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CEO CORNER

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For October's edition of our monthly Investor Forum, Mayberry's own Executive Chairman, Christopher Berry and Chief Executive Officer, Gary Peart, discussed the local stock market, and gave insight into how to value companies listed on the exchange.



Investments Inquiries
sales@mayberryinv.com



General Inquiries
(876) 929-1908 - 9



Fax
(876) 929-1501



facebook.com/Mayberryinvja



@Mayberryinvja



OCTOBER 2018 CEO CORNER

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

capital growth or income in the form of dividends, which are usually paid twice a year to shareholders. This is generally paid when a company is making substantial amounts of profit.

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

A good management team must have a vision for its company and be able to take advantage of its share price to grow the business. Once the value of the stock price has increased, it will provide alternative opportunities to further develop and improve in value. This will in turn attract potential investors as well as build partnerships. ■

CEO CORNER

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

Companies enter the stock market either to issue shares or sell shares after their initial public offering (IPO). Studies have proven over time that shares or equities are one of the best long-term investments in the financial marketplace and therefore, measures the overall strength and well-being of a company's performance.

The stock price of the company is varied to change in its value. This involves taking risks once the investment has been made. Nonetheless, over the long term, they can generate good returns. Investors receive two types of return from the purchase of shares being bought: annual income and long-term



PUBLISHER

Mayberry Investments
marketing@mayberryinv.com



Editor-in Chief

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



Contributor

Kimberly James
Research Analyst
kimberly.james@mayberryinv.com



Copy Editor

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



Researcher

Rachel Kirlew
Assistant Manager - Research
rachel.kirlew@mayberryinv.com

Jamaica could reach growth levels between 5 and 10 per cent

According to World Bank representative



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

World Bank Business Regulations Manager, Catherine Masinde, urged investors to invest in Jamaica given its improved economic indicators at the recently concluded Jamaica Investment Forum 2018. She stated that Jamaica is a great place for doing business, not only because of its beaches and its beauty, but also its potential. The international financial institution is citing strong reforms and increasing growth metrics as the reasons for this renewed confidence. However, Ms Masinde stated that while the country continues to do well on its doing business indicators and is ahead of much of the Caribbean in performance, there needs to be some consistency in regulation and monitoring of the business environment in order to create sustainability.

As for the country's potential, Ms Masinde stated that "Growing at 1 percent per annum is just the starting point for the country". She went on to say that "Jamaica has the potential to reach growth rates of between 5 and 10 percent". Ms Masinde also noted that Jamaica sits in a prime space for significant improvement in regional integration and trade. This is due to its ease of access to neighbouring island states and access to the United States. She indicated that

focussing on indicators around trade facilitation could place Jamaica at the centre of the trade agenda.

According to M. Masinde, Jamaica is capable of reforming its regulations in order to achieve a more conducive business environment. She argues that in order to do so, Jamaica should learn from itself rather than emulating countries such as Singapore. The growth in the construction sector has headlined the country's growth potential, as it has implications for the tourism sector and for the country's urban cities, which are growing at a phenomenal rate.

Based on this, it is suggested that construction permits could become a driving force for implementation of reforms. Improving reforms on construction would help to fast track movements in our tourism industry as well as improve the speed of the country's infrastructural development. Investing in Jamaica continues to be the growing theme around the local financial industry, and with the confidence of international entities such as the World Bank and the International Monetary Fund (IMF) the country is poised for increased investor participation. ■

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COMPANY ANALYSIS

Main Event Entertainment Group Limited (MEEG)



Executive Summary

MEEG is a dynamic marketing, planning, entertainment, production and digital signage company that was established in 2004. The company develops innovative and creative concepts for producing exceptional events and brand immersive experiences with a full range of services in support of these functions. The company's success has translated to MEEG becoming one of Jamaica's premier event management companies.

On February 7, 2017, MEEG listed on the Junior Market of the Jamaica Stock Exchange (JSE). This was subsequent to the company successfully raising \$120 million by way of an initial public offering (IPO).

For the 2017 financial year (FY), MEEG achieved record revenue, surpassing the \$1 billion mark, growing by 4 per cent to amount to \$1.18 billion and is projected to increase approximately 10 per cent for the FY 2018. This resulted the company's expansion into the corporate market and Jamaica's wedding market via its new division, M-Style. For the nine months ended July 31, 2018, MEEG reported a 13 per cent increase in revenue to total \$1.07 billion compared to \$941.78 million booked twelve months earlier.

Additionally, MEEG reduced its preference for the use of debt in the financing of its operations to equity, as MEEG's debt to equity ratio dropped to 12.92 per cent for 2017. The company's current ratio of 1.58 times also indicates that the company is able to cover its short-term liabilities. Return on assets and equity have also shown increasing trends over the prior five years. Return on average equity moved from 1.53 per cent in 2013 to 29.35 per cent in 2017, while return on average assets rose from 0.72 per cent in 2013 to 15.74 per cent in 2017.

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For the 2017 (FY) end, MEEG's earnings per share (EPS) closed at \$0.34 relative to \$0.19 for the previous FY. For the FY (2018), the year-end projected EPS is estimated at \$0.34. For the nine months ended July 2018, the company booked an EPS of \$0.35 (2017: \$0.34). The stock currently trades around \$6.37 as at October 25, 2018 and is projected at approximately \$7.32 over the short to medium term based on expected earnings. As such, the stock is recommended as a HOLD at this time.

SWOT ANALYSIS

Strengths:

- Develops innovative and creative concepts for producing exceptional events and brand immersive experiences.
- Owns more than 95 per cent of its resources, which minimises risk arising from the failure of subcontractors to deliver as expected.

Weaknesses:

- Company's revenue are dependent upon the local economy and availability of resources (equipment).
- Company's revenue also are dependent on the local Tourism sector.
- Company's revenues are affected by any decline in clients' marketing budget.

Opportunities:

- Gain potential business from prime 2/3 annual events in Jamaica with a budget of between \$100,000 to \$100 million
- Further expansion within the Western hemisphere
- Established within the Tourism sector, particularly Hotels

Threats:

- Slow economic growth could hinder sales revenue.
- Damage of equipment could disrupt revenue

COMPANY ANALYSIS

Main Event Entertainment Group Limited (MEEG)



Operational Analysis

MEEG, headquartered in Kingston, is involved in identifying, conceptualising and leveraging experimental marketing opportunities of a wide range of products delivered by corporate Jamaica. Here, they provide event management, digital signage and promotional services.

In addition to Jamaica, MEEG also provides services to clients in Anguilla, Antigua, Aruba, Barbados, Bonaire, British Virgin Islands, Cayman Islands, Curacao, Dominica, El Salvador, Grenada, Guyana, Haiti, Martinique, Montserrat, St Kitts & Nevis, St Lucia, St Vincent, Suriname, Trinidad & Tobago, and Turks & Caicos.

Recently, MEEG also secured a foothold into the Jamaican wedding market with the launch of a new division, M-Style.

Table 1:1 MEEG's Five Year Abridged P&L

Profit & Loss For the Year Ended	Year End 2013	Year End 2014	Year End 2015	Year End 2016	Year End 2017	Change (%)	Change (\$)	CAGR (%)
Revenues	516,659,881	669,462,915	1,033,804,439	1,131,941,000	1,175,427,000	4%	43,486,000	23%
Cost of Sales	(335,418,127)	(428,749,909)	(657,482,335)	(703,870,000)	(610,262,000)	-13%	93,608,000	16%
Gross Profit	181,241,754	240,713,006	376,322,104	428,071,000	565,165,000	32%	137,094,000	33%
Other Income	114,723	741,433	657,596	538,000	2,229,000	314%	1,691,000	110%
Total Income	181,356,477	241,454,439	376,979,700	428,609,000	567,394,000	32%	138,785,000	33%
Administrative and general	141,014,005	185,119,282	251,280,149	284,240,000	362,099,000	27%	77,859,000	27%
Selling and promotion	5,447,848	14,433,981	11,659,307	11,558,000	8,223,000	-29%	(3,335,000)	11%
Depreciation	26,880,177	31,530,498	41,949,128	57,764,000	73,443,000	27%	15,679,000	29%
Total Expenses	173,342,030	231,083,761	304,888,584	353,562,000	443,765,000	26%	90,203,000	26%
Operating Profit	8,014,447	10,370,678	72,091,116	75,047,000	123,629,000	65%	48,582,000	98%
Finance costs	(8,253,021)	(10,476,363)	(11,787,887)	(15,200,000)	(15,446,000)	2%	(246,000)	17%
Profit Before Taxation	(238,574)	(105,685)	60,303,229	59,847,000	108,183,000	81%	48,336,000	
Taxation credit/(charge)	2,158,313	(590,945)	(275,495)	(3,348,000)	(7,136,000)	113%	(3,788,000)	
Net Profit	1,919,739	(696,630)	60,027,734	56,499,000	101,047,000	79%	44,548,000	169%
Earnings Per Share	0.01	(0.00)	0.20	0.19	0.34	79%	0.15	169%
Shares O/S	300,005,000							

Over the last five years, MEEG's revenues have been trending upward, moving from \$516.66 million in 2013 to \$1.18 billion in 2017, a compounded annual growth rate (CAGR) of 23 per cent. The company's revenue is broken down into three categories:

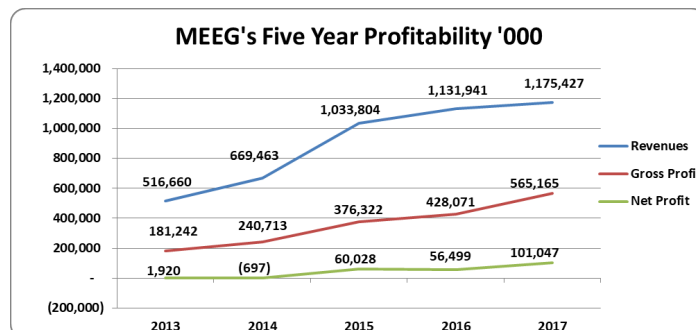
- **Audio and Film** – In 2017, MEEG earned \$219.55 million from its Audio & Film operations, which represented an increase of 15.8 per cent when compared to earnings of \$189.54 Million in the 2016 FY.
- **Digital Signage** – This revenue stream recorded \$119.54 million, up 36 per cent versus the \$87.67 Million in the 2016 FY. Management noted, "The increase in both the Digital Signage and Audio and Film categories of revenue was mainly as a result of an increase in clients and strategic investment in equipment".
- **Entertainment Promotions** – The company's largest contributor to revenues contracted 2 per cent to \$836.32 million (2016: \$854.72 million) due to, "a few major clients adjusting their marketing spend away from big events".

Cost of sales over the past five years has moved from \$335.42 million in 2013 to \$610.26 million in 2017. This reflects a CAGR of 16 per cent. Year over year cost of sales however declined 13 per cent, from \$703.87 million in 2016 to the total of \$610.26 million booked in 2017. Consequently, gross profit for the year ended October 31, 2017 closed at \$565.17 million, a 32 per cent increase from the \$428.07 million recorded a year ago. Over the past five years, gross profit has grown by a CAGR of 33 per cent, from \$181.24 million in 2013. For expenses, MEEG's year over year total expenses rose 26 per cent to close at \$443.77 million from the \$353.56 million recorded in 2016. The growth year over year was linked to a 27 per cent increase in administrative and general expenses, while depreciation also climbed at a similar rate. This upwards trend according to MEEG was due to, "increased administrative costs. During the year Main Event increased investment in salaries and wages at \$202.54 million. Digital signage costs and depreciation also increased during the year".

MEEG's other operating income, which primarily comprises interest income and other income, increased by a CAGR of 110 per cent over the past five years. Notably, MEEG's other operating income increased 314 per cent year over year to total \$2.23 million (2016: \$538,000). Notwithstanding, operating profit for the past five years has grown by 98 per cent. Year over year, operating profit increased by 65 per cent to close the 2017 year end at \$123.63 million, relative to the \$75.05 million recorded for the comparable period in 2016. Additionally, profit before taxation closed the 2017 year at \$108.18 million, climbing 81 per cent year over year (2016: \$59.85 million).

Profitability for the past five years reflects an increasing trend, growing by a CAGR of 169 per cent. MEEG's net profits has moved from \$1.92 million in 2013 to \$101.05 million in 2017 (2016: \$56.50 million). Earnings per share (EPS) for the year ended October 30, 2017 amounted to \$0.34 (2016: \$0.19). The total number of shares used in the calculations was 300,005,000.

Graph 1.1: MEEG's Five Year Profitability



COMPANY ANALYSIS

Main Event Entertainment Group Limited (MEEG)



Table 2.1: MEEG's Revenue Growth and Profitability over the past five years

Profitability Ratios	2013	2014	2015	2016	2017
Turnover Growth	-0.34%	29.58%	54.42%	9.49%	3.84%
Cost of Sales Margin	64.92%	64.04%	63.60%	62.18%	51.92%
Gross Profit Margin	35.08%	35.96%	36.40%	37.82%	48.08%
Operating Expense	33.55%	34.52%	29.49%	31.24%	37.75%
Pre-Tax Profit Margin	-0.05%	-0.02%	5.83%	5.29%	9.20%
Net Profit Margin	0.37%	-0.10%	5.81%	4.99%	8.60%

Over the past five FYs, MEEG's most significant growth in revenue occurred in 2015, with turnover rising by 54.42 per cent compared to the growth of 29.58 per cent the prior year. Turnover for the company increased 3.84 per cent in 2017 relative to 2016's growth of 9.49 per cent. On average, however, the company has managed to maintain a 19 per cent growth rate over the last four years.

In addition, MEEG is able to manage its expenses, as its cost of sales margin declined from 65 per cent in 2013 to 52 per cent in 2017, which may imply that the company has implemented effective cost containment initiatives. However, the operating expense margin increased from 34 per cent in 2013 to 38 per cent in 2017.

The declining cost of sales margin along with revenue growth facilitated the increase in the gross profit margins over the years from 35 per cent in 2013 to 48 per cent in 2017 and ultimately facilitated an increased 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 showed increases to 9.20 per cent and 8.60 per cent respectively when compared to 5.29 per cent and 4.99 per cent in 2016 respectively.

Table 3.1: MEEG's Balance Sheet as at October 31, 2017

Balance Sheet For the Year Ended	Year End 2013	Year End 2014	Year End 2015	Year End 2016	Year End 2017	Change (%)	Change (\$)	CAGR (%)
Total Assets	290,690,849	328,558,960	521,259,000	565,123,000	718,914,000	27%	153,791,000	25%
Total Non-current Assets	175,443,925	196,099,036	292,923,000	379,382,000	427,426,000	13%	48,044,000	25%
Property, plant and equipment	166,413,189	187,599,245	279,693,000	365,901,000	421,081,000	15%	55,180,000	26%
Total Current Assets	115,246,924	132,459,924	228,336,000	185,741,000	291,488,000	57%	105,747,000	26%
Cash and Cash Equivalents	16,430,600	12,379,865	21,874,000	18,843,000	91,246,000	384%	72,403,000	54%
Total Liabilities	164,288,116	202,852,201	335,525,662	322,890,000	272,582,000	-16%	(50,308,000)	13%
Total Current Liabilities	98,034,218	111,589,572	220,626,000	211,976,000	184,079,000	-13%	(27,897,000)	17%
Total Non-current Liabilities	66,253,898	91,262,629	114,899,662	110,914,000	88,503,000	-20%	(22,411,000)	8%
Total Shareholder's Equity	126,402,733	125,706,303	185,734,000	242,233,000	446,332,000	84%	204,099,000	37%
Share capital	200	200	-	-	103,652,000		103,652,000	2583%
Retained earnings	126,402,533	125,706,103	185,734,000	242,233,000	342,680,000	41%	100,447,000	28%
Total Equity and Liabilities	290,690,849	328,558,504	521,259,662	565,123,000	718,914,000	27%	153,791,000	25%

MEEG's Balance Sheet Analysis

The company reported a general increase in total assets and liabilities on its balance sheet as at June,

2018. Total assets increased from a total of \$565.12 million in 2016 to \$718.91 million in 2017, a 27 per cent increase year over year. The growth in assets was driven mainly by an increase in property, plant and equipment, which closed at \$421.08 million (2016: \$365.90 million). Cash and cash balances also contributed to the overall growth in the asset base with a 384 per cent growth, to close at \$91.25 million (2016: \$18.43 million). Shareholders' equity amounted to \$446.33 million compared to equity of \$242.23 million reported in 2016, and reflects a significant increase from the \$126.40 million reported in 2013. The growth in equity was due to the funds raised in share capital from the IPO (after listing expenses) and increase in retained earnings.

Total liabilities over the past five years shows an upward trend, climbing from \$164.29 million in 2013 to \$272.58 million in 2017 (2016: \$322.89 million). Current Liabilities in 2017 amounted to \$184.08 million; a 13% decline year over year compared to \$211.98 million in 2016, due to a 13% contraction in 'Trade and Other Payables'. 'Trade and Other Payables' declined from \$117.66 million in 2016 to \$102.23 million in 2017. Notably, the Company's 'Notes Payable to Parent Company' declined in 2017, from \$97.31 million in 2016 to total \$80.05 billion, an 18% decline over the prior twelve months. In addition, the company reported no 'Bank loans' for 2017 relative to \$6.20 million in 2016.

Table 4.1: MEEG's Turnover Ratios:

Financial Ratios	Year End 2013	Year End 2014	Year End 2015	Year End 2016	Year End 2017
Avg. Accounts Receivables Turnover	6.56	6.32	6.46	6.30	6.96
Avg. Accounts payables Turnover	6.75	5.60	6.35	5.99	5.55
Asset Turnover (Times)	1.94	2.16	2.43	2.08	1.83
Day Sales Outstanding	55.65	57.78	56.51	57.89	52.44
Day Payable Outstanding	54.10	65.15	57.46	60.90	65.76

Ratio Analysis

The accounts receivables turnover ratio for MEEG has remained relatively steady over the last 5 years, ranging from a low of 6.30 times in 2016 to a high of 6.96 times in 2017. The days sales outstanding ratio thus decreased from a 5 year high of 57.89 days in 2016 to a low of 52.44 days in 2017, indicating the length of time it takes MEEG to collect receivables after a sale has been made.

The accounts payable turnover ratio declined from 6.75 times in 2013 to 5.55 times in 2017, signifying the rate at which MEEG pays off its suppliers. Notably, the days payable outstanding ratio increased from

COMPANY ANALYSIS

Main Event Entertainment Group Limited (MEEG)



54.10 days in 2013 to 65.76 days in 2017. This illustrates that MEEG takes approximately 65.76 days to pay its invoices from suppliers. Moreover, due to the business structure of MEEG, the company's event planning operations require the rental of assets, thus MEEG will not record inventory, as other companies do.

Table 5.1: MEEG's Liquidity and Cash Conversion Cycle (CCC)

MEEG	FY2013	FY2014	FY2015	FY2016	FY2017
Current Ratio	1.18	1.19	1.03	0.88	1.58
Quick Ratio	1.11	1.18	1.01	0.84	1.47
Cash Ratio	0.17	0.11	0.10	0.09	0.50
Cash Conversion Cycle	1.56	-7.37	-0.95	-3.01	-13.32

MEEG has managed to achieve a negative cash conversion cycle for the past four years, ranging from a negative CCC of 0.95 in 2015 to a negative CCC of 13.32 in 2017. Not all companies can achieve a negative cash conversion cycle due to the nature of their products or consumers. This negative cycle illustrates that MEEG may not pay for its materials until after they receive rentals for them. In other words, MEEG is using its working capital as efficiently as possible and have available cash for other needs. Assessment of MEEG's current ratio indicates that the company's ratio increased from 1.18 in 2013 to 1.58 in 2017. This shows the company's ability to cover its short-term obligations with its current assets. The quick ratio corroborates this story with a ratio of 1.47 times at the end of 2017. This also shows that the company could pay off its current liabilities without selling any long-term assets. MEEG's cash ratio has improved over the previous five years, increasing from a ratio of 0.17 in 2013 to 0.50 in 2017. This indicates that MEEG is able to fund 50 per cent of its current liabilities via cash.

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.

Table 6.1: MEEG's Leverage Ratios

MEEG	FY2013	FY2014	FY2015	FY2016	FY2017
Debt to Equity	42.90%	49.64%	44.65%	24.63%	12.92%
Debt to Assets	18.66%	18.99%	15.91%	10.56%	8.02%
Return on Average Equity	1.53%	-0.55%	38.55%	26.40%	29.35%
Return on Average Assets	0.72%	-0.22%	14.13%	10.40%	15.74%

As at October 31, 2017, it was evident that MEEG reduced its preference for the use of debt in the financing of its operations to equity, as MEEG's debt to equity ratio fell to 12.92 per cent for 2017. For the past five years (2013 to 2017) MEEG's debt to equity ratio averaged 34.95 per cent. The company's debt to equity ratio for FY 2013 was 42.90 per cent (2016: 24.63 per cent). The decreasing trend could be attributed to the growth in equity over the previous five FYs. The debt to assets ratio was 8.02 per cent in 2017, decreasing from 18.66 per cent in 2013. MEEG generates a return

COMPANY ANALYSIS

Main Event Entertainment Group Limited (MEEG)



on average equity of 29.35 per cent in 2017 relative to the 26.40 per cent in 2016 and reflects an improvement from the 1.53 per cent in 2013. On average, MEEG has a return on average equity for the past five years of 19.06 per cent. MEEG's return on average assets has significantly increased over the five year period, moving from 0.72 per cent in 2013 to 15.74 per cent in 2017 (2016: 10.40 per cent). This reflects an improvement in MEEG's ability to generate profit from its assets over the five year period.

Table 7:1 MEEG's Performance Year to Date

For the Nine Months Period Ended	Profit & Loss		Change (%)	Change (\$)
	Jul-18	Jul-17		
Revenues	941,780,000	1,065,761,000	13%	123,981,000
Cost of Sales	(494,291,000)	(554,119,000)	12%	(59,828,000)
Gross Profit	447,489,000	511,642,000	14%	64,153,000
Other Income	573,000	2,384,000	316%	1,811,000
Total Income	448,062,000	514,026,000	15%	65,964,000
Administrative and general	270,201,000	310,932,000	15%	40,731,000
Selling and promotion	10,208,000	14,678,000	44%	4,470,000
Depreciation	53,530,000	69,298,000	29%	15,768,000
Total Expenses	333,939,000	394,908,000	18%	60,969,000
Operating Profit	114,123,000	119,118,000	4%	4,995,000
Finance costs	(12,969,000)	(13,640,000)	5%	(671,000)
Profit Before Taxation	101,154,000	105,478,000	4%	4,324,000
Net Profit	101,154,000	105,478,000	4%	4,324,000
Earnings Per Share	0.34	0.35	4%	0.01

MEEG for the nine months ended July 31, 2018 recorded a total of \$1.07 billion in revenue compared to the \$941.78 million booked for the period ended July 31, 2017, a 13 per cent increase year over year. Revenue for the quarter rose 26 per cent to close the quarter at \$363.71 million relative to \$289.63 million booked for the corresponding period in 2017.

Cost of sales for the nine months increased 12 per cent year over year to \$554.12 million relative to \$494.29 million. Gross profit for the period thus improved by 14 per cent to \$511.64 million (2017: \$447.49 million). Gross profit for the quarter increased 15 per cent from \$143.06 million reported for July 2017 to \$163.95 million. MEEG booked other income of \$2.38 million for the nine months, \$1.81 million higher than the prior year's corresponding period of \$573,000.

Total expenses rose 18 per cent to \$394.91 million versus \$333.94 million recorded for 2017. Of this, administrative and general expenses climbed 15 per cent to \$310.93 million (2017: \$270.20 million), while depreciation

expense increased 29 per cent to \$69.30 million (2017: \$53.53 million). Selling and promotion expense climbed by 44 per cent to \$14.68 million relative to \$10.21 million booked last year. Total expenses for the quarter amounted to \$134.62 million, 21 per cent higher than last year's comparable quarter of \$111.63 million.

Consequently, operating profit for the period rose 4 per cent to \$119.12 million (2017: \$114.12 million).

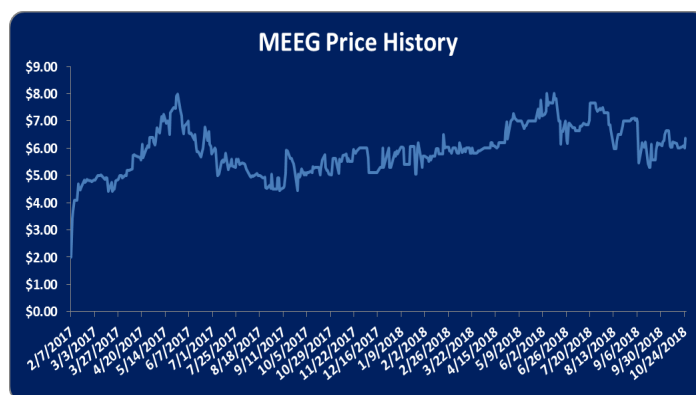
Finance cost year over year, increased by approximately 5 per cent to \$13.64 million (2017: \$12.97 million).

MEEG recorded profit before taxation of \$105.48 million, a growth of 4 per cent when compared to last year's corresponding period of \$101.15 million.

The company reported nil for taxes during the period, resulting in net profit totalling \$105.48 million compared to \$101.15 million booked last year, a 4 per cent increase year over year. MEEG reported net profit of \$24.55 million for the third quarter versus \$26.29 million for the comparable period in 2017, a 7 per cent decline.

EPS for the nine months amounted to \$0.35 (2017: \$0.34), while for the quarter the company booked an EPS of \$0.08 relative to \$0.09 in 2017. The trailing EPS amounted to \$0.35. The number of shares used in the calculation was 300,005,000 units.

Graph 2.1: Price History



The company's stock listed at \$2.00 per share on February 7, 2017. Since then, MEEG's stock price has appreciated 205 per cent. Year to date, the stock has appreciated 15 per cent since opening the 2018 calendar year at \$5.28 to close the trading period on October 25, 2018 at a price of \$6.37.

COMPANY ANALYSIS

Main Event Entertainment Group Limited (MEEG)



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

Main Event Entertainment Group (MEEG) P&L and Projection			
Profit & Loss	Year ended	Proj. Year ended	Change
For the Period Ended	Oct-17	Oct-18	(%)
Revenues	1,175,427,000	1,292,969,700	10%
Gross Profit	565,165,000	620,754,753	10%
Other Income	2,229,000	2,622,400	18%
Total Income	567,394,000	623,377,153	10%
Total Expenses	443,765,000	499,618,628	13%
Operating Profit	123,629,000	123,758,525	0%
Net Profit	101,047,000	105,995,625	5%
Earnings Per Share	0.34	0.35	5%

Outlook for FY2018

Management has remained optimistic about the prospects for the ensuing FY due to the stable macro-economy along with continued confidence of consumers and businesses. With this, MEEG operating in this environment, we anticipate total revenue to improve by 10 per cent for the full year compared to 4 per cent last year and 7 per cent over the last three years. Revenue growth is being supported by the company transitioning from the 'Party scenes' to establishing grounds within the corporate world. Here, MEEG creates that "Consumer Immersive Experience". In addition, MEEG secured a foothold into the wedding market with the launch of a new division, M-Style and is currently building a relationship with Chukka Tours as it aims to secure more relationships within the Western hemisphere of Jamaica and possibly international in the late future.

Cost of sales is estimated to grow proportionately for FY 2018, using a COS margin of 52 per cent, consistent with the 2017 FY. Consequently, the company's gross profit is expected to increase accordingly for FY 2018, due primarily to their expansions in core business. With plans on securing a foothold into the wedding market, with the launch of M-Style, we expected expenses to increase going forward. As a result, we anticipate an improvement in MEEG's bottom line, leading to a projected EPS of \$0.35 compared to \$0.34 booked for the 2017 FY (2016: \$0.19). MEEG's stock price closed the trading period on October 25th, 2018 at a price of \$6.37 and is projected at approximately \$7.32 over the short to medium term based on expected earnings. As such, the stock is recommended as a **HOLD** at this time.


Conclusion

MEEG was established in 2004 and since, has transformed into a leading Jamaican event management company. Currently, the company develops innovative and creative concepts for producing exceptional events and brand immersive experiences with a full range of services in support of these function.

On February 7, 2017, MEEG was listed on the Junior Market of the SE, subsequent to the company raising \$120 million in an IPO. From these proceeds and MEEG's service-oriented culture, the company has grown tremendously, transitioning from the 'Party scene' to establishing grounds in the corporate world and Jamaica's wedding market. Additionally, MEEG projects an investment of \$100-150 million in equipment for 2018, expanding its offerings and internal resources as the company aims to provide full service solutions to existing and prospective clients across the region.

Through strong execution of its strategic goals, MEEG achieved record revenues of \$1.18 billion as at the end of 2017 FY, an increase of 4 per cent over \$1.13 billion in 2016. Over the years, the company has also shown an improvement in efficiency, as its cost of sales margin declined from 65 per cent in 2013 to 52 per cent in 2017. MEEG's current ratio of 1.58 times at the end of the 2017 FY shows the company's ability to cover its short-term liabilities. Additionally, the company achieved a negative cash conversion cycle which indicates that the company is getting paid by their customers long before they pay their creditors/ suppliers.

For the 2017 year end, MEEG's EPS was \$0.34 (2016: \$0.19), while year-end projected EPS is \$0.35. For the nine months ended July 2018, MEEG produced an EPS of \$0.35 relative to \$0.34 a year earlier. The stock currently trades at around \$6.37 as at October 25th, 2018, below its valuation based on projected earnings. As such, the stock is recommended as a **HOLD** at this time. ■



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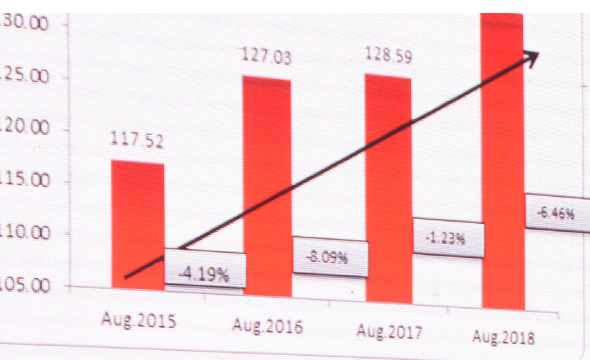
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FORUM RECAP

FOR SEPTEMBER 2018



Jamaican dollar has depreciated by 16.49% versus the US dollar over the last 3 years (August 2015 – August 2018).

Jamaican dollar has depreciated by \$8.31 in August to close the month at an average of \$136.90 (US dollar) and \$138.25 recorded in July 2018.

Over the last year, the JMD has depreciated by approximately \$8.31 or 6.46% relative to the US dollar (US dollar) reported as at August 2017.

Mayberry urges investors to invest

The Jamaican stock market has been performing at an exceptional level for the past several years. This presents opportunities for the average investor to book gains on investments today, as well as in the future. While there are mixed reviews on how long this bull run is expected to last, it is clear that the real risk an investor would run is not trying to take advantage of the current upward trend.

For October's Investor Forum, the audience was treated to an all Mayberry programme, headlined by Executive Chairman, Christopher Berry, and Chief Executive Officer, Gary Peart. These gentlemen are known as two of the best in Jamaica in the disciplines of stock trading and market analysis. This has been demonstrated in the stellar performance in growth exhibited by not only Mayberry, but also its clients, proprietary accounts as well as other partners. They have led their team to making Mayberry the profitable, wealth building and reputable blue-chip investment firm it is today.

According to Mr Peart, advocates of stock investing face an uphill battle, as they are fighting against our established socialised norm of saving money in a bank. "When you compare to the fact that a lot of us are socialised to put your money in a savings account in a commercial bank, a commercial bank is not going to give you a return of 400 percent in any period of time, well not whilst you are alive," Peart said. The 400 per cent he referenced was the rate at which returns grew on stocks he had highlighted in his presentations at an Investor Forum from April of 2015. Among the stocks he highlighted then were: Caribbean Cement Company Limited, Jamaica Broilers Group Limited, Lasco Manufacturing Limited, Paramount Trading (Jamaica Limited), Caribbean Flavours & Fragrances Limited and Grace Kennedy Limited.

He went on to give an overview of the stock market over the past few years: the performance of the Jamaica Stock Exchange's (JSE) Main Index returned 50 per cent in 2017 relative to 28 per cent in 2016, while, year to date, it has seen a return of 20 per cent. The average growth for the past 5 years was 21 per cent. As for the Junior Market Index, there was a return of 5 per cent in 2017, compared to 45 per cent in 2016, while, year to date, it has returned 25 per cent; resulting in an average growth for the past 5 years of 40 per cent. This shows the robust level at which our local market has excelled.

Moreover, Mr Peart spoke to the lack of investment options that rival stock trading. While commercial banks offer little to low interest rates, and interest rates on Treasury Bills have been decreasing over the past 3 years, moving from 6.04 per cent in December 2015 to 4.63 per cent as at December 2017, the stock market has remained profitable. As Peart suggested, if you think about it, it would actually be a better financial decision to buy the stocks of a commercial bank rather than save money in an account at the commercial bank, as the former would have yielded much higher returns over the past 3 years.

Mr Berry believes that we are at the beginning of what could be the longest "bull run" in Jamaica's history. He emphasised his confidence in Jamaica's sustained growth and considers it our duty to invest in our local market to aid in its development. Being successful in the local stock market requires some experience, timely and accurate information, supported by a philosophy of fiscal responsibility. ■

FORUM HIGHLIGHTS

FOR SEPTEMBER 2018



At October's Investor Forum, Mayberry's Executive Chairman, Christopher Berry (left), and CEO, Gary Peart (right), poses for a photo with Ann-Dawn Young Sang, President and CEO of Supreme Ventures Limited.



Mayberry's Executive Investment Advisor and host for the evening, Dwayne Neil, during his opening remarks.



Gary Peart engages in conversation with one of our clients, Regina Sleem.



Christopher Berry begins the evening's presentation discussing the stock market.



The audience listens attentively during the presentation.



Christopher Berry talks cars with a member of the Audi team, after the evening's presentation.



After the evening's presentation, members of the Mayberry Team, including Dwayne Neil (far left), Anika Jengeley, Assistant-VP of Marketing, Gary Peart and Tania Waldron-Gooden, Director of Investment Banking are joined by Nigel Coke, Communication, Public Affairs & Religious Liberty Director of the Jamaica Union of Seventh-day Adventists.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR SEPTEMBER 2018

	September 2018	August 2018	Change
91 Days Treasury Bills Avg. Yield (%)	1.709	1.693	0.016
182 Days Treasury Bills Avg. Yield (%)	1.869	1.878	-0.010
Exchange Rate (US\$: J\$)	136.51	136.90	-0.39
Net International Reserves (NIR) (US\$M)	3,026.72	3,058.42	-31.70

Net International Reserves

Jamaica's net international reserves (NIR) totalled US\$3.03 billion as at September 2018, reflecting a decrease of US\$31.70 million relative to the US\$3.06 billion reported as at the end of August 2018.

Changes in the NIR resulted from a decrease in foreign assets of US\$39.45 million to total US\$3.57 billion compared to the US\$3.61 billion reported for August 2018. Currency & deposits contributed the most to the decrease in foreign assets. Currency & deposits as at September 2018 totalled US\$2.99 billion, reflecting a decrease of US\$47.81 million compared to US\$3.04 billion booked as at August 2018.

Securities amounted to US\$321.68 million, US\$9.48 million more than the US\$312.19 million reported in August 2018. Foreign liabilities for September 2018 amounted to US\$542.12 million compared to the US\$549.87 million reported for August 2018. Liabilities to the IMF accounted for 100 per cent of total foreign liabilities, reflecting a US\$7.75 million decline month over month from August 2018.

At its current value, the NIR is US\$110.42 million less than its total of US\$3.14 billion as at the end of September 2017.

The current reserve is able to support approximately 32.18 weeks of goods imports or 19.45 weeks of goods and services imports.

The country came in slightly below the benchmark of US\$3.28 billion outlined by the IMF 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".

According to the IMF, "Program implementation remains robust. All quantitative performance criteria for end-June 2018 were met and structural reforms are on track". The NIR target outlined as per the new agreement for the 2018/19 fiscal year is US\$3.22 billion. As at September 2018, the country is US\$0.19 billion below targeted amount.

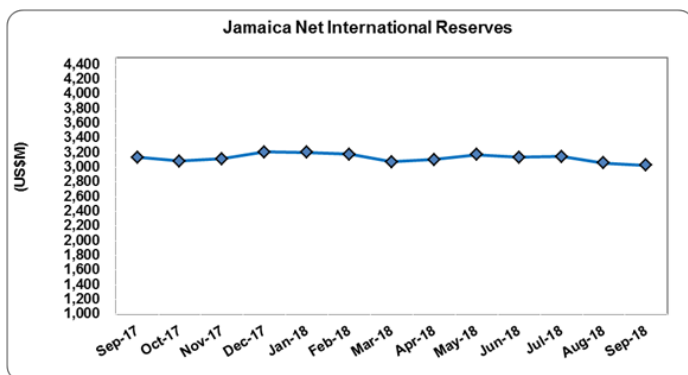


Figure 1

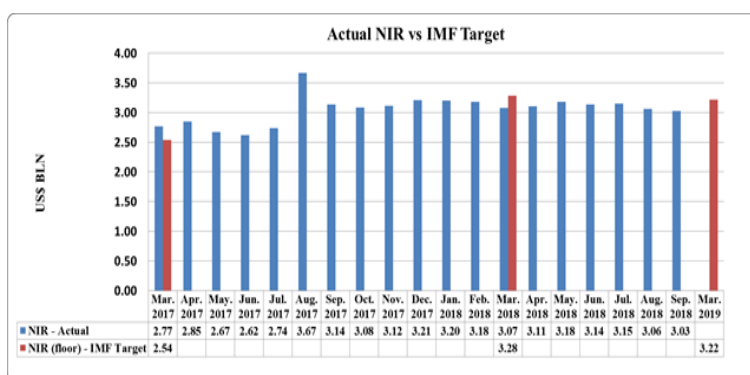


Figure 2

JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR SEPTEMBER 2018

Jamaica Monthly Equity Market Report for September 2018

Main JSE Index: 358,320.11 points
Point Movement: 28,892.01 points
Percentage Change: 8.77%

Advance Decline Ratio: Positive
Advancers: 26 **Decliners:** 9
Traded Firm: 4

Junior JSE Index: 3,395.02 points
Point Movement: 144.55 points
Percentage Change: 4.45%

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

Major Winners (Main & Junior)

Stock	Increase	Closing Price
Barita Investments Limited	94.69%	\$18.69
CAC 2000 Limited	65.52%	\$14.98
IronRock Insurance Co. Limited	42.86%	\$4.60

Major Losers (Main & Junior)

Stock	Decrease	Closing Price
Eppley Limited	-19.94%	\$8.15
Consolidated Bakeries (Jamaica) Limited	-19.68%	\$2.00
Medical Disposables & Supplies Limited	-17.54%	\$5.50

Total Shares Traded (Main): 595.68 million units
Total value (Main): Approx. \$8.86 billion

Volume Leaders (Main)

Stock	Units Traded	Market Volume
Sagicor Real Estate XFUND Limited	289,769,496	48.65%
JMMB Group Limited	105,295,195	17.68%
138 Student Living Jamaica Limited	82,957,715	13.93%

BUY

HOLD

SELL



CARRERAS LIMITED

CARRERAS LIMITED (CAR)

For the three months ended June 30, 2018:

BUY

• CAR, for the three months, reported operating revenue of \$3.15 billion, 12 per cent increase relative to \$2.82 billion booked in 2017. The company highlighted that, "This increase over the prior period is due mainly to an increase in sales volumes albeit over a lower volume base as well as effective management of costs".

• CAR also noted that, "Based on the improved performance for the quarter, we remain cautious though optimistic regarding the outlook for the rest of the financial year (FY). The company continues to reap the reward of continuous investment in our brands, particularly our core brands, Craven "A" and Matterhorn. The strength of our brands, people and relationships continue to position us for the future".

• The company mentioned that, "The increase in sales for the period is on a lower volume bases as a result of the excise increase implemented last year. Overall, we continue to be negatively impacted by excise increases implemented in prior periods, which in turn has unintendedly resulted in the increased illicit trade in cigarettes".

• Cost of operating revenue also climbed year over year by 12 per cent, amounting to \$1.57 billion from \$1.39 billion. As such, gross operating profit rose by 11 per cent to total \$1.58 billion relative to the \$1.42 billion in 2017. Other operating income fell by 65 per cent moving from \$121.37 million in 2017 to \$42.12 million.

• Administrative, distribution and marketing expenses decreased 7 per cent to total \$490.05 million (2017: \$529.41 million). Management noted that, "Continued cost-cutting, and containment initiatives are being reflected in the 7% reduction in overheads over the prior period. It is noteworthy, that this reduction was achieved despite a 2.8% increase in inflation".

• Profit before income tax was recorded at \$1.13 billion relative to \$1.01 billion in 2017. Taxation of \$308.23 million was incurred for the period (2017: \$255.64 million).

• Consequently, net profit for the three months increased 8 per cent to \$821.09 million relative to \$758.34 million booked in 2017.

• The EPS for the period was \$0.17 as compared to \$0.16 for the corresponding period of last year. The twelve-month trailing EPS amounted to \$0.73. The number of shares used in the computations was 4,854,400,000 units. CAR's stock price last traded on August 13, 2018 at \$9.17.

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.



Main Event Entertainment Group Limited (MEEG)

For the nine months ended July 31, 2018

HOLD

• MEEG for the nine months ended July 31, 2018 recorded a total of \$1.07 billion in revenue compared to \$941.78 million booked for the period ended July 31, 2017, a 13 per cent increase year over year. Revenue for the quarter rose 26 per cent to close the quarter at \$363.71 million relative to \$289.63 million booked for the corresponding period in 2017.

• Cost of sales for the nine months increased 12 per cent year over year to \$554.12 million relative to \$494.29 million. Gross profit for the period thus improved by 14 per cent to \$511.64 million (2017: \$447.49 million). Gross profit for the quarter increase 15 per cent from \$143.06 million reported for July 2017 to \$163.95 million. MEEG booked other income of \$2.38 million for the nine months, \$1.81 million higher than the prior year's corresponding period of \$573,000.

• Total expenses rose 18 per cent to \$394.91 million versus \$333.94 million recorded for 2017. Of this, administrative and general expenses climbed 15 per cent to \$310.93 million (2017: \$270.20 million), while depreciation expense increased 29 per cent to \$69.30 million (2017: \$53.53 million). Selling and promotion expense climbed by 44 per cent to \$14.68 million relative to \$10.21 million booked last year. Total expenses for the quarter amounted to \$134.62 million, 21 per cent higher relative to last year's comparable quarter of \$111.63 million.

• Consequently, operating profit for the period rose 4 per cent to \$119.12 million (2017: \$114.12 million).

• Finance cost, year over year, increased by approximately 5 per cent to \$13.64 million (2017: \$12.97 million).

• MEEG recorded profit before taxation of \$105.48 million, a growth of 4 per cent when compared to last year's corresponding period of \$101.15 million.

• The company reported nil for taxes during the period, resulting in net profit totalling \$105.48 million compared to \$101.15 million booked last year, a 4 per cent increase year over year. MEEG reported net profit of \$24.55 million for the third quarter versus \$26.29 million for the comparable period in 2017, a 7 per cent decline.

• EPS for the nine months amounted to \$0.35 (2017: \$0.34), while for the quarter the company booked an EPS of \$0.08 relative to \$0.09 in 2017. The trailing EPS amounted to \$0.35. The number of shares used in the calculation was 300,005,000 units. Notably, MEEG stock price closed the trading period on September 11, 2018 at a price of \$6.19.

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.



138 Student Living Jamaica Limited (138SL)

For the Nine Months Ended June 30, 2018:

SELL

• 138SL's revenue increased by 54 per cent to \$617.40 million relative to the \$402.18 million recorded for the corresponding nine months period the prior year. Other operating income also increased for the period under review, growing 21 per cent to \$26.77 million relative to \$22.10 a year earlier. Revenue for the second quarter rose 34 per cent to \$205.50 million (2017: \$153.22 million), while other operating income climbed 27 per cent to \$10.90 million (2017: \$8.57 million). The company mentioned that, "Revenue continues to be less than optimum as the rental rates granted for rooms at Irvine Hall under the second concession continue to be less than that contemplated in the Financial Model forming a part of that Concession; a matter that is under discussion with the University of the West Indies, the Grantor of the Concession".

• Administrative expenses increased by 79 per cent amounting to \$334.25 million (2017: \$186.47 million). As for the quarter, there was an 84 per cent increase to \$130.83 million (2017: \$71.24 million). Operating profit amounted to \$309.92 million, an increase of 30 per cent compared to \$237.81 million that was reported for the comparative period the year prior. While for the third quarter, operating profit closed at \$85.57 million (2017: \$90.56 million), indicating a 6 per cent decline year over year.

• The company also reported finance cost of \$329.96 million (2017: \$223.33 million), a 48 per cent increase year on year. For the quarter, finance cost went up 20 per cent to close the period at \$101.50 million (2017: \$84.38 million).

• Losses before taxation for the nine months period amounted to \$20.04 million compared to the profit of \$14.48 million for the similar period last year. Following tax credits of \$23.33 million (2017 tax credit: \$16.01 million), net profit totalled \$3.30 million, compared to a profit of \$30.48 million recorded in 2017. This represents a dip of 89 per cent in net profit. Net profit for the third quarter amounted to \$180,000 relative to a net profit of \$3.70 million.

• EPS for the period amounted to \$0.01 relative to an EPS of \$0.07 a year earlier. The EPS for the quarter totalled \$0.0004 in contrast to an EPS of \$0.009. The twelve-month trailing EPS \$0.10. The number of shares used in this calculation was 414,500,000. As at August 15, 2018, the stock traded at \$4.01.

• The company stated that, "The issues under discussion with the University are therefore critical not only to the financial performance of 138SL Restoration but to the overall performance of the Group."

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



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