

STRATEGIC INVESTING

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CEO CORNER

HOW ENTREPRENEURSHIP CAN
IMPROVE OUR ECONOMY

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May's edition of the monthly Investor Forum featured an Investor Update on Caribbean Cement Company Limited (CCC). General Manager, Peter Donkersloot, was on hand to share with our audience the company's plans for the future.



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JUNE 2019 CEO CORNER

How Entrepreneurship can Improve our Economy

Even though Jamaica is not equipped, neither with the financial nor infrastructural requirements for such an initiative, creating a functional, well-supported system to nurture entrepreneurs could prove vital to economic stimulation. There are some key areas of our economy that are sure to be positively impacted, even to a slight degree, by such a system.

Entrepreneurial ventures, particularly start-ups, will lead to job creation. True in the medium term this fortune of increased employment may be reversed as a result of greater competitiveness among businesses in an industry, which will in turn result in contraction of the labour force. However, in the long term the effects are expected to balance out, as the competitiveness will lead to a more efficient work force. Developed countries have consistently shown a positive relationship between start-ups and employment growth, and it is conceivable that this trend will hold true in our case.

Increased innovation will be another direct benefit of increased entrepreneurs. Entrepreneurs have long been considered a source of innovation, and this has been true in countries such as the US, where the relationship between the level of entrepreneurial activity and its innovative capacity is positive. Whilst some start-ups will not necessarily introduce new products and technologies, imitating those utilised in developed economies will still have an overall strong impact. Indirectly, new businesses employing more modern, efficient business practices tend to outperform older, less efficient operations often found in larger firms, which tend to be more conservative. Though the likelihood of converting innovation into actual revenue is lower for entrepreneurs than for larger firms, and admittedly innovation for entrepreneurs is incremental in developing countries, they have been able to produce it more efficiently.

Fostering a culture of entrepreneurs is a key element in helping to stimulate a stagnant economy. As a developing country, Jamaica is hardly able to fund the volume of ventures that exist in the beginning stages and make them into full-fledged, profitable firms. However, the benefits of increased support of entrepreneurs and the potential positive impact it could have on the economy by not only creating jobs, but also resulting in a more efficient work force and a culture of innovation is too much to ignore. ■

CEO CORNER

Gary Peart

CEO of Mayberry Investments

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In recent years, there has been a resurgence of interest in the role of entrepreneurship in economic stimulation, particularly in developing countries. Locally, the last several years have seen the creation of several organisations such as the Young Entrepreneurs Association (YEA), the Jamaica Business Development Corporation (JBDC) and Development Bank of Jamaica (DBJ), whose raison d'être is to finance, develop and foster entrepreneurial initiatives in Jamaica. These organisations all recognise the importance of developing the entrepreneurial sector, as this move will prove primordial in the overall development of our economy.

Whilst there have been numerous studies conducted and published on the correlation of entrepreneurship and economic development in developed countries, such studies on developing economies are relatively less common. Even so, it is largely believed that investing in the development of entrepreneurial ventures can only stimulate economic growth.

What are some of the benefits to arise from housing an entrepreneurial hub of innovation similar to that of say, Silicon Valley in California, USA?



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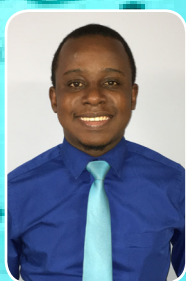


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Monetary Policy and the Economy



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With the recent appointment of Richard Byles as Governor of the Bank of Jamaica (BOJ), it may be a good time to reflect on the role that monetary policy has played in the economic performance of the country. Recent results from STATIN has showed the year to date inflation rate of 1.6% , which is still below the 4%-6 % target set by the central bank. Policy Rates have been reduced to 0.75% since 2019 and is expected to continue to remain at this level for the remainder of the year. According to the BOJ, "The decision to lower the policy rate is aimed at supporting inflation returning to and remaining on target (4.0% to 6.0%) by December 2020. The rate reduction is intended to stimulate an even faster expansion in private sector credit which should lead to higher economic activity, consistent with the inflation target".

If you have been in and around Kingston you will say that this is working; we see the rapid increase in construction in and around the area daily. The Stock Exchange continues to benefit from the increased money supply in the country and many firms have sought the capital markets for refinancing and other capital raising activities.

With the introduction of a new governor of the BOJ, there is some uncertainty as to which policies will continue and what the expected changes to policy are. The BOJ has also introduced its BFXITT intervention tool which has enabled the foreign exchange (FX) to move on a market basis whilst ensuring that the government can readily intervene and stop any rapid devaluation of the dollar at different intervals. This has made FX more volatile as it exhibits a two-way movement. This fluctuation however, seems to happen within the band of J\$125-\$135 to US\$1.

Businesses now have to be a bit more strategic with their FX movements and are no longer sure of savings by billing their clients in United States Dollars. The monetary policies have helped in stimulating the economy and with the introduction of a new governor this is expected to continue. ■

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COMPANY ANALYSIS

Indies Pharma Jamaica Limited (INDIES),



INDIES PHARMA
"Caring for the Nation's health"

Executive Summary

Indies Pharma Jamaica Limited (INDIES), incorporated on December 09, 2003, is a pharmaceutical distribution company which was co-founded by a medical doctor, Dr Guna Muppuri, and his wife Mrs Vishnu Muppuri. The company began its operations with 6 basic prescription drug presentations in 2005 and today distributes over 150 prescription and non-prescription or 'over the counter' generic pharmaceutical products for Bioprist Holdings Limited under the Bioprist Pharmaceuticals brand with therapeutic coverage for twenty one (21) disease segments. This breadth of offerings has allowed the company to benefit from highly diversified revenue streams, with no single range of products accounting for more than 12.5% of its total revenue.

Notably, along with its branded drug development and distribution activities, the company has entered diversified channels to increase its revenues and stability in the constantly changing dynamics of the generic pharmaceutical industry. In its prospectus ahead of its initial public offering (IPO), the company indicated that, "it has already begun implementing strategies through:

- (1) Brand Equity Building- parted for perpetuity with Bioprist Pharmaceuticals, an independent affiliate of INDIES, this maiden partnership focuses on brand equity building where Indies Pharma will be the local custodian of BIOPRIST branded drug formulations to be marketed, distributed and sold in Jamaica, and
- (2) FMCG (Fast moving consumer goods) - INDIES partnered with an independent brand owner company for perpetuity to market, Indies Pharma distributes and sells their beverages brand, dental products & herbal supplements in the island of Jamaica".

For the financial year (FY) ended October 2018, revenues increased by 3% to close at \$636.17 million (2017: \$620.35 million). This also represented a compounded annual growth rate (CAGR) of 13% over the last five years. Net profit for 2018 contracted to \$119.90 million (2017: \$137.30 million), a decrease of 13% when compared to the last FY. In addition, year to

date, six months to April 2019, revenues grew by 20% to \$361.30 million, as well as an increase in its bottom line by 55%. As such, for the upcoming year, we expect growth by 15% and 31% in revenues and net profit, respectively. The company has remained profitable over the last five years with net profit increasing from \$15.42 million in 2014 to \$119.70 million in 2018. Indies booked return on average equity of 24% for the FY 2018, while the return on average assets for 2018 was 14%. Indies projected stock price of \$3.10 over the short to medium term is based on expected earnings. The stock currently trades around \$3.11 as at June 19, 2019, and as such, an investor could consider taking some profit at this time.

SWOT Analysis

S

Strengths

- Strategic partnership with leading manufacturing companies
- Diversified pharmaceutical portfolio, with an existing portfolio of innovative drug cocktails
- Secured supply line

W

Weakness

- Royalty agreement with Bioprist Holdings
- Increased price competition from their competitors

O

Opportunities

- The potential to continue obtaining more market share through brand development and investment in new products
- Expansion of pharmaceutical line
- Diversification of product line
- The company has a great opportunity of improved operational capacity

T

Threats

- Competition from other pharmacies within the market
- Slow economic growth could hinder sales revenue

Operational Analysis

Table 1.1: INDIES Five-Year Abridged P&L

Indies Pharma Jamaica Limited 5 Year Profit & Loss Statement							
For the period ended:	Oct-14	Oct-15	Oct-16	Oct-17	Oct-18	Change (%)	5YR CAGR (%)
Revenue	391,234,658	523,289,327	587,005,510	620,349,804	636,174,735	3%	13%
Cost of Sales	(109,608,558)	(125,865,573)	(217,692,713)	(208,755,519)	(243,383,661)	17%	22%
Gross Profit	281,626,100	397,423,754	369,312,797	411,594,285	392,791,074	-5%	9%
Other Operating Income/(Loss)	8,430,209	8,604,483	3,240,053	1,446,514	813,221	-44%	-44%
Administration Cost	(253,845,436)	(336,783,702)	(249,162,644)	(224,867,500)	(239,866,994)	7%	-1%
Profit from Operations	36,210,873	69,244,535	123,390,206	188,173,299	153,737,301	-18%	44%
Profit Before Taxation	23,006,988	58,374,591	110,343,750	172,345,447	138,045,376	-20%	57%
Taxation	(7,584,332)	(12,232,074)	(31,116,334)	(35,043,865)	(18,344,089)	-48%	25%
Net Profit	15,422,656	46,142,517	79,227,416	137,301,582	119,701,287	-13%	67%
Earnings Per Share	0.01	0.03	0.06	0.10	0.09		
Shares Outstanding	1,332,536,649						

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COMPANY ANALYSIS

Indies Pharma Jamaica Limited (INDIES),



INDIES PHARMA
"Caring for the Nation's health"

Year over year, INDIES reported revenue growth of 3%, from \$620.35 million in 2017 to \$636.17 million in 2018, while over the last five years revenue grew from \$391.23 million in 2014, by a 5 Year CAGR of 13%.

Cost of sales increased to \$243.38 million in 2018 from \$208.76 million a year ago, a 17% upward movement. Notably, over the last five years, this grew by a CAGR of 22% from \$109.61 million in 2014, which has led to cost of sales margin averaging 32% over the period. Management stated that stated that, "the launch of our new "Over the Counter" (OTC) herbal products such as Nature's Soul and other ethical OTCs resulted in increased production of these items in the latter half to the last quarter of 2018. We've estimated that these newly launched herbal products will take at least 24 months to establish in the market. In addition, some of the goods intended for the NHF (public sector tender market supplies) were not taken up on time by NHF and therefore, we ended up in with a number of expired products which were written off, further adding to our cost of sale. This is the standard risk associated with the Government tender business. We have negotiated new arrangements with the NHF which should reduce this risk".

The average gross profit margin for the last five years was 68%. Gross profit over the past five years increased at a CAGR of 9% from \$281.63 million reported in 2014 to \$392.79 million in 2018 (2017: \$411.59 million). The gross profit margin for INDIES' for 2018 was 62% relative to 66% in 2017.

Administration costs amounted to \$239.87 million in 2018 versus \$224.87 million for previous year representing a 7% growth year over year. Other operating income closed 2018 at \$813,221 (2017: \$1.45 million). Whereas, profit from operations was \$153.74 million compared to \$188.17 million recorded in last year. Management mentioned that, "during the last quarter of 2018, new staff members were hired in addition to accelerated marketing costs to help propel the business in the 2018-2019 financial year". Furthermore, the company noted that, "in 2017-2018 fiscal year, the fledgling company incurred a sizable additional rental expense due to increased need for warehousing space over and beyond the existing space".

As such, profit before taxation totalled \$138.05 million (2017: \$172.35 million) for the 2018 FY, after which taxes of \$18.34 million (2017: \$35.04 million) were charged. Over the five-year period, net profit rose significantly by a CAGR of 67% from \$15.42 million in 2014 to \$119.70 million in 2018, while year over year there was a 13% decline (2017: \$137.30 million).

Table 2.1 INDIES Jamaica Limited Balance Sheet as at October 31, 2018:

Indies Pharma Jamaica Limited Balance Sheet									
As at:	Oct-14	Oct-15	Oct-16	Oct-17	Oct-18	YOY Change (\$)	YOY Change (%)	5YR CAGR (%)	
Non-Current Assets									
Property, Plant & Equipment	293,143,820	315,345,629	88,255,355	104,797,042	92,424,814	-12,372,228	-12%	-25%	
Current assets:									
Inventories	57,150,564	83,742,434	165,010,312	166,203,415	155,193,522	-11,009,893	-7%	28%	
Trade Receivables	78,178,400	83,566,791	126,169,510	264,202,150	266,408,444	2,206,294	1%	36%	
Directors' Current Account	-	-	30,220,046	32,924,646	22,728,315	36,779,647	14,051,332	62%	
Cash and Cash Equivalents	55,320,944	43,896,053	15,942,300	74,166,362	101,391,819	27,225,457	37%	16%	
Total Assets	495,210,695	556,997,212	504,622,179	825,492,150	851,259,572	25,767,422	3%	15%	
Equity & Liabilities									
Shareholders' Equity									
Share Capital	15,635,000	15,635,000	15,635,000	15,635,000	244,576,999	228,941,999	1464%	99%	
Capital Reserve	236,568,846	256,807,076	102,873,596	105,773,595	105,773,595	-154,477,196	-98%		
Retained earnings	21,495,766	67,638,283	146,865,699	198,584,294	318,285,581	119,701,287	60%	96%	
Total Shareholders' Equity	273,699,612	340,080,359	265,374,295	319,992,889	668,636,175	348,643,286	109%	25%	
Current Liabilities									
Payables	16,055,306	41,857,307	69,404,084	54,377,484	46,549,391	-7,828,093	-14%	30%	
Short-term borrowings	35,154,732	31,276,899	56,002,739	157,917,859	3,440,663	-154,477,196	-98%		
Total Current Liabilities	137,266,533	141,656,556	191,082,205	240,350,593	55,934,834	-184,415,759	-77%	-20%	
Non-Current Liabilities									
	84,244,550	75,260,297	48,165,679	265,148,668	126,688,563	-138,460,105	-52%	11%	
Total Liabilities	221,511,083	216,916,853	239,247,884	505,499,261	182,623,397	-322,875,864	-64%	-5%	
Total Equity and Liabilities	495,210,695	556,997,212	504,622,179	825,492,150	851,259,572	25,767,422	3%	15%	

Balance Sheet Analysis

For the year ended October 31, 2018, total assets increased to \$851.26 million from \$825.49 million in 2017. This was mainly attributable to the \$14.05 million increase in directors' current account to \$36.78 million (2017: \$22.73 million) as well as an increase of \$27.23 million in cash and cash equivalents to close at \$101.39 million (2017: \$74.17 million). However, this was partially offset by a 12% decline in property, plant and equipment, which amounted to \$92.42 million (2017: \$104.80 million). INDIES asset base between 2014 and 2018 increase at a 5-year CAGR of 15%.

Liabilities was \$182.62 million in 2018, down 64% from the \$505.50 million reported in 2017. The main contributors to this decrease were short-term borrowings and payables which closed at \$3.44 million (2017: \$157.92 million) and \$46.55 million (2017: \$54.38 million). Long term loans also contributed to the downward movement in total liabilities which closed the year at \$480,777 compared to \$232.72 million reported in 2017.

Total shareholders' equity rose by 109% from \$319.99 million in 2017 to \$668.64 million in 2018; over the last five years the company saw a CAGR of 25% up from 2014's total equity of \$273.70 million.

Ratio Analysis

Profitability

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

Profitability Ratios	Oct-14	Oct-15	Oct-16	Oct-17	Oct-18
Revenue Growth	7.57%	33.75%	12.18%	5.68%	2.55%
Gross Profit Margin	71.98%	75.95%	62.91%	66.35%	61.74%
Operating Expense Margin	-64.88%	-64.36%	-42.45%	-36.25%	-37.70%
Operating Profit Margin	9.26%	13.23%	21.02%	30.33%	24.17%
Pre-tax margin	5.88%	11.16%	18.80%	27.78%	21.70%
Net Profit Margin	3.94%	8.82%	13.50%	22.13%	18.82%

COMPANY ANALYSIS

Indies Pharma Jamaica Limited (INDIES),



INDIES PHARMA
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INDIES' revenue has increased at a declining growth rate, advancing by 2.55% in 2018 relative to 5.68% in 2017. On average, the company has managed to maintain an average growth rate of 12.35% over the last five years.

Also, INDIES' gross profit margin has moved from a high of 75.95% in 2015 to a low of 56.74% in 2018. The company's operating expense margin fell over the past five years to 37.70% (2017: 36.25%) in 2018 versus 64.88% in 2014.

INDIES' operating profit margin has increased over the past five years, up from 9.26% in 2014 to 24.17% in 2018. Furthermore, the company's pre-tax margin and net profit margin improved over the five-year period, improved to close at 21.70% (2017: 27.78%) and 18.82% (2017: 22.13%).

Solvency Ratios

Table 3.2: INDIES' Solvency over the past five years

Solvency Ratios	Oct-14	Oct-15	Oct-16	Oct-17	Oct-18
Total Debt to Total Equity	43.41%	31.05%	25.67%	122.08%	0.59%
Total Debt to Total Assets	23.99%	18.96%	13.50%	47.32%	0.46%
Return on Average Assets	3.29%	8.77%	14.93%	20.65%	14.28%
Return on Average Equity	5.81%	15.04%	26.17%	46.91%	24.22%
Debt to CFO (times)	1.63	2.69	-1.99	-3.70	0.02
Debt to EBITA (times)	2.71	1.30	0.51	1.95	0.02

Over the last five years, the company has decreased its preference for the use of debt in the financing of its operations as opposed to equity as INDIES' debt-to-equity ratio fell to 0.59% in 2018 from 43.41% in 2014. For the past five years (2014 to 2018), INDIES' debt-to-equity averaged 44.56%. The debt-to-assets ratio was 0.46% in 2018, decreasing from 47.32% in 2017. INDIES' return on average equity stood at 14.28% for FY 2018 (2017: 20.65%). Notably, Management noted, "the proceeds of the IPO were optimized, and we were able to keep the company debt free in addition to having a fairly sizable working capital at hand, waiting for the right time for its optimal usage in propelling our growth objectives". The company's return on average assets has increased over the five-year period, moving from 3.29% in 2014 to 14.28% in 2018 (2017: 20.65%). This reflects an increase in the company's ability to generate profit from its assets over the five-year period.

Activity Ratios

Table 3.3: INDIES' Turnover activity over the past five years

Activity Ratios	Oct-14	Oct-15	Oct-16	Oct-17	Oct-18
Receivables Turnover	5.51	6.47	5.60	3.18	2.40
Days of Sales O/S	66.23	56.41	65.21	114.84	152.22
Inventory Turnover	1.82	1.79	1.75	1.26	1.51
Days of Inventory on Hand	200.29	204.29	208.54	289.56	241.00
Payables Turnover	5.17	5.27	5.37	3.39	4.60
# of Days of Payables	70.56	69.32	67.92	107.60	79.27
Total Assets Turnover	0.83	0.99	1.11	0.93	0.76
Fixed Assets Turnover	1.32	1.72	2.91	6.43	6.45

The company's turnover ratio for the five-year period has declined to 2.40 times (2017: 3.18 times) and averaged 4.63 times over the period. The inventory turnover ratio fell to its lowest at 1.26 times in 2017 before increasing to 1.51 times

in 2018. The average inventory turnover for the five-year period was 1.63 times. Accordingly, this resulted in the days of inventory on hand ratio increasing to 241 days compared to 289.56 days in 2017 and 200.29 days in 2014. A review of INDIES' payable turnover ratio highlighted a decline over the past five-years to 4.60 times in 2018 (2017: 3.39 times) compared to 5.17 times in 2014. Total assets turnover was 0.76 times in 2018 relative to 0.93 times in 2017, while in 2014, the ratio stood at 0.83 times.

Liquidity Ratios

Table 3.4: INDIES' Liquidity over the past five years


Liquidity Ratios	Oct-14	Oct-15	Oct-16	Oct-17	Oct-18
Current Ratio	2.39	3.21	8.64	1.99	4.42
Quick Ratio	0.97	0.90	0.74	1.41	6.58
Cash Ratio	0.40	0.31	0.08	0.31	1.81

INDIES' current ratio has increased over the past five years, moving from 2.39 times in 2014 to 4.42 times in 2018. The quick ratio fell to its lowest over the five-year period of 0.74 times in 2016 but rose to 6.58 times in 2018. This also shows that the company could pay off its current liabilities without the assistance of inventories. The cash ratio also fell to its lowest at 0.08 times in 2016 but then climbed to 1.81 times in 2018. This demonstrates that over 181% of INDIES' current liabilities can be covered by its cash as at October 2018.

INDIES' Liquidity and Cash Conversion Compared to its Peers

Indies Pharma Jamaica Limited	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	2.39	3.21	8.64	1.99	4.42
Cash Conversion Cycle	195.96	191.37	205.83	296.80	313.95
CAC 2000 Limited	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	2.08	2.48	2.17	1.70	2.89
Cash Conversion Cycle	117.83	66.78	64.89	24.38	120.10
Caribbean Producers Jamaica Limited	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	2.19	2.34	2.22	2.69	2.49
Cash Conversion Cycle	142.75	147.99	138.16	136.81	126.19
Derrimon Trading Company Limited	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	1.13	2.03	1.73	1.93	1.53
Cash Conversion Cycle	24.06	30.03	43.33	54.05	46.34
Medical Disposables & Supplies Limited	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	2.16	1.94	1.42	1.74	1.54
Cash Conversion Cycle	110.03	101.84	82.08	80.07	91.45
Lasco Distributors Limited	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	2.19	1.94	1.82	1.89	1.84
Cash Conversion Cycle	44.95	51.64	30.56	29.48	24.75
Industry	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Current Ratio	2.02	2.32	3.00	1.99	2.45
Cash Conversion Cycle	82.50	74.00	71.48	81.25	99.85

INDIES reported an increasing and positive cash conversion cycle (CCC) over the last five years, vastly underperforming the industry average. There was an increase from 195.96 times reported in 2014 to 313.95 times in 2018. This indicates the number of days it takes INDIES to convert its investments in inventories and other resources into cash flows from sales. The company's CCC is above the industry's average of 99.78 times in 2018.



"It's knowing that these children are future leaders, so I try to encourage them to do their best in everything they do because tomorrow they will build up Jamaica. That makes hard work worth it."

– Ramon Davis, Teacher

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COMPANY ANALYSIS

Indies Pharma Jamaica Limited (INDIES),



INDIES' Year to Date Financial Performance

Indies Pharma Jamaica Limited Profit & Loss Statement				
For the three months ended:	Apr-18	Apr-19	YOY Change (%)	YOY Change (\$)
Revenue	301,100,368	361,297,924	20%	60,197,556
Gross Profit	187,297,211	251,187,207	34%	63,889,996
Administrative cost	(112,551,498)	(171,876,229)	53%	(59,324,731)
Profit from Operations	75,304,254	79,454,995	6%	4,150,741
Profit before Taxation	66,360,557	79,477,259	20%	13,116,702
Taxation	(15,236,053)	-	-100%	15,236,053
Net Profit	51,124,504	79,477,259	55%	28,352,755
EPS	0.04	0.06		

Indies Pharma Jamaica Limited Balance Sheet				
As at:	Apr-18	Apr-19	YOY Change (%)	YOY Change (\$)
Property, Plant and Equipment	99,182,618	86,850,337	(12,332,281)	-12%
Inventories	138,631,299	199,303,620	60,672,321	44%
Receivables	250,216,651	167,180,458	(83,036,193)	-33%
Directors' Current Account	31,295,028	49,530,425	18,235,397	58%
Cash and Cash Equivalents	64,497,589	80,433,022	15,935,433	25%
Total Current Assets	525,698,051	634,499,568	108,801,517	21%
Payables	9,651,397	69,875,964	60,224,567	624%
Related Company	8,807,552	709,834	(8,097,718)	-92%
Long-term loans	53,481,692	-	(53,481,692)	-100%
Total Liabilities	254,827,629	74,654,072	(180,173,557)	-71%
Total Shareholders' Equity	370,476,720	646,695,834	276,219,114	75%
Total Equity and Liabilities	625,304,349	721,349,906	96,045,557	15%

INDIES' performance for the six months ended April 30, 2019

INDIES, for the six months ended April 2019, reported revenue of \$361.30 million, 20% higher than the \$301.10 million booked in 2018. For the quarter, revenue closed at \$193.12 million (2018: \$149.90 million).

Cost of sales declined by 3% to close at \$110.11 million (2018: \$113.80 million). This resulted in gross profit increasing by 34%, amounting to \$251.19 million for the period relative to \$187.30 million reported in the previous corresponding period. For the quarter, gross profit closed at \$132.94 million (2018: \$95.34 million).

Other operating income for the period declined by 74% to close at \$144,017 (2018: \$558,541). Additionally, administrative and other expenses rose by 53% moving from \$112.55 million in 2018 to \$171.88 million in 2019. For the quarter, administrative and other expenses closed at \$99.79 million (2018: \$54.69 million). Management noted that, "the increase was mainly due to costs related to increases in business activity. Significant increases were incurred for fuel expenses that went up by 80% or \$1.31M when compared to the corresponding period in the previous year. The company also incurred rent, lease and maintenance expenses of \$4.21M for its new office facility in Freeport, Montego Bay".

As such, operating profit rose by 6% totaling \$79.45 million (2018: \$75.30 million). For the quarter, operating profit amounted to \$33.19 million versus \$40.78 million recorded in the prior comparable quarter. Exchange gain for the six months amounted to \$218,992 relative to a loss of \$1.45 million booked in the 2018. Finance cost incurred for the first six months totaled

\$196,728 versus \$7.50 million reported for the corresponding period in 2018.

Profit before taxation increased by 20% to close the period at \$79.48 million (2018: \$66.36 million). For the quarter, profit before taxation amounted to \$32.57 million compared to \$37.77 million in the previous corresponding quarter.

Net profit for the period closed at \$79.48 million (2018: \$51.12 million). While for the quarter, net profit totaled \$32.57 million (2018: \$27.65 million).

Consequently, earnings per share (EPS) for the period amounted to \$0.060 (2018: \$0.038). While for the quarter, EPS closed at \$0.024 (2018: \$0.021). The trailing twelve months EPS amounted to \$0.11. The numbers of shares used in the calculations are 1,332,536,649 units. Notably, INDIES stock price closed the trading period on June 03, 2019 at \$3.13.

As at April 2019, the company's total assets base amounted to \$721.35 million (2018: \$624.88 million). The increase was largely due to a rise in inventories and related companies which closed at \$199.30 million (2018: \$138.63 million) and \$135.59 million (2018: \$41.06 million), respectively.

Equity attributable to stockholders of parent amounted to \$646.70 million (2018: \$370.48 million) with book value per share amounting to \$0.49 (2018: \$0.28).

INDIES' stock price has depreciated 3% to date from opening the year at \$3.20, to close at \$3.11 on June 19, 2019. The stock price reached a high of \$4.01 on September 14, 2018 and traded at a low of \$1.50 on August 15, 2018.

INDIES' Abridged Profit & Loss

Indies Pharma Jamaica Limited				
Profit & Loss	Oct-18	Oct-19	YOY Change (%)	YOY Change (\$)
Revenue	636,174,735	731,600,945	15%	95,426,210
Cost of Sales	(243,383,661)	(226,796,293)	-7%	16,587,368
Gross Profit	392,791,074	504,804,652	29%	112,013,578
Other Operating Income/(Loss)	813,221	288,034	-65%	(525,187)
Administrative cost	(239,866,994)	(347,807,141)	45%	(107,940,147)
Profit from Operations	153,737,301	157,285,545	2%	3,548,244
Profit before Taxation	138,045,376	157,307,809	14%	19,262,433
Taxation	(18,344,089)	-	-100%	18,344,089
Net Profit	119,701,287	157,307,809	31%	37,606,522
EPS	0.09	0.12		

Outlook

Jamaica's economy is currently illustrating signs of gradual but sluggish recovery which continues to anchor macroeconomic stability. Consumer confidence continued its rise to close at 177.5 points for the 1st quarter of 2019 relative to that of 175.5 points for the 4th quarter of 2018. As Jamaica's overall macroeconomic indicators continue to trend in the right direction and consumer confidence remains elevated, INDIES is expected to yield positive returns in their bottom-line figures. The company has benefitted from growth through their

COMPANY ANALYSIS

Indies Pharma Jamaica Limited (INDIES),



INDIES PHARMA
"Caring for the Nation's health"

continued focus on strengthening their product portfolio and market development. Additionally, as stated by the company, "our focus for 2018-19 is not only maximizing the market share of existing portfolio of the products but also widening of our product range for the traditional ethical segment, non-traditional OTC (Over the counter) Medicines, Supplements, Disposables, Animal Health, Surgical and Orthopedic Divisions, which offers opportunities for growth allowing us to increase our overall top line and bottom-line revenues". In which, the company has invested their capital to improve efficiency in operations through increased warehousing space.

INDIES has a retail pharmacy division, Trident Pharmacy, which is the distributing arm of the company and acts an instant driver to all the brands the company own today. In September 2018, the company has developed its own herbal formulations which is targeted towards the wellness and healthy lifestyle such as cholesterol care, diabetes care, stress management formula among others. Notably, INDIES indicated that, "to date, the company could release over 151 pharmaceutical products into the market targeting approximately 21 different therapy segments aimed at preventing and treating various life style and nonlife style illnesses. That said, there are more to come while the company has no intention to slow down from filing for more drug licenses on a year to year basis".

Against this background, for the FY ending October 2019, revenue is projected to increase by 15% for the FY 2019 which

remains in line with growth experienced in the company's affiliated brand of pharmaceutical products. Year to date, the company has reported revenue growth of 20%. Management's strategy of identifying attractive generic products for the Jamaican market will allow for continued sales growth.

The cost of sales margin rose from 34% in 2017 to 38% in 2018. This led to a 17% increase in cost of sales which closed the year at \$243.38 million relative to \$208.76 million. Year to date the margin for cost of sales was 30.5% which yielded a 3% decline for the six months period. As such, a margin of 31% was used to project cost of sales for the 2019 FY. Administrative expenses are projected to increase by 45% for FY 2019, due to increases in rental expenses, increases in staff costs and marketing costs for new pharmaceutical products as well as increases in insurance and depreciation expenses relative to the warehouse expansion. Administrative expenses year to date posted a 53% increase to close at \$171.88 million (2018: \$112.55 million).

As such, net profit for the 2019 FY is projected to increase by 31%, to \$157.31 million, translating to an EPS of \$0.12 relative to an EPS of \$0.09. To date, INDIES booked an EPS of \$0.06 compared to an EPS of \$0.04 in 2018. INDIES stock price is projected at \$3.10 over the short to medium term based on expected earnings. The stock currently trades around \$3.11 as at June 19, 2019 and as such an investor could consider taking some profit at this time. ■



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FORUM RECAP

FOR MAY 2019



CARIBBEAN CEMENT COMPANY LIMITED: on a path to sustainable growth

Caribbean Cement Company Limited (CCC) established in 1952, began its operations in commercial production and since then, has been the only cement manufacturing company in Jamaica. The company is a major contributor to the Jamaican economy by providing high quality building solutions and efficiency advancements while striving to promote the sustainable development of the country's infrastructure, showing a tremendous volume of sustained growth.

As we continue to aim to provide our existing and prospective clients with a wide range of investment opportunities, for May's edition of our monthly Investor Forum, we invited the General Manager of CCC, Peter Donkersloot, to present our audience with an investor update on the company's performance for 2018 and its strategy for growth in 2019.

Against the backdrop of an improving local economy in 2018, CCC was able to post robust numbers in the area of revenues earned for the period, which totalled \$17.6 billion, representing an increase of 6 per cent year over year. Earnings before interest, tax, depreciation, amortisation & restructuring costs for 2018 was \$5.3 billion or 79 per cent higher than the \$3.0 billion reported for 2017. Profit before taxation for 2018 was \$3.3 billion, an increase of 118 per cent over the \$1.5 billion reached in the previous year. Net profit after taxes for the period was \$2.5 billion, up from \$1.1 billion at the end of 2017. Earnings per share (EPS) was \$2.90 compared to \$1.31 in the corresponding period of the prior year.

Looking forward to 2019, CCC will be looking to focus on building on the gains made in 2018 and primarily concentrate on health and safety measures for its operations. Peter stated, "Our Zero4Life initiative means that safety remains our most important priority as we focus our organisation, our practices and our environment to achieve this common objective".

CCC is devoted to improving safety not only at the main plant, but also through programmes targeting employees and their families, contractors as well as its neighbouring communities. These efforts include a school programme which teaches children about the blind spots on a truck and the importance of exercising safety when crossing the street. Also on the horizon for CCC in 2019 is the strategy to implement ongoing programmes to improve customer service and employee development, as they work assiduously to adopt a customer centric focus within all phases of CCC's processes. Speaking of the development initiatives for employees for the second quarter, Peter mentioned the selection of Jamaica as the site of the Global CEMEX Cement Master programme that was hosted in the Caribbean for the first time and afforded 16 young professionals (including seven Jamaicans) from five countries the opportunity to participate in a significant developmental initiative.

"We thrive on successful partnerships and were pleased to have contributed to the development of our immediate community in several ways, including helping ensure the continuity of a literacy programme for 300 students in seven primary schools in East Kingston", said Peter, speaking of CCC's continued efforts in its national development agenda. The company does this through various programmes and projects that aims to promote wellness and improved access to services in communities across the country.

To date, CCC has been the best performing stock in over 5 years, resulting in an 8,000 per cent increase in its stock price since January 21, 2012. The company is poised for even further growth, based on its plans for expansions and the improvements made in the areas of safety, customer service, production capacity and delivery of a consistently high-quality product. ■

FORUM HIGHLIGHTS

FOR MAY 2019



After the evening's presentation, General Manager of Caribbean Cement Company Limited (CCC), Peter Donkersloot shares in conversation with Mayberry Executive Chairman, Christopher Berry (right), and CEO, Gary Peart.



Mayberry's Digital Marketing Manager, Stephanie Harrison (left) and Assistant VP of Marketing, Anika Jengellej, share smiles with Peter Donkersloot ahead of the evening's presentation.



Mayberry's Sales Manager and host for the evening, Cedric Stewart, welcomes guests at the beginning of the evening's programme.



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



The audience looks on during the Q&A segment.



Shareholders of CCC, Michael Subratie and Collin Steele, listen attentively during Mr Donkersloot's presentation.



Executive Investment Advisor, Okella Parredon, presents our guest presenter for the evening, Peter Donkersloot, with a token of our appreciation.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR MAY 2019

	May 2019	April 2019	Change
91 Days Treasury Bills Avg. Yield (%)	2.098	2.157	-0.060
182 Days Treasury Bills Avg. Yield (%)	2.126	2.183	-0.057
Exchange Rate (US\$: J\$)	135.61	131.94	3.67
Net International Reserves (NIR) (US\$M)	3,074.33	3,019.08	55.25

Net International Reserves - May 2019

Jamaica's net international reserves (NIR) totalled US\$3.07 billion as at May 2019, reflecting an increase of US\$55.25 million relative to the US\$3.02 billion reported as at the end of April 2019.

Changes in the NIR resulted from an increase in foreign assets of US\$43.17 million to total US\$3.58 billion compared to the US\$3.54 billion reported for April 2019. Currency & deposits contributed the most to the rise in foreign assets. Currency & deposits as at May 2019 totalled US\$3.02 billion reflecting an increase of US\$86.89 million compared to US\$2.93 billion booked as at April 2019.

Securities amounted to US\$322.16 million, US\$21.10 million less than the US\$343.26 million reported in April 2019. Foreign liabilities for May 2019 amounted to US\$505.04 million compared to the US\$517.11 million reported for April 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$12.08 million decrease month over month from April 2019.

At its current value, the NIR is US\$101.55 million less than its total of US\$3.18 billion as at the end of May 2018. The current reserve is able to support approximately 33.27 weeks of goods imports or 22.62 weeks of goods and services imports.

The country came in slightly below the benchmark of US\$3.22 billion outlined by the International Monetary Fund (IMF) for March 2019, closing the fiscal year at US\$3.08 billion, US\$0.13 billion below targeted amount.

Following a visit by an IMF staff team led by Ms Uma Ramakrishnan between February 25 - March 8, 2019 to conduct discussions on the fifth review of the island's financial and economic program, the IMF issued a statement citing, "strong economic fundamentals and sustained implementation of the authorities' reform program provide the private sector with an unprecedented opportunity".

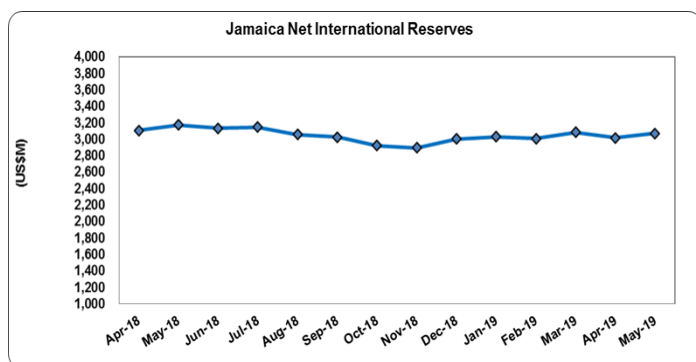


Figure 1

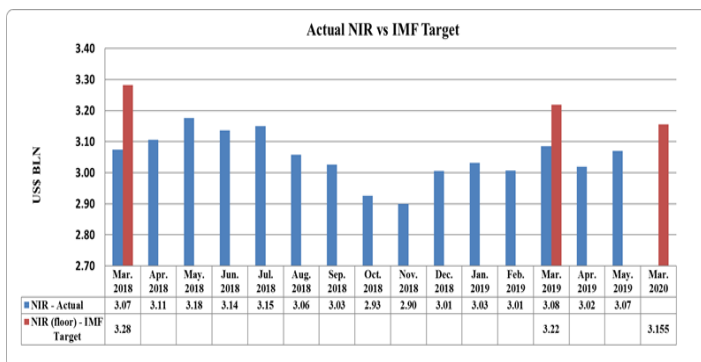


Figure 2

JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR MAY 2019

Main JSE Index: 432,902.95 points
Point Movement: 31,000.93 points
Percentage Change: 7.71%

Advance Decline Ratio: Positive
Advancers: 25 **Decliners:** 12
Traded Firm: 4

Junior JSE Index: 3,077.23 points
Point Movement: 135.69 points
Percentage Change: 4.61%

Advance Decline Ratio: Positive
Advancers: 26 **Decliners:** 13
Traded Firm: 1

Major Winners (Main & Junior)

Stock	Increase	Closing Price
ISP Finance Services Limited	57.04%	\$19.63
Stationery and Office Supplies Limited	31.97%	\$9.04
Elite Diagnostic Limited	27.46%	\$3.76

Major Losers (Main & Junior)

Stock	Decrease	Closing Price
K.L.E. Group Limited	-20.00%	\$2.00
Jetcon Corporation Limited	-17.37%	\$1.95
iCreate Limited	-15.73%	\$0.75

Total Shares Traded (Main): 1.60 billion units
Total value (Main): Approx. \$8.28 billion

Volume Leaders (Main)

Stock	Units Traded	Market Volume
Wigton Windfarm Limited	1,416,609,556	88.62%
Sagikor Group Jamaica Limited	27,732,332	1.73%
Wisynco Group Limited	26,182,340	1.64%

BUY

HOLD

SELL



Lasco Manufacturing Limited (LASM)

For the year ended March 31, 2019

BUY

• Total revenue increased by 14% from \$6.66 billion in 2018 to \$7.57 billion in 2018. Revenue increased 41% for the fourth quarter to total \$1.95 billion, relative to the \$1.38 billion recorded for the comparable period in 2018.

• Cost of sales amounted to \$4.81 billion (2018: \$4.37 billion) for the period, an increase of 10% year on year. For the quarter, cost of sales was recorded at \$1.13 billion relative to \$756.13 million in 2018. As a result, gross profit of \$2.76 billion was recorded for the period, 20% more than the \$2.29 billion booked for the corresponding period in 2018. Gross profit for the quarter increased 31% to \$821.36 million when compared to the \$627.38 million booked for the similar quarter ended 2018.

• LASM posted other income of \$1.84 million relative to \$3.41 million for the prior year.

• Operating expenses increased 5% to close the period at \$1.50 billion versus \$1.43 billion booked for the corresponding period last year. Of this, administrative and other expenses climbed 7% to \$1.21 billion (2018: \$1.13 billion), while selling and promotion expenses fell 5% to \$285.96 million (2017: \$300.57 million). Management noted, "this increase was in line with expectations given and revenue growth achieved". Expenses for the quarter also reflected an increase of 4% to close at \$479.90 million (2018: \$462.61 million).

• Consequently, LASM recorded operating profits of \$1.26 billion, 46% higher than the \$861.27 million booked in 2018.

• Finance costs for the period fell 19% to \$107.43 million compared to \$132.18 million in the prior year's comparable period.

• As such, profit before taxation amounted to \$1.15 billion, an increase of 58% from the \$729.09 million recorded for the previous corresponding period. Taxes recorded for the period amounted to \$73.67 million compared to \$168.54 million incurred for the corresponding period in 2018. Net profit for the year was \$1.08 billion, 92% higher than last year's net profit of \$560.56 million. The company noted, "this profit out-turn was fueled by volume and revenue growth, gross margin improvement and gains in operational efficiencies". LASM booked \$376.27 million in net profit for the fourth quarter, compared to \$28.04 million for the corresponding quarter in 2018.

• As such total comprehensive income for the year ended totalled \$1.08 billion compared to \$615.95 million in 2018, an increase of 75%.

• Consequently, earnings per share (EPS) for the period was \$0.26 relative to \$0.14 in 2018. The EPS for the quarter was \$0.092 relative to the \$0.007 reported for 2018. The number of shares used in the calculations was 4,091,163,151 units. Notably, LASM's stock price closed trading on May 30, 2019, at \$3.47.



Fontana Limited (FTNA)

For the nine months ended March 31, 2019

HOLD

• FTNA recorded a 7% increase in revenues to total \$3.11 billion compared to \$2.90 billion for the same period in 2018. Revenue for the third quarter went up by 7% to \$9.51 million (2017: \$890.28 million).

• Cost of sales for the period increased 6%, closing at \$2.06 billion, up from the \$1.95 billion reported the prior year, while for the third quarter there was a 4% increase, closing at \$654.55 million (2018: \$631.17 million).

• As such, gross profit for the nine months amounted to \$1.04 billion, a 10% uptick when compared to \$953.39 million recorded last year. However, gross profit for the third quarter rose 14% from \$259.12 million to \$296.57 million for the corresponding period in 2018.

• Administrative expenses climbed by 11% for the period, to total \$720.59 million versus \$651.90 million in 2018, while selling and promotion closed the nine months at \$52.54 million (2018: \$54.22 million). FTNA stated, "this increase was driven mainly by the investment in building capacity by improving the human resource capabilities of the company".

• As such, operating profit saw a 10% increase to \$270.84 million relative to the \$247.27 million booked a year ago. Operating profit for the quarter closed at \$41.56 million (2018: \$26.18 million).

• Finance cost for the nine months totalled \$51.40 million, an increase of 15% when compared to the \$44.82 million recorded for the same period last year, while other income amounted to \$25.05 million relative to \$24.28 million the prior year. FTNA noted, "finance expenses included a loss on the revaluation of our foreign currency denominated accounts as at March 31, 2019. This accounted for a \$5.3 difference between this quarter and the corresponding quarter of the previous year".

• This resulted in profit before taxation totalling \$244.48 million compared to \$226.73 million recorded last year, an 8% growth year over year. For the quarter, profit before taxation moved from \$19.72 million in 2018 to \$29.78 million in 2019.

• Income taxes for the period was \$39.81 million versus \$41.71 million for the comparable period in 2018. Net profit increased by 11% to end the period at \$204.67 million relative to the \$185.02 million recorded the prior financial year (FY). Net profit for the quarter amounted to \$29.78 million, an 85% jump compared to \$16.09 million booked for the prior quarter of 2018.

• Earnings per share (EPS) for the period totalled \$0.164 (2018: \$0.148). EPS for the third quarter amounted to \$0.02 (2017: \$0.01). The twelve months trailing EPS amounted to \$0.21. The number of shares used in our calculations was 1,249,374,825 units. FTNA's stock price closed the trading period on May 14, 2019, at \$ 4.52.

• Management indicated, "Fontana continues to focus on the sustainable development and has diversified its energy sources in an ongoing effort to reduce its carbon footprint and reduce overall expenses. Our Fairview Montego Bay location now boasts 525 Zorlu solar panels commissioned in February 2019 with a total generating capacity of up to 150 kW. In addition, Fontana has moved quickly to play their role in eradicating non-essential plastics from the commercial ecosystem with the environmentally friendly options". FTNA also noted, "the company's launch of the 'Fontana Best Mommy & Baby' program for pregnant and newborn mothers, highlights our strategic focus on improving the welfare of mothers' and children's health through education. This program is a new private/public sector partnership of Fontana Pharmacy with the Government of Jamaica, under the patronage of The Honourable Mrs Juliet Holness, MP. 'Fontana Best Mommy & Baby' provides, for the first time in Jamaica's history, comprehensive best practice antenatal and postnatal information in easily accessible formats. So far 100,000 booklets have been printed, along with posters and videos, and will be disseminated through all hospitals and health clinics in the country".



Everything Fresh (EFRESH)

For the three months ended March 31, 2019

SELL

• EFRESH for the three months ended March 31, 2019 reported total revenues of \$593.18 million, a 25% increase on the \$474.62 million reported for the prior period in 2018.

• Cost of sales for the period increased 24% to \$515.16 million relative to the \$416.93 million booked the corresponding period in 2018. As such, gross profit for the period amounted to \$78.03 million, a 35% improvement on the \$57.69 million reported in 2018.

• The company reported other operating income of \$183,000 for the period, 34% more than the \$137,000 reported for the corresponding period last year.

• Total operating expenses increased 84% for the three months, to total \$76.01 million versus \$41.22 million documented in the prior comparable period in 2018. Of this, administrative expenses surged 98% to \$75.93 million (2018: \$38.40 million) while selling and promotional expenses closed at \$78,000 (2018: \$2.82 million). Management noted that, "this was due mainly to the increase in human resources costs which took place in the second half of 2018 and the first quarter of 2019".

• As such, the company booked operating profit of \$2.20 million, a 87% decline on the \$16.60 million recorded for 2018's corresponding period. Finance costs totalled \$1.90 million (2018: \$3.99 million).

• EFRESH reported profit before tax of \$301,000 compared to profit before tax of \$12.62 million in 2018, a 98% decline. No taxes were incurred for the quarter, resulting in net profit of \$301,000 versus profits of \$12.02 million in March 2018.

• Consequently, EPS for the period amounted to \$0.0004 (2018: \$0.02). The trailing twelve months EPS is \$0.006. The total amount of shares outstanding used for this calculation was 780,000,000 units. Notably, EFRESH closed the trading period on May 14, 2019 at a price of \$1.56.

• The Company indicated that, "the acquisition of the assets of The Meat Experts Limited was completed in January 2019. This acquisition has increased the product offering of the Company to its existing customers as well as adding new clients". The division had low start-up costs for the quarter due to selling items at a discount as well as honouring existing contracts. Nevertheless, the company was able to increase prices to 'desired level by the end of the quarter' through negotiations. EFRESH Further noted that, "the company expects to continue to grow the sales of its Meat Experts division to improve the utilization of the Factory and absorb the associated overhead costs of the plant".

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.



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