



**MAYBERRY**  
INVESTMENTS LIMITED

1985-2020  
**35**  
CELEBRATING 35 YEARS

# STRATEGIC INVESTING



**Jamaica**

has never had **unemployment**  
as **low** as we have it today."

**Nigel Clarke**

Minister of Finance,  
Ministry of Finance

What a great start to our **2020 Investor Forum Series!** Our guests left with a developed understanding of Jamaica's economic goals and milestones. Minister Clarke touched on the fact that Jamaica has faithfully completed its economic reform programme which in and of itself is indicative of the strides the country is making towards its goals.

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**CEO CORNER**

A COMPANY'S STOCK PRICE:  
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**BUY . HOLD . SELL**



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JANUARY 2020

# CEO CORNER



## GARY PEART

CEO OF MAYBERRY INVESTMENTS LIMITED

### Jamaica Stock Exchange Booster By Economic Reforms

Things work differently in “2018’s best-performing stock market” than they do on Wall Street where short-sellers driving down share prices is a common complaint. There is also little fear of high-frequency traders eking out an unfair edge. These elements don’t yet exist in the Jamaica Stock Market, meaning that the market is not ready for the hyperactive trading desks found in London or New York.

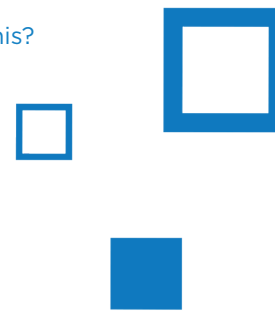
However, this should not detract from the great success evident in the Jamaica Stock Exchange. In 2018, the \$1.5 trillion stock exchange advanced by an incredible 34.26 per cent. According to the Financial Times, arguably the UK’s top financial publication, “total gains over the past five years come to more than 600 per cent”, at the time making Jamaica’s Stock Market the best performing in the world.

But how did Jamaica achieve this?

In 2019, the president of the Jamaica Employers’ Federation (JEF), David Wan, attributed the booming stock market to consistent interest rates as these rates allowed for companies listed on the exchange to access low-cost capital for expansion and upgrades. Reforms in the economy have resulted in further expansion in mortgage disbursements as well as credit to the business sector. This is especially beneficial to small and medium entrepreneurs.

Wan also attributed much of this to the ongoing debt-reduction strategy being implemented by the government over the years. This consistency in debt-reduction has aided in freeing up large pools of low-interest capital, giving lee-way to private sectors to access these resources.

As a result of these factors, Jamaica, in the past five years, has seen unprecedented trading from millennials, in particular, as they gain a deeper understanding of investment and the convenience of technology to trade stocks





# DIVERSIFICATION AND YOUR PORTFOLIO

DAMALI MORGAN

Manager, Risk  
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With the market reducing in value and investors becoming ever more pessimistic as to the future of our stock market it may be a good time to implement diversification into your portfolio management strategy. Diversification is the process of allocating capital in a way that reduces a person's risk exposure to any one asset. With the financial markets improving and broadening its investment scope, there are several assets that could possibly be invested in and yield good returns relative to their risk. Other investible assets include Real Estate which performs as good as equities have, Fixed Income Securities both local and global and mutual funds which are already diversified. Diversification in a portfolio strategy ensures that the investor is protected from various external shocks that may affect a specific asset class such as stocks. While some will argue that the drop in the market is due to the reduced liquidity caused by the Trans Jamaica IPO, investors should be warned however that it does not hurt to ensure that you are protected and balanced in your portfolio's asset exposures.

Diversification can also happen in one asset class; such as equities. An investor with good knowledge of the market could ensure that his equity portfolio is diversified by industry. There are a myriad of industries on the stock market from Finance, Manufacturing to as far as energy and many others. If investors are not familiar with this strategy they should speak to their relevant advisors and investment professionals and ensure that their portfolio has some level of diversification built into their portfolio.

# COMPANY ANALYSIS

## COMPANY OVERVIEW

Established in 1999 with distribution commencing in 2000, Medical Disposables & Supplies Limited (MDS) is an island wide distributor of healthcare and consumer products. The products they distribute include pharmaceuticals, vaccines, injectables, hospital supplies, medical disposable items, medical sundries, consumer products and beauty items. The company went on to be first listed in the Junior Market of the Jamaica Stock Exchange on Christmas Eve of 2014

## OUR THOUGHTS

Jamaica's economy continues to display signs of consistent and stable growth and the Bank of Jamaica's commitment to maintaining low interest rates continues to be accommodating to business growth. MDS' experienced noticeable setbacks in the past financial year due to the road works which decreased walk in customers as well as the dramatic hit to earnings from loss in foreign currency assets. Nevertheless, the company managed to maintain its trend of increasing net profits and with the implementation of strategies to hinder these setbacks from recurring (opening of more locations & portfolio restructuring), the company is expected to do well in the future. The company is encouraged to avoid incurring any further debt as the debt and solvency ratios are of growing concern.

Notably, the stock price currently trades at \$7.59 as at February 04, 2020; less than its current valuation of \$7.54 based on earnings as at the FY2019. Additionally, the stock also trades at a current P/E of 19.85 times; above the Junior Market P/E (Harmean) of 22.20 times. Hence, the stock is recommended as a SELL at this time.

### Jamaica Stock Exchange Boosted By Economic Reforms



### Key Statistics

#### MDS' Market Statistics

Market Cap (mil)	\$	1,997
Price to earnings ratio		19.85
Forward PE ratio		22.09
Dividend Yield		1.47%
Current Price (as at February 04, 2020)	\$	7.59
52 week low	\$	5.50
52 week high	\$	8.80
Average monthly volume		19,237
Net profit FY19 (mil)	\$	112.762
Projected Net Profit FY20 (mil)	\$	88.004
Financial year end		March



## MACROECONOMIC OVERVIEW

The latest data from The Bank of Jamaica (BOJ) indicates that the prospects for the Jamaican economy continue to be positive despite the deceleration of the local and global growth rate. Following the assessment by the BOJ in November 2019, the Bank forecasted that GDP growth over the next eight quarters is anticipated to be lower than the Bank's estimate of potential GDP growth. This has been mainly attributed to the reduction in production in the construction sector due to the completion of many large-scale projects. Nonetheless, domestic GDP growth could also be higher than expected due to higher than previously anticipated growth among Jamaica's main trading partners and the positive effect of the Bank's monetary policy, mainly the maintaining of low policy rates. Projections for GDP growth for the US show a deceleration which is likely to result in a "downward drag on domestic GDP growth".

In October 2019, the unemployment rate fell to 7.2% from 8.7% in October 2018 and is attributed mainly to a decrease in the unemployment rate for females and youth aged 14-24 years. The labour force saw an increase of 10,200 from 1,334,900 recorded in October 2018 to 1,345,100 in October 2019.

BOJ continues to hold the policy interest rate at a historic low of 0.50% which through the expansion of private sector credit should lead to higher economic activity and support Bank's inflation target of 4.0% to 6.0%.

The exchange rate for JMD to USD \$1 averaged \$133.94 in December 2019, a \$5.58 decrease from the average of \$139.52 recorded for November 2019. The year to date average as at January 14, 2020 is \$134.77 suggesting an upward movement and continuing the cyclical trend of the exchange rate.

Housing, Water, Electricity, Gas and Other Fuels industries. Average inflation is projected to be 4.5% over the next eight quarters (December 2019 to December 2021) and is noticeable higher than the average inflation of 3.7% over the last eight quarters.

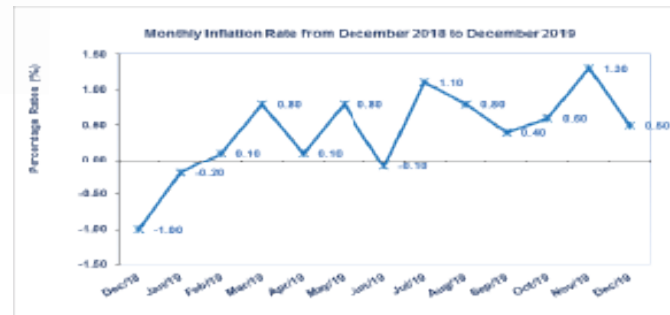
In the fourth quarter of 2019, business confidence decreased to 131.3 points which is a decrease year on year from 141.2 points (Q3 2019). Additionally, the consumer confidence increased to 180.1 points in fourth quarter of 2019, points relative to that of 179.9 points for the 3rd quarter of 2019, reflecting an upward trend in consumers' perception of business conditions presently and expectations for income in the future.

### LOCAL STOCK MARKET OVERVIEW

In December 2019, the JSE Main Market grew by 8,544.06 points (1.7%) from November 2019. On the other hand, the JSE Junior Market regressed in December 2019 by 25.17 points resulting in a 0.75% decrease from November 2019.

### GLOBAL ECONOMIC TRENDS

Relative to the June 2019 quarter, it is estimated that global economic growth has decelerated in the September 2019 quarter. This estimate for growth for the September 2019 is 2.70% which is 0.3% below BOJ's previous forecast and this difference reflects the "weaker growth in China, Japan and selected emerging market economies". The Chinese economy experienced estimated economic growth of 6.1% for the September 2019 quarter which is credited as the slowest pace since 1992. BOJ predicts a reduction in interest rates by the US Federal Reserves (Fed) due to outlook for demand growth as well as muted inflation pressures. Uncertainty still looms over the UK economy with the increasing tension and imminent deadlines related to Brexit.



## FINANCIAL ANALYSIS

### INCOME STATEMENT

The company's total revenues have steadily increased over the last five years, climbing from \$1.16 billion in 2015 financial year to \$2.22 billion in the 2019 financial year, growing at a compounded annual growth rate (CAGR) OF 18%. Revenues increased 9% year on year for the 2019 financial year relative to \$2.05 billion for the 2018 financial year.

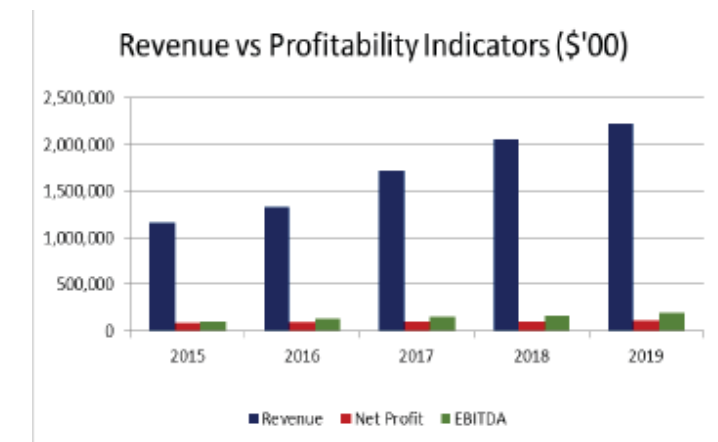
Similarly, cost of sales increased over the last five years by a CAGR of 18% from \$861 million in 2015 to \$1.67 billion in 2019. Year on year, Cost of Sales totaled \$1.67 billion for FY2019, an increase of 6% from \$1.58 billion in 2018.

Administrative expenses climbed 14% to \$195 million in 2019 from \$171 million in 2018. Notably, selling & promotional costs also climbed 13% to \$145 million in 2019 from \$128 million.

Over the five-year period, Medical Disposable & Supplies Limited's gross profit grew dramatically at a CAGR of 16% from \$298 million in 2015 to \$549 million in 2019. Year on year, gross profit grew by 19% from \$462 million in 2018.

Operating Profit grew by a CAGR of 18% over the five-year period from \$96 million in 2015 to \$187 million in 2019 with a dramatic increase year on year of 32% from \$142 million in 2018.

Conversely, net profit increased only slightly year on year by 3% from \$110 million in 2014 to \$113 million in 2019. This increase is noticeably less than the dramatic increase of operating profit and is as a result of the \$23 million loss on foreign exchange that occurred during the financial year ended March 31, 2019. Over the five-year period, net profit grew by a CAGR of 7% from \$85 million in 2015 with this result also being heavily affected by the loss on foreign exchange during the last financial year.



Profitability Ratios	2015	2016	2017	2018	2019
Revenue Growth	26.92%	14.54%	29.14%	19.34%	8.63%
Gross Profit margin	25.73%	26.39%	23.96%	22.56%	24.69%
Operating Expense Margin	17.85%	17.37%	16.30%	15.85%	16.53%
Operating Profit Margin	8.25%	9.10%	7.91%	6.93%	8.40%
Profit before Tax Margin	7.30%	7.34%	5.87%	5.36%	5.55%
Net Profit margin	7.30%	7.24%	5.87%	5.36%	5.08%



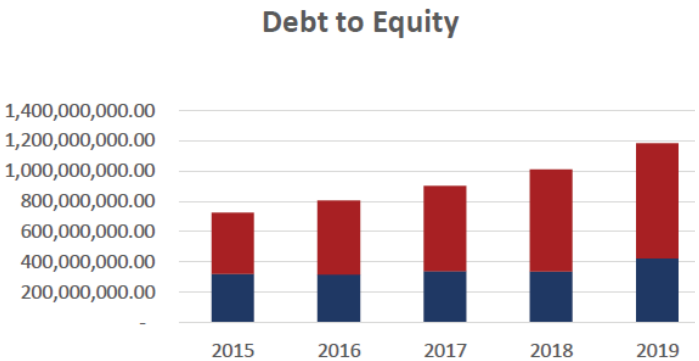
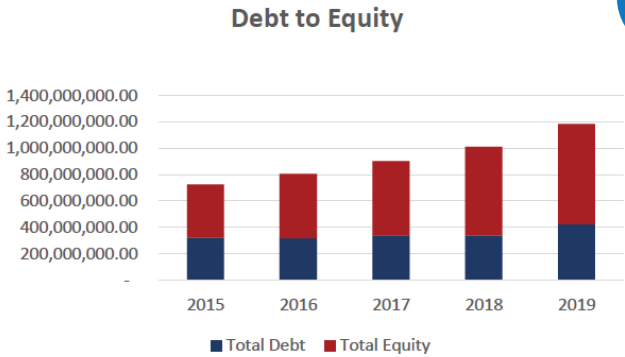
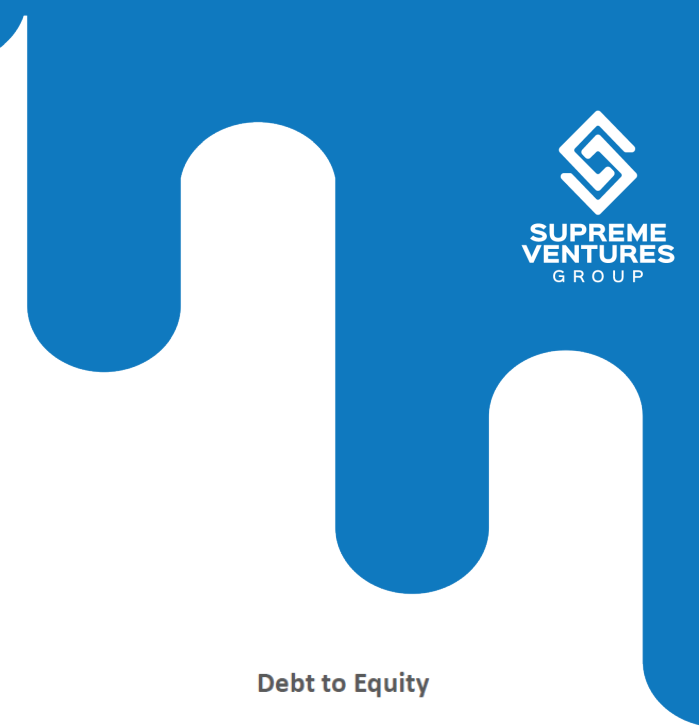
BALANCE SHEET

As at March 31, 2019, total assets increased by 14% year on year from \$1.45 billion to \$1.65 billion. This was mainly driven by the increase in inventories by \$104 million from \$544 million in 2018 to \$648 million in 2019 and an increase in property, plant and equipment by \$47.5 million from \$510 million in 2018 to \$558 million in 2019. Over the five-year period, the total asset grew at a CAGR of 15% between 2015 and 2019.

Total liabilities amounted to \$890 million as at March 31, 2019, a 15% increase from the previous financial year end of \$775 million as at March 31, 2018. This increase was mainly driven by the increase in short term borrowings which almost doubled (96% increase) from \$125 million as at 2014FY end to \$245 million as at 2019FY end and was offset by the decrease in long-term borrowings of 25% from \$170 million in 2018 to \$127 million in 2019. Total liabilities grew by a CAGR of 13% over the five-year period. Total equity increased year on year by 13% from \$673 million as at March 31, 2018 to \$759 million as at March 31, 2019. The sole contributor to this was the increase in retained profits by 17% from \$517 million as at 2018FY end to \$603 million as at 2019FY end as share capital and revaluation reserve remained constant over the financial year. Over the five-year period, total equity grew at a CAGR of 17%.

DEBT ANALYSIS

MDS closed FY19 with total debt of \$424 million (2018: \$337 million) with a debt to equity ratio of 56% (2017: 50%). Assessment of the company’s solvency ratios indicate that the company is in a reasonable position to repay its debt from its EBITDA but it is in a worrying position if it is to repay debt from cashflows. In addition to



this, the ability of the company to cover interest payments from the EBITDA or the EBIT is of concern. Hence, the company is advised to avoid taking on any additional debt and focus on increasing its EBITDA and cashflow from operations in order to be in a better position to repay future debt payments.

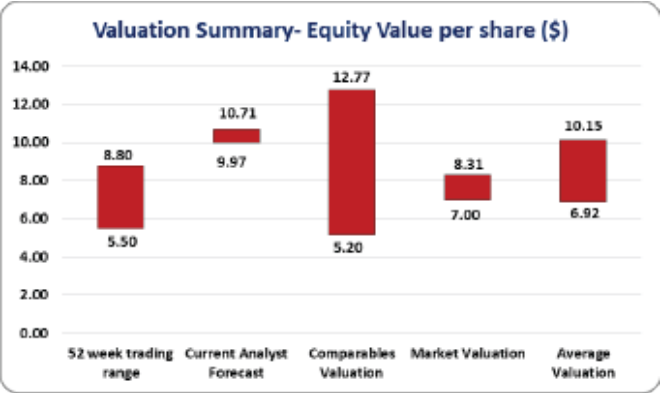
Indicative Desktop Calculation of Value

OVERVIEW

Year to date, January 31, 2020, MDS’ stock price has declined 2.71% to close at \$6.69. Over the last year, MDS’ stock price closed at a high of \$8.80 on September 23-25, 2019, while on May 30, 2019, MDS’ stock price reached a low of \$5.50. The stock traded at an average daily volume of 19,237 for January 2020, compared to the average monthly volume of 14,468 for the month of December 2019.

RECOMMENDATION

Stock currently trades at \$7.59 as at February 04, 2020; above its current valuation of \$7.54 based on earnings as at the FY2019. The stock also trades at a current P/E of 19.85 times; below the Junior Market P/E (Harmean) of 22.20 times. Hence, the stock is recommended as a SELL at this time.



Company Name	Market Data			Financial Data				Valuation			
	Price	Market Cap	Enterprise Value	Sales	EBIT	EBITDA	Earnings	EV/Sales	EV/EBIT	EV/EBITDA	P/E
	(\$/share)	(\$ mill)	(\$ mill)	(\$ mill)	(\$ mill)	(\$ mill)	(\$ mill)	x	x	x	x
Lasco Distributors	3.08	10,803	9,786	18,753	643	673	520	0.5x	15.2x	14.5x	20.8x
Stationary and Office Supplies	9.70	2,426	2,554	1,196	123	153	114	2.1x	20.7x	16.7x	21.3x
Derrimon Trading	2.02	5,521	6,817	12,495	576	651	299	0.5x	11.8x	10.5x	18.5x
Indies Pharma Jamaica	2.90	3,864	3,767	726	131	143	135	5.2x	28.8x	26.3x	28.6x
Medical Disposables and Supplies	7.59	1,997	2,341	2,302	161	188	101	1.0x	14.6x	12.4x	19.8x
Mean								1.9x	18.2x	16.1x	21.8x
Median								1.0x	15.2x	14.5x	20.8x

# VALUATION ASSUMPTIONS

MPS’ forecast values was derived based on projected earnings and compared with market comparable. Upon extraction of MDS’ financial statements over the past 5 years, net profit and earnings was estimated to grow at 7% year on year based on the CAGR.

Comparable companies are consistent with the Junior Market distribution industry provided by Jamaica stock exchange. Valuation is calculated as at year end of each company.

Lastly, company is assumed to be a going concern.

# RISK ASSESMENT

## STRENGTHS

- Moderate Level of confidence in the continued growth of the health sector thereby maintaining demand
- Continuously improving technological facilities and range of products to keep up with industry trends
- Limited competition due to difficulty of entry to the industry

## WEAKNESS

- With only one location, the company was heavily affected by road works on Hagley Park Road resulting in noticeably decreased visitation by potential customers

## OPPORTUNITIES

- With the growth of medical tourism, MDS has the potential to grow its company to interested foreign investors
- Opening more locations island-wide will spread the potential reach of the company

## THREATS

- Projected decline in GDP growth may affect demand of goods. Uncertainty in the foreign exchange and capital markets
- Heavy reliance on imported goods for distribution.



# APPENDIX

## APPENDIX 1: FINANCIAL STATEMENT EXTRACTS



Medical Disposables & Supplies Limited (MDS) Five Year Profit & Loss Statement								
For The Year Ended	FY 2015 J\$'000	FY 2016 J\$'000	FY 2017 J\$'000	FY 2018 J\$'000	FY 2019 J\$'000	Change (\$)	Change (%)	5- Year CAGR (%)
Revenue	1,158,721	1,327,249	1,714,019	2,045,443	2,221,895	176,452	9%	18%
Cost of Sales	-860,624	-977,021	-1,303,289	-1,583,921	-1,673,385	-89,465	6%	18%
Other income	4,331	1,020	4,268	4,384	5,459	1,075	25%	6%
Gross Profit	298,097	350,228	410,730	461,523	548,510	86,987	19%	16%
Operating Expense	-206,853	-230,494	-279,417	-324,104	-367,346	-43,241	13%	15%
Operating Profit	95,575	120,754	135,582	141,803	186,623	44,821	32%	18%
Finance Cost	-14,536	-23,509	-34,301	-35,310	-41,548	-6,238	18%	30%
Pre-Tax Profit	84,629	97,386	100,633	109,650	123,346	13,697	12%	10%
Income Tax Expense	-60	-1,310	-60	-60	-10,584	-10,524	17540%	264%
Net Profit	84,569	96,077	100,573	109,590	112,762	3,173	3%	7%
Earnings Per Share	0.32	0.37	0.38	0.42	0.43			
Shares O/S	263,157,895							
Medical Disposables & Supplies Limited (MDS) Five Year Balance Sheet								
For The Year Ended	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change (\$)	Change (%)	5- Year CAGR (%)
Total Assets	956,342,713	1,121,697,430	1,214,247,191	1,448,100,991	1,648,916,041	200,815,050	14%	15%
Non-Current Assets	351,627,170	475,180,340	487,100,656	512,895,044	559,516,063	46,621,019	9%	12%
Current Assets	604,715,543	646,517,090	727,146,535	935,205,947	1,089,399,978	154,194,031	16%	16%
Total Liabilities	553,880,440	633,684,558	618,772,778	774,971,971	889,703,899	114,731,928	15%	13%
Non-Current Liabilities	242,600,872	179,069,468	201,339,829	169,535,183	133,419,725	(36,115,458)	-21%	-14%
Current Liabilities	311,279,568	454,615,090	417,432,949	605,436,788	756,284,174	150,847,386	25%	25%
Equity	402,462,374	488,012,872	563,539,473	673,129,020	759,212,142	86,083,122	13%	17%



APPENDIX

APPENDIX 2: FINANCIAL RATIOS



Profitability Ratios	2015	2016	2017	2018	2019
Revenue Growth	26.92%	14.54%	29.14%	19.34%	8.63%
Gross Profit margin	25.73%	26.39%	23.96%	22.56%	24.69%
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Operating Profit Margin	8.25%	9.10%	7.91%	6.93%	8.40%
Profit before Tax Margin	7.30%	7.34%	5.87%	5.36%	5.55%
Net Profit margin	7.30%	7.24%	5.87%	5.36%	5.08%

Liquidity Ratios	2015	2016	2017	2018	2019
Current Ratio	1.94	1.42	1.74	1.54	1.44
Quick Ratio	1.07	0.77	0.84	0.64	0.57
Cash Ratio	0.23	0.11	0.06	0.05	0.05

Activity Ratios	2015	2016	2017	2018	2019
Receivables Turnover	4.77	4.74	5.48	6.01	5.95
Days of Sales O/S	76.53	77.05	66.63	60.75	61.31
Inventory Turnover	3.70	3.53	3.97	3.47	2.81
Days of Inventory on Hand	98.76	103.39	91.93	105.22	129.97
Payables Turnover	4.97	3.71	4.65	4.90	0.23
# of Days of Payables	73.44	98.36	78.49	74.51	1564.48
Total Assets Turnover	1.48	1.28	1.47	1.54	1.43
Fixed Assets Turnover	5.22	3.23	3.58	4.11	4.16
Cash Conversion Cycle Ratio	101.84	82.08	80.07	91.45	-1373.20

Solvency Ratios	2015	2016	2017	2018	2019
Total Debt to Total Equity	80%	65%	60%	50%	56%
Total Debt to Total Assets	34%	28%	28%	23%	26%
Debt-to-Capital	44%	39%	38%	33%	36%
EBIT to Interest Expense	7.38	5.60	4.58	4.76	4.58
Debt to CFO	5.49	2.09	12.04	8.39	22.43

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FORUM HIGHLIGHTS: JAN 2020



Chairman and Chief Executive Officer, Musson Group, Paul Scott (left) shares a moment with Chief Executive Officer, Mayberry Investments Limited, Gary Peart, and Chief Executive Officer, Caribbean Kremi Limited, Christopher Clarke.



Mixologist Christopher Hyatt whips up a signature 'Berry, Berry' cocktail for attendees at the Mayberry Investor Forum in January, made from CPJ Limited's Patrón Silver Tequila and Patrón Citrónge Tequila.



Audience member Aileen Campbell toasts to an enlightening evening.



Claire Bryan, Investment Advisor, Mayberry Investments Limited, engages in conversation with Dr Patricia Yap.



Stephanie Harrison, Digital Marketing Manager, Mayberry Investments Limited, poses alongside Dr The Honourable Nigel Clark, MP, Minister of Finance and The Public Service.



Attorney-at-law Kayla Mendes shares lens with Guardian Life Limited's Investment and portfolio analyst, Leon Franscique.



Mayberry's Investment Advisor and host for the evening, Floyd Wilson smiles for the cameras before addressing a large audience at the first Investor Forum of the year in January 2020.

ECONOMIC HIGHLIGHTS FOR FEBRUARY 2020

	January 2020	December 2019	Change
91 Days Treasury Bills Avg. Yield (%)	1.252	1.316	-0.065
182 Days Treasury Bills Avg. Yield (%)	1.453	1.599	-0.145
Exchange Rate (US\$: J\$)	137.80	133.94	3.86
Net International Reserves (NIR) (US\$M)	3,094.25	3,162.54	-68.29

NET INTERNATIONAL RESERVES JANUARY 2020

Jamaica's Net International Reserves (NIR) totaled US\$3,094.25 million as at January 2020, reflecting a decrease of US\$68.29 million relative to the US\$3,162.54 million reported as at the end of December 2019 (see figure 1).

Changes in the NIR resulted from a decrease in Foreign Assets of US\$70.28 million to total US\$3,560.81 million compared to the US\$3,631.09 million reported for December 2019. 'Currency & Deposits' contributed the most to the decrease in Foreign Assets. 'Currency & Deposits' as at January 2020 totaled US\$3,007.63 million reflecting a decrease of US\$74.38 million compared to US\$3,082.00 million booked as at December 2019.

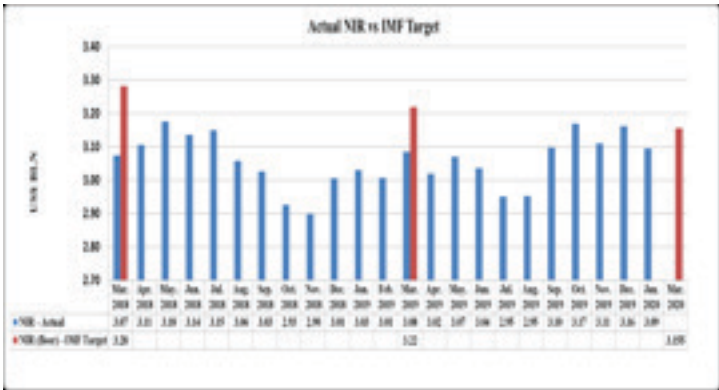
December 2019. Foreign Liabilities for January 2020 amounted to US\$466.56 million compared to the US\$468.55 million reported for December 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$1.99 million decrease month over month from December 2019.

At its current value, the NIR is US\$63.31 million more than its total of US\$3,030.94 million as at the end of January 2019. The current reserve is able to support approximately 33.08 weeks of goods imports or 22.43 weeks of goods and services imports.





# JAMAICA'S MONTHLY EQUITY MARKET REPORT FOR DECEMBER 2019



The country came in 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.

Notably, on November 07, 2019, Jamaica successfully concluded its economic reform programme, which was supported by a US\$1.66 billion Stand-By Arrangement from the International Monetary Fund (IMF).

The Net International Reserve (NIR) target outlined as per the agreement for the 2019/20 fiscal year is US\$3.155 billion (see figure 2 above). As at January 2020, the Country is US\$0.06 million below the targeted amount.

## Jamaica Monthly Equity Market Report for January 2020

Main JSE Index: 500,463.33 points  
Point Movement: -9,453.11 points  
Percentage Change: -1.85%

Advance Decline Ratio: Negative  
Advancers: 12 Decliners: 28  
Traded Firm: 3

Junior JSE Index: 3,087.76 points  
Point Movement: -261.20 points  
Percentage Change: -7.80%

Advance Decline Ratio: Negative  
Advancers: 11 Decliners: 29  
Traded Firm: 1

Major Winners (Main & Junior)		
Stock	Increase	Closing Price
K.L.E Group Limited	31.43%	\$2.30
Portland JSX Limited	29.17%	\$9.30
Productive Business Solutions	15.38%	US\$0.75
Major Losers (Main & Junior)		
Stock	Decrease	Closing Price
ISP Finance Services Limited	-30.92%	\$22.10
Paramount Trading Limited	-28.13%	\$1.61
Derrimon Trading Company Limited	-21.88%	\$2.00

Total Shares Traded (Main): 574.79 million units

Volume Leaders (Main)		
Stock	Units Traded	Market Volume
Sagicor Select Funds Limited- Financial	220,209,702	38.31%
Wigton Windfarm Limited	195,752,491	34.06%
Sagicor Select Funds Limited- Manu. & Dist.	46,505,667	8.09%





# MAYBERRY JAMAICAN EQUITIES

**BUY** EXPRESS CATERING LIMITED

**EXPRESS CATERING LIMITED (ECL)**

FOR THE SIX MONTHS

NOVEMBER 30, 2019

Express Catering Limited (ECL), for the six months ended November 30, 2019, posted a 9% increase in revenue to US\$7.81 million (2018: US\$7.18 million).

Cost of sales (COS) increased by 10% for the period to US\$2.13 million (2018: US\$1.93 million). As a result, gross profit increased year-on-year for the six-month period by 8%, from US\$5.25 million in 2018 to US\$5.68 million in 2019.

Total expenses increased by 9% for the period in review to US\$3.97 million for 2019 (2018: US\$3.64 million). This increase was associated with a 9% increase in administrative expenses to US\$3.63 million (2018: US\$3.33 million). Depreciation and Amortization saw an 8% jump to US\$306,929 compared to US\$285,454 for 2018. Promotional expenses saw a 33% increase from US\$23,017 in 2018 to US\$30,668 documented in the period under review.

Consequently, operating profit increased by 7% to US\$1.71 million (2018: US\$1.61 million). There was no tax incurred, as such, profit for the period amounted to US\$1.53 million, 8% above the US\$1.42 million recorded for the first six months of 2018.

The twelve-month earnings-per-share was US0.235 cents, while for the first six months ended November 2019, EPS amounted to US0.094 cents (2018: US0.087 cents).

**HOLD** SCOTIA GROUP JAMAICA LIMITED

**SCOTIA GROUP JAMAICA LIMITED (SGJ)**

FOR THE YEAR ENDED

OCTOBER 31, 2019:

For the Year Ended October 31, 2019:-

Scotia Group Jamaica Limited's net interest income for the year ended October 31, 2018, marginally declined to \$25.12 billion, relative to \$25.21 billion for the corresponding period in 2018. The Company noted, "Loan and transaction volumes continued to grow across our business lines".

The company reported an expected credit loss of \$2.60 billion compared to the loss of \$1.92 billion for the comparable period in 2018. As such, Net interest income after expected credit losses for the year fell 3% to \$22.52 billion relative to the \$23.29 billion recorded for the corresponding period in 2018.

Total other revenue increased by 18% to \$20.06 billion (2018: \$17.00 billion) which was mainly attributable to net foreign currency activities which increased by 74% and amounted to \$6.95 billion (2018: \$4.00 billion). SGJ noted that this increase was, "due to increased market activities."

As such, total operating income for the year increased 6% to total \$42.58 billion versus \$40.29 billion for the corresponding period in 2018.

Total operating expenses for the year amounted to \$24.10 billion, a 10% growth from the \$22.00 billion booked for the corresponding period in the prior financial year.

Following tax charges of \$5.29 billion (2018: \$5.52 billion), net profit for the year totaled \$13.19 billion, 3% more than the \$12.77 million posted for the same period in 2018. Earnings per share (EPS) for the year totaled \$4.24 (2018: \$4.10).

**SELL** KARIBBEAN CREAM LIMITED

**KARIBBEAN CREAM LIMITED (KREMI)**

FOR NINE MONTHS ENDED

NOVEMBER 30, 2019

KREMI, for nine months ended November 30, 2019, reported an 8% increase to total \$1.24 billion compared to \$1.15 billion in the corresponding period last year.

Costs of sales amounted to \$841.54 million (2018: \$757.42 million), an increase of 11%. Nevertheless, gross profit improved by 1% or \$3.59 million to \$393.91 million compared to \$390.32 million for the period ended November 30, 2018.

Administrative Expenses climbed 15% to close at \$279.83 million (2018: \$242.71 million), while selling and distribution costs increased 24% from \$41.48 million in 2018 to \$51.26 million. According to the Company, the increase was attributable to, "annual increases in salaries, expenses associated with opening an additional depot, utilities and depreciation on the capitalization of the production building". Consequently, operating profit for the nine-month period amounted to \$64.82 million, down 40% relative to \$107.87 million booked in 2018.

In addition, finance cost rose 16% year over year to amount to \$16.09 million (2018: \$13.85 million). There was a 56% decline in interest income for the period to \$881,084 (2018: \$1.99 million).

After incurring taxes of \$6.20 million (2018: nil) for the period under review, net profit attributable to shareholders decreased by 55% from \$96.02 million booked in 2018 to \$43.41 million.

Consequently, Earnings per Share (EPS) for the nine months amounted to \$0.12 (2018: \$0.25). The trailing twelve months earnings per share amounted to \$0.10.

## 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 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.

### 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.

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



