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October's Investor Forum featured an Investor Update on FosRich Company Limited. Managing Director, Cecil Foster, gave our audience an insightful presentation of his company's performance as well as some key strategic initiatives to look forward to.

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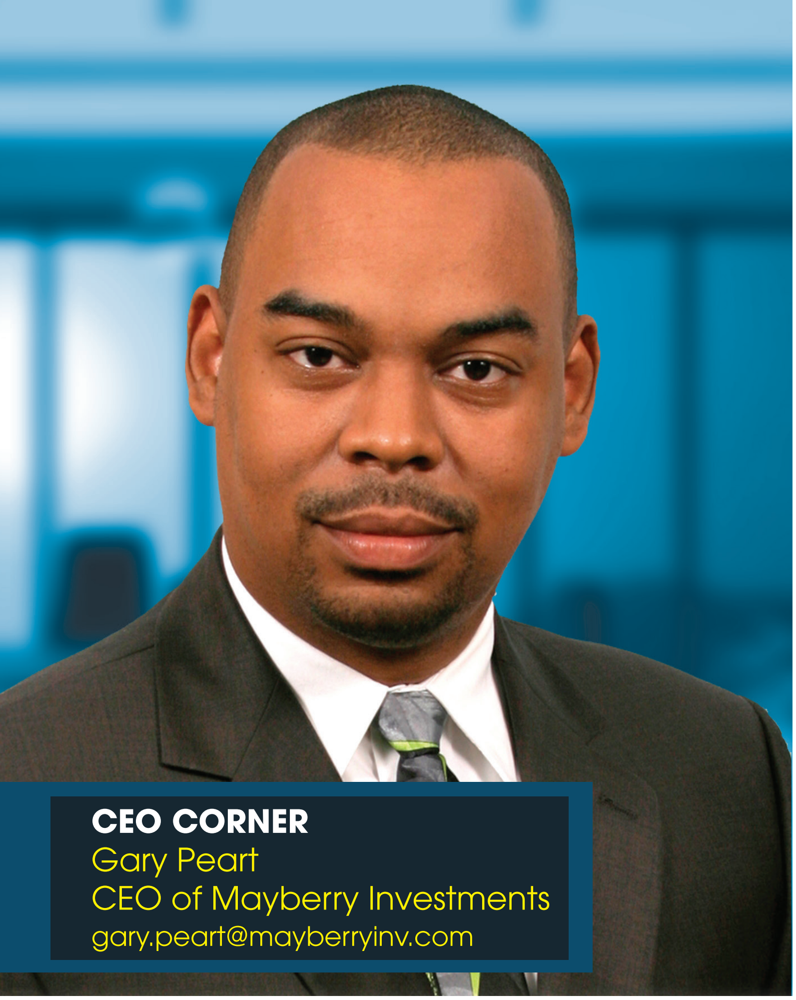

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NOVEMBER 2018

CEO CORNER

Jamaica's stock market continues full steam

Over the last five years, Jamaica's stock market has been gaining significant momentum and continues to do so even today.

According to Bloomberg, the Caribbean island's target index has gained 19 per cent in dollar terms this year 2018, which notably was the most among more than 90 other primary equity gauges. Over the last five years, its 233 per cent rally dominates the 86 per cent rally over the second-top performer, Vietnam's Ho Chi Minh Stock Index, and the 73 percent rally in the S&P 500 index.

The Government of Jamaica (GOJ) aims to achieve its annual economic growth of 5 percent by 2020. Meanwhile, China continues to increase and diversify its investments in the country by upgrading the infrastructure such as road network and access to technology across the island. The nation has reduced borrowing under an International Monetary Fund (IMF) plan, and so far, it has been successful in getting what was once one of the world's highest debt burdens under control.

For the first time in a few decades, the government has not been borrowing excessively from the local market nor the Central Bank and rather, has been issuing instruments at historically low yields. This has led to increased activity on the local stock market, which has now become one of the few repositories for local currency liquidity. The increase in the pool of investors has also benefitted from the rising number of initial public offerings (IPOs), which tends to present opportunities for new investors associated with the companies being listed to participate in stock trading. Research shows that the index's $8 billion market capitalisation is equivalent to approximately 0.03 per cent of the value of the S&P 500 and is dominated by companies in the local financial services industry.

Although Jamaica has suffered from years of lethargic growth, weighed down by government debt of more than 100 per cent of gross domestic product and other social impediments, we are in a period of renewed outlook. The economy is projected to grow at 2 per cent this year, the fastest pace in more than a decade. Looking even further ahead, the GOJ plans on growing the economy at unprecedented rates. This will undoubtedly require the implementation of its growth agenda which will include initiatives that support an overall improved business environment as well as expediting strategic investment projects. ■

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

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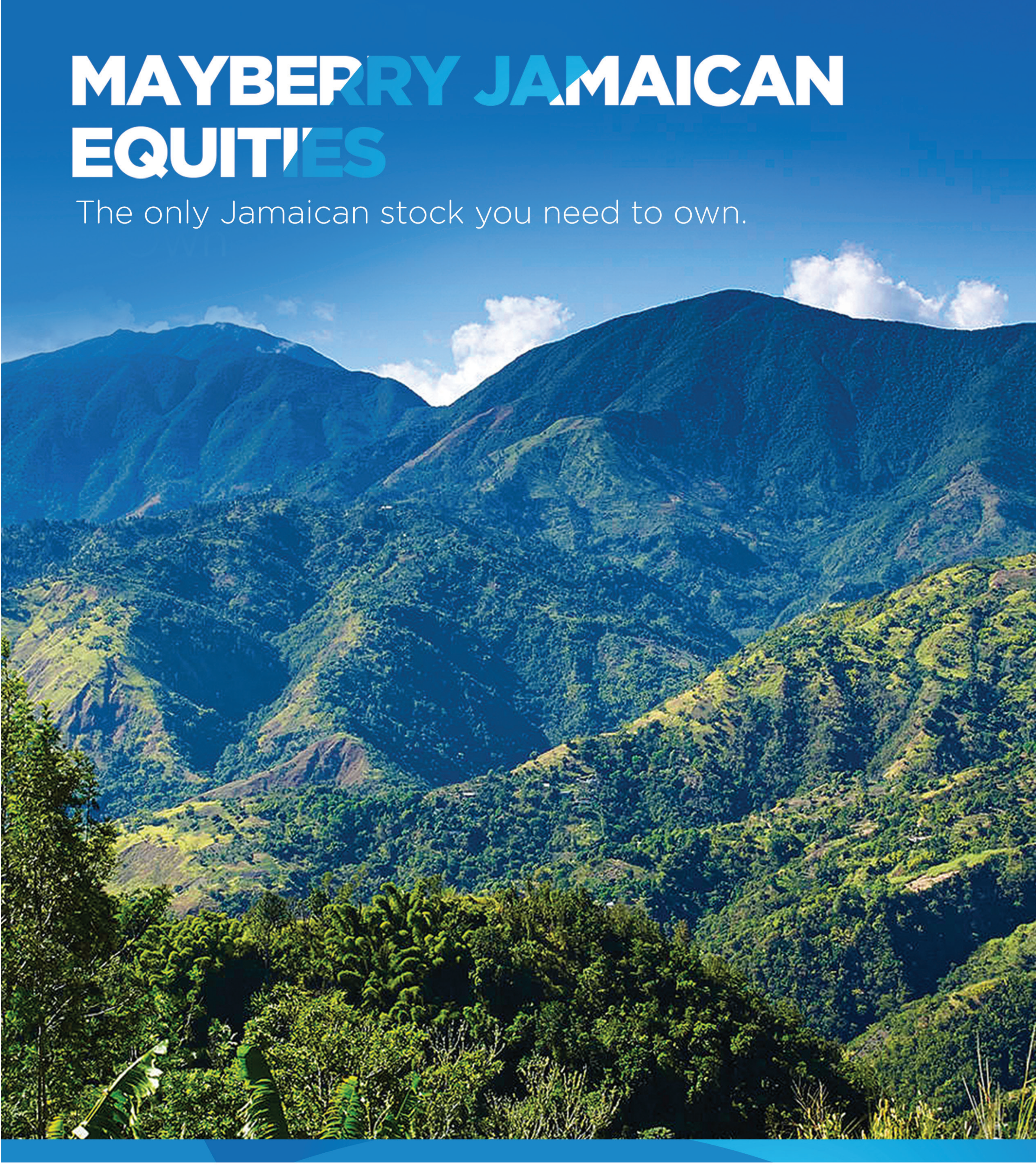
Refinancing corporate debt is the process through which a company rearranges its financial obligations by replacing or restructuring existing debts. This is often done to improve a company's financial position and is generally prompted by favourable interest rates, improving credit quality, and in response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

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

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

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



Sustaining our **growth**,
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COMPANY ANALYSIS

Express Catering Limited (ECL)

Executive Summary

Express Catering Limited (ECL) is a Jamaican company established in 2001, to primarily supply food and beverage at the Sangster International Airport in Montego Bay. Operating as a subsidiary of Margaritaville St Lucia Inc, ECL currently has a combined allocated space of over 32,000 square feet across the airport, supported by ten international and four local brands.

In July 2017, ECL listed on the Junior Market of the Jamaica Stock Exchange (JSE). This was subsequent to the company successfully raising $491.25 million by way of an initial public offering (IPO).

For the last five years, ECL's revenues have steadily grown, moving from US$12.21 million for the 2014 financial year (FY) to US$15.71 million for FY 2018, growing at a compounded annual rate (CAGR) of 7%, while over the last year, revenue trended upwards by 10%. Additionally, profit for the year, being total comprehensive income, soared to US$3.45 million, a 219% from that of 2017. Notably, ECL has exhibited good management as administrative expenses declined by 17% and has been declining since 2016.

ECL is well positioned to benefit from the growth in Jamaica's tourism industry stopover arrivals. Furthermore, the newly added Starbucks Coffee outlet, which opened last quarter and the construction of two additional outlets for the 2019 fiscal year, are expected to enhance the company's growth and profitability going forward.

Earnings per share (EPS) for the 2019 FY is estimated at US$0.22 cents relative to US$0.21 cents booked for 2018 FY. The stock currently trades at around $8.00 as at November 13, 2018 and is projected at approximately $8.03 over the short to medium term based on expected earnings. As such, the stock is recommended as a **HOLD** at this time.

Company Background

ECL is a subsidiary of Margaritaville St Lucia which are both parented by the Margaritaville Caribbean Group (MCG). MCG, a Bahamian company, through its subsidiaries, provides multiple entertainment outlets such as restaurants and nightclubs in Jamaica as well as the Cayman Islands, Turks and Caicos and its new location, St Thomas, USVI. Throughout the Caribbean, MCG serves as the franchise operator of the Jimmy Buffet's Margaritaville restaurant, bar and retail stores.

ECL is one of MCG's eight operations across the Caribbean, with its focus on providing food and beverages to passengers and staff at the Donald Sangster International Airport in Montego Bay, Jamaica. The company is currently the sole provider of food and beverages in the post security areas of the airport while still providing some options in other areas of therein. With the objective of growing its business offerings, ECL decided to buy-out several of the other existing operators. On December 9, 2011, the company's management signed a long-term contract to manage and supply most of the food and beverage offerings at the location. ECL's facilities currently covers a 32,000 square feet space, distributed across the entire airport.

The franchises currently operating at the airport were chosen based on market research done on popular food and beverage franchises found in dominating airports in United States and Canada.

The ECL umbrella includes the following franchises:

Offerings		
International Brands		**Jamaican Brands**
Jimmy Buffet's Margaritaville	Moe's Southwest Grill	Bobsled Café
International Dairy Queen	Quiznos	Tastee Patties,
Auntie Anne's	Nathans Hot Dogs	Viva Gourmet Grab N Go
Cinnabon	Wendy's	Groovy Grouper
Starbucks	Domino's	

Disclaimer

COMPANY ANALYSIS

Express Catering Limited (ECL)

SWOT ANALYSIS

Strengths:

- Diversified brands of offerings of foods and beverages
- The Donald Sangsters airport supports a very strategic yet convenient placement for persons travelling
- Improvements within the tourism industry will encourage favourable stop over arrivals

Weaknesses:

- Depreciation of the United States (US) dollar
- Perishable items that aids in efficiency may create challenges

Opportunities:

- Two additional Starbucks Coffee outlets to be opened in 2019

Threats:

- Hight rate of crime and violence

Operational Analysis

Express Catering Limited (ECL) 5 Year Financial Performance	May-14 US$	May-15 US$	May-16 US$	May-17 US$	May-18 US$	Change (YoY) %	CAGR (5 Year) %
Revenue	12,206,420	13,599,073	14,058,053	14,232,136	15,705,421	10%	7%
Cost Of Sales	(2,994,338)	(3,411,417)	(3,577,878)	(4,081,825)	(4,604,887)	13%	11%
Gross Profit	9,212,082	10,187,656	10,480,175	10,150,311	11,100,534	9%	5%
Administrative Expenses	(7,035,333)	(8,202,185)	(8,212,504)	(7,966,000)	(6,605,341)	-17%	-2%
Promotional Expenses	(51,937)	(38,294)	(37,724)	(20,762)	(35,931)	73%	-9%
Depreciation and amortization	(515,612)	(577,142)	(528,787)	(525,418)	(511,804)	-3%	0%
Total Expense	(7,830,425)	(8,971,945)	(8,804,763)	(8,512,180)	(7,153,076)	-16%	-2%
Operating Profit	1,375,925	1,215,711	1,675,412	1,638,131	3,947,458	141%	30%
Finance Income	445	325	1,226	7,272	812	-89%	16%
Finance Cost	(737,082)	(440,754)	(413,857)	(362,347)	(341,131)	-6%	-18%
Foreign Exchange Gain				37,207	(44,379)	-219%	
Profit before tax	639,288	775,282	1,262,781	1,320,263	3,562,760	170%	54%
Income tax expense	(1,710)	(184,716)	(192,401)	(240,774)	(114,969)	-52%	186%
Profit for the year being total comprehensive Income	637,578	590,566	1,070,380	1,079,489	3,447,791	219%	52%
JMD Exchange Rate	111.2563	116.1223	125.4111	130.14	127.90		4%
Profit for the year being total comprehensive Income (JMD)	70,934,569	68,577,882	134,237,533	140,484,698	440,980,940	214%	58%
EPS Net Profit JMD(cents)	4.33	4.19	8.20	8.58	26.93		
EPS Net Profit US(cents)	0.04	0.04	0.07	0.07	0.21		

ECL has experienced a steady increase in its revenues over the last five years, moving from US$12.21 million in FY 2014 to US$15.71 million for FY 2018, resulting in a CAGR of 7%. Year over year, revenues advanced 10% climbing from US$14.23 million in 2017 to US$15.71 million in 2018. This was driven by the increase in passenger numbers and the operations of airport business within the rush period. In addition, departures rose, which positively affected stop over visitor numbers.

Cost of sales increased by 13% to close at US$4.60 million in 2018 (2017: US$4.08 million). This represented 29.3% of revenue when compared to the prior year's 28.7%. Though marginal, the slight decline was attributed to initiatives which were expected to improve guest orders. Grab and Go items were introduced and added to the product offerings to facilitate efficiency during the peak hours, which made significant contributions in revenues. However, these items have a limited shelf life and must be disposed of after a certain time period, and as such, created the challenge of managing waste. This resulted in gross profit climbing to US$11.10 million, a 9% uptick from 2017's US$10.15 million.

Administrative expenses declined by 17% to US$6.61 million (2017: US$7.97 million), which represents 42.1% of the company's revenue. Operating costs (including rent, salaries and wages) increased accordingly to support the increase in revenue. However, total expenditure decreased in nominal terms. These resulted from savings from group related charges.

Consequently, profit for the year, being total comprehensive income, surged to US$3.45 million in 2018 from US$1.08 million in 2017, subsequent to taxes of US$114,969 (2017: US240,774). This EPS for 2018 was reported at US$0.21 cents, a strong increase when compared to the prior year's US$0.07 cents

Balance Sheet Analysis

Express Catering Limited (ECL) 5 Year Financial Performance	May-14 US$	May-15 US$	May-16 US$	May-17 US$	May-18 US$	Change (YoY) %	CAGR (5 Year) %
Property, plant and equipment	5,511,935	5,098,742	4,756,053	4,442,436	4,654,112	5%	-4%
Licenses and franchises	910,291	813,503	721,793	651,911	900,130	38%	0%
Non-current assets	6,442,226	5,938,934	5,504,535	5,094,347	5,554,242	9%	-4%
Trade and other receivables	108,334	232,255	103,700	96,106	131,522	37%	5%
Owing by related companies				3,624,225	5,998,558	66%	
Inventories	453,574	426,078	276,779	340,391	334,726	-2%	-7%
Cash and bank balances	23,208	169,047	172,999	387,933	392,136	1%	103%
Current Assets	585,116	828,761	554,888	4,448,655	6,856,942	54%	85%
Total Asssets	7,027,342	6,767,695	6,059,423	9,543,002	12,411,184	30%	15%
Share Capital	73,861	73,861	73,861	73,861	73,861	0%	0%
Capital Reserve	43,490	43,490	43,490	43,490	43,490	0%	0%
Retained earnings	1,688,287	2,278,853	3,349,233	4,428,722	6,366,236	44%	39%
Total Equity	1,805,638	2,396,204	3,466,584	4,546,073	6,483,587	43%	38%
Preference Share				3,500,000	3,500,000	0%	
Lease Obligations	92,965		38,701	16,160	7,972	-51%	-46%
Deferred tax liability	133,826	157,168	124,193	88,190	89,150	1%	-10%
Non-current liabilities	1,131,031	512,592	162,894	3,604,350	3,597,122	0%	34%
Trade and other payables	1,323,823	1,589,745	1,097,434	1,095,718	2,051,198	87%	12%
Income tax payable	56,910	193,482	151,884	193,075	91,825	-52%	13%
Current Liabilities	4,090,673	3,858,899	2,429,945	1,412,579	2,330,475	65%	-13%
Total Liabilities	5,221,704	4,371,491	2,592,839	5,016,929	5,927,597	18%	3%
Total Equity and Liabilities	7,027,342	6,767,695	6,059,423	9,563,002	12,411,184	30%	15%

For the 2018 FY, total assets increased to US$12.41 million when compared to US$9.54 million in 2017. Over the last five years, total assets have grown at a CAGR of 15% from US$7.03 million in 2014. This increase was due to a 66% upward movement in owing by related companies, to $US6 million from US$3.62 million. In addition, licenses and franchises rose by 38%, which suggests that ECL has improved its efforts in bettering its business processes and systems as it expands. Over the current FY, ECL invested US$971,000 worth of assets with most facilitating the development and construction of the Starbucks locations with the first one opening its door in the last quarter.

COMPANY ANALYSIS

Express Catering Limited (ECL)

Total liabilities closed the period at US$5.93 million when compared to US$5.02 million in 2017, an 18% year over year increase. Notably, total liabilities have been declining since 2014 year on year until 2017 where it began to trend upwards. Thus, over the period 2014-2018, there was a small uptick of 3% in the company's total liabilities from US$5.22 million in 2013. Trade and other payables was the major contributor to the jump in total assets by over US$955,480, or 87%.

Total equity for 2018 amounted to US$6.48 million, a 43% increase on 2017's US$4.55 million. Retained earnings formed the only aspect of ECL's equity base that has experienced any changes since 2014. This improved 44% during the year to total US$6.37 million in 2018, compared with US$4.43 million in 2017 and US$1.69 million five years earlier. Share capital and capital reserve ended the period at US$73,861 and US$43,490 respectively.

Ratio Analysis

ECL Activity Ratios	May-14	May-15	May-16	May-17	May-18
Receivables Turnover	118.64	79.86	83.69	142.46	137.99
Days of Sales O/S	3.08	4.57	4.36	2.56	2.65
Inventory Turnover	7.70	7.76	10.18	14.75	13.53
Days of Inventory on hand	47.37	47.06	35.85	24.75	26.98
Payables Turnover	2.24	2.32	2.55	3.56	2.79
# of Days of Payables	163.27	157.13	143.04	102.60	130.64
Total Assets Turnover	1.76	1.97	2.19	1.82	1.43

ECL's receivables turnover ratio declined from 142.46 times in 2017 to 137.99 times in 2018 but rose over the last five years from 118.64 times in 2014. This shows the efficiency of the company in collecting from its debtors. The days sales outstanding ratio marginally moved up from 2.56 days to 2.65 days, indicating the length of time it takes the company to collect its receivables after a sale has been made.

The accounts payable ratio steadily increased over the last five years moving from 2.24 times in 2013 to 2.79 times in 2018, suggesting the rate at which the company repays its suppliers. However, there was an exception in 2017 where the ratio was 3.56 times. Notably, the days payable outstanding ratio decreased over the 5-year period from 163.27 days in 2013 to 130.64 days in 2018. This means that ECL takes about 130.64 days to pay its invoices from suppliers.

The inventory turnover ratio almost doubled over the last five years as it rose to 13.53 times in 2018 (2013: 7.70 times). This shows ECL's ability to turn over its total inventory per annum. As expected, the days sales of inventory on hand ratio significantly fell during the 5 years, moving from 47.37 days in 2014 to 26.98 days in 2018 This shows that the company is selling out its goods in a reduced time frame. ECL's asset turnover ratio as at May 31, 2018 was 1.43, indicating its efficiency in utilising assets to generate revenues.

Profitability Ratios	May-14	May-15	May-16	May-17	May-18
Gross Profit margin	75%	75%	75%	71%	71%
Pretax Margin	5%	6%	9%	9%	23%
Net Profit margin	5%	4%	8%	8%	22%
Return on Average Assets (ROAA)	9%	9%	17%	14%	31%
Return on Average Equity (ROAE)	43%	28%	37%	27%	63%
Effective Tax Rate	0%	24%	15%	18%	3%

Over the past five years, ECL's gross profit margin remained constant at 75% until 2017 where it fell to 71%. Nonetheless, this rate was maintained year on year, closing 2018 at 71%. Notably, ECL has remarkably managed to cut down its administrative expenses each year despite the expansions. This has contributed to high profit margins. Pre-tax profit margins soared to 23% in 2018 from 5% five years earlier while net profit margin strengthened to 22% (2017: 8%). The effective tax margin grew from 18% in 2017 to 3% in 2018, but this accounts for the tax break given to ECL as being a newly listed company on the JSE' Junior Market. Additionally, the company's return on average assets (ROAA) remained at 9% in 2014 and 2015 subsequent to an increase of 17% in 2016. For the 2017 FY the ROAA ratio fell to 14% but spiked to 31% in 2018. This ratio measures management's ability to properly utilise assets. The return on average shareholder's equity (ROAE) over the previous five years grew from 43% in 2014 to 63% in 2018 (2017: 27%) indicating that shareholders received more income on each dollar of equity.

Liquidity Ratios	May-14	May-15	May-16	May-17	May-18
Current Ratio	0.14	0.21	0.23	3.15	2.94
Quick Ratio	0.03	0.10	0.11	2.91	2.80
Cash Ratio	0.01	0.04	0.07	0.27	0.17
Cash Conversion Cycle	-112.82	-105.50	-102.82	-75.29	-101.02

The firm's liquidity position has significantly improved over the five-year period, demonstrating the firm's ability to finance its short-term obligations using its current assets. Year over year however, these ratios have all declined. The current ratio, which encapsulates all current assets, showed that the company was more than able to meet its short-term liabilities should they become due (2.94 times). The quick ratio was 2.80 times, which also suggested that the company can meet its debts when due without the assistance of its inventory. The cash ratio however, which is the lowest at 0.17 times, indicated that ECL would need to liquidate its assets if it was forced to pay all current debt immediately.

COMPANY ANALYSIS

Express Catering Limited (ECL)

ECL has managed to achieve a negative cash conversion cycle for the past five years, moving from a negative CCC of 112.82 in 2014 to a negative CCC of 101.02 in 2018. Not all companies can achieve a negative cash conversion cycle due to the nature of the products of consumers. This negative cycle illustrates that ECL may not pay for its products until after they receive payments for them.

Price History

ECL's stock price opened the year at $4.01 and closed the trading period on November 13, 2018 $8.00, an appreciation of approximately 100% since the beginning of the year. The initial public offer was $1.50 which shows that the price has more than quintupled.

Abridged P&L including 2019 FY Projection

Express Catering Limited (ECL) Profit & Loss			
For the year ended	May-18 US$	May-19 US$	Change (YoY) %
Revenue	15,705,421	16,961,855	8%
Cost Of Sales	(4,604,887)	(5,088,556)	11%
Gross Profit	11,100,534	11,873,298	7%
Total Expense	(7,153,076)	(7,866,627)	10%
Operating Profit	3,947,458	4,006,671	1.5%
Profit before tax	3,562,760	3,664,053	3%
Profit for the year being total comprehensive Income	3,447,791	3,664,053	6%
JMD Exchange Rate	127.90	127.90	
Profit for the year being total comprehensive Income (JMD)	440,980,940	468,641,404	6%
EPS Net Profit JMD(cents)	26.93	30.66	
EPS Net Profit US(cents)	0.21	0.22	

ECL's Projection for FY 2019

We anticipate growth in ECL's net profit for the following reasons:

• Starbucks Coffee, a new addition, is expected to greatly contribute to the revenue mix and will add to the existing revenue. In addition, the Jamaican Tourism Ministry projects that the industry will continue to have better stopover visitor arrivals. As such revenue is expected to increase by 8% for the upcoming year.

• Cost of sales margin remained constant at 25% over the FYs of 2014-2016 after increasing to 29% in 2017, which was the same in 2018. Going forward ECL has assured that cost of sales will be managed aggressively. Factoring in the construction of the other two Starbucks outlets, which will be operational in 2019, we have projected a 30% margin for FY 2019. This will translate into an increase of 7% in the company's gross profit.

• Administrative expenses are expected to rise to by 10% as the one-off savings from the group charges that occurred in 2018 will not reoccur in the upcoming year. Hence our projections are expected to reflect a small uptick in the margins for 2019.

• Consequently, profit for the year being Total Comprehensive Income is expected to climb year over year by 6%. Given the growth in tourists stop overs of last year and the assurance that tourism will continue to positively impact the Jamaican economy, ECL's bottom line will be boosted.

• This resulted in EPS of US$0.22 for the ensuing FY compared to US$0.21 booked for the 2018 FY. ECL's stock price could be valued at J$8.03 over the short term based on expected earnings. The stock price traded at J$8.00 on November 13, 2018, above its valuation and is recommended as a **HOLD**.

Conclusion

ECL is a Jamaican company established in 2001, to primarily supply food and beverage at the Sangster International Airport in Montego Bay. The company operates as a subsidiary of the Margaritaville St Lucia Inc and currently occupies a combined allocated space of over 32,000 square feet across the airport, supported by ten international and four local brands.

Through strong execution and a booming tourism industry, ECL has delivered their all-time high revenue of US$15.71 million, an increase of 10% on 2017's

US$14.23 million. Over the years, the company has also shown an improvement in efficiency, as its expense ratio has improved tremendously from 80% in 2013 to 60% in 2018. In addition, ECL is in a comfortable position to cover its short-term liabilities as their current ratio stands at 2.94 times for 2018. Additionally, the company achieved a negative cash conversion cycle, which indicates the company is getting paid by their customers long before they pay their creditors/ suppliers.

With the positive outlook from the Jamaica Tourist board as well as from management of the Sangster's International Airport, passenger inflow is expected to continue on this upward trajectory resulting in favourable outcomes for the company. The company's EPS is projected at US$0.22 for the 2019 FY end, with the stock valuing J$8.03 over the short term based on expected earnings. The stock price closed the trading period on November 13, 2018 at J$8.00 and as such, should be considered a **HOLD** at this time.


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FORUM RECAP
FOR OCTOBER 2018

The year 2017 marked a milestone for FosRich Company Limited, as the company was officially listed on the Junior Market of the Jamaica Stock Exchange (JSE) after its successful initial public offering (IPO). The lighting, electrical and solar company's IPO was oversubscribed by 100 million while raising over $200 million to further the company's growth and expansion agenda. The objective was to raise capital to expand the industrial electrical and energy solutions divisions by setting up a production facility valued at approximately $20 billion.

October's Investor Forum featured Cecil Foster, Managing Director and Peter Knibb, Chief Financial Officer, of FosRich Company Limited. They gave our audience an investor update and insight into the company's performance as well as the its plans 2018/2019.

The company continues to beat average market growth rates with profits going up 153 per cent at $10.4 million the third quarter of the year when compared to $4.1 million of the same period last year 2017. Revenue also grew to $353 million when compared to $232 million the year prior. "We feel if we strengthen the core business at FosRich, then we can do numbers that don't look like baby numbers. We are positioning ourselves to be that preferred credible person in the market", stated Foster during his presentation.

The company intends to take a bold step by venturing into manufacturing, as a part of FosRich's three-year growth plan, after having identified some gaps in fulfilling the market's existing demand. According to Foster, "We are going to be engaged in local manufacturing of a certain line of products that we know is used every day in Jamaica. And the fact is that we do this business in this line from outside Jamaica and we lose 30-35 per cent from not manufacturing it here. So, that alone is putting us in a spot where we can approach the market". This plan will result in FosRich being able to consider exporting within the Caribbean in their local line of products and thus, sustaining growth through diversification.

The market in Jamaica now has never been better. Between the booming construction activities and the demand for energy, there are no shortage of opportunities for market and revenue growth that FosRich can take advantage of. As Foster boldly declared, "We are positioning ourselves to be that preferred creditable person in the market".

FORUM HIGHLIGHTS
FOR OCTOBER 2018

At October's monthly Investor Forum, FosRich Company Limited's Managing Director, Cecil Foster (2nd left), joined here by his CFO, Peter Knibb (far right) and members of the Mayberry team, Assistant VP-Marketing, Anika Jengelley (far left), Investment Advisor and host for the evening, Christopher A Thomas (3rd left), Director of Investment Banking, Tania Waldron-Gooden (front) and Sales Manager, Cedric Stewart, gave our audience an update on his company's performance.

Members of the FosRich team come together for a photo after the evening's presentation.

FosRich's Marketing Manager, Kerry-Ann Gray, demonstrates how to operate the intelligent light bulb to Mayberry Foundation's CEO, Kayree Berry-Teape.

A Display of some of FosRich's product offerings.

Mayberry's Senior VP of Energy, Dan Theoc, engages business journalist, Steven Jackson in discussion, while Mayberry's Senior Financial Projects Analyst, Mikol Mortley listens in.

Christopher A Thomas introduces our guests for the evening, Mr Foster and Mr Knibb, during his introduction.

Peter Knibb speaks on the company's recently released financials at Mr Foster's request.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR OCTOBER 2018

	October 2018	September 2018	Change
91 Days Treasury Bills Avg. Yield (%)	1.786	1.709	0.077
182 Days Treasury Bills Avg. Yield (%)	1.954	1.869	0.085
Exchange Rate (US$: J$)	131.75	136.51	-4.76
Net International Reserves (NIR) (US$M)	2,925.33	3,026.72	-101.39

Net International Reserves

Jamaica's net international reserves (NIR) totalled US$2.93 billion as at October 2018, reflecting a decrease of US$101.39 million relative to the US$3.03 billion reported as at the end of September 2018.

Changes in the NIR resulted from an increase in foreign assets of US$108.79 million to total US$3.46 billion compared to the US$3.57 billion reported for September 2018. The decline in currency & deposits contributed the most to the decrease in foreign assets. Currency & deposits as at October 2018 totalled US$2.90 billion reflecting a decrease of US$96.03 million compared to US$2.99 billion booked as at September 2018.

Securities amounted to US$311.32 million, US$10.35 million less than the US$321.68 million reported in September 2018. Foreign liabilities for October 2018 amounted to US$534.72 million compared to the US$542.12 million reported for September 2018. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US$7.40 million decline month over month from September 2018.

At its current value, the NIR is US$159.65 million less than its total of US$3.08 billion as at the end of October 2017. The current reserve is able to support approximately 32.13 weeks of goods imports or 19.07 weeks of goods and services imports.

The country came in slightly below the benchmark of US$3.28 billion outlined by the International Monetary Fund (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".

The NIR target outlined, as per the new agreement for the 2018/19 fiscal year, is US$3.22 billion. As at October 2018, the country is US$0.29 million below the targeted amount.

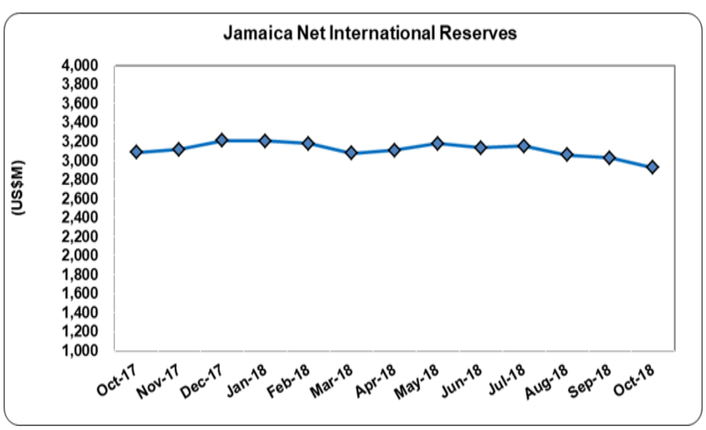

Figure 1

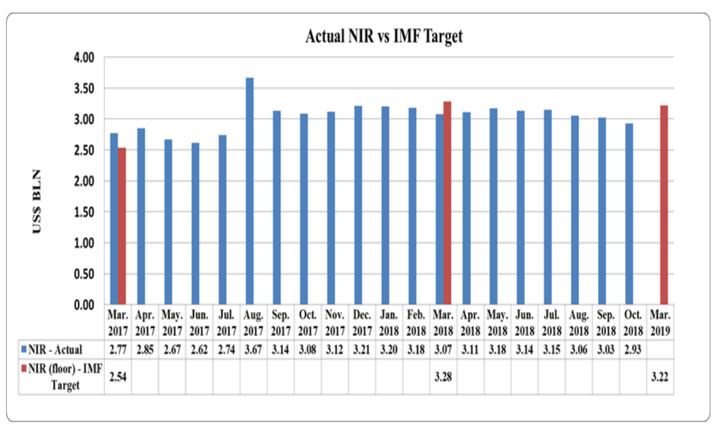

Figure 2

Jamaica Monthly Equity Market Report for October 2018

Main JSE Index: 365,133.89 points
Point Movement: 6,813.78 points
Percentage Change: 1.90%

Advance Decline Ratio: Positive
Advancers: 23 **Decliners**: 12
Traded Firm: 0

Junior JSE Index: 3,306.56 points
Point Movement: 88.46 points
Percentage Change: 2.61%

Advance Decline Ratio: Negative
Advancers: 19 **Decliners**: 20
Traded Firm: 2

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Medical Disposables & Supplies Limited	49.45%	$8.22
Mayberry Investments Limited	44.23%	$11.25
Ciboney Group Limited	41.67%	$0.17
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
Caribbean Cream Limited	-19.73%	$5.86
Jamaican Teas Limited	-17.53%	$4.00
Seprod Group Limited	-16.28%	$36.00

Total Shares Traded (Main): 191.38 million units
Total value (Main): Approx. $3.14 billion

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
Carreras Limited	55,296,085	28.89%
WISYNCO Group Limited	46,990,623	24.55%
Supreme Ventures Limited	5,981,112	3.13%

BUY HOLD SELL

Lasco Distributors Limited (LASD)

For the six months ended September 30, 2018

BUY

• LASD, for the six months ended September 30, 2018, posted 5% growth revenues to $8.78 billion, up from $8.35 billion in the corresponding period in 2017. For the quarter, revenues increased by 7% closing at $4.50 billion (2017: $4.22 billion).

• Cost of sales amounted to $7.01 billion, up 4% on the $6.71 billion reported in the prior comparable period. Within the second quarter, cost of sales went up by 6% to $3.60 billion versus $3.40 billion in the previous quarter in 2017.

• Consequently, gross profit recorded an increase of 8% year over year, closing at $1.78 billion compared to the $1.64 billion generated for same period in the prior year. However, gross profit for the quarter climbed by 10% totalling $904.25 million (2017: $822.04 million).

• Other operating income jumped significantly by 431% to end the six months period at $103.92 million relative to 19.57 million in the corresponding period last year. For the quarter, other operating income also increased significantly by 5261% to $61.23 million (2017: $1.14 million).

• Operating expenses of $1.38 billion was booked for the six months, a growth of 13% on $1.21 billion recorded for the comparable period of 2017. Operating expenses went up by 21% for the second quarter amounting to $716.73 million (2017: $591.06 million). LASD highlighted that, "During the period, the company increased its investment in marketing to support the introduction of its new carbonate drinks LYRIX, energy drink KONKA as well as its 50% less sugar LASCO Food drink which were recently launched".

• Operating profit improved by 12% to close at $502.49 million for the period under review. For the quarter, there was a 7% growth posted closing at $248.75 million relative to $232.13 million in the prior comparable quarter in 2017.

• Finance cost increased by 32%, totalling 323,000 for the period compared to $245,000 in the year prior.

• Pre-tax profits amounted to $502.17 million, an increase of 12% from the $448.96 million in the previous year. Pre-tax profits saw a 7% increase in the second quarter closing at $248.60 million (2017: $232.02 million).

• Net profit for the period closed at $463.72 million (2017: $408.50 million), a 14% climb year over year. As for the second quarter, net profit increased by 9% to $230.08 million (2017: $211.64 million).

• Earnings per share (EPS) for the six months ended September 2018 totalled $0.13 versus $0.12 for the corresponding period in 2017. For the quarter, EPS amounted to $0.07 (2017: $0.06). The trailing twelve months EPS is $0.30. The total amount of shares outstanding used for this calculation was 3,497,615,571 units. Notably, LASD closed the trading period on November 06, 2018, at $3.99.

Medical Disposables & Supplies Limited

For the six months ended September 2018

HOLD

• Revenue amounted to $1.04 billion, an increase of 8%, relative to $964.89 million booked the previous year. For the second quarter revenues totalled $500.85 million up 3% year over year (2017: $484.30 million). MDS noted, "This positive performance was driven by increased sales in all divisions of the business operations showing very encouraging results".

• Cost of sales went up 6% to close the period at $800.44 million relative to the $756.41 million reported for the same period last year. This resulted in gross profit which increased 16% or $33.05 million to a total of $241.52 million relative to the $208.47 million for the corresponding period in 2017. Gross profit for the second quarter amounted to $124.59 million, an 18% improvement compared to the $105.97 million reported in 2017.

• Total operating cost closed the period at $169.24 million, up 4% (2017: $162.85 million). Of this, selling and promotional costs declined 2% to $64.79 million (2017: $66.41 million). In addition, administrative expenses increased by 12% to $96.76 million from $86.70 million last year. Notably, the company booked other operating income of $1.85 million for the period ended September 30, 2018 relative an expense of $92,105 of the same period in 2017. The company highlighted that this was to "Sustain the current growth, development and continued expansion of the business, the company increased its investment in human capital including improvement to its existing infrastructure". Depreciation for the first six month amounted to $12.23 million, 4% more than the $11.81 million reported in 2017.

• The company's loss on foreign exchange was reported at $20.11 million compared a gain of $2.72 million in 2017 which according to management was, "calculated on the cost of goods purchased due to the devaluation of the Jamaican (J) Dollars to the United States (US) currency". Finance cost increased by 4% to total $17.37 million. (2017: $16.73 million).

• As a result, MDS reported profit before tax of $34.80 million, a 10% increase relative to the $31.63 million in 2017.

• Consequently, net profit for the period amounted to $34.77 million relative to $31.57 million in 2017, a 10% improvement year over year, after a tax charge of $30,000 for the period. Net profit for the quarter amounted to $15.68 million (2017: $15.91 million).

• EPS for the period amounted $0.13 (2017: $0.12). EPS for the quarter amounted to $0.06 relative to $0.06 in 2017. The trailing twelve-month EPS amounted to $0.429. The number of shares used in the calculations is 263,157,895. MDS last traded on November 12, 2018 at $ 8.00.

Barita Investments Limited (BIL):

For the year ended September 30, 2018

SELL

• BIL interest income declined 10% to $1.02 billion relative to $1.13 billion for the previous year. Interest expense also declined by 29% to close at $599.66 million compared to $847.44 million in 2017. As a result, net interest income for the year increased by 48% to $424.40 million relative to $286.87 million in 2017. Net interest income for the fourth quarter amounted to $117.44 million compared to $68.70 million in 2017. Management noted, "we recorded significant gains in most of our key revenue drivers, namely fee & commission income, foreign exchange gains, and dividend income".

• Dividend Income rose 54% for the year to total $31.78 million compared to the $20.59 million earned in 2017. Gains on sale of investment declined by 47%, to $136.45 million (2017: $259.32 million). Income from fees & commissions however rose by 11%, to close at $527.03 million (2017: $475.73 million). Management noted fees and commission income, "continues to benefit from growth in our managed funds".

• Foreign exchange trading and translation gains climbed to a total of $187.95 million for the period, compared to $45.48 million recorded for the previous year. BIL reported other losses of $7.18 million versus an income of $22 million reported in 2017. As such, net operating revenue amounted to $1.30 billion, 17% above last year's $1.11 billion. Net operating income for the fourth quarter improved 61% to close at $458.69 million relative to $284.17 million in 2017.

• Staff costs for the year amounted to $394.14 million, increasing 16% from $340.58 million in 2017. Administration expenses costs also climbed 10% to total $370.65 million (2017: $337.50 million), due to increases in asset tax, Barita Education Foundation expenses and bad debt provisioning".

• Notably, BIL reported no Impairment of available-for-sale investment relative to the $100.16 million reported in 2017.

• As such, the company booked profit before taxation of $535.63 million, a 61% increase on the $331.74 million documented in 2017. Profit before tax for the quarter amounted to $235.43 million compared to $85.36 million in 2017. Administrative expenses reflected, "increases in asset tax.

• Consequently, the company reported net profits of $373.97 million, an increase of 84% relative to the $203.02 million booked in 2017; this followed taxation of $161.67 million (2017: $128.72 million). Net profit for the fourth quarter jumped to $193.40 million versus $46.64 million for the same quarter of 2017.

• Total comprehensive income for the year amounted to $736.21 million compared to $171.82 million twelve months earlier.

• EPS for the year totalled $0.84 relative to $0.46 in 2017. The EPS for the fourth quarter amounted to $0.43 compared to $0.10 for the prior year. The number of shares used in our calculations amounted to 445,876,824 units. Notably, BIL closed the trading period on November 07, 2018 at a price of $19.12.

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.