Before Income Tax	836,709	1,214,208	45%
Income Tax Expense	-166,476	-317,782	91%
Net Profit/Loss	670,233	896,426	34%
Net Profit Attributable to Shareholders	251,036	414,590	65%
E.P.S	0.22	0.37	65%
Balance Sheet			
Total Non- Current Assets	23,480,272	24,956,680	6%
Total Current Assets	6,517,424	8,798,391	35%
Total Assets	29,997,696	33,755,071	13%
Total Current Liabilities	3,366,063	4,542,341	35%
Total Non-Current Liabilities	4,749,544	5,810,016	22%
Total Liabilities	8,115,607	10,352,357	28%
Total Equity	21,882,089	23,402,714	7%
Total Non-Current Liabilities & Equity	26,631,633	29,212,730	10%
Cash Flow			
Cash Flow from Operating Activities	1,081,810	1,509,098	39%
Cash Flow from Investment Activities	4,722	-1,262,318	-26833%
Cash Flow from Financing Activities	-990,887	-370,739	-63%

JP's performance for the six months ended June 2018

JP, for the six months ended June 30, 2018, reported revenues of \$9.29 billion for period (2017: \$7.40 billion), a year over year increase of 25 per cent. For the quarter, the company increased revenue by 20 per cent to total \$4.81 billion (2017: \$4 billion). The biggest contributor to the group's overall revenue for the six months was income from the Food & Drink and Logistics & Infrastructure lines of business. It was noted that this division have strong hard currency revenues and serve geographically diverse markets.

The cost of sales for the six months increased by 27 per cent to total \$6.43 billion compared to \$5.08 billion reported for the comparable period in 2017. As a result, gross profits increased to total \$2.85 billion, a 23 per cent growth on the \$2.32 billion documented in 2017. Gross profit for the second quarter amounted to \$1.52 billion compared to \$1.23 billion booked for the same quarter of 2017. Other income increased to \$153.45 million, a 66 per cent growth relative to the prior corresponding period.

JP's marketing, selling and distribution expenses rose 14 per cent to close at \$1.64 billion, this compares to \$1.43 billion booked a year earlier. Finance cost was reported at \$187.98 million for the period relative to the \$142.04 million reported in 2017. This resulted in a profit before taxation of \$1.21 billion for the period (2016: \$836.71 million). Profit before tax for the second quarter totalled \$739.11 million versus \$471.95 million reported for the same quarter of 2017.

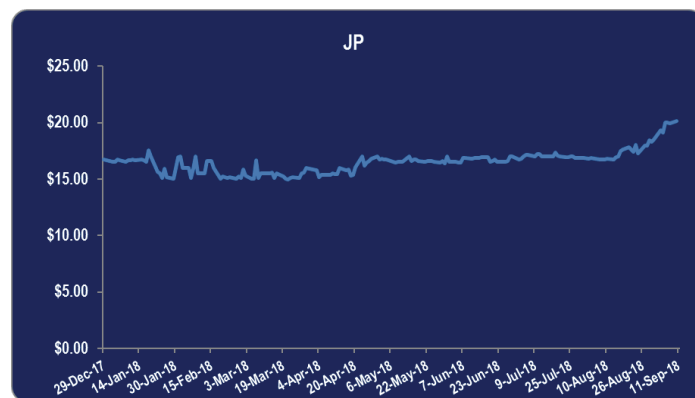
The company incurred tax charges of \$317.78 million (2016: \$166.48 million). Consequently, net profit for the period rose 34 per cent to \$896.43 million (2016: \$670.23 million). Notably, net profit attributable to stockholders totalled \$414.59 million. This compared to \$251.04 million, a 65 per cent rise. Net profit attributable to shareholders for the quarter climbed 67 per cent to total \$262.97 million relative to the \$157.93 million 2017.

As at June 30, 2018, the company's assets totalled \$33.76 billion, 13 per cent more than its value of \$30.0 billion a year ago. This increase in total assets was due largely to increases in Property, Plant and Equipment and Securities Purchased under Resale Agreements. Property, Plant and Equipment and Securities Purchased Under Resale Agreements as at June 30, 2018 amounted to \$21.33 billion (2016: \$20.04 billion) and \$4.25 billion (2016: \$2.87 billion) respectively.

Total equity year to date amounted to \$23.40 billion (2016: \$21.88 billion). The company ended the period with equity attributable to equity holders of the parent company in the amount of \$11.64 billion relative to \$10.83 billion in 2016.

JP reported cash inflows in operating activities of \$1.51 billion relative to an inflow of \$1.08 billion in the prior year. Investing activities had outflows of \$1.26 billion compared to inflows of \$4.72 million in 2017. Cash flow from financing activities however reflected an outflow of \$370.74 million versus an outflow of \$990.89 million in 2016, indicating a 63 per cent improvement.

Price History



JP's stock price appreciated 27 per cent to date from opening the year at \$16.70. The stock price reached a high of \$21.20 on September 11, 2018 and traded at a low of \$14.96 on March 21, 2018. The stock price closed the trading period on September 11, 2018 at \$21.20.

COMPANY ANALYSIS

Jamaica Producers Limited (JP)



JP's Abridged P&L and 2018 Projection

Jamaica Producers Limited (JP)				
Profit & Loss	FY2017	FY2018	Change	Change
	\$'000	\$'000	(%)	(%)
Turnover	16,156,712	19,388,054	20%	3,231,342
Gross Profit	5,142,998	5,957,949	16%	814,951
Other Income	74,324	153,454	106%	79,130
Total Expenses	2,931,669	3,224,836	10%	293,167
Operating Profit	2,285,653	2,886,567	26%	600,914
Profit before Taxation	1,980,632	2,919,588	47%	938,956
Taxation Credit (charge)	356,661	661,346	85%	304,685
Net Profit/(Loss)	1,623,971	1,882,292	16%	258,321
Earnings Per Share	0.59	0.75		

JP's Prospects for Overall Growth

JP Group has managed to maintain a strong brand reputation. The Group has pursued a strategy centred on acquisitions and structured investments in new ventures as they move forward.

The Food & Drink division accounts for tremendous growth, both in Europe and the Americas. The company mentioned that in Europe there is a capital base which possesses consideration for investment to prepare the region for another growth phase. However, in the Caribbean, the capital base for snacks and rum cake is already well established but there are still opportunities for new product development.

The Logistics and Infrastructure Division is set to benefit from Jamaica and parts of the wider Caribbean as this segment represents an area of significant growth for the company. Management noted, "Jamaica and parts of the wider Caribbean are experiencing real economic growth, and logistics and infrastructure are at the heart of this. Our investment programme must take this into account and we need to continue to develop our service offering and enhance our key customer relationships". The Group's revenue is also expected to benefit from KW's performance, as both the terminal operation and logistics services continue to record growth year over year. KW believes that the pending designation of its global automotive logistics centre as a Special Economic Zone (SEZ) will unlock the pipeline of growth and propel Jamaica into this fast growing 3PL segment. The application of the SEZ framework and other port-related regulatory initiatives to make Kingston globally competitive in the logistics space, are urgent and essential if Jamaica is to achieve the full potential of this important sector. With these plans in the works, we anticipate a 20 per cent increase in revenue for FY 2018. Revenue in 2017 jumped 34 per cent to \$16.16 billion (2016: \$12.08 billion), while year to date Group revenues for the six months ended June 2018, climbed 25 per cent to \$9.29 billion (2017: \$7.40 billion).

Cost of sales is estimated at a 69 per cent margin due to ongoing cost efficiency initiatives and synergies to be reaped "through co-location of activities". Expenses are estimated to increase by 10 per cent relative to a 14% upward movement recorded in 2017 and a 14 per cent increase year to date. Consequently, we anticipate an improvement in net profit attributable to shareholders for FY 2018 resulting in an

EPS of \$0.75. Additionally, the stock traded at \$21.20 as at September 11, 2018 and is projected at approximately \$15.86 over the short to medium term. Furthermore, the stock trades at a P/E ratio of 28.82 times, above the main market P/E ratio of 14.35 times. As such, the stock is recommended as a SELL at this time.

- Selling and administrative expenses had a 12 per cent increase and was well maintained for the FY 2017. This was achieved through implementation of various cost-control strategies across its business segments, where gains in operations efficiencies were due to improvements in supply chain and warehouse practices. Therefore, we have projected a moderate increase for 2018 relative to 2017.

- Finance costs were projected to increase slightly for the year to come, resulting in a positive impact on profit before taxation.

- Consequently, we forecast a net profit increase with the continuous growth in the cruise sector where CPJ promises to utilise its strong restructured business model and knowledge in maximising full potential.

- As such, EPS for the 2018 FY is estimated at \$0.28 compared to \$0.23 booked for the 2017 FY. CPJ's stock price could be valued at J\$5.40 based on expected earnings. The stock price traded at J\$4.96 on June 12, 2018, well below its valuation and is therefore recommended as a BUY. ■

Conclusion

JP has reinvested itself from its sole purpose of serving the banana industry to its current strategy centred on acquisitions and structured investments in new ventures as they move forward.

With this strategic focus in mind, JP was able to report revenues of \$16.16 billion, a 34 per cent growth for the FY 2017 and profit attributable to shareholders of \$661.88 million. The company has shown a slight decline in efficiency from 2016 to 2017, as the company's average receivables turnover declined from 8.20 times in 2016 to 7.5 times in 2017. The consolidation of KW has however improved gross and operating margins, as well as the net profit margin. However, the increase in the company's revenues and bottom line has been directly linked with the gains related to both the acquisition of KW and the divestment of the Group's holdings in Mavis Bank Coffee Factory Limited. Additionally, JP outperforms in the area of liquidity and efficient current asset management as evidenced by their consistent negative cash conversion cycle (CCC) over the 5-year review period. The strategic focus on the faster growing logistics segment is a positive.

JP's earnings per share depict a decreasing trend moving from \$3.51 in 2016 to \$0.59 in 2017. Earnings per share (EPS) is projected at \$0.75 for the FY end 2018 and is projected at approximately \$15.86 over the short to medium term based on expected earnings. The stock currently trades around \$21.20 as at September 11, 2018, trading above its projected valuation. Furthermore, the stock trades at a P/E ratio of 28.82 times, above the main market P/E ratio of 14.35 times. Therefore, the company is recommended as a **SELL** at this time.

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1985 - 2018

33

CELEBRATING 33 YEARS

FORUM RECAP

FOR JUNE 2018



The year 2017 was a big one for Supreme Ventures Limited (SVL), Jamaica's premier lottery and gaming provider. It marked 16 years of operation for SVL which was formed in 2001 by former Chairman, Paul Hoo, Deputy Chairman Ian Levy and the late Peter Stewart. That year also marked the company's best performing financial year to date, as well as the acquisition of Caymanas Park, operating under Supreme Ventures Racing and Entertainment Limited (SVRAEL).

At Mayberry, we strive to provide our existing and prospective clients with quality information on investment options. June's Investor Forum featured Ann-Dawn Young Sang, who joined SVL as CEO in October of 2017, becoming their first female President and CEO of the company. The company has since had its best performing quarter ever under her direction. Young Sang was invited to give an investor update, touching on the historic performance of the company, strategies that made them successful and further plans for 2018.

SVL's 2017 financials boasted \$56 billion in revenues, and a net profit of \$1.2 billion. Young Sang informed the audience that this was also the first profit making year for Video Lottery Terminals in 5 years. On June 1st, 2018, SVL issued \$686 million in special dividends to reflect the exceptionally strong company earnings. This special dividend resulted in a total dividend payout of \$2.2 billion for 2017. Young Sang hinted that this was only the beginning, stating, "we are far from complacent. We know we have more to do and are focused on getting it done".

Young Sang credits a strict cost efficiency program for some of these successes, as well as building capacity within the team: putting the right people in the right positions to execute the right way. As for the future, she cited positive macroeconomic signs such as, a reduction in unemployment and an increase in consumer confidence, for the creation of a positive environment for further growth. She also believes that the consolidation and the formation of the Jamaica Gaming Commission will increase efficiencies in quality of information, service delivery, cost savings and streamlining of legislation.

"The world is at our finger tips and technology is going to bring it to us", says Young Sang, a proponent for technological advancement. There are many plans in place for propelling the company into the new age. As mobile gaming is expected to represent over 50 per cent of total gaming, SVL works towards a digital strategy to meet the needs of an evolving customer base.

SVL's goals for the future include: establishing market leadership in every segment of the business, strengthening its corporate social responsibility program and launching a mobile platform for sports betting. The company will also be on the lookout for strategic merger and acquisition opportunities. ■

FORUM HIGHLIGHTS

FOR JUNE 2018



Mayberry CEO, Gary Peart (left) and Executive Chairman, Christopher Berry (right), engages in conversation with Ann-Dawn Young Sang, President and CEO of Supreme Ventures Limited before the evening's presentation.



Mayberry CEO, Gary Peart, gives the evening's welcome and opening remarks.



Mrs Young Sang during her presentation on her company's performance.



Gary Peart (second left) and Christopher Berry (second right) in discussion with Stewart's Automotive Group's Managing Director, Duncan Stewart (left) and Supreme Ventures Limited's CFO, Dennis Chung.



The audience looks on attentively during the presentation.



Audience member poses a thoughtful question to Mrs Young Sang during the programme's Q & A.



Mayberry Investments Advisor, Christopher Thomas, presents the evening's speaker Mrs Young Sang with a token of appreciation.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR AUGUST 2018

	August 2018	July 2018	Change
91 Days Treasury Bills Avg. Yield (%)	1.693	1.960	- 0.267
182 Days Treasury Bills Avg. Yield (%)	1.878	2.072	- 0.194
Exchange Rate (US\$: J\$)	136.90	132.25	4.65
Net International Reserves (NIR) (US\$M)	3,058.42	3,149.48	-91.06

Net International Reserves

Jamaica's net international reserves (NIR) totalled US\$3,058.42 million as at August 2018, reflecting a decrease of US\$91.06 million relative to the US\$3,149.48 million reported as at the end of July 2018.

Changes in the NIR resulted from a decrease in foreign assets of US\$92.42 million to total US\$3,608.30 million compared to the US\$3,700.72 million reported for July 2018. Currency & deposits contributed the most to the decrease in foreign assets. Currency & deposits as at August 2018 totalled US\$3,039.80 million, reflecting a decrease of US\$79.56 million compared to US\$3,119.36 million booked as at July 2018.

Securities amounted to US\$312.19 million, US\$8.24 million less than the US\$320.43 million reported in July 2018. Foreign liabilities for August 2018 amounted to US\$549.87 million compared to the US\$551.24 million reported for July 2018. Liabilities to the IMF accounted for 100 per cent of total foreign liabilities, reflecting a US\$1.37 million decline month over month from July 2018.

At its current value, the NIR is US\$610.95 million less than its total of US\$3,669.37 million as at the end of August 2017. The current reserve is able to support approximately 32.54 weeks of goods imports or 19.66 weeks of goods and services imports.

Jamaica came in slightly below the benchmark of US\$3.28 billion outlined by the International Monetary Fund for March 2018. Under the New Agreement, the IMF noted, "Considerable progress has been achieved on macroeconomic policies and outcomes. Fiscal discipline anchored by the Fiscal Responsibility Law has been essential to reduce public debt and secure macroeconomic stability. Employment is at historic highs, inflation and the current account deficit are modest, international reserves are at a comfortable level, and external borrowing costs are at historical lows".

All performance criteria for the period ended December 2017 were met. The IMF further noted, "Financial sector stability is a prerequisite for strong and sustained growth. Ongoing prudential and supervisory improvements will enhance systemic stability". "Continued reform implementation will not only safeguard hard-won gains but also deliver stronger growth and job creation". The NIR target outlined as per the new agreement for the 2018/19 fiscal year is US\$3.22 billion. As at August 2018, Jamaica is US\$0.16 billion below targeted amount.

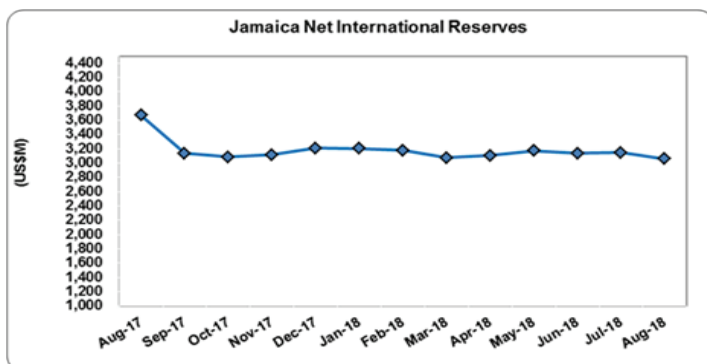


Figure 1

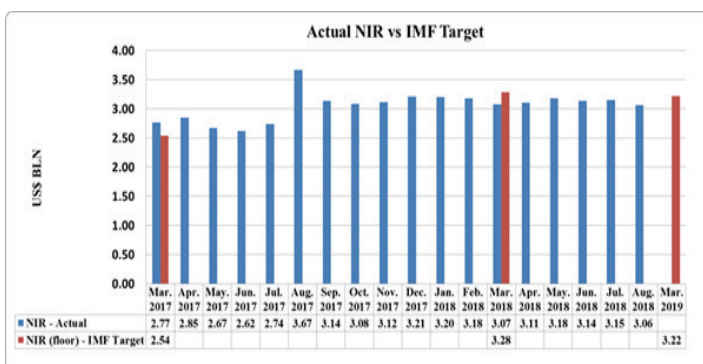


Figure 2

JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR AUGUST 2018

Jamaica Monthly Equity Market Report for August 2018

Main JSE Index: 329,428.10 points
Point Movement: 16,049.97 points
Percentage Change: 5.12%

Advance Decline Ratio: Positive
Advancers: 20 **Decliners:** 12
Traded Firm: 4

Junior JSE Index: 3,250.47 points
Point Movement: 148.35 points
Percentage Change: 4.79%

Advancers: 25 **Decliners:** 13
Traded Firm: 1

Major Winners (Main & Junior)

Stock	Increase	Closing Price
Caribbean Flavours & Fragrances Limited	41.73%	\$18.00
Seprod Group Limited	36.99%	\$45.00
ISP Finance Services Limited	25.00%	\$20.00

Major Losers (Main & Junior)

Stock	Decrease	Closing Price
Sagikor Real Estate XFUND Limited	-17.61%	\$12.02
Paramount Trading (Jamaica) Limited	-11.26%	\$2.60
Key Insurance Company Limited	-11.24%	\$3.08

Total Shares Traded (Main): 132.709 million units
Total value (Main): Approx. \$2.31 billion

Volume Leaders (Main)

Stock	Units Traded	Market Volume
Mayberry Jamaican Equities Limited	19,777,160	14.90%
Carreras Limited	16,885,490	12.72%
Jamaica Broilers Group	10,885,802	8.20%

BUY

HOLD

SELL



WISYNCO Group Limited (WISYNCO)

For the year ended June 30, 2018:

BUY

• WISYNCO for the year ended June 30, 2018 reported total revenue of \$24.54 billion, a 15 per cent increase when compared with the \$21.38 billion reported for the same period in 2017. Total revenues for the quarter amounted to \$6.49 billion, also reflecting an increase of 15 per cent over the \$5.63 billion achieved in the corresponding quarter of the previous year.

• Cost of sales for the year amounted to \$15.42 billion, up 13 per cent relative to \$13.71 billion reported in 2017. Consequently, gross profit rose 19 per cent to close the year at \$9.12 billion compared to the \$7.68 billion a year earlier. Gross profit for the quarter amounted to \$2.39 billion, an 18 per cent increase on the \$2.02 billion booked in 2017.

• Total expenses for the year ended rose 9 per cent to close at \$6.37 billion (2017: \$5.87 billion). Of total expenses, selling and distribution expenses climbed 9 per cent to total \$5.41 billion (2017: \$4.98 billion), while administrative expenses increased 7 per cent to \$956.68 million (2017: \$891.68 million). Total expenses for the fourth quarter rose 3 per cent to \$1.86 billion (2017: \$1.79 billion). Other income for the year end contracted 88 per cent to \$92.16 million (2017: \$743.54 million).

• As such, WISYNCO booked a 12 per cent increase in operating profit to \$2.85 billion (2017: \$2.55 billion).

• Finance income for the year amounted to \$130.84 million, down 18 per cent from the \$159.97 million reported for the corresponding period in 2017. Finance costs increased 25 per cent to \$211.41 million for the period from \$169.75 million for 2017.

• Profit before taxation amounted to \$2.77 billion, relative to \$2.54 billion reported in 2017, a 9 per cent increase year over year. Taxation for the period amounted to \$513.83 million (2017: \$286.31 million). Profit from discontinued operations totalled \$41.55 million versus \$190.84 million in 2017. As such, a net profit of \$2.29 billion (2017: \$2.45 billion) was posted for the year ended June 30, 2018, representing a 6 per cent decline year over year. Net profit for the fourth quarter amounted to \$565.61 million relative to \$488.78 million in 2017, a 16 per cent increase year over year.

• Earnings per share (EPS) for the year end amounted to \$0.61 (2017: \$0.65), while the EPS for the quarter amounted to \$0.15 (2017: \$0.13). The number of shares used in our calculations is 3,750,000,000. Notably, WISYNCO's stock price closed the trading period on August 13, 2018, at \$9.29.



Fosrich Company Limited (FOSRICH)

For the six months ended June 30, 2018:

HOLD

• Turnover grew 5 per cent year over year to close the period at \$592.29 million, compared to the \$564.49 million for the same period last year. For the second quarter, the company posted an increase of 19 per cent in revenues to close at \$320.43 million relative to \$269.98 million for the same quarter of 2017.

• Cost of goods sold showed a 4 per cent increase closing the period at \$322.97 million relative to \$310.50 million for the same period last year. For the second quarter, the company had a 16 per cent decrease in cost of goods sold to close at \$179.04 million compared to \$154.99 million for same quarter of 2017.

• As such, gross profits for the period advanced by 6 per cent and closed out the period at \$269.32 million relative to \$253.98 million in the prior month. FOSRICH noted that, "These increases were attributed primarily to the greater availability of the products required by the market".

• Administrative and other expenses were \$198.15 million, a 7 per cent decrease on the \$212.14 million posted last year. According to the company the decrease was "driven primarily by efficiencies gained from the management of staff and related costs, reductions in selling and marketing expenses, reduced insurance costs and reductions in damaged goods write-off and warranty expenses. There were increases in staff training, legal and professional fees, rent and bank charges". This translated in a significant increase in the company's operating profit of \$60.65 million when compared to \$24.87 million in 2017.

• In addition, other income for the period increased soared to \$17.97 million at the end of the six months ended June 30, 2018 compared to \$2.66 million and was due to "favourable foreign exchange gains amounting to \$15.3 million". Profit before finance costs, income and taxation advanced to total \$78.62 million relative to \$27.54 million in 2017.

• Finance costs amounted to \$28.49 million (2017: \$19.63 million) resulting in profit before taxation was \$60.65 million compared to \$24.87 million in last year. The company highlighted, "This increase is being driven by a new working capital line of credit obtained to assist with the financing of operations. This new facility was obtained at more favourable rates than the previous bank facilities."

• Net Profit being total comprehensive income for the period amounted to \$60.65 million (2017: \$18.16) million while, for the second quarter net profit being total comprehensive income was \$29.85 million (2017: \$2.99 million).

• As a result, earning per share (EPS) for the period amounted to \$0.12 compared to \$0.04 in 2017. EPS for the quarter amounted to \$0.06 (2017: \$0.01) while the twelve-months trailing EPS was 0.16. The number of shares used in our calculations was 502,275,555 units. FOSRICH last traded on August 9, 2018 at \$2.81.



Lasco Manufacturing Limited (LASM)

For the three months ended June 30, 2018

SELL

• LASM for the three months ended June 30, 2018 recorded an increase of \$222.67 million or 15 per cent in total revenue to total \$1.73 billion, relative to the \$1.51 billion recorded for the comparable period in 2017.

• Cost of sales amounted to \$1.12 billion (2017: \$1.03 billion) for the quarter, an increase of 9 per cent year on year. As a result, gross profit of \$607.43 million was recorded for the period, 27 per cent more than the \$478.22 million booked for the quarter June 30, 2017.

• LASM posted other income of \$2.97 million, 78 per cent less than the \$13.76 million reported for the prior year.

• Operating expenses remained relatively flat to close the period at \$307.57 million versus \$308.37 million booked for the corresponding period last year.

• Consequently, LASM recorded operating profits of \$302.83 million, 65 per cent higher than the \$183.61 million booked in 2017.

• Finance costs for the year increased 4 per cent to \$31.22 million compared to \$30.08 million in the prior year's comparable period.

• As such, profit before taxation amounted to \$271.61 million, an increase of 77 per cent from the \$153.53 million recorded for the previous year. Taxes recorded for the period amounted to \$33.95 million compared to \$19.25 million incurred for the corresponding period in 2017. As such Net Profit for the first quarter totalled \$237.66 million compared to \$134.28 million in 2017, an increase of 77 per cent.

• Consequently, earnings per share (EPS) for the quarter ended June 30, 2018 amounted to \$0.06 relative to \$0.03 in 2017. The twelve months trailing EPS amounts to \$0.16. The number of shares used in the calculations was 4,091,163,151 units. The stock price closed trading on July 31, 2018 at \$4.05.

• LASM stated, "The positive out-turn for the quarter reflects growth in volumes, improved operational efficiencies and streamlining and cost controls".

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