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CEO CORNER

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Last November's edition of our monthly Investor Forum, featured (L-R) Peter McConnell, Managing Director of Trade Winds Citrus Limited, Howard Mitchell, Attorney-at-Law and Chairman of Corrpak Jamaica Limited and Harry Maragh, Chairman and CEO of Lannaman and Morris (Shipping) Limited, who shared with our audience insight into their journeys as entrepreneurs.

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JANUARY 2017

CEO CORNER

A Company's Stock Price: what does it mean?

Companies enter the stock market either to issue or sell shares after their initial public offering (IPO), which a company usually does to raise more capital for expanding its operations. Studies have proven, over time, that shares or equities are one of the best long-term investments in the financial marketplace and therefore, can be a measure of the overall strength and well-being of a company's performance.

The stock price of the company is varied to change in its value; investing in equities involves the taking of risk once the investment has been made. Nonetheless, over the long term they can generate good returns. Investors receive two types of returns from the purchase of shares they buy: long-term capital growth and annual income, where shares offer income in the form of dividends, which are usually paid once to twice a year to shareholders. This is generally paid when a company is making substantial amounts of profits.

Many companies have faced challenges in becoming undermined with the value of share price. This occurs when management is unable to utilise the funds raised to increase future earnings with the value of the business. There are conditions that the company must undergo in making its share price beneficial for all stakeholders: it is imperative that the business is a reputable entity with steady profit growth where the increase in share price is aligned with the increase in the value of the business or employ corporate strategies that aid in increasing the added value of the company. Invariably, these elements will be advantageous in increasing shareholders' value.

Good management must have a vision for its company in taking advantage of its share price to expand and grow the business. Once the value of the stock price has increased, it will provide alternative opportunities to develop the future of the company and its stakeholders. This will furthermore attract potential investors as well as build strong strategic partnerships. ■

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When Buying Stocks... Don’t Buy the Stocks, Buy the Company

Richard Deane
Global Fixed Income Strategist

An economics professor wanted to show his students that the movement of the stock market can be as random as a coin flip. So, he performed an experiment by creating an imaginary stock. Let’s call it ‘ABC’.

ABC had an initial stock price of $50 and the closing price each day was determined by a coin flip. If the result was heads, the price went up half a point higher and if the coin flip result was tails, the stock price went half a point lower.

A few days and a series of coin flips later, the professor took the results to a chartist. A chartist, to be clear, is essentially someone who uses the past stock price movements to predict the future price.

The chartist told the professor that they needed to buy ABC immediately. The chartist’s recommendation was based on the past pattern of movement, not knowing that ABC did not exist and that the past patterns he was observing were actually random coin flips.

I would like you to believe that I have an eclectic imagination but, alas, I am afraid the professor and the chartist is a true story.

It is also a lesson for investors: the stock market is a little more than the wayward randomness of a coin flip, which is ultimately saying that the stock market is far more complex than a few dots on a chart.

People who approach stock investing like a roulette table are speculating and not investing, and that’s a shame because the real money is in investing.

The investor is looking for good companies with undervalued stock prices while the speculator is looking for companies that are hot right now.

In short, the investor is on the hunt for a company that is on the stock exchange with strong earnings, pays dividends, has a relatively robust book value (also known as accounting value or net worth to some), consistent, steady cash flows, are selling at a low stock price relative to the quality of the company, making it a bargain for the stated value.

The non-linear dynamics of the stock market makes trying to track it on a day-to-day basis a recipe for failure. Stocks are a patient man’s game. It is a marathon and not a sprint. It is also the domain of detectives rather than statisticians. You have to sniff out the value of the stock, which takes a lot more work than simply knowing the price.

Studies have shown that looking at the price of a stock relative to its earnings, dividend, book value and cash flow are reasonably consistent predictors of future value. The actual performance of a company, in the long run, is the true predictor of stock value. Therefore, company performance is most important element in stock investing.

So the next time you have a friendly visit from your investment advisor, stock broker or just a plain old busybody who likes to talk about investing, don’t ask them how the stock is doing, ask them how the company is getting on. That will be the determining factor in whether you should buy, hold or sell that stock.

COMPANY ANALYSIS
Caribbean Cement Company Limited (CCC)

Company Background

CCC has been in operation since 1952 and is the sole manufacturer of Portland cement. The company is situated in Rockfort, Kingston, and produces high quality products using 100 per cent indigenous raw materials, all mined within 10 miles of the plant. The manufacturer is a major contributor to the Jamaican economy and is listed on the Jamaica Stock Exchange's (JSE) main market.

Executive Summary

CCC, a member of the Trinidad Cement (TCL) Group of Companies, "is committed to meeting the needs of its customers by providing high quality building solutions in an environmentally friendly manner, through a competent, inspired and motivated team thereby achieving the financial objectives of its shareholders, whilst adding value to the community". TCL, the parent company of CCC, repaid debt obligations under a new Override Agreement mediated in March, 2015. The payment represents full and final payment on all the agreed outstanding debt obligations under the Amended Override Agreement. CCC noted that the debt default conditions and risk factors which existed in 2014 were no longer in existence as at December 31, 2015.

CCC's revenues have increased year over year by 7 per cent, driven by "improved domestic cement sales volumes and increased clinker exports which compensated for the decline in cement export sales volumes". Year to date (YTD), the company continues to increase its profits driven by local demand, operational efficiencies and the implementation of best cement industry practices.

According to the company, in 2015, domestic cement sales volumes increased 12 per cent while clinker sales grew 16 per cent compared to 2014. CCC's current ratio of 1.31 times indicated that the company is able to cover its short term debt obligations. The company's earnings before interest, tax, depreciation & amortization (EBITDA) has increased year over year from $961.07 million in 2014 to $2.58 billion in 2015. EBITDA for the nine months ended September 30, 2016 rose to approximately $2.47 billion (2015: $1.98 billion). The EBITDA margin for the nine month period was 21 per cent, up from roughly 17 per cent for the prior year's corresponding period. This improvement was attributed to operational efficiencies, improved local demand, industry best practices, despite a US$7.5 million cost according to CCC. The charge resulted from a major kiln overhaul carried out in the third quarter of 2016 as well as an overhaul of cement mill #4.

Operational Overview

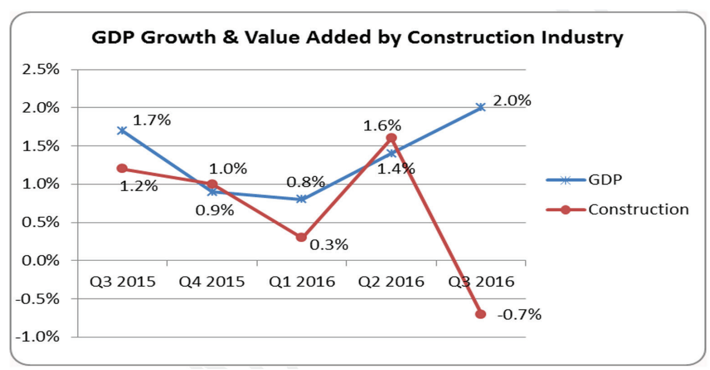
JAMAICAN ECONOMY

According to the World Bank, "Jamaica is an upper middle income country with the largest population in the English speaking Caribbean. For decades, Jamaica has struggled with low growth, high public debt and many external shocks that further weakened the economy". The country has made significant strides in restoring economic stability in recent years, supported by an International Monetary Fund (IMF) backed program. As per the IMF, The Extended Fund Facility (EFF) was established to provide assistance to countries: (i) experiencing serious payment imbalances due to structural impediments and (ii) characterized by slow growth and inherently weak balance of payments position.

"The program provides assistance in support of comprehensive programs that include polices of the scope and character required to correct structural imbalances over an extended period". Coming off a year in 2015 where the JSE was world best, Jamaica has continued on its upward trend.

For the third quarter of 2016, the country recorded a growth of 2 per cent compared to the corresponding period in 2015. The value added for the goods producing industries rose by 6.4 per cent and the services industries by 0.6 per cent. The construction industry recorded its first contraction of 0.7 per cent for the third quarter of 2016, since the third quarter of 2015. The industry enjoyed growths in late 2015 and early 2016 due to an increase in building construction resulting from a rise in the construction and renovation of hotels. However, the growth in the industry was tempered by a decline in engineering works, according to the Statistical Institute of Jamaica (STATIN).

The cause for the decline in the third quarter was the civil engineering sub-group. The group was adversely impacted by a decrease in civil engineering activities and rehabilitation works. The major project, the North-South leg of Highway 2000 ended in March 2016. Rehabilitation work on the Mandela Highway began in September 2016. However, higher levels of output were recorded in both the building construction and building installation sub-groups according to STATIN.



Furthermore, the nation continues to experience low inflation as the rate for November 2016 was 0.4 per cent. According to Bank of Jamaica (BOJ) Governor, Brian Wynter, "The Bank is forecasting that headline inflation will end this calendar year below 2.0 per cent before tracking back up to the lower bound of the target range of 4.5 per cent to 6.5 per cent by March 2017. This rise in the March 2017 quarter is simply the statistical consequence of dropping from the 12-month series the deflation that occurred in the months of January, February and March of 2016. The inflation rate year to date as at the end of November 2016 was 1.4 per cent. The November 2016 inflation rate was attributed to the movement was credited to a 0.5 per cent increase in the index for the division 'Food and Non-Alcoholic Beverages' and a 0.7 per cent growth for the index 'Housing, Water, Electricity, Gas and Other Fuels'.

COMPANY ANALYSIS
Caribbean Cement Company Limited (CCC)

Operational Analysis

CCC, located in Rockfort, Kingston, has been producing a consistently high quality of Portland cement using 100 per cent Jamaican raw materials since 1952. The raw materials used in the manufacturing process are all mined within ten miles of the plant. CCC has, as a subsidiary company, Jamaica Gypsum and Quarries Limited (JGQ), which supplies the company with the gypsum used in the manufacturing of its cement. The company exports its surplus gypsum and boasts of its own ports for the shipment abroad of both its cement and gypsum.

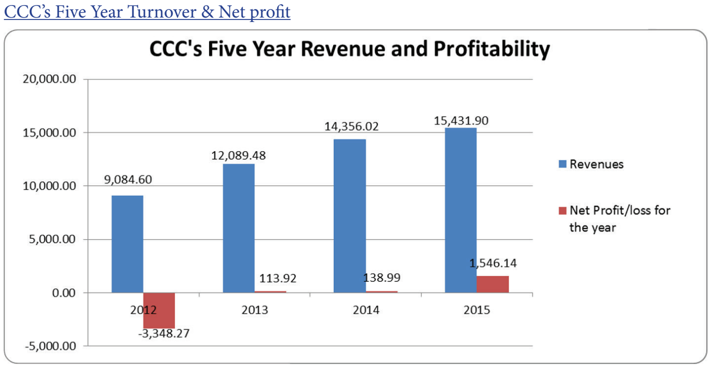
The plant is nestled in the foothills of the Blue Mountain Range. A member of the TCL Group of Companies, CCC is committed to meeting the needs of its customers by providing high quality building solutions in an environmentally friendly manner, through a competent, inspired and motivated team thereby achieving the financial objectives of its shareholders, whilst adding value to the community.

Outside of the domestic market, CCC also explores exporting opportunities. Market share for the company increased as the General Manager, Mr. Alejandro Vares noted, "CCC increased its market share by bringing in a cement importer to work with us, so now our market share is between 90-92 per cent of the market, which brings a lot of responsibility in order to properly supply the market adequately". CCC has also optimised its logistics network by improving the frequency of bulk deliveries to the growing infrastructure segment.

The company has indicated its willingness to build a new coal mill which is expected to efficiently increase capacity and allow the company to become more price-competitive. By being able to charge lower prices on its products, CCC could also potentially facilitate import substitution with more of its cement being sold locally. Notably, the timing of the completion of the new coal mill is likely to coincide with a possible rebound in energy prices.

Furthermore, it is no secret that the stock price of CCC continued its uptick from 2015 into 2016. The stock price opened the year at $19.03 on January 4th, 2016 and continued on its trend to close 2016 at a price of $34.80, an increase of almost 83 per cent. At the time, the renewed interest in CCC's stock was due largely to a delayed reaction to CCC's return to profitability and its parent company, TCL's successful debt restructuring. Since the company's 2013 financial year end (FY), CCC has consistently continued to grow in profitability.

CCC's Five Year Turnover & Net profit



CCC's Five Year Abridged P&L

Caribbean Cement Company Limited (CCC)							
Five Year Profit & Loss	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	Change (%)	Change ($)
Revenues	8,033,786	9,084,600	12,089,484	14,356,017	15,431,897	7%	1,075,880
Profit/Loss before interest, depreciation, tax & amortization	-1,760,893	-750,438	1,470,090	961,070	2,576,658	168%	1,615,588
Depreciation	-518,402	-430,695	-319,207	-364,828	-396,931	9%	-32,103
Severance cost	0	0	0	0	-436,372		-436,372
Operating Profit/Losses	-2,490,076	-1,564,710	1,150,883	596,242	1,743,355	192%	1,147,113
Interest income	928	2,221	9,982	1,294	10,613	720%	9,319
Debt restructuring costs	-28,487	-11,719	0	0	0		
Interest expense	-431,875	-592,153	-443,722	-252,663	-148,688	-41%	103,975
Net debt restructuring gain	0	0	0	0	167,792		
(Loss)/gain on currency exchange	-34,485	-505,744	-720,222	-88,888	-46,684	-47%	42,204
Profit/Loss before taxation	-2,983,995	-2,672,105	-3,079	255,985	1,726,388	574%	1,470,403
(Taxation)/Taxation credit	370,635	-676,160	117,000	-117,000	-180,248	54%	-63,248
Net Profit/loss for the year	-2,613,360	-3,348,265	113,921	138,985	1,546,140	1012%	1,407,155
Earnings Per Share	-3.07	-3.93	0.13	0.16	1.82		

In the FY ended December 31, 2015, total revenue grew by 7 per cent, amounting to $15.4 billion, up from the $14.4 billion reported a year ago. According to the company, this resulted mainly from "improved domestic cement sales volumes and increased clinker exports which compensated for the decline in cement export sales volumes". The company's revenue has moved from $8.03 billion in 2011 to $15.43 billion in 2015.

EBITDA amounted to $2.58 billion, an increase of 168 per cent. The tremendous growth was achieved through improved cost control, implementation of cement industry best practices and improved operational efficiencies. According to the Chairman, Christopher Dehring, "Clinker production totalled a record 804,294 tons, exceeding the prior year's record".

Depreciation and amortization closed the FY at $396.9 million (2014: $364.8 million) and the company also reported severance costs amounting to $436.37 million (2014: Nil). As such, operating profit totalled $1.74 billion for the year, an increase of 192 per cent. Interest expense amounted to $148.7 million for the period (2014: $252.7 million). According to CCC, "Interest expense decreased by 41 per cent for the year as a result of the company's financial restructuring initiative resulting in some prepayments of long-term debt in excess of $800 million". Interest income climbed to $10.6 million, up from $1.3 million in 2014. Furthermore, the company reported a $46.7 million loss on currency exchange, which was a significant improvement when compared to the loss of $88.9 million recorded last year.

Profit before taxation totaled $1.73 billion, this compares with profit of $255.99 million recorded last year. Net profit for the year closed at $1.55 billion relative to a net profit of $138.99 million during the corresponding period in 2014, an increase of 1012 per cent. Consequently, earnings per share (EPS) amounted to $1.82 (2014: $0.16).

Caribbean Cement Company limited (CCC) Total Expense Breakdown

Caribbean Cement Company Limited (CCC) Total Expense Breakdown				
Financial Year	Dec. 2014 $'000	Dec. 2015 $'000	Change (%)	Change ($)
Revenue	14,356,017	15,431,897	7%	1,075,880
Expenes				
Raw Materials and Consumables	1,077,179	1,047,642	-3%	-29,537
Fuels and Electricity	3,948,506	2,860,796	-28%	-1,087,710
Personnel Renumeration and Benefits	2,311,832	2,360,371	2%	48,539
Repairs and Maintenance	559,502	965,486	73%	405,984
Operating Lease	2,422,309	2,826,250	17%	403,941
Marketing and Selling Expenses	196,807	156,816	-20%	-39,991
Cement Transportation	562,831	592,732	5%	29,901
Insurance	205,925	214,628	4%	8,703
Training and Staff Develoopment	118,312	111,073	-6%	-7,239
Technical Assistance Fees andd Related Charges	273,653	325,267	19%	51,614
Security	112,444	112,744	0%	300
Equipment Hire	764,411	709,491	-7%	-54,920
Other Operating Expenses	406,057	589,629	45%	183,572
Changes in Inventories of Finished Goods and Work in Progress	435,179	-17,686	-104%	-452,865
Total Expenses	13,394,947	12,855,239	-4%	-539,708
Earnings Before Interest, Depreciation, Amortization, Tax and Severance Costs (EBITDA)	961,070	2,576,658	168%	1,615,588

COMPANY ANALYSIS

Caribbean Cement Company Limited (CCC)

Total expenses declined 4 per cent year over year from $13.39 billion to $12.86 billion at the end of the 2015 FY. Contributing to the decline in total expenses were fuel and electricity, which recorded a 28 per cent or $1.09 billion decline to $2.86 billion (2014: $3.95 billion). According to CCC, "the company benefited from improved operational practices, tight cost controls, and lower costs of fuels and energy, resulting in earnings before interest, tax, depreciation, amortization and severance costs increasing by $1,616 million. This resulted in the company implementing a price reduction for its cash customers". Earnings before interest, tax, depreciation, and amortization (EBITDA) surged 168 per cent from $961.07 million to $2.58 billion.

CCC's Revenue Growth and Profitability over the past five years

Caribbean Cement Company Limited (CCC) Profitability Over The Past Five Years					
Financial Year	**2011**	**2012**	**2013**	**2014**	**2015**
Revenue Growth	1.31%	13.08%	33.08%	18.75%	7.49%
Earnings Before Interest, Depreciation, Tax & Amortization Margin	-21.92%	-8.26%	12.16%	6.69%	16.70%
Operating Profit Margin	-31.00%	-17.22%	9.52%	4.15%	11.30%
Net Profit Margin	-32.53%	-36.86%	0.94%	0.97%	10.02%

Over the past five (financial) years, CCC's most significant growth in revenue occurred in 2013, with turnover rising by 33 per cent compared to a 13 per cent growth the prior year. Turnover for the company increased 7 per cent in 2015 relative to 2014's growth of 19 per cent. Furthermore, in addition to the revenue growth, CCC's EBITDA margin improved year over year due to improved operational practices, tight cost controls and lower costs of fuels and energy. This improvement however, led to an increase in the operating profit margin to 11 per cent relative to 4 per cent in 2014. CCC's net profit margin for the 2015 FY increased to 10 per cent.

CCC's Balance Sheet as at December 31, 2015

Caribbean Cement Company Limited (CCC)							
Balance Sheet As At	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**Change (%)**	**Change ($)**
Property, plant and equipment	5,094,159	4,472,213	4,731,265	4,927,455	5,353,934	9%	426,479
Intangible Assets	931	0	0	37,004	23,232	-37%	-13,772
	5,771,250	4,545,366	4,848,265	4,964,459	5,377,166	8%	412,707
Current Assets							
Inventories	2,250,690	2,765,081	2,863,145	2,549,840	2,781,194	9%	231,354
Receivables & Prepayments	667,354	898,951	944,856	1,547,142	1,164,942	-25%	-382,200
Cash and cash equivalents	153,584	244,303	202,107	177,917	910,666	412%	732,749
	3,179,133	3,942,937	4,273,591	4,679,393	5,474,225	17%	794,832
Total Assets	8,950,383	8,488,303	9,121,856	9,643,852	10,851,391	13%	1,207,539
Current Liabilities							
Payables and accruals	2,722,841	2,714,076	2,182,557	2,074,658	2,497,010	20%	422,352
Due to related companies	440,603	1,002,976	775,780	1,031,507	1,510,011	46%	478,504
Current portion of long term debt	1,391	34,461	69,334	779,600	0	-100%	-779,600
	3,767,676	3,751,513	3,027,671	3,885,765	4,187,269	8%	301,504
Working Capital	-588,543	191,424	1,245,920	793,628	1,286,956	62%	493,328
Non-Current Liabilities							
Due to related companies	4,769,687	6,878,150	456,324	720,717	205,582	-71%	-515,135
	4,773,514	7,675,862	1,342,136	867,053	226,948	-74%	-640,105
Total Liabilities	8,541,190	11,427,375	4,369,807	4,752,818	4,414,217	-7%	-338,601
Stockholders' Equity	409,193	-2,939,072	4,752,049	4,891,034	6,437,174	32%	1,546,140
Stockholders' Equity and Total Liability	8,950,383	8,488,303	9,121,856	9,643,852	10,851,391	13%	1,207,539

CCC's Balance Sheet Analysis

The company reported a general improvement in its balance sheet as at December 31, 2015, marked by an increase in its asset base and shareholders' equity. Total assets increased from its total of $9.57 billion in 2014 to $10.85 billion in 2015, a 13 per cent increase year over year. Cash and cash balances and property plant and equipment drove the improvement in total assets. Property plant and equipment moved from $4.93 billion in 2014 to $5.35 billion as at December 31, 2015. Cash and cash balances surged 412 per cent to close the December 2015 year end at $910.67 million, relative to $177.92 million in 2014.

Shareholders' equity amounted to $6.44 billion, a growth of 32 per cent compared to 2014's total of $4.89 billion.

Current liabilities amounted to $4.19 billion; an 8 per cent increase year over year compared to $3.89 billion in 2014.The main contributor to the growth in current liabilities was payables and accruals and due to related companies. Payables and accruals totalled $2.50 billion, relative to $2.07 billion, while amounts due to related companies increased 46 per cent to $1.51 billion (2014: $1.03 billion).

As at December 31, 2014, TCL and its subsidiaries, including CCC, were in default of its debt obligations with its lenders under the Override Agreement. A new amended Override Agreement with the lenders was remediated in March 2015. According to CCC, "The main elements of the restructured debt agreements included: reduction of the interest rate on the outstanding debt by 2 per cent; forgiveness of default moratorium interest from September 30, 2015 (2 per cent); and the ability to prepay originally secured and unsecured debt on a discounted basis within 90 days of the effectiveness of the restructuring".

In May 2015, the TCL group sourced new funding from a third party and used the proceeds along with proceeds from a rights issue completed in March 2015 and internal cash to pay off a sum amounting to $30.2 billion. According to CCC, "this represents full and final payment on all agreed outstanding debt obligations under the Amended Override Agreement". CCC noted that the debt default conditions and risk factors which existed in 2014 no longer existed as at December 31, 2015.

CCC's Leverage Ratios

Caribbean Cement Company Limited (CCC) Leverage Ratios			
Financial Year	**2013**	**2014**	**2015**
Total Debt/ Equity (%)	17.51	19.53	14.38
Total Debt/ Capital (%)	14.90	16.34	12.58
Total Debt/ Total Assets (%)	9.12	9.90	8.53
EBITDA/ Interest Expense (Times)	3.31	3.80	17.33
Total Debt/ CFO (Times)	3.40	2.78	0.35

The Company's total debt was 14 per cent 180.81 per cent of shareholders' equity in 2015, down from 20 per cent in 2014. This indicated that CCC is not highly leveraged. As at December 31, 2015, total debt accounted for 13 per cent of total capital employed. Total debt to total assets was 9 per cent, down from 10 per cent in 2014.

CCC's EBITDA to interest expense ratio suggests results are sufficient to cover the debt servicing obligations. For the 2015 FY, the interest coverage ratio was 17.33 times compared to 3.80 times in 2014.

The company's debt to cash flow from operations ratio amounted to 0.35 times for the 2015 FY, an improvement from the 2.78 times computed for 2014. This indicates the company would have been able to repay debt using cash from operations in less than a year.

Inventory Breakdown 2013-2015

Caribbean Cement Company Limited (CCC) Composition of Total Inventory				
Financial Year Year	2013 $'000	2014 $'000	2015 $'000	Change %
Plant Spares	749,988	874,689	1,148,617	31%
Consumables	395,899	365,048	340,358	-7%
Raw Materials and Work in Progress	1,357,064	1,011,089	1,066,924	6%
Finished Goods	452,105	431,140	346,911	-20%
Goods in Transit	36,030	8,837	585	-93%
	2,991,086	2,690,803	2,903,395	8%
Provision for Obsolescence and Impairment	-127,941	-140,963	-122,201	-13%
Total Inventory $'000	2,549,839	2,549,840	2,781,194	9%

Inventory increased 9 per cent in the 2015 FY to $2.78 billion. Plant spares accounted for most of the inventory, totalling $1.15 billion and increasing 31 per cent year over year. Raw materials and consumables amounted to $1.07 billion relative to $1.01 billion the prior year. Raw materials and work in progress accounted for the most of inventory between 2013 and 2014. Provision for obsolescence and impairment declined 13 per cent from $140.96 million in 2014 to $122.20 million in 2015.

Caribbean Cement Company (CCC) Performance Year to Date

Caribbean Cement Limited (CCC) P&L and Projection								
Profit & Loss For The Year Ended	Jul. - Sep. 2015	Jul. - Sep. 2016	Change (%)	Change ($)	Jan. - Sep. 2015	Jan. - Sep. 2016	Change YoY) (%)	Change (YoY) ($)
Revenues	4,236,080	3,679,390	-13%	-556,690	11,763,864	11,984,522	2%	220,658
Profit/Loss before Interest, Depreciation, Tax & Amortization	827,212	94,876	-89%	-732,336	1,980,471	2,468,538	25%	488,067
Depreciation	-101,777	-117,260	15%	-15,483	-295,757	-359,031	21%	-63,274
Operating Profit/Losses	725,435	-12,925	-102%	-738,360	1,684,714	1,295,801	-23%	-388,913
Interest Income	3,553	1,594	-55%	-1,959	5,473	1,596	-71%	-3,877
Interest Expense	-15,950	-23	-100%	15,927	-120,084	-8,510	-93%	111,574
(Loss)/gain on currency exchange	-7,030	-16,112	129%	-9,082	-35,735	-29,346	-18%	6,389
Profit/Loss before taxation	706,008	-27,466	-104%	-733,474	1,702,160	1,259,541	-26%	-442,619
(Taxation)/Taxation credit	-89,340	-53,650	-40%	35,690	-216,194	-286,184	32%	-69,990
Net Profit/loss for the year	616,668	-81,116	-113%	-697,784	1,485,966	973,357	-34%	-512,609
Earnings Per Share	0.72	-0.10			1.75	1.14		

The company's performance in revenues year to date shows an increase of 2 per cent year over year, while for the quarter, CCC reported a 13 per cent decline. According to management, the 13 per cent reduction was mainly driven by the absence of a clinker contract and reduced domestic price. The nine months revenue rose despite a reduction in export cement and clinker volumes by 16 per cent and 84 per cent respectively. According to CCC, "This was mainly due to the increase in local cement volumes by 18 per cent arising from the good trend of the infrastructural projects and demand on retail, which, however, were tempered by the inclement weather conditions during this quarter".

EBITDA amounted to $2.47 billion, an increase of 25 per cent relative to $1.98 billion for the prior year's corresponding period. CCC attributed the performance to, "improvements in cost control". However for the quarter, CCC's EBITDA plummeted 89 per cent to $94.88 million (2015: $827.21 million). The fall according to CCC, stemmed from "the major kiln overhaul which was carried out in the quarter resulting in US$7.5M charge against EBITDA. There was also a cement mill #4 overhauls which impacted the EBITDA for the quarter". Management further noted the overall did not severely affect CCC's ability to supply the market as, "All customers were facilitated and there were no projects that had to be stopped due to a lack of cement".

CCC booked depreciation and amortization closed at $359.03 million (2015: $295.76 million) respectively. Manpower restructuring costs for the nine month period totalled $407.25 million relative to nil in 2015. CCC indicated, "manpower restructuring costs mainly comprise severance costs incurred during implementation of restructuring programmes. The objective of the restructuring programmes is to improve cost efficiency". CCC recorded stockholding and inventory restructuring costs of $406.45 (2015: Nil), due to a review of inventory quantities on hand undertaken during Q2 and Q3 of 2016. CCC indicated, "Inventories, management has recorded an expense of $406.5 million in respect of overstocked items". Consequently, operating profit totalled approximately $1.30 billion (2015: $1.68 billion) for the period, a decline of 23 per cent year over year.

Additionally the company reported interest income of $1.60 million for the period compared to $5.47 million for the corresponding nine months period in 2015. Interest expense dropped to $8.51 million down from $120.08 million reported for the corresponding period in 2015. Loss on currency exchange totalled $29.35 million, down from a loss of $35.74 million in 2015.

Profit before taxation totalled $1.26 billion, this compares to profit of $1.70 billion recorded last year. Taxation for the period increased 32 per cent from $216.19 million to $286.18 million. As such, net profit for the nine months closed at $973.36 million relative to a net profit of $1.49 billion during the corresponding period in 2015, a decrease of 34 per cent. CCC cited that, "the company embarked on a major kiln overhaul which lasted 45 days and impacted the income statement by US$7.5 million. Along with the capital expenditure of J$622 million invested this quarter, this is expected to lead to an improved operational efficiency and reliability of the plant".

Consequently, earnings per share (EPS) amounted to $1.14 (2015: $1.75), while the loss per share for the quarter was $0.10 compared to earnings per share of $0.72. The number of shares used in this calculation was 851,136,591.

CCC reiterated that, "The Board of Directors continues to be committed to improving and promoting the health and safety standards in our operation to create a better work environment to our people, as well as reinforce the profitability and competitiveness of the plant to maintain a good level of generation of cash".

Balance sheet at a Glance

Total assets grew by $104.57 million or 1 per cent to close at $10.63 billion as at September 30, 2016 (2015: $10.53 billion). The increase in total assets was largely due to the increase in non-current assets, which grew by $1.02 billion to a total of $6.03 billion (2015: $5.01 billion).

Shareholder's equity totalled $7.41 billion compared to the $6.38 billion quoted as at September 30, 2015. This represents a growth of 16 per cent year over year. Consequently, this resulted in CCC's book value moving from $7.49 booked for the nine months ended September 30, 2015 to $8.71 for the corresponding period in 2016.

CCC Abridged P&L and 2016 Projection

Caribbean Cement Limited (CCC) P&L and Projection				
Profit & Loss For The Year Ended	Dec. 2015	Dec. 2016	Change (%)	Change ($)
Revenues	15,431,897	16,203,492	5%	771,595
Profit/Loss before Interest, Depreciation, Tax & Amortization	2,576,658	2,835,611	10%	258,953
Depreciation	-396,931	-478,708	21%	-81,777
Operating Profit/Losses	1,743,355	2,356,903	35%	613,548
Interest Income	10,613	2,128	-80%	-8,485
Interest Expense	-148,688	-11,347	-92%	137,341
(Loss)/gain on currency exchange	-46,684	-42,016	-10%	4,668
Profit/Loss before taxation	1,726,388	2,305,669	34%	579,281
(Taxation)/Taxation credit	-180,248	-576,417	220%	-396,169
Net Profit/loss for the year	1,546,140	1,729,252	12%	183,112
Earnings Per Share	1.31	2.03		

CARIB CEMENT

CCC Projection for the 2016 FY

CCC's historic performance shows a vast improvement over the past five years. We anticipate continued growth in the company's revenues, which were positively impacted by the completion of the major project, the North-South leg of Highway 2000, which ended in March 2016. Also the expansion of hotel rooms in the hotel & restaurants industry, as well as increased local demand is expected to be the driving forces behind the company's performance.

Furthermore, we anticipate an uptick in CCC's EBITDA, which was adversely impacted by major overhauls carried out in the Q3. The reason behind the upward trend is the improved cost control, implementation of cement industry best practices and improved operational efficiencies.

Expenses for the company are anticipated to decline, due to subdued energy prices as there is a supply glut on the international market despite the cost of the commodity increasing in recent weeks. As such, we project an 11 per cent increase in CCC net profit attributable to shareholders. This further translates to earnings per share of $2.03 for the 2016 FY.

Conclusion

CCC is a member of the TCL group of companies and is committed to meeting the needs of customers by providing high quality building solutions in an environmentally friendly manner. The company has been producing cement since 1952 using 100 per cent Jamaican raw materials. The company in the past has endured a Jamaican economy, which experienced tepid growth and tight fiscal constraints. However, over the past yea,r the Jamaican economy continued to do well under the current IMF programme. As at December 31, 2014, TCL and its subsidiaries, including CCC, were in default of its debt obligations with its lenders under the Override Agreement. The TCL group sourced new funding and used the proceeds to pay off a sum amounting to $30 billion. CCC noted, "This represents full and final payment on all agreed outstanding debt obligations under the Amended Override Agreement". CCC noted that, "the debt default conditions and risk factors which existed in 2014 no longer existent as at December 31, 2015".

Notably, the company has benefited from the repayment of TCL debt obligations, as well as the increase in local demand. Furthermore the company stands to benefit from the increased local demand and the expansion of hotel rooms in the hotel & restaurant industry.

The company boasts a current ratio of 1.31 times, indicating that it is able to cover its short term debt obligations. The company has shown improvement as revenues climbed year over year. According to CCC, this was mainly due to the increase in local cement volumes arising from the good trend of the infrastructural projects and demand on retail.

The improved performance was driven by the increased domestic cement sales volumes by 12 per cent and clinker sales by 16 per cent compared to the corresponding period in 2014. As such, this led to a 7 per cent growth in revenue over the same period in 2014. The company's revenue performance was also positively impacted by increased clinker exports, which compensated for the decline in cement export sales volumes. Year to date, CCC's revenue for the nine months ended September 30, 2016 rose despite a reduction in export cement and clinker volumes by 16 per cent and 84 per cent respectively, due to increased local demand.

CCC EBITDA margin has increased to 17 per cent relative to 7 per cent in 2014, while year to date, the margin was approximately 21 per cent, up from 17 per cent for the corresponding period in 2015. The improved margin resulted from better operational practices and tight cost controls and cement industry best practices.

The decline in fuel and energy costs has had a positive impact on the growth of CCC's EBITDA margin as well. CCC's earnings per share is projected at $2.03 for the FY to end December 31, 2016. The stock is currently trading around $34.00, which is above its valuation. As such, the stock is recommended as a SELL at this time.

FORUM HIGHLIGHTS

FOR NOVEMBER 2016

The evening's guest panellists , Howard Mitchell (2nd left), Attorney-at-Law and Chairman of Corrpak Jamaica Limited, Peter McConnell (3rd left), Managing Director of Trade Winds Citrus Limited and Harry Maragh (2nd right), Chairman and CEO of Lannaman and Morris (Shipping) Limited, joined by Dr Glen Christian, OJ, OD, JP, Chairman of Cari-Med Limited are flanked by two Mayberry ladies: Executive Investment Advisor, Karen Hall (far left) and Senior VP-Investment Banking, Tania Waldron-Gooden (far right).

Mayberry's CEO, Gary Peart posed for a photo with the panelists (L-R) Peter McConnell, Howard Mitchell and Harry Maragh.

Anand James, Executive Director of Caribbean Flavours and Fragrances, engages Derrimon Trading Chairman and CEO, Derrick Cotterell (far left), Mayberry's Executive Chairman, Christopher Berry (2nd left), and former PSOJ President and current Private Equity Investor, Christopher Zacca in friendly conversation after the evening's presentation.

Host for the evening, Jodie-Ann Bennett, Investment Advisor at Mayberry, kicks off the evening's proceedings.

Panelist, Harry Maragh, accepts a presenter's gift from Mayberry Investment Advisor, Renee Hamilton.

Mayberry Director, Sushil Jain, asks a question during the evening's Q&A, while Mr McConnell and Mr Mitchell look on.

The Audience is well engaged in this evening's discussion.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR DECEMBER 2016

	December 2016	November 2016	Change
91 Days Treasury Bills Avg. Yield (%)	5.683	5.703	-0.020
182 Days Treasury Bills Avg. Yield (%)	6.561	6.197	0.364
Exchange Rate (US$:J$)	128.64	129.07	-0.43
Net International Reserves (NIR) (US$M)	2,719.37	2,556.43	282.36

Net International Reserves

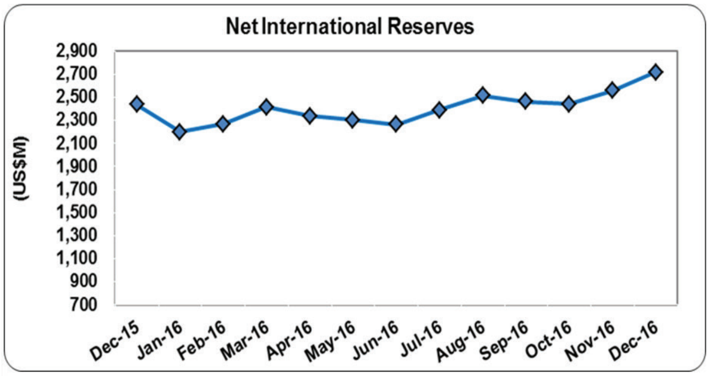
Jamaica's Net International Reserves (NIR) totalled US$2,719.37 million as at December 2016, reflecting an increase of US$162.93 million relative to the US$2,556.43 million reported as at the end of November 2016.

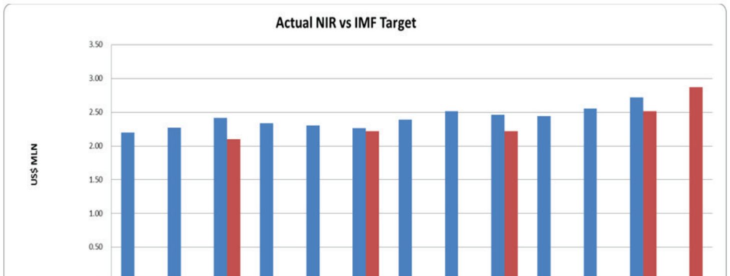
Changes in the NIR resulted from a growth in foreign assets of US$159.08 million to total $3,291.47 million. Currency and deposits contributed the most to the increase in foreign assets. Currency and deposits as at December 2016 totalled US$2,987.52 million reflecting an increase of US$160.98 million compared to US$2,826.54 million booked as at November 2016. There was a decrease in foreign liabilities of US$3.86 million to total US$572.10 million, stemming from a fall in liabilities to the IMF. Liabilities to the IMF, which accounted for 96.07 per cent of total foreign liabilities, declined to a total of US$549.60 million as at the end of December 2016 relative to US$553.46 million recorded in November 2016.

At its current value, the NIR is US$282.36 million more than its total of US$2,437.01 million at the end of December 2015.

The current reserve is able to support approximately 38.40 weeks of goods imports or 22.27 weeks of goods and services imports.

The country remains on track to meet the December 2016 NIR target, as per the extended fund facility with the IMF. This, as the value of the NIR at the end of October 2016 is slightly below the December 2016 target of US$2,515.31 million.





	Jan. 2016	Feb. 2016	Mar.2016	Apr. 2016	May. 2016	Jun. 2016	Jul. 2016	Aug. 2016	Sept. 2016	Oct. 2016	Nov. 2016	Dec. 2016	Mar. 2017
NIR - Actual	2.20	2.27	2.42	2.34	2.30	2.27	2.39	2.52	2.46	2.44	2.56	2.72	
NIR (floor) - IMF Target	-	-	2.10	-	-	2.22	-	-	2.22	-	-	2.52	2.87167

JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR DECEMBER 2016

Jamaica Monthly Equity Market Report for December 2016

Main JSE Index: 192,276.64 points
Point Movement: 13,614.91 points
Percentage Change: 7.62%

Advance Decline Ratio: Positive
Advancers: 22 **Decliners**: 8
Traded Firm: 4

Junior JSE Index: 2,593.71 points
Point Movement: 164.58 points
Percentage Change: 6.78%

Advance Decline Ratio: Positive
Advancers: 21 **Decliners**: 7
Traded Firm: 3

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Cargo Handlers Limited	51.22%	$18.57
Mayberry Investments Limited	46.99%	$5.38
Caribbean Flavours & Fragrances Limited	40.35%	$12.00
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
Paramount Trading (Jamaica) Limited	-18.65%	$3.01
Pulse Investments Limited	-8.72%	$3.56
Margaritaville (Turks) Limited	-4.35%	$0.22

Total Shares Traded (Main): 132.934 million units
Total value (Main): Approx. $2,877.86 million

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
National Commercial Bank Jamaica Limited	19,135,181	14.39%
JMMB Group Ltd 7.5%	14,637,915	11.01%
Cable & Wireless Jamaica Limited	13,760,673	10.35%

BUY HOLD SELL

Caribbean Cream Limited (KREMI)

For the Quarter ended August 31, 2016

BUY

The company recorded a 10 per cent growth in turnover totaling $614.90 million, up $54.83 million from the $560.07 million recorded in the prior year. KREMI indicated the performance, "was as a result of the continued Marketing and Sales thrust in the Wholesale, Retail and Hotels, Restaurants and Institutions (HRI) segments of the market, where we continued to make inroads into our competitors' market share, and the consumers continue to show their brand loyalty to the Kremi brand".

Costs of sales amounted to $360.07 million, a growth of 6 per cent when compared to the $339.38 million reported last year. Consequently, gross profit rose 15 per cent or $34.14 million to $254.83 million, up from the $220.69 million for the corresponding period in 2015. According to KREMI, the growth is attributed to, "the effects of the initial stage of increased prices on out main ingredients which are sourced overseas in addition to the devaluation of the Jamaica Dollar".

Selling & distribution expense fell 12 per cent to $22.27 million (2015: $25.19 million), while administrative expenses climbed 11 per cent to close the six month period at $113.70 million (2015: $102.36 million). KREMI indicated the key drivers behind the increase were salary adjustments and an "aggressive technical support training programme for all levels of the company personnel. This supports our drive for greater efficiency and HACCP and 5S certification".

KREMI recorded interest income of $2.35 million (2015: Nil) over the six months period. Finance costs incurred for the period amounted to $4.90 million, down 49 per cent compared to last year's $9.62 million reported.

As such, profit before taxation increased from $84.79 million to $117.57 million, a growth of 39 per cent. There were no tax charges for the period, therefore net profit attributable to shareholders increased totalled $117.57 million. Consequently, earnings per share amounted to $0.31 (2015FY: $0.22). The twelve months trailing EPS is $0.52.

KREMI stated that, "as we continue to position Caribbean Cream to become the number one ice cream company in the Caribbean, we want to express our sincere thanks and appreciation to every stakeholder who has played a part in our success. Our employees, customers, suppliers and shareholders have had a key role and we are extremely grateful to you all. We will continue to work on growing a strong sustainable business for you all".

Lasco Manufacturing Limited (LASM)

For the six months ended September 30, 2016

HOLD

Total revenue increased by $864.14 million or 28 per cent to total $3.95 billion, relative to the $3.09 billion recorded for the comparable period in 2015. LASM attributed the performance in revenue to, "increased production volumes brought to market as part of the expansion of the manufacturing plant".

Cost of sales amounted to $2.63 billion (2015:$2.04 billion) for the period, an increase of 29 per cent year on year. As a result, gross profit of $1.32 billion was recorded for the period, 26 per cent more than the $1.05 billion booked for the first six months ended September 30, 2015.

Other income jumped by $14.92 million to $15.22 million (2015: $300,000) for the period ended September 2016.

Operating expenses increased by 23 per cent to close the period at $585.15 million relative to $476.13 million last year. According to LASM, "this was due mainly to increases in marketing and equipment maintenance expenses associated with expansion of both plants". As such, LASM recorded operating profits of $753.67 million, 32 per cent higher than the $571.56 booked in the corresponding period of 2015.

Finance costs rose 13 per cent to $84.53 million compared to $74.48 million in the prior year's corresponding period.

As such, Profit before taxation amounted to $669.15 million, an increase of 35 per cent from the $497.08 million recorded for the previous year. Taxes recorded for the period amounted to $82.07 million relative to $60,000 incurred for the corresponding period in 2015. Net Profit for the six months totalled $587.07 million compared to $497.02 million in 2015, a growth of 18 per cent.

Consequently, earnings per share (EPS) for the six months ended September 30, 2016 amounted to $0.14 relative to $0.12 in 2015. The EPS for the second quarter totalled $0.09 (2015: $0.06). The trailing 12 months EPS is $0.22. The number of shares used in the calculations is 4,087,130,170 units.

LASM stated, "Production at the Liquid Plant continues to grow steadily, and we will further increase our capacity to meet the overwhelming market demand for our iCool line of beverages, by ramping up production with the installation of additional equipment by the end of the financial year. We continue to be optimistic and confident about the future for this product line with substantial profits to be realized. The new Dry Plant at White Marl is now fully operational, and together with the existing Red Hills Road Dry Plant recorded an increase of 24 per cent in profits over last year at the end of the 2nd quarter. New products will be introduced by the end of the year to enhance the product line which is projected to continue to realize significant sales and profits".

Supreme Ventures Limited (SVL)

For the nine months ended September 30, 2016

SELL

SVL reported an increase in revenues of 2 per cent , amounting to $33.06 billion, up from $32.34 billion in 2015. According to the company, this was "primarily due to higher sales in the lottery, PINs and sports betting lines of business".

SVL highlighted that "the lottery segment has been impacted by a combination of reduction in Cash Pot and Lotto sales. Lotto sales were exceptionally strong on 2015 due to a record jackpot of $395 million resulting from the net effect of an increase in trades payable and decrease in prize liabilities and income tax payable". The company further added that "the performance of the VLT segment has improved with a reduction of $130.83 million in segment losses. Investments made to improve the product offerings and the new player loyalty system at the Acropolis Barbican, has contributed to the improved performance of the segment".

Direct expenses for the period totalled $29.89 billion, 3 per cent higher than the $28.99 billion recorded for the same period of 2015.

This further resulted in a decline in gross profits by 6 per cent from $3.54 billion to $3.16 billion. The company added that this was "primarily due to lower margins on the lottery games and higher sports betting payouts".

Operating expenses fell by 4 per cent for the period to $2.03 billion (2015: $2.12 billion). Despite the decline, profit from operations fell by 9 per cent year over year to total $1.13 billion relative to $1.23 million recorded for the same period last year.

Interest income declined by 8 per cent to $49.25 million (2015: $53.78 million) while finance costs fell 88 per cent to $354,000 compared to $2.96 million the previous year.

Net foreign exchange gain increased from $5.68 million to $7.99 million, while other gains totalled $3.48 million relative to $17.87 million for the same period last year.

Profit before taxation from continuing operations amounted to $1.19 billion, moving from $1.31 million in 2015.

Net profit amounted to $849.70 million, a 6 per cent decrease when compared to $901.17 million recorded in the first nine months of 2015.

Earnings per share totalled $0.32 (2015:$ 0.34). EPS for the quarter amounted to $0.076 (2015: $0.074) while the twelve month trailing EPS totalled $0.46. The number of shares used in our calculations is 2,637,254,926 units.

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.