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CEO CORNER

JAMAICA'S ECONOMIC OUTLOOK FOR 2018/2019

PAGE: 2

JAMAICA COULD REACH GROWTH LEVELS BETWEEN 5 AND 10 PER CENT

ACCORDING TO WORLD BANK REPRESENTATIVE

PAGE: 3

COMPANY ANALYSIS

CARIBBEAN PRODUCERS (JAMAICA) LTD (CPJ)

PAGE: 5

ECONOMIC HIGHLIGHTS

FOR MAY 2018

PAGE: 14

BUY · HOLD · SELL

PAGE: 16

For June's edition of our monthly Investor Forum, our guest speaker Katia Denise Henry, Attorney-at-Law Estate Planning Consultant, provided the audience with the fundamentals of Estate Planning.

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JUNE 2018

CEO CORNER

Jamaica's Economic Outlook For 2018/2019

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

Former Minister of Finance, the Hon Audley Shaw, while he was still in office, stated that as Jamaica sets its targets to maintain macroeconomic stability, the government forecast a real GDP growth of 2.4 per cent for FY 2018/19, where the budget is estimated to generate a primary surplus of $141.1 billion, still in line with the 7.0 per cent of GDP. He further elaborated that through ongoing fiscal consolidation to stabilise the economy and a more proactive debt management strategy, Jamaica's public debt-to-GDP ratio continues to decrease, to close FY 2017/18 with a ratio of 104 per cent, well below the targeted debt levels of 111 per cent of GDP. For the FY 2018/19 and FY 2019/20, debt-to-GDP is expected to be 98 per cent and 93 per cent respectively, as the government aims to bring the public debt-to-GDP down to 60 per cent by FY 2025/26. This will facilitate more spending on infrastructure, citizen security, building agricultural resilience, health, education, and the social safety net.

Although the Governor of the Bank of Jamaica (BOJ), Brian Wynter, believes that the economy's recovery is still lethargic, the bank expects inflation for the next eight quarters to continue to fall to the lower half of the 4.0 per cent to 6.0 per cent target before rising to around 5.0 per cent. He also spoke to his decision to maintain the policy rate at 2.50 per cent to be steady with the assessment that there is a relatively low risk of future inflation rising above the set target, as food prices are expected to decline because of a recovery in agricultural supplies.

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

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

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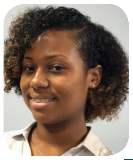

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Jamaica could reach growth levels between 5 and 10 per cent

According to World Bank representative

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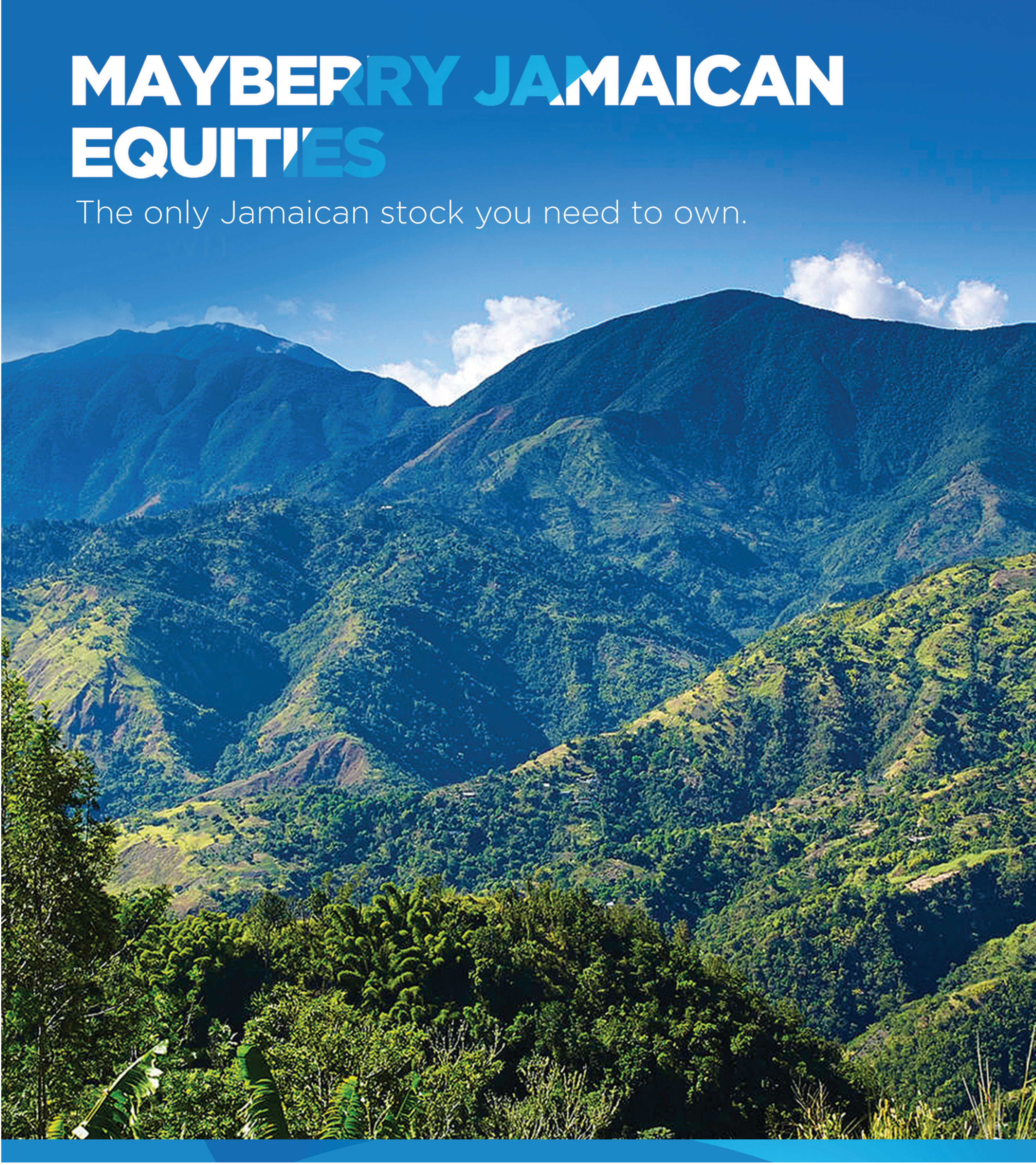
World Bank Business Regulations Manager, Catherine Masinde, urged investors to invest in Jamaica given its improved economic indicators at the recently concluded Jamaica Investment Forum 2018. She stated that Jamaica is a great place for doing business, not only because of its beaches and its beauty, 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 Ms 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.



Sustaining our **growth**,
Investing in Jamaica, land we love.

COMPANY ANALYSIS
CPJ

Executive Summary

Caribbean Producers Jamaica Limited (CPJ) is one of Jamaica's leading manufacturers, distributors and foodservice retailers within the hospitality and retail sector. The company has been in operation for 23 years and provides a wide assortment of internationally and locally manufactured products such as wines, spirits, beverages, groceries, meats and select seafood. The products and services are offered locally and throughout the Caribbean. The CPJ Group comprises its headquarters in Montego Bay, CPJ Market, Deli and Cru Bar and Kitchen, located in Kingston, as well as CPJ St Lucia and CPJ Investments Limited. The company holds 100 per cent of its subsidiary CPJ Investments Limited, incorporated on September 2013, which acts as a holding company of 51 per cent investment in CPJ (St Lucia) Limited.

In the financial year (FY) 2018, the company was successful in closing a private placement of notes amounting to J$500 million. These funds are expected to be used to pay out debts that the company currently holds as well as finance the expansions of its operations. CPJ aims to enter the tourism industry, more specifically the cruise sector, which the company suggested is as a 'underserved market' but is an opportunity for future growth. Under the leadership of Dr David Lowe and following the restructuring and reorientation of the business model, the Group is fully prepared to move the company forward.

CPJ's gross operating revenues have gradually increased over the last five-years, moving from $69.37 million in the 2013 FY to $98.29 million. This represents growth at a compounded annual rate (CAGR) of 9 per cent. There was a 4 per cent increase in gross operating revenues year over year. Cost of operating revenue has moved from $69 million in 2016 to $71.16 million, a 3 per cent increase and has grown at a CAGR of 10 per cent. CPJ booked net profit attributable to stockholders of $2.55 million, an increase of 144 per cent year over year.

Earnings per share (EPS) for the 2018 FY is estimated at $0.28 relative to the $0.23 booked for the FY 2017. All financials for CPJ are reported in US dollars unless stated otherwise could be valued at J$8.24 based on expected earnings. Additionally, the stock price traded at J$4.96 on June 12, 2018, below its valuation. Given these factors, the stock is recommended as a BUY.

Company Background

CPJ was started in 1994 by Mark Hart and Thomas Tyler. The vision of the two individuals was to focus on providing the hospitality industry with consistent service and quality products. The company began operations with the sale of a container of Eversoft toilet paper from a 10,000 square feet (sq ft) warehouse located in the Sagicor Complex in the Montego Freeport region, St. James. CPJ's headquarters (HQ) is currently located at Freeport with the distribution and manufacturing sector comprising 125,000 sq ft of refrigerated and dry warehouse, office and manufacturing space. There are an additional 20,000 sq ft of satellite warehouses, including a private bonded warehouse.

CPJ is divided into two areas: operations and revenue divisions. The operations division consists of maintenance, juice plant, meat processing plant, warehouse and shipping, whilst the revenue department includes CPJ Market which is located in Kingston, Montego Bay as well as online. The company has been manufacturing juice concentrate and slush specifically for the hotel industry since 1999, expanding to retail trade as Cariburst 13 years later. The range of international and locally manufactured products includes beverages for every occasion, delicious dairy, favourite groceries and the finest selection of meats and seafood. CPJ has commenced processing and distributing of its own branded meat products such as ham burgers, sausages, bacon and ready-to-cook pork products since 2013.

In addition to its HQ in Montego Bay, CPJ Market, Deli and Cru Bar and Kitchen, CPJ St Lucia and CPJ Investments Limited are the other subsidiaries of the Group. The CPJ Market is the Group's largest retail outlet, so far offering a wide range of products at competitive prices. The Deli offers of ready-to-serve foods, including soups, sandwiches, cut cheeses, cold cooked meats, salads, juices and coffee. CPJ's Deli at the Courtyard in the Golden Triangle is a popular place to have a quick power lunch or even a lengthy work session with access to the free WI-FI is offers. Also, the Cru Bar and Kitchen provides savoury dishes and premium drinks. In 2014, CPJ St Lucia was established as a joint business venture with the Duboulay family. The subsidiary began operations in a 25,000 sq ft warehouse in Castries as a food service distributor, selling products that include produce, mainly to the St Lucian tourism sector.

Today, the Group distributes internationally renowned wine and spirits brands such as Rémy Cointreau, Yellow Tail, Concha y Toro, Francis Ford Coppola and Jackson Family Wines, Jack Daniels, Patron, as well as the full range of Bacardi products including Grey Goose and Dewar's White Label. Bellot and Fiji Water are premium beverages distributed along with its exclusive Lifespan water, which has been doing well in local trade. Additionally, the company distributes `Kerrygold', a key food brand offering cheese and butter products.

CPJ recently concluded a successful private placement of notes amounting to $500 million. The proceeds from the debt raise are expected to pay out existing high cost debts and to fund the expansion of the company's operations as it plans to enter the cruise sector.

SWOT ANALYSIS

STRENGTHS:
- One of the leading hospitality and retail companies in Jamaica
- Offers a wide array of quality products and high level of services
- Foreign exchange earner

WEAKNESSES:
- The dependability on favorable outcomes within the tourism sector

OPPORTUNITIES:
- Expansion of services into the cruise sector
- Investment in technology so as to enhance efficiency
- Addition of distribution building which will promote growth for the business
- Realigned business model to aid in competitive advantages
- Increase in products offered

THREATS:
- Less growth within the retail industry as the market is becoming saturated

Operational Analysis

Caribbean Producers Jamaica Limited (CPJ) 5 Year Financial Performance

In USD	Jun. 2013 $'000	Jun. 2014 $'000	Jun. 2015 $'000	Jun. 2016 $'000	Jun. 2017 $'000	Change (YoY) %	CAGR (5 year) %
Gross Operating Revenue	69,368	79,006	86,850	94,104	98,289	4%	9%
Cost of Operating Revenue	(49,463)	(56,075)	(62,126)	(68,998)	(71,156)	3%	10%
GROSS PROFIT	19,905	22,931	24,724	25,106	27,133	8%	8%
Selling and Administrative Expenses	(13,474)	(15,970)	(17,590)	(20,237)	(20,036)	-1%	10%
Depreciation	(1,566)	(1,760)	(2,164)	(2,449)	(2,642)	8%	14%
Profit before finance income, finance costs and taxation	4,948	5,496	5,332	2,553	4,618	81%	-2%
Finance Income	1	1	4	13	1	-92%	-4%
Finance Cost	(1,810)	(1,984)	(2,022)	(1,856)	(1,762)	-5%	-1%
Profit Before Taxation	3,087	3,453	3,276	721	2,857	296%	-2%
Taxation	106	7	163	330	(268)	-181%	
Net Profit	3,193	3,460	3,439	1,051	2,590	146%	-5%
Attributable to shareholders	3,193	3,459	3,544	1,048	2,555	144%	
EPS in cents	0.29	0.31	0.32	0.10	0.23	144%	-5%

The company's gross operating revenues have gradually climbed over the five-year period, increasing from $69.37 million in the 2013 FY to $98.29 million in 2017. This represents a CAGR of 9 per cent. Gross operating revenues increased by 4 per cent year over year from the previous period (2016: US $94.10 million). This steady growth resulted from the company's expansion into the Caribbean region with its subsidiary CPJ St Lucia, which added to the Group's customer base, the start-up of a food processing centre, as well as growing sales in the retail trade by including new varieties of products and widening its product offerings.

Cost of operating revenue increased over the last five years by a CAGR of 10 per cent to close the period at $71.16 million. Over the last year, this increased from $69 million, a 3 percent improvement. These increases were due largely to the establishment of the new subsidiary, additional food processing and expansion within the retail space. Selling and administration inched down in 2017 but had an increased CAGR of 10 per cent between 2013 and 2017.

Profit before finance income, finance costs and taxation showed a robust growth of 81 per cent over the last year and stood at $4.62 million for the FY 2017. However, the Group saw a slight decline for the previous 5 years by a CAGR of 2 per cent.

Additionally, finance costs decreased year over year by 5 per cent to end FY 2017 at $1.76 million, whilst finance income declined to $953 million.

Profit before taxation closed the period at $2.86 million in 2017 (2016: $1.86 million), a 296 per cent climb, but fell by 2 per cent for the last 5 years following taxation of $267,563 (2016: $329,505).

Net profit attributable to shareholders moved from $1.05 million in 2016 to $2.59 million in 2017, whilst non-controlling interest saw a strong increase to close at $34,743 million in 2017 from $2,636 million in 2016.

Consequently, EPS for 2017 was reported at $0.23, an increase over the prior year's $0.10.

CARIBBEAN PRODUCERS JAMAICA LIMITED

Balance Sheet Analysis

CPJ's 5 Year Balance Sheet							
USD	June.2013 $'000	June.2014 $'000	June.2015 $'000	June.2016 $'000	June.2017 $'000	Change (YoY) %	CAGR (5 year) %
Cash and cash equivalents	3,127.31	2,995.32	3,049.48	4,004.92	2,763.27	-31%	-3%
Accounts receivable	11,092.20	13,576.05	12,121.20	13,159.89	13,908.76	6%	6%
Inventories	17,956.77	18,597.75	23,899.08	24,266.45	24,625.35	1%	8%
Total Current Assets	32,176.28	35,169.12	39,069.76	41,431.25	41,297.38	0%	6%
Deferred tax asset	88.45	95.51	258.65	588.16	797.29	36%	73%
Total Non-Current Assets	11,318.93	12,009.81	13,760.92	14,416.78	13,277.08	-8%	4%
TOTAL ASSETS	43,495.20	47,178.93	52,830.68	55,848.03	54,574.46	-2%	6%
Short-term loans	5,100.00	6,325.00	4,925.00	5,100.00	2,500.00	-51%	-16%
Accounts payable	5,481.64	4,836.87	6,558.32	7,984.93	7,237.08	-9%	7%
Total Current Liabilities	14,957.14	16,022.54	16,688.36	18,693.66	15,352.21	-18%	1%
Total Non-Current Liabilities	15,497.73	14,968.55	17,383.14	17,887.41	17,365.65	-3%	3%
TOTAL LIABILITIES	30,454.87	30,991.10	34,071.49	36,581.07	32,717.86	-11%	2%
Accumulated surplus	8,141.90	11,289.40	13,969.97	14,475.11	17,030.01	18%	20%
Equity attributable to shareh	13,040.33	16,187.83	18,868.40	19,373.54	21,928.44	13%	14%
Non-controlling interest	-	-	(109.22)	(106.58)	(71.84)	-33%	
Total Shaeholder's Equity	13,040.33	16,187.83	18,759.18	19,266.96	21,856.61	13%	14%
Total Liabilites and Equity	43,495.20	47,178.93	52,830.68	55,848.03	54,574.46	-2%	6%

CPJ's assets decreased to $54.57 million in 2017 (2016: $55.85 million). However, over the last five years, total assets have grown at a CAGR of 6 per cent from $43.50 million in 2013. The contraction year over year resulted from an 8 per cent fall in non-current assets, driven by a 10 per cent decline in property, plant & equipment to $12.25 million (2016: $13.67 million). The movement year over year was tempered by a $748,876 million increase in accounts receivables, which closed at $13.91 million (2016: $13.16 million). Inventories increased 1 per cent to $24.63 million (2016: $24.27 million), while deferred taxes totalled $797,291 million (2016: $588,155 million). Cash and cash equivalents declined 31 per cent or $1.24 million to close the year at $2.76 million (2016: $4 million).

Total liabilities decreased by 11 per cent to $32.72 million relative to $36.58 million. However, over the 5-year period, total liabilities went up by a CAGR of 2 per cent from $30.45 million in 2013. The contraction year over year was due to a decline in short-term loans by 51 per cent to $2.50 million (2016: $5.10 million). Accounts payable, which accounted for 22 per cent of total liabilities declined to $7.24 million.

The Group's equity base improved 13 per cent during the year to total $21.93 million in 2017, compared to $$19.37 million in 2016 and $13.04 million five years earlier. The capital growth for the Group in 2017 was mainly driven by an 18 per cent increase in accumulated surplus.

Ratio Analysis

CPJ's Profitability Ratios	2013	2014	2015	2016	2017
Revenue Growth	3%	14%	10%	8%	4%
Gross Profit margin	29%	29%	28%	27%	28%
EBITDA Margin	5%	5%	4%	0%	2%
Pretax Margin	4%	4%	4%	1%	3%
Net Profit margin	5%	4%	4%	1%	3%
Return on Average Assets	8%	8%	7%	2%	5%
Return on Average Equity	27%	24%	20%	6%	13%

Revenue growth over the previous 5 FYs peaked in 2014 at 14 per cent due to the introduction of the meat processing facility, which commenced at the latter part of 2013, producing a wide range of new products for the local and international markets. EBITDA margin was affected by these additional operations with its associated costs at 5 per cent in 2013 as compared to 2 per cent in 2017. The Group's net profit margin over the five-year period reflects a downward movement from 5 per cent in 2013 to 3 per cent in 2017.

The return on average shareholder's equity (ROAE) over the previous five years fell from 27 per cent in 2013 to 13 per cent in 2017. However, the ROAE grew on a year over year (2016/2017) basis, indicating that shareholders received more income on each dollar of equity. This was due in part to accumulated surplus, which positively impacted shareholders' equity. Return on average assets declined over the five-year period to end at 5 per cent (2013: 8 per cent). The ratio declined for the years 2015 and 2016 at 7 per cent and 2 per cent respectively.

CPJ's Ratios	2013	2014	2015	2016	2017
Receivables Turnover	6.14	6.41	6.76	7.44	7.26
Days of Sales O/S	59.44	56.98	54.00	49.03	50.26
Inventory Turnover	2.94	3.07	2.92	2.87	2.91
Days of Inventory on hand	124.26	118.97	124.84	127.40	125.40
Payables Turnover	10.28	10.99	11.83	9.54	9.40
# of Days of Payables	35.49	33.20	30.84	38.26	38.85
Total Assets Turnover	1.73	1.74	1.74	1.73	1.78
Fixed Asset Turnover	6.88	6.77	6.74	6.68	7.10
Working Capital Turnover	4.64	4.35	4.18	4.17	4.04

The accounts receivables turnover ratio for CPJ has increased between the years 2013 and 2017, moving from 6.14 times to 7.26 times. This shows CPJ's ability to collect from its debtors efficiently. The days sales outstanding ratio decreased from 59.44 days to 50.26 days, indicating the length of time it takes for CPJ to collect receivables after a sale has been made. The accounts payable turnover ratio fell to 9.40 times (2017) from 10.28 times in 2013, showing the rate at which CPJ repays its suppliers is a shorter time-frame. Notably, the days payable outstanding ratio increased from 35.49 days to 38.85 days over the 5-year period, indicating that CPJ takes roughly 38.85 days to pay its invoices from suppliers is a shorter time frame.

CPJ's inventory turnover ratio declined slightly from 2.94 times in 2013 to 2.91 times in 2017. The days sales of inventory on hand ratio climbed during the 5 year period, moving from 124.26 days in 2013 to 125.40 days in 2017. This demonstrates that it takes CPJ 125.40 days to turn its inventory into sales. CPJ's asset turnover ratio as at June 30, 2017 was 1.78, showing the company's efficiency in utilising its assets to generate revenues. Its working capital turnover inched down to 4.04 (2013: 4.64), showing the company's efficiency in using its working capital to support a given level of sales.

COMPANY ANALYSIS

CPJ

CARIBBEAN PRODUCERS JAMAICA LIMITED

Peer Analysis

Sector Comparison							
CPJ				**CAC**			
Year	**2015**	**2016**	**2017**	**Year**	**2015**	**2016**	**2017**
Debt-to-Equity	132%	133%	100%	Debt-to-Equity	201%	161%	131%
Debt-to-Assets	47%	46%	40%	Debt-to-Assets	66%	61%	56%
Return on Average Equity	20%	6%	13%	Return on Average Equity	22%	26%	3%
Return on Average Assets	7%	2%	5%	Return on Average Assets	7%	2%	11%
DTL				**FOSRICH**			
Year	**2015**	**2016**	**2017**	**Year**	**2015**	**2016**	**2017**
Debt-to-Equity	115%	164%	125%	Debt-to-Equity	106%	76%	52%
Debt-to-Assets	34%	41%	39%	Debt-to-Assets	35%	27%	25%
Return on Average Equity	22%	23%	29%	Return on Average Assets	0%	3%	5%
Return on Average Assets	6%	6%	8%	Return on Average Equity	1%	8%	11%
LASD				**MDS**			
Year	**2015**	**2016**	**2017**	**Year**	**2015**	**2016**	**2017**
Debt-to-Equity	0%	6%	9%	Debt-to-Equity	80%	45%	55%
Debt-to-Assets	0%	3%	5%	Debt-to-Assets	34%	20%	26%
Return on Average Equity	21%	22%	16%	Return on Average Equity	23%	22%	19%
Return on Average Assets	12%	12%	9%	Return on Average Assets	11%	9%	9%
JETCON				**Industry Averages**			
Year	**2015**	**2016**	**2017**		**2015**	**2016**	**2017**
Debt-to-Equity	5%	2%	3%	Debt-to-Equity	91%	84%	68%
Debt-to-Assets	4%	2%	2%	Debt-to-Assets	31%	29%	28%
Return on Average Equity	-	49%	42%	Return on Average Equity	15%	21%	18%
Return on Average Assets	-	41%	35%	Return on Average Assets	6%	11%	12%

In 2015 and 2016, CPJ maintained a preference for the use of debt in financing its operations as opposed to equity. However, this changed in 2017, as the Group used equally debt and equity for financing. The debt to assets ratio decreased to 40 per cent in 2017, from the 47 per cent recorded in 2015. Compared to the companies in CPJ's sector, the company's return on average equity of 13 per cent is below the sector's average of 18 per cent. This is a measurement of CPJ's ability to generate a return with each dollar of shareholders' equity. The company's return on assets of 5 per cent is the lowest of its peers and below the sector average of 12 per cent. This shows CPJ's efficiency in using its assets to generate earnings.

CPJ's Cash Conversion Cycle relative to Retail Companies

Cash Conversion Cycle for Retail Companies	2013	2014	2015	2016	2017
Caribbean Producers Jamaica (CPJ)	148.21	142.75	147.99	138.16	136.81
Derrimon Trading Limited (DTL)	3.37	22.53	30.14	40.68	45.42
Lasco Distributors Limited (LASD)	45.10	46.43	42.29	23.82	20.34
Jetcon Corporation Limited (JETCON)	-	-	72.99	96.64	137.42
CAC 2000Limited (CAC)	-	-	76.48	54.23	50.83
Fosrich Company Limited (FOSRICH)	-	296.07	261.01	210.44	232.22
Medical Disposables and Supplies (MDS	281.96	74.82	79.70	77.95	77.45

CPJ's cash conversion cycle for 2017 was 136.81 days, underperforming against the industry average. The industry average of seven companies for the cash conversion cycle for 2017 is 100.07 days. This reflects the company's ability to convert resource inputs into cash flows and also indicates that CPJ's liquidity position which is better than that of some of its peers with a shorter cycle. Among these companies, CPJ's has the third highest cash conversion cycle for 2017.

Performance Year to Date

Caribbean Producers Jamaica (CPJ)			
For the period ended	**March.2017**	**March.2018**	**Change**
USD	**$'000**	**$'000**	**%**
Gross Operating Revenue	72,332.65	81,649.73	13%
Cost of Operating Revenue	(52,168.95)	(59,373.13)	14%
GROSS PROFIT	20,163.70	22,276.60	10%
Selling and Administrative Expenses	(14,550.50)	(16,341.34)	12%
Depreciation	(2,012.63)	(1,855.38)	-8%
Other operating income/(expenses), net	61.97	72.89	18%
Profit before finance income, finance costs and taxation	3,662.54	4,152.78	13%
Finance Income	0.91	0.32	-65%
Finance Cost	(1,451.31)	(1,361.60)	-6%
Profit Before Taxation	2,212.13	2,791.50	26%
TAXATION	(276.52)	(249.23)	-10%
NET PROFIT	1,935.62	2,542.27	31%
Attributable to shareholders	1,901.73	2,310.25	21%
Non-controlling interest	33.89	232.02	585%
Total	1,935.62	2,542.27	31%
EPS in cents	0.173	0.210	21%

CPJ's Year to date (nine months) performance:

Revenues grew 13 per cent from $72.33 million, to close the period at $81.65 million compared to the prior year. For the third quarter, the company posted a 6 per cent growth in revenues to close at $27.74 million relative to $26.30 million for the same quarter of 2017. CPJ noted that, "Sales efforts were geared towards a focused approach to developing market share with the innovation of new product offerings. Sales of Dairy, Dry Goods and Wine increased in key target markets".

Cost of goods sold showed a 14 per cent increase, closing the period at $59.37 million relative to $52.17 million for the corresponding period in 2017. For the quarter, the company recorded a 5 per cent increase in cost of goods sold to close at $19.85 million relative to $18.89 million for the comparable period in 2017.

Consequently, CPJ recorded a 10 per cent increase in gross profits to $22.28 million (2017: $20.16 million) for the nine months. Gross profits for the quarter also improved to $7.89 million from $7.40 million in 2017. The Company noted, "CPJ St Lucia contributed US$2.58 million or 11.6 per cent of the gross profit".

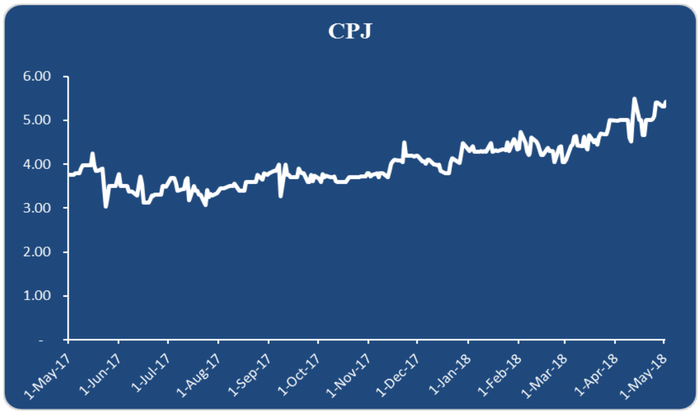
Selling and administrative expenses were $16.34 million, a 12 per cent increase on the $14.55 million posted for the prior year. The company stated that this was, "primarily due to exchange movement on Jamaican dollar expenses versus United States revenues as well as growth related expenses in offshore operations".

Depreciation fell by 8 per cent, closing the period at $1.86 million (2017: $2.01 million). Other operating income totaled $72,894 million, which compares to an operating income of $61,969 million booked in 2017. Profit before finance costs and income and taxation improved by 13 per cent to total $4.15 million relative to $3.66 million in 2017.

Finance costs amounted to $1.36 million (2017: $1.45 million). Finance income decreased by 65 per cent to close at $320 million (2017: $909 million). As such, profit before taxation was $2.79 million compared to a profit of $2.21 million in 2017.

Net profit attributable to shareholders for the nine months was $2.31 million (2017: $1.90 million), while for the quarter, net profit was $847,119 million. This reflects a 9 per cent decline when compared to the net profit of $929,172 million booked last year. As a result, EPS for the nine months was $0.21 compared to $0.17 in 2017. EPS for the quarter was $0.077 cents relative to $0.084. The trailing twelve-month EPS was $0.271. The number of shares used in the calculations was 1,100,000,000 units.

Price History



The company's stock price appreciated 36 per cent in the FY 2017: CPJ's stock price opened the year at J$4.30 on January 2, 2018 and closed the last trade on June 12, 2018 at J$4.96. This represents an appreciation of 15 per cent since the start of the year.

Abridged P&L including 2018 FY projection

CPJ's Profit & Loss (P&L)			
For the year ended	**June.2017**	**June.2018**	**Change (YoY)**
USD	**$'000**	**$'000**	**%**
Gross Operating Revenue	98,288.97	108,117.87	10%
Cost of Operating Revenue	(71,155.67)	(77,844.86)	9%
GROSS PROFIT	27,133.30	30,273.00	12%
Selling and Administrative Expenses	(20,036.44)	(22,040.08)	10%
Profit before finance income, finance costs and taxation	4,618.40	5,635.36	22%
Profit Before Taxation	2,857.21	3,820.32	34%
Taxation	(267.56)	(343.83)	29%
Net Profit	2,589.65	3,476.49	34%
EPS in cents	0.23	0.28	

CPJ's Projection for FY 2018

The company has experienced a few transitions, including the appointment of a new CEO, Dr David Lowe, the review of its business and the realignment of its strategic plans to propel growth and add value for shareholders. These changes along with the five business streams, the company's endeavour to offer the best products and services to its clients and its resources are expected to result in sustained growth for the future. As such, we anticipate the following for CPJ for the 2018 FY:

•Gross operating revenue is expected to increase based on the intentions of the company to tap into the tourism industry, targeting the cruise sector to create more business opportunities. The finalised plans for their state-of-the-art 65,000 sq ft mixed-use distribution building would form a part of the business evolution that is expected to contribute to the Group's revenue base.

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

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

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

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

Conclusion

CPJ is recognised nationally as a leading distributor of food, non-food, wines and spirits. The company prides itself on proving excellent service delivery and products to meet the needs of its customers in both institutional and the local retail market. CPJ underwent a few transitions, including the appointment of a new CEO, Dr David Lowe, along with various strategic changes and the implementation of a new business model. The company aims 'to be the best food service distributor in Jamaica and the Caribbean'.

CPJ's reported gross operating revenues of $98.29 million and profit attributable to shareholders of $2.55 million. There has been improvement in CPJ's profitability year over year. Additionally, over the five year period under review, the company has seen positive movement in its revenues. CPJ's EPS moved from $0.29 in 2013 to $0.23 in 2017. The company's profitability ratios have all shown increases year over year, reflecting an improvement in efficiency. The company has a cash conversion cycle of 136.81 days, the third highest when compared to its peers.

CPJ's EPS is projected at $0.28 for the 2018 FY end, with the stock valuing J$8.24 over the medium to long term based on expected earnings. The stock price closed the trading period on June 12, 2018 at $4.96 and as such, is considered a **BUY** at this time.

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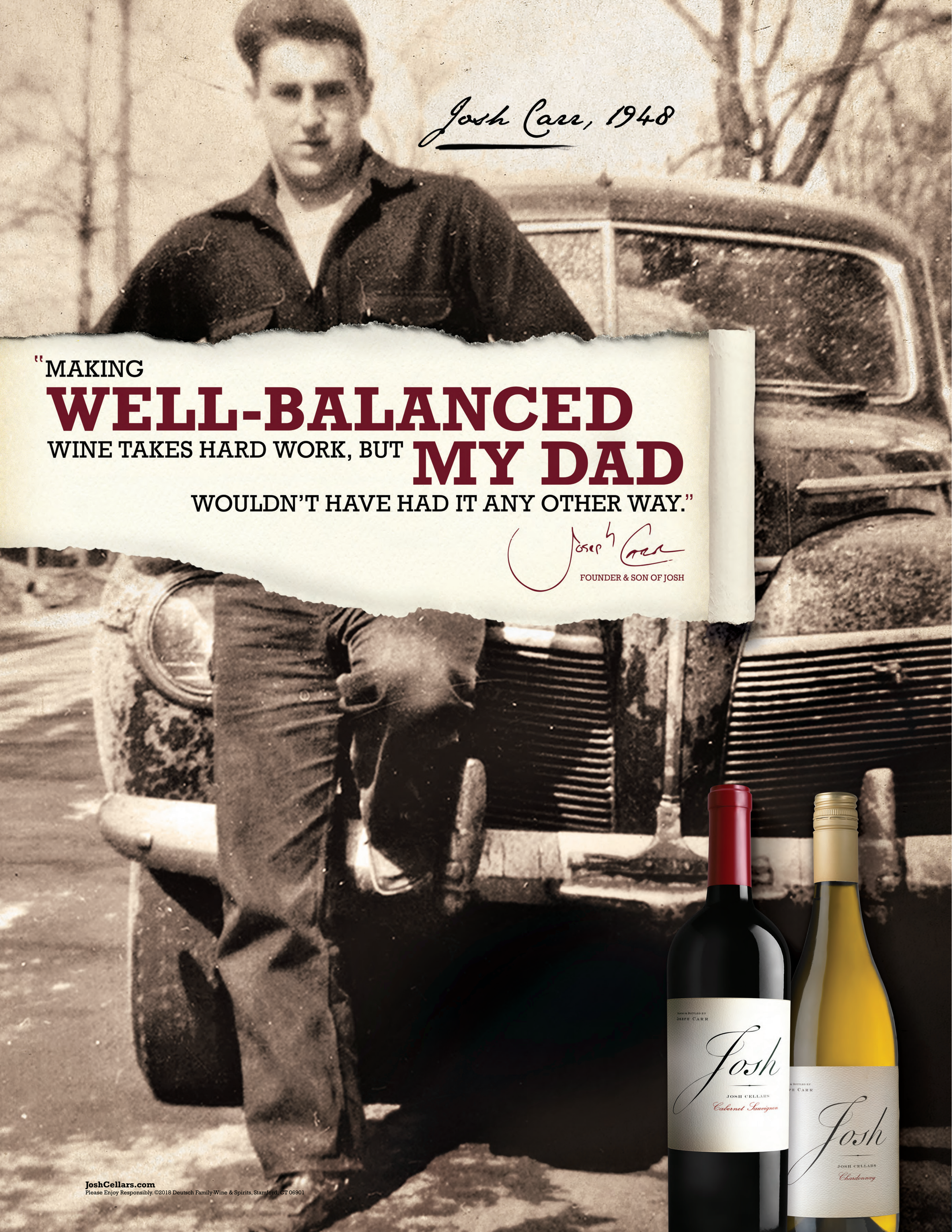

Josh Carr, 1948
"MAKING
WELL-BALANCED
WINE TAKES HARD WORK, BUT MY DAD
WOULDN'T HAVE HAD IT ANY OTHER WAY."
Joseph Carr
FOUNDER & SON OF JOSH
JOSEPH CARR
Josh
JOSH CELLARS
Cabernet Sauvignon
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FORUM HIGHLIGHTS
FOR MAY 2018

Mayberry's Executive Investment Advisor, Okelia Parredon (left) and Assistant VP of Marketing, Anika Jengelley (right), joined in a conversation with Katia Denise Henry after her presentation.


Mis Henry making her presentation.


Audience member, poses a question to Mis Henry during the programme's Q & A.


Executive Investment Advisor and host for the evening, Okelia Parredon, during her opening remarks.


The audience listens attentively during the presentation.


Investment Advisor, Jevaughn Johnson presents Mis Henry with a token of appreciation after her presentation.


Shane Hussett, Investment Advisor, during his vote of thanks for the evening's presentation.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR MAY 2018

	April 2018	May 2018	Change
91 Days Treasury Bills Avg. Yield (%)	2.818	2.712	- 0.106
182 Days Treasury Bills Avg. Yield (%)	2.979	2.826	- 0.153
Exchange Rate (US$: J$)	125.35	126.38	1.03
Net International Reserves (NIR) (US$M)	3,106.57	3,175.88	69.31

Net International Reserves

Jamaica's Net International Reserves (NIR) totalled US $3,175.88 million as at May 2018, reflecting an increase of US $69.31 million relative to the US $3,106.57 million reported as at the end of April 2018.

Changes in the NIR resulted from an increase in foreign assets of US $51.44 million to total US $3,734.10 million compared to the US $3,682.66 million reported for April 2018. Currency & deposits contributed the most to the increase in foreign assets. Currency & deposits as at May 2018 totalled US $3,159.04 million, reflecting an increase of US $70.83 million compared to the US $3,088.21 million booked as at April 2018.

Securities amounted to US $311.94 million, US $11.63 million less than the US $323.57 million reported in April 2018. Foreign liabilities for May 2018 amounted to US $558.22 million compared to the US $576.09 million reported for April 2018. Liabilities to the IMF accounted for 100 per cent of total foreign liabilities, reflecting a US$17.87 million decline month over month from April 2018.

At its current value, the NIR is US $503.11 million more than its total of US $2,672.77 million as at the end of May 2017. The current reserve is able to support approximately 32.90 weeks of goods imports or 20.05 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".

All performance criteria for the period ended December 2017 were met. The IMF further noted, "Financial sector stability is a prerequisite for strong and sustained growth. Ongoing prudential and supervisory improvements will enhance systemic stability. Continued reform implementation will not only safeguard hard-won gains but also deliver stronger growth and job creation". The NIR target outlined as per the new agreement for the 2018/19 fiscal year is US$3.22 billion. As at May 2018, the country is US $0.04 million below targeted amount.

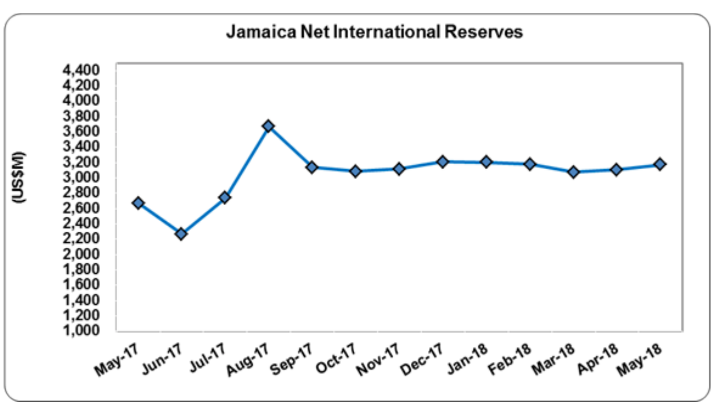

Figure 1

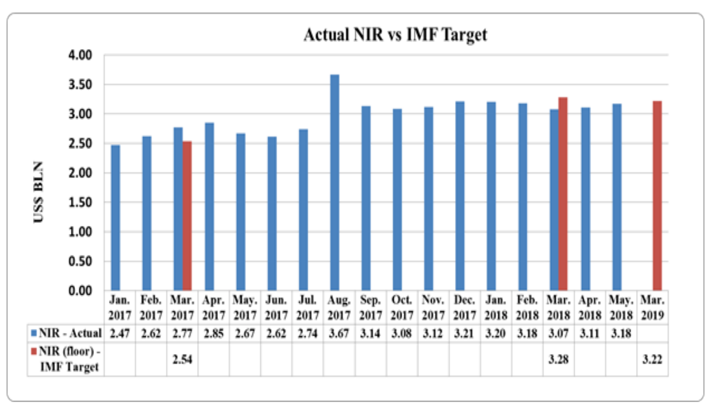

Figure 2

JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR MAY 2018

Jamaica Monthly Equity Market Report for May 2018

Main JSE Index: 296,545.31 points
Point Movement: 3,113.46 points
Percentage Change: -1.04%

Advance Decline Ratio: Positive
Advancers: 19 **Decliners**: 15
Traded Firm: 4

Junior JSE Index: 2,949.87 points
Point Movement: 38.95 points
Percentage Change: -1.30%

Advance Decline Ratio: Positive
Advancers: 18 **Decliners**: 17
Traded Firm: 3

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Palace Amusement Company Limited	82.69%	$1,425.00
Stationary and Office Supplies Limited	34.78%	$8.06
Barita Investments Limited	28.18%	$12.18
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
Key Insurance Company Limited	-18.29%	$2.86
Portland JSX Limited	-15.10%	$9.50
Sterling Investment Limited (USD)	-14.17%	$0.10

Total Shares Traded (Main): 342.081 million units
Total value (Main): Approx. $8.68 billion

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
Jamaica Broilers Group	205,180,321	59.98%
NCB Financial Group Limited	37,152,377	10.86%
Wisynco Group Limited	24,626,904	7.20%

BUY HOLD SELL

Cargo Handlers Limited

Caribbean Flavours and Fragrances (CFF)

For the third quarter ended March 31, 2018.

BUY

•For the nine months ended March 31, 2018, CFF's revenue increased by 1 per cent to $302.98 million relative to $300.67 million for the comparable period in 2017. For the quarter, the company generated gross revenues of $88.72 million, a marginal increase year over year.

•Cost of sales also increased for the period to $184.38 million. This compares to the prior year's figure of $181.71 million, representing an increase of 1 per cent. Gross profit decreased slightly to $118.60 million for the period in review and compares to the prior year's amount of $118.97 million.

•The company had a marginal year on year decrease in total expenses to $67.66 million down from $67.97 million in 2017. This was attributed to an 8 per cent decrease in selling & distribution expenses to $3.05 million (2017: $3.32 million). Administrative expense for the period was relatively flat at $64.61 million versus the prior year's corresponding total of $64.65 million.

•Consequently, profit from operations for the period remained relatively flat at $50.94 million versus $51 million booked for the nine months ended March 2017, while for the quarter, there was a 23 per cent increase from $10.97 million to $13.51 million. The company reported an 81 per cent increase in net finance income from $3.85 million in 2017 to $6.95 million in 2018.

•As a result, net profit for the period amounted to $57.88 million, representing a 6 per cent increase from the comparable period's figure of $54.85 million, while for the quarter, net profit increased 28 per cent from $12 million to $15.42 million.

•The earnings per share (EPS) for the quarter was $0.17 (2017: $0.13), while EPS for the period totalled $0.64 relative to $0.61 in 2017. The twelve-month trailing EPS is $0.96. The number of shares used in this calculation was 89,920,033 units.

As at May 14, 2018 the stock traded at $12.

PanJam Investment Limited (PJAM)

For the three months ended March 31,2018

HOLD

•PJAM, for the three months ended March 31, 2018, reported a 4 per cent increase in total income to $523.51 million relative to the $501.56 million booked for the prior year's corresponding period. The company noted that this was as a result of, "lower investment income being offset by higher property income and stronger share of results of associated companies, led by Sagicor". Of total income:

- Other income declined 11 per cent or $3.85 million from $36.08 million to $32.23 million.
- Investments fell 61 per cent to close at $43.56 million (2017: $110.99 million). This was impacted "by unrealised losses relative to unrealised and realised gains in the prior year, caused mainly by mark to market losses during the quarter on certain securities relative to year-end prices".
- Property income amounted to $447.72 million, up 26 per cent year over year. The movement was linked, "to improved rentals and higher property revaluation gains".

•Operating expenses was $371.60 million for the three months ended March 31, 2018 (2017: $333.61 million), 11 per cent more than its total a year prior. This was "as a result of higher energy rates and updated actuarial calculations of group health and life costs" Management noted.

•Consequently, operating profits declined by 10 per cent to a total of $151.91 million relative to $167.94 million a year earlier.

•Finance costs for the period rose by 25 per cent, amounting to $160.94 million compared to the $129.11 million for the comparable period in 2017. According to the company, this was attributed to, "higher debt balances". Share of results of associated companies improved to close the quarter at $855.51 million, compared to $817.66 million booked twelve months earlier.

•Profit before taxation declined 1 per cent, closing the period at $846.47 million (2017: $856.49 million). Following taxation of $11.15 million (2017: $14.42 million), net profit amounted to $835.32 million (2017: $842.07 million).

•Net profit attributable to shareholders for the period amounted to $827.02 million, a marginal decline of 0.4 per cent from the $830.20 million recorded the year prior.

Consequently, EPS for the period was $0.776 (2017: $0.779). The twelve-month trailing EPS is $3.87.

Cargo Handlers Limited (CHL)

For the six months ended March 31, 2018

SELL

•CHL reported revenues of $187.96 million, 3 per cent higher than the $181.61 million booked in 2017. Revenue for the quarter improved 7 per cent to $101.39 million relative to $94.62 million documented for the corresponding quarter of 2017. Exchange gain fell 32 per cent, moving from $3.42 million in 2017 to $2.31 million. The company noted, "the groundwork that has been laid for Cargo handlers' diversification strategy has begun to show signs of coming to fruition". According to CHL, "the increase was driven mainly by our stevedoring activities wherein a total of 119 vessel operations were realised for the three-month period that yielded a 14 per cent increase in containerized cargo handled over three-month period in 2017".

•Total expenses for the six months was $92.58 million compared to $86.66 million for the period ended March 2017. Of this, administrative expenses increased 26 per cent to close at $12.47 million (2017: $9.88 million), while other operating expenses increased by 4 per cent, amounting to $80.12 million for the period relative to $76.78 million in 2017.

•As such, operating profit fell year over year by 1 per cent from $98.37 million in 2017 to $97.69 million, while for the quarter there was a 12 per cent increase from $45.98 million to $51.72 million. Finance costs rose 65 per cent to close at $897,589 (2017: $543,098), while interest income fell by 35 per cent to $8598,530 from $1.32 million in 2017. CHL booked no loss on exchange for the period (2017: 1.66 million).

•Profit before taxation increased marginally to close the period at $97.65 million (2016: $97.48 million). Following taxes of $11.67 million (2017: $12.90 million) which accrued during the period, net profit amounted to $85.98 million (2017: $84.58 million). Net profit for the quarter was $45.65 million, up 19 per cent from the $38.37 million recorded in 2017.

•Consequently, earnings per share (EPS) for the six months was $0.21 (2017: $0.20), while the EPS for the second quarter was $0.11 (2017: $0.09). The trailing EPS was $0.343.

•Management noted, "We have realized record numbers of cruise vessel visits the past two seasons and the trend demonstrates further improvement in this regard. The spinoffs include increased cargo and passenger thru-put which will benefit western region as well as Cargo Handlers' stakeholders. We are actively continuing our pursuit of additional opportunities in business for further investment that will complement our existing portfolio".

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.