

# STRATEGIC INVESTING

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**MAYBERRY**  
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## CEO CORNER

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At the October's edition of the Monthly Investor Forum, (L:R) Peter Rousseau, Veteran Real Estate Entrepreneur, Howard Mitchell, Chairman, AJAS Aviation Services Limited, Gary Peart, Chief Executive Officer, Mayberry Investments Limited and Vencot Wright, Assistant General Manager, Corporate and Business, National Housing Trust, shared with our audience their views on "Investment Opportunities in the Business Sector".



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# NOVEMBER 2019 CEO CORNER

## The Importance of Stock Markets

The stock market can be the primary source for any company seeking to raise funds for business expansions or developing a new business venture. If a company wants to raise capital for its business, it can issue shares of the company that is essentially share ownership of the company. Firstly, the company is required to get listed to a stock exchange in order for them to issue their shares and receive capital; meeting a certain criteria for them to issue stocks and go public. The stock exchange supports the growth of the market and builds wealth by leveraging growth in various sectors of the universal economy, resulting in a profit even if some stocks lose value.

Notably, if it were not for the stock exchange, financiers would find it challenging to look for investors, and buyers would go on the wrong path in doing business of unlicensed financial products with no oversight. The stock market's activity can have a direct effect that impacts a nation's economy in numerous ways. Whether stocks fall or rise influences consumers' confidence. This leads back to how the stock exchange plays an integral part in a society's social and fiscal structure. Furthermore, its objective in any economy is to maximise return on an investor's savings that might otherwise languish in bank accounts that are stagnant with low investment returns.

The condition of the stock market has a consequential impact, affecting how much money is being deposited back into the economy and how much confidence consumers have in the solidity of their revenue. I urge investors to exhaust the possibilities of their income, once they have a risk appetite to invest in the stock market. It is a highly recommended way to achieve your financial goals. ■

### CEO CORNER

Gary Peart

CEO of Mayberry Investments

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The presence of the stock market is a potential gateway blanketing the globe, giving companies a lucrative opportunity to raise capital by offering shares for sale. In return, it allows investors to take part in the financial achievements of the companies, earning money through dividends that the shares payout by selling the valued stocks at a profit, or capital gain. The stock market can have a profound impact on an economy as it plays an essential role in the growth of the industry and commerce of the country. As such, the industry and the investors of the country keep track of the activities of the stock market.



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# HOW THE IPO'S STOLE CHRISTMAS

# IPO



**Damali Morgan**  
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An IPO or Initial Public Offering is the process of offering shares of a private corporation to the public in a new stock issuance/ first time to market. This is usually done to raise new funds for the company or to pay out private investors. Since November the market has seen 3 IPO's, 2 rights issues and an additional public offer. This is a new first for our capital markets and a sign that investor confidence is high in Jamaica. Of the three IPO's two will be Junior Market listings these are Mailpac Group Limited and Lumber Depot. The other expected listing on the market is Sagicor Select's Manufacturing and Distribution Fund which will be listed on the Main Market.

A Rights Issue gives the shareholders the option to purchase additional shares up to a certain amount at a specified price. Both Kingston Properties Limited and MPC Caribbean Clean Energy have issued a prospectus for rights issues with Key Insurance expected to follow. JMMB'S additional public offer

closed earlier this month and was extremely successful; the company also managed to upsize their offer due to the tremendous investor feedback received.

In December we expect the same to take place with a number of companies expected to come to the market. With the abundance of capital raising activities expected in December investors may face some budgeting decisions as they cut back on retail spending to make room for more investments. As the holiday season approaches and companies come to market we urge investors to seek advice from their investment advisors before taking the leap to invest. With the successful completion of the current transactions currently on the market and new equity offerings to come in December I am of the belief that you the investor will have a Merry IPO Christmas this year. ■



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# COMPANY ANALYSIS

JMMB Group Limited



## Executive Summary

Jamaica Money Market Brokers Group Limited (JMMBGL) is a financial services company in the Caribbean providing a wide array of financial solutions. The Group has operations throughout the Caribbean, mainly Jamaica, Trinidad & Tobago and Dominican Republic, with over 220,000 clients.

The Group, in recent years has focused on embedding its Regional Integrated Financial Services Model. This model enables effective cross selling and up selling opportunities through client partnership under one umbrella across the region. The model has seen the Group spreading its wings into Trinidad & Tobago and Dominican Republic and diversifying its revenues.

## Our Thoughts!

As Jamaica's overall macroeconomic indicators continue to trend in the right direction and consumer confidence remains elevated, JMMBGL is expected to yield positive returns in their bottom-line figures. For FY2019, JMMBGL delivered strong net interest income and net profit of \$8.84 billion (2018: \$7.74 billion) and \$3.87 billion (2018: \$3.80 million) respectively.

The Group has positioned itself to deepen its roots into the Trinidad and Tobago market through the JMMB Express Finance (T&T) Limited by expanding client location access, increasing strategic partnerships and exploring technology-based product enhancement and expansion. Notably, JMMB Group announced its intent to invest a minimum of US\$200 million in Alignvest Acquisition II Corporation, which will result in a minority stake in Sagicor Financial Corporation (SFC), which will give the Group an opportunity to participate in the future growth of a market leader in the Caribbean insurance, banking and asset management sectors. The Group is not in a position to take on additional debt; however, recently the Group raise additional equity to fund its organic and inorganic expansion and diversification through investments in other entities, whether by acquisition or strategic investments. Furthermore, this may provide the Company with greater financial flexibility to quickly take advantage of changing economic, regulatory and market conditions.

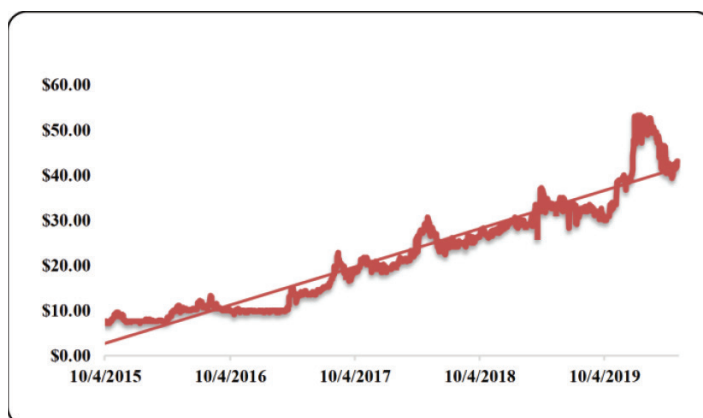
Stock currently trades \$42.98 as at November 12, 2019; above its current valuation of \$43.40 based on projected earnings. The stock also trades at a P/E of 17.54 times above the Main market P/E (Harmean) of 16.17 times. As such, the stock is recommended as a **HOLD** at this time.

## Disclaimer

**Analyst Certification** -This research report is for information purposes only and should not be construed as a recommendation. Each research analyst (s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation (s) or view (s) expressed by that research analyst in this research report.

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## JMMBGL's Price Movement



## Key Statistics

### JMMBGL's Market statistics

Market Cap (mil)	70,081
Price to earnings ratio	17.54
Forward PE ratio	14.74
Price to book	20.11
Dividend Yield	0.65%
Current Price	\$ 42.98
52 week high	\$ 55.07
52 week low	\$ 28.00
Average monthly volume	359,130
Net profit FY19 (mil)	\$ 3,820
Projected Net profit FY20 (mil)	4,595
Financial year end	March

\*Prices as at November 12, 2019

## Latest Event

### Additional Public Share Offer

### Declared Dividends

1st quarter earnings released on August 15, 2019

## Recommendation

**HOLD**



# COMPANY ANALYSIS

JMMB Group Limited



## LOCAL ECONOMIC OVERVIEW

The latest data from The Bank of Jamaica (BOJ) indicates that the prospects for the Jamaican economy are positive, while noting the headwinds arising from the global economy. The Bank highlighted that, "Domestic economic activity continues to show signs of recovery, although at a slower pace than earlier observed. The near-term outlook is for real GDP to expand at an average quarterly rate of 1% to 2%, which is below the previous projection for a quarterly expansion of 1.5% to 2.5%."

Unemployment fell to a historic low of 7.8% for the third quarter of 2019; the employed labour force also increased to 1,254,100, persons in July 2019

BOJ lowered the Policy interest rates to 0.5% during the month of October based on the Central Bank's current assessment of appropriate monetary conditions to support the medium-term inflation target of 4.0% to 6.0%.

Exchange rates during the month of September averaged \$136.69 with a max exchange rate of \$138.10 in the middle of the month before tapering, following a cyclical trend.

With regards to inflation, STATIN indicated that the country's consumer price index for the month of September 2019 increased by 0.4%, following a 0.8% increase in its index for August 2019.

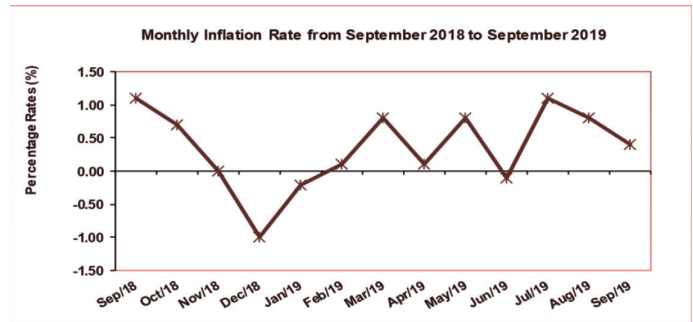
Business confidence dipped in third quarter of 2019, primarily due to a change regarding unmet expectations about the economy over the next twelve months. However, firms are more optimistic about current business conditions stemming from improved performances in profits which were higher than expected.

## LOCAL STOCK MARKET OVERVIEW

The JSE Main Market continued its downward trend in October as the index declined 4.04%, from a 0.84% decrease observed in September. So far, the Main Market has grown 30.4% since the start of the year. The Junior Market fell by 3.47% in October, down from the previous month's decline of 1.47%, while the index documented year to date growth of 8.82%.

## GLOBAL ECONOMIC TRENDS

Global growth remains subdued. Since the April World Economic Outlook (WEO) report, the United States further increased tariffs on certain Chinese imports and China retaliated by raising tariffs on a subset of US imports. Additional escalation was averted following the June G20 summit. Global technology supply chains were threatened by the prospect of US sanctions, Brexit-related uncertainty continued, and rising geopolitical tensions roiled energy prices. Against this backdrop, global growth is forecast at 3.2% in 2019, picking up to 3.5% in 2020.



## Financial Analysis

### INCOME STATEMENT

Net interest income surged 14% to close the 2019 financial year at \$8.84 billion relative to \$7.74 billion in the previous year. Notably, over the last five years, this grew by a CAGR of 14% from \$5.26 billion in 2015, which has led to net interest income margin of 45% over the period. The Group noted that, "growth was reflected in the investment and loan portfolios coupled with effective spread management."

Growth in expenses was attributed to, "increases in staff costs to support new sales capacity, costs incurred on transactions associated to business expansion initiative undertaken during the 2018 financial year as well as project activities related to operational efficiency and standardization," the Group mentioned. Total operating expenses went up 16% to close the 2019FY at \$12.99 billion versus \$11.24 billion in the same period last year.

Nonetheless, operating profit for the past five years has grown by a CAGR of 19%. Year over year, operating profit trended upwards by 10% to \$5.15 billion relative to \$4.70 billion reported in the similar period last year.

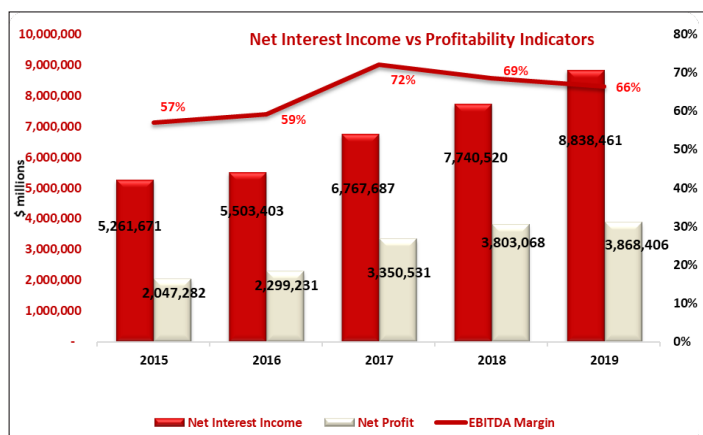
JMMBGL's profitability for the past five years has increased, growing by a compounded annual growth rate of 17%. Net profit for the 2019 financial year closed at \$3.87 billion, a 2% increase relative to net profit of \$3.80 billion reported during the corresponding period in 2018. Whereas, net profit attributable to shareholders amounted to \$3.82 billion (2018: \$3.56 billion).

For the first three months in FY20, JMMBGL has delivered a 6% increase in net interest income and a 17% increase in net profit to \$2.20 billion and \$1.12 billion respectively. Favourable quarterly results are attributable to the optimization of their financial partnership strategy as well as further enhancement of client experience.



# COMPANY ANALYSIS

JMMB Group Limited



Profitability	FY2015	FY2016	FY2017	FY2018	FY2019
Net Interest Income Margin	39.45%	41.26%	46.00%	48.75%	50.27%
Interest Expense Margin	60.55%	58.74%	54.00%	51.25%	49.73%
EBITDA Margin	56.93%	59.06%	71.99%	68.62%	66.36%
Operating Expense Margin	75.36%	76.71%	71.30%	70.96%	72.02%
Operating Profit Margin	24.83%	23.36%	18.76%	19.50%	19.15%
Pre-tax Margin	22.72%	22.65%	18.36%	18.91%	18.12%
Net Profit margin	19.76%	20.07%	14.80%	15.80%	14.39%

Year	FY2015	FY2016	FY2017	FY2018	FY2019
Dividends	0.35	0.40	0.43	0.48	0.28
Dividend pay-out ratio	29.54%	28.80%	21.16%	22.01%	11.95%
EPS	1.18	1.39	2.03	2.18	2.34
JMMBGL P/E	4.55	9.17	8.53	13.22	13.09
Main Market P/E (Harmean)	5.09	5.98	13.18	16.88	18.81
Share Price	7.06	10.01	16.81	26.00	31.99
Net Interest Income	5,261,671	5,503,403	6,767,687	7,740,520	8,838,461

## BALANCE SHEET

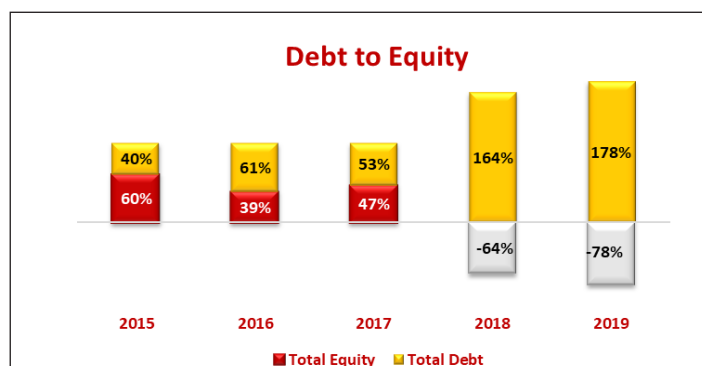
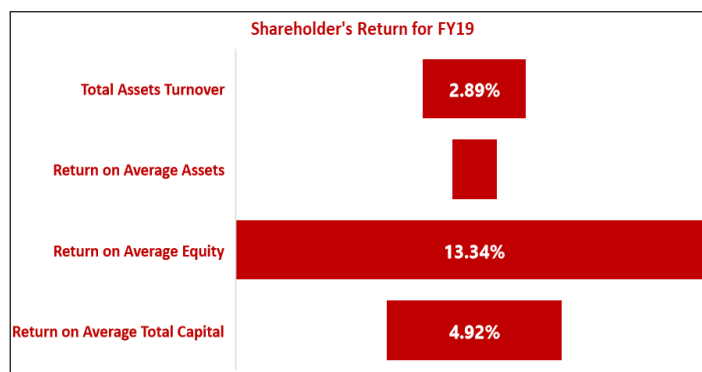
As at March 2019, JMMBGL's asset base grew growing by an average compounded annual growth rate of 10% over the past five years. Total assets amounted to \$320.04 billion, a 10% increase relative to the \$291.72 billion booked a year prior.

Total liabilities over the past five years also reflected an upward trend, from \$195.99 billion in 2015 to \$288.93 billion in 2019 (2018: \$262.71 billion).

Shareholders' equity improved by \$2.15 billion or 8% totalling \$30.07 billion (2018: \$27.91 billion) with a book value per share of \$18.44 (2018: \$17.12). Additionally, over the last five years, the Group saw a CAGR of 9% up from 2015's total shareholders' equity of \$20.96 billion.

## DEBT ANALYSIS

JMMBGL closed FY19 with total debt of \$53.56 billion (2018: \$45.74 billion), closing the year with a debt to equity ratio of 178% (2018: 164%). Year to date, JMMB's debt has increased to \$192.71 billion. Assessment of the company's solvency ratio indicates the company is not in a position to take on additional debt as their debt coverage ratio has weakened over the five-year period, and their EBITDA/interest expense ratio is below industry financial covenants.



Debt Analysis	FY2015	FY2016	FY2017	FY2018	FY2019
EBITDA/Interest Expense	0.37	0.41	0.61	0.65	0.67
Debt Coverage Ratio	0.26	0.27	0.39	0.15	0.13
Debt to EBITDA	2.77	4.14	2.83	8.61	9.13
Debt to CFO	3.37	3.71	1.49	82.53	6.73

Balance Sheet	FY2015	FY2016	FY2017	FY2018	FY2019
Shareholders Equity (mil)	20,965	21,924	25,906	27,911	30,066
Book Value	12.86	13.45	15.89	17.12	18.44

## Indicative Desktop Calculation of Value

### OVERVIEW

Year to date, JMMBGL stock price has advanced 28% from the start of the year to close at a high of \$53.31 on July 25, 2019. LASM's stock price reached a low of \$29.04 on January 18, 2019.

The stock trades at an average volume of 371,664 year to date and 64,509 for the month of October. In comparison to the Main market's average traded volume of 35,841,920 year to date and 35,419,146 for the month of October, JMMBGL represents 1.04% of Main market liquidity year to date.

### RECOMMENDATION

Stock currently trades \$42.98 as at November 12, 2019; above its current valuation of \$43.40 based on projected earnings. The stock also trades at a P/E of 17.54 times above the Main market P/E (Harmean) of 16.07 times. As such, the stock is recommended as a **HOLD** at this time.



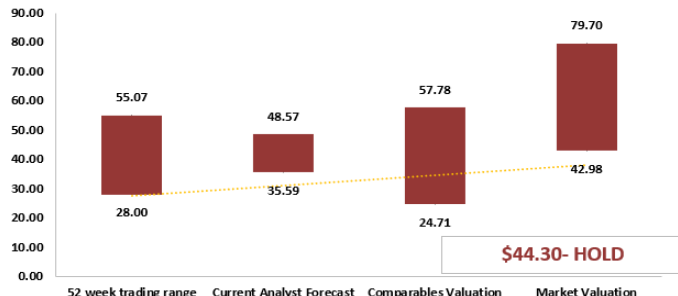
# COMPANY ANALYSIS

JMMB Group Limited



Company Name	Market Data			Financial Data			Valuation		
	Price (\$/share)	Market Cap (\$M)	EV (\$M)	Sales (\$M)	EBIT (\$M)	Earnings (\$M)	EV/Sales	EV/EBIT	P/E
JMMB	7.80	11,700	12,238	1,558	732	654	7.9x	16.7x	17.9x
SIL	3.10	1,164	1,439	103	60	44	13.9x	23.9x	26.5x
BIL	70.48	58,146	64,561	3,279	2,230	1,610	19.7x	28.9x	36.1x
JSE	31.67	22,209	20,084	1,599	656	467	12.6x	30.6x	47.5x
SCUMD	21.45	3,953	4,201	440	269	269	9.6x	15.6x	14.7x
EPLY	16.00	3,079	5,346	167	154	152	32.1x	34.6x	20.2x
SGJ	55.21	171,790	178,020	40,335	16,213	11,401	4.4x	11.0x	15.1x
NCBFG	210.01	518,045	645,888	90,565	25,828	30,692	7.1x	25.0x	16.9x
JMMBGL	42.98	70,081	216,584	28,291	5,783	3,996	7.7x	37.5x	17.5x
Average							13.4x	23.1x	24.4x
Median							11.1x	24.5x	19.1x

Valuation Summary- Equity Value per Share (\$)



## JMMBGL's Market statistics

Market Cap (mil)	70,081
Price to earnings ratio	17.54
Forward PE ratio	14.74
Price to book	20.11
Dividend Yield	0.65%
Current Price	\$ 42.98
52 week high	\$ 55.07
52 week low	\$ 28.00
Average monthly volume	359,130
Net profit FY19 (mil)	\$ 3,820
Projected Net profit FY20 (mil)	4,595
Financial year end	March

## Valuation Assumptions

### ASSUMPTIONS

JMMBGL's indicative value was derived based on projected earnings and compared with market comparable. A growth rate of 20% was used due to company's growth potential in operations and the performance demonstrated by the regional and business line diversification strategy.

An effective tax rate of 9% was assumed along with a marginal increase in operating expense margins, consistent with year to date results as JMMBGL has included expansion and growth initiatives in the Group's business lines.

Industry comparable relatively consistent with the Main Market Financial Conglomerate provided by JSE.

Lastly, company assumed to be a going concern.

Appendix 2: Financial Statement Extracts

## SWOT Analysis

### S

#### Strengths

- Large client base and strong client-staff relationship
- Presence in regional markets (Jamaica, Dominican Republic, Trinidad & Tobago)
- Geographical diversification
- Diversified and strong brand portfolio, with a wide array of products and services
- One of the largest Securities companies in Jamaica by Funds Under Management (FUM)

### W

#### Weakness

- Majority of the Group's revenue is from interest income thus interest margins and profitability are susceptible to changes in interest rates and monetary policies.

### O

#### Opportunities

- The Group's level of client intimacy allows JMMBGL to distinguish itself from competitors
- Investment in Aligned Acquisition II Corporation
- Growth in less mature markets, Dominican Republic and Trinidad & Tobago
- Continued expansion of commercial banking services in Jamaica and JMMB Express in Trinidad & Tobago

### T

#### Threats

- Systematic factors such as economic, climate, sovereign credit ratings and government actions

## Appendix 1: Financial Statement Extracts

For the period ended:	JMMB Group Limited (JMMBGL) 5 Year Profit & Loss Statement						Change \$	Change (%)	SYR CAGR (%)
	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Interest income	13,877,816	13,187,856	14,712,377	15,879,081	17,383,697	1,204,616	12%	7%	
Interest expense	(8,076,145)	(7,834,033)	(7,944,680)	(8,138,561)	(8,745,236)	(606,675)	7%	21%	
Net interest income	5,261,671	5,508,403	6,767,697	7,740,520	8,638,461	1,097,941	14%	14%	
Fees and commission income	946,218	769,115	918,361	1,185,993	1,424,885	238,892	20%	27%	
Gains on securities trading, net	3,420,817	4,018,454	5,376,535	6,816,692	4,097,335	(719,357)	(10%)	5%	
Total Operating Expenses	(7,787,697)	(8,781,265)	(10,446,222)	(11,240,284)	(12,989,242)	(1,748,958)	(16%)	14%	
Operating Profit	2,572,820	2,676,414	4,347,259	4,694,940	5,146,854	452,006	10%	10%	
Profit before Taxation	2,354,039	2,596,557	4,158,046	4,551,653	4,870,549	318,896	7%	20%	
Taxation	(306,757)	(296,326)	(805,515)	(748,585)	(1,002,343)	(253,758)	(34%)	34%	
Net Profit	2,047,282	2,299,231	3,352,531	3,803,068	3,868,206	65,138	2%	17%	
Net profit att. to shareholders	1,831,980	2,254,589	3,112,838	3,552,560	3,620,119	66,559	2%	19%	
Earnings Per Share	1.18	1.39	2.09	2.18	2.34				
Shares Outstanding	1,630,552,530								

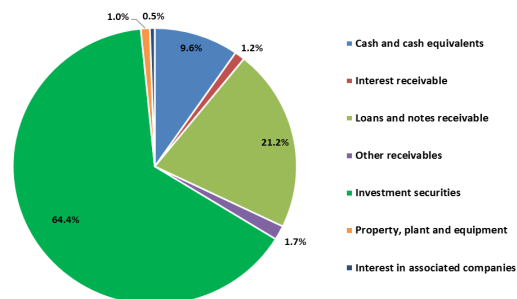
## Appendix 2: Financial Statement Extracts

As at:	JMMB Group Limited (JMMBGL) Balance Sheet						YOY Change \$	YOY Change %	SYR CAGR (%)
	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Cash and cash equivalents	18,872,088	25,369,721	28,895,013	27,837,271	30,704,096	2,866,825	10%	13%	
Interest receivable	2,551,634	2,677,626	2,941,556	3,429,115	3,733,190	304,075	9%	10%	
Loans and notes receivable	31,824,543	37,650,257	47,133,134	55,625,743	67,947,268	12,321,525	22%	21%	
Other receivables	1,245,160	1,791,238	1,545,162	2,055,252	5,314,152	3,258,900	159%	44%	
Investment securities	157,276,757	155,976,200	171,571,883	194,905,688	205,972,559	11,066,871	6%	7%	
Property, plant and equipment	2,033,688	2,438,096	3,070,590	3,217,877	3,283,332	65,455	2%	13%	
Interest in associated companies	1,060,277	1,348,158	1,516,900	1,602,513	1,757,568	155,055	10%	13%	
Total Assets	217,715,302	238,607,288	273,156,110	281,275,790	320,096,257	38,820,467	10%	10%	
Share capital	1,864,054	1,864,554	1,864,554	1,864,554	1,864,554	0	0%	0%	
Investment revaluation reserve	2,037,032	1,512,069	2,302,115	1,712,810	2,114,147	361,337	21%	1%	
Retained earnings	7,507,887	9,261,483	11,922,100	14,776,221	16,981,202	2,204,980	15%	22%	
Total Shareholders' Equity	20,944,714	21,638,106	25,088,769	27,353,585	30,959,904	3,606,319	8%	8%	
Customer deposits	38,463,504	41,296,371	49,087,517	52,165,066	63,947,279	11,782,213	23%	14%	
Securities sold under agreements to repurchase	144,501,608	149,262,369	156,647,595	158,167,289	163,907,081	5,739,792	4%	3%	
Notes payable	1,644,384	4,443,353	4,525,356	27,561,708	37,096,156	9,534,448	34%	79%	
Interest payable	1,185,595	1,170,402	1,158,780	1,185,823	1,602,491	416,668	3%	8%	
Total Liabilities	195,992,238	207,898,705	224,761,411	262,711,983	288,931,981	26,219,998	10%	10%	
Total Equity and Liabilities	217,715,302	238,607,288	273,156,110	281,275,790	320,096,257	38,820,467	10%	10%	

## Appendix 3: Financial Statement Extracts

Cash Flow For the year ended	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Change \$	Change %	CAGR (%)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Cash Flow from Operations	2,461,918	3,630,133	9,280,256	554,354	7,963,816	133,776	7,409,462	34%
Cash Flow from Investing	(10,318,470)	(1,630,059)	(12,260,914)	(24,966,000)	(12,014,661)	(524)	(12,959,339)	4%
Cash Flow from Financing	3,106,302	4,527,857	(652,221)	31,544,556	7,196,643	(77%)	(24,347,953)	23%

## Appendix 4: Financial Statement Extracts



## Appendix 5: Shareholders as at June 30, 2019

SHAREHOLDERS	VOLUME	PERCENTAGE
PROVEN INVESTMENTS	326,277,325	20.01%
TRUSTEES JMMB ESOP	158,076,085	9.76%
COLONIAL LIFE INSURANCE CO (TRADING) LTD	103,453,776	6.34%
PANJAM INVESTMENTS LIMITED	80,571,220	4.94%
NATIONAL INSURANCE LFUND	79,672,997	4.89%
SJIMIL A/C3119	56,372,550	3.46%
CONCISE E.I. LTF	48,438,366	2.97%
JVF O.E. LTD	44,400,000	2.72%
JVF E.I. LTD	40,311,674	2.47%
CONCISE O.N. LTD	37,530,103	2.30%
TOTAL	975,104,096	59.86%



# FORUM HIGHLIGHTS

FOR OCTOBER 2019



Mayberry's Executive Chairman (L), Christopher Berry and Chief Executive Officer, Gary Peart (2nd Right), greets one of the presenters for the evening's discussion, Peter Rousseau, Veteran Real Estate Entrepreneur, joined by Ian Dear, Chief Executive Officer, Express Catering.



Executive Chairman, Christopher Berry welcomes Howard Mitchell.



The audience reacts during the Forum's discussion.



Mayberry's Investment Advisor, Julian Shadoo presents Peter with a token of appreciation after her presentation.



Executive Investment Advisor and host for the evening, Karen Hall, during her Vote of Thanks.



Peter Rosseau making his presentation.



(L-R) Peter Rosseau, Vencot Wright and Gary Peart in an engaging discussion during the Q&A.



# ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR OCTOBER 2019

	October 2019	September 2019	Change
<b>91 Days Treasury Bills Avg. Yield (%)</b>	1.550	1.741	-0.19
<b>182 Days Treasury Bills Avg. Yield (%)</b>	1.649	1.751	-0.10
<b>Exchange Rate (US\$: J\$)</b>	137.51	136.69	0.82
<b>Net International Reserves (NIR) (US\$M)</b>	3,169.57	3,098.05	71.52

## Net International Reserves- October 2019

Jamaica's Net International Reserves (NIR) totaled US\$3.17 billion as of October 2019, reflecting an increase of US\$71.52 million relative to the US\$3.10 billion reported at the end of September 2019 (see figure 1).

Changes in the NIR resulted from an increase in Foreign Assets of US\$74.93 million to total US\$3.66 billion compared to the US\$3.58 billion reported for September 2019. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as of October 2019 totaled US\$3.11 billion reflecting an increase of US\$68.11 million compared to US\$3.04 billion booked as of September 2019.

'Securities' amounted to US\$315.18 million; US\$4.11 million less the US\$311.06 million reported in September 2019. Foreign Liabilities for October 2019 amounted to US\$487.27 million compared to the US\$483.86 million reported for September 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$3.41 million increase month over month from September 2019.

At its current value, the NIR is US\$244.24 million more than its total of US\$2.93 billion as of the end of October 2018. The current reserve is able to support approximately 34.15 weeks of goods imports or 23.29 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 for March 2019, closing the fiscal year at US\$3.08 billion, US\$0.13 million below targeted amount.

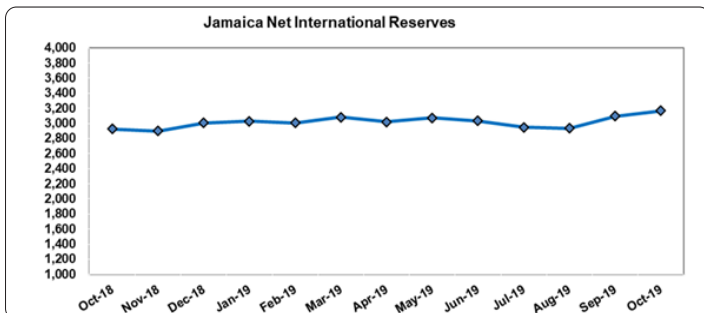


Figure 1

An International Monetary Fund (IMF) staff team led by Uma Ramakrishnan visited Jamaica from September 9-19, 2019, to conduct discussions on the sixth and final review of Jamaica's financial and economic program supported by the IMF's precautionary Stand-By Arrangement (SBA).

At the end of this review, Prime Minister Andrew Holness of Jamaica and Mr. Alejandro Werner, Director of IMF's Western Hemisphere Department, issued the following statement in Kingston:

"We are happy to announce that the IMF staff team and the Jamaican authorities agreed on the steps needed to complete the sixth and final review under the SBA, as Jamaica prepares to exit from IMF financial support. Consideration by the IMF's Executive Board of the review is tentatively scheduled for November 2019. Upon approval, an additional SDR 160.8 million (about US\$220 million) will be made available for Jamaica, bringing the total accessible credit to about US\$1.63 billion. The Jamaican authorities continue to view the SBA as precautionary. The SBA will expire on November 8, 2019".

The Net International Reserve (NIR) target outlined as per the new agreement for the 2019/20 fiscal year is US\$3.155 billion. As of October 2019, the Country is US\$0.01 million above targeted amount.

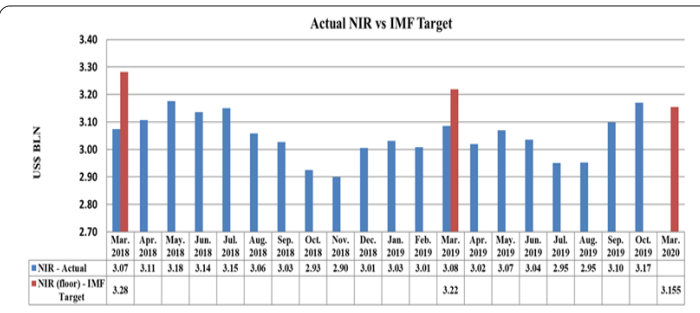


Figure 2



# JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR OCTOBER 2019

**Main JSE Index:** 495,187.93 points  
**Point Movement:** -20,854.98 points  
**Percentage Change:** -4.04%

**Advance Decline Ratio:** Negative  
**Advancers:** 15 **Decliners:** 22  
**Traded Firm:** 3

**Junior JSE Index:** 3,410.51 points  
**Point Movement:** -122.76 points  
**Percentage Change:** -3.47%

**Advance Decline Ratio:** Negative  
**Advancers:** 15 **Decliners:** 22  
**Traded Firm:** 3

## Major Winners (Main & Junior)

Stock	Increase	Closing Price
MPC Caribbean Clean Energy Limited	69.87%	\$260.00
138 Student Living Jamaica Limited	23.08%	\$4.00
General Accident Insurance Co. Ja. Limited	19.86%	\$8.27

## Major Losers (Main & Junior)

Stock	Decrease	Closing Price
Blue Power Group Limited	-26.67%	\$6.60
Sterling Investments Limited (USD)	-23.33%	\$0.02
Barita Investments Limited	-18.88%	\$70.14

**Total Shares Traded (Main):** 779.22 million units  
**Total value (Main):** Approx. \$9.88 billion

## Volume Leaders (Main)

Stock	Units Traded	Market Volume
Wigton Windfarm Limited	389,004,266	49.92%
Sagicor Select Funds Limited- Financial	107,582,778	13.81%
Barita Investments Limited	71,529,249	9.18%



**BUY****HOLD****SELL**

### Wigton Windfarm Limited (WIG)

For the six months ended September 30, 2019:

**BUY**

• Wigton Windfarm Limited, for the six months ended September 30, 2019, reported sales of \$1.47 billion, a 2% decline on the \$1.49 billion reported in the prior year. Revenue for the quarter declined 10% to \$632.34 million (2018: \$705.64 million). WIG noted that, "the decrease in revenue was directly related to a 10.7% decrease in production in the current reporting quarter as a result of lower wind regime. Availability of the wind turbines was 8.2% better than the SPLY. Major repairs and maintenance were conducted during this quarter to capitalize on the low wind regime during the quarter."

• Cost of sales went up 8% to close the period at \$387.82 million versus \$357.63 million booked in the previous comparable period. As such, gross profit declined to total \$1.08 billion (2018: \$1.13 billion).

• Other income amounted to \$118.22 million, a 32% decline when compared to \$174.45 million in the same period last year. General administrative expenses increased for the period amounting to \$181.34 million relative to \$163.24 million documented in the same period in the previous year.

• Consequently, operating profit decreased 11%, closing the period under review at \$1.01 billion (2018: \$1.14 billion).

• Finance expense trended downwards from \$752.56 million in 2018 to \$301.72 million in 2019. Management stated that, "The main contributor to the decrease was a reduction in finance expense of \$240.5 million or 60.9% as a result of lower exchange losses." Management also noted, "On December 14, 2018, WWFL refinanced its United States Dollar Loans totaling US\$49.2 million. The loans were refinance through private placement of bonds that raised J\$6,348,586,690 to repay the loans to the Petrocaribe Development Fund (PDF) of US\$49.2 million."

• As such, profit before taxation went up by 83% to close at \$712.50 million (2018: \$389.55 million). After taxation of \$171.00 million (2018: \$93.49 million), net profit for the period totaled \$541.50 million (2018: \$296.06 million). Net profit for the quarter closed at \$175.10 million versus \$121.39 million booked in the similar period last year, "due to a \$208.7 million decrease in total expenses, explained above which offset a \$138.1 million decline in revenues and an increase of \$16.9 million in taxation"

• Earnings per share (EPS) was \$0.049 for the period compared to \$0.027 in 2018. EPS for the quarter amounted to \$0.016 (2018: \$0.011). The twelve-month trailing EPS amounted to \$0.073. The number of shares used in the calculations is 11,000,000,000.



### Grace Kennedy Limited (GK)

For the nine months ended September 30, 2019:

**HOLD**

**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.



### Victoria Mutual Investments Limited (VMIL)

For the nine months ended September 30, 2019:

**SELL**

• Victoria Mutual Investments (VMIL) reported total interest income of \$615.37 million, an increase of 18% relative to the \$523.24 million recorded for the corresponding period in 2018. Interest income for the quarter improved 26% to \$216.96 million relative to \$172.17 million.

• Interest expense for the period amounted to \$402.31 million, an 18% increase relative to the \$340.97 million recorded in 2018.

• As such, net interest income closed the period at \$213.06 million, a 17% increase relative to the \$182.28 million recorded for the corresponding period in 2018. Net interest income for the quarter totaled \$72.71 million, a 16% increase on the \$62.61 million booked in 2018's corresponding quarter.

• VMIL recorded gains from investment activities for the period of \$421.29 million, a 163% increase relative to the gain of \$160.14 recorded in 2018.

• Net fees and commissions closed the period at \$673.60 million, an increase of 16% compared with the \$579.93 million recorded for the comparable period in 2018.

• Other income for the period reflected a total of \$56.25 million, a surge compared to \$690,000 recorded for last year.

• Consolidated revenues amounted to \$1.36 billion (2018: \$923.03 million) for the nine months ended September 30, 2019. According to VMIL, "This significant 47.80% growth in revenue was driven by net fees and commissions and gains on investment activities, which increased by \$93.68 million and \$261.16 million, respectively."

• Staff cost and other operating expenses increased 47% and 41% respectively, to close the period at \$362.39 million (2018: \$246.55 million) and \$326.28 million (2018: \$231.22 million) respectively.

• Notably, VMIL also booked 'Provision for credit losses on financial assets' of \$20.31 million relative to \$118.74 million for 2018.

• Profit before taxation amounted to \$655.23 million for the period, a 101% increase relative to \$326.53 million recorded for the prior period. Taxation amounted to \$157.84 million (2018: \$85.54 million).

• Consequently, net profit for the nine months amounted to \$497.39 million, a 106% million increase relative to the \$241.00 million booked for the same period in 2018. Net profit for the quarter totaled \$244.61 million, a 69% increase on the \$144.74 million recorded for 2018's prior quarter.

• Earnings per share for the period totalled \$0.33 (2018: \$0.16), while earnings per share for the quarter amounted to \$0.16 (2018: \$0.10). The twelve-month trailing earnings per share is \$0.44. The number of shares used in our calculations 1,500,025,000 units.

• VMIL noted, "During the third quarter, VMIL (The Company), acquired a 30% stake in the Barbados-based FinTech company, Carilend Caribbean Holdings Limited ("Carilend") at a cost of \$106.03 million. The purchase price allocation and any likely adjustment for goodwill is still in progress and will be completed by December 31, 2019. The principal activity of Carilend is to operate a Peer to Peer lending platform which efficiently matches borrowers with lenders."

**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.

## 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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