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At the March edition of our monthly Investor Forum, our guest speakers, Allison Peart, Country Managing Partner at Ernst & Young, Sushil Jain, Mayberry Director and Brian Denning, Tax Services Partner at PricewaterhouseCoopers gave our audience a review of the 2017/2018 Budget and Tax Packages.

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CEO CORNER

The Stock Market- How Far Can the Market Grow?

According to Bloomberg, The Jamaica stock market was ranked number one as the top performing index in 2015, the Jamaica Stock Exchange (JSE) continues to be groundbreaking in further advancement of economic growth. The local stock market is in a sustainable stage leading towards development and it is projected to rise significantly both in the Main and Junior Market during the period of 2017.

In 2016, the JSE reached its growth of above 90 per cent, while currently; the performance level for 2017 is foreseen to be well achieved within the market through a macroeconomic stand point. The market is highly contingent on a company's performance based on its' profitability amongst other positive developments expected to increase economic growth. Key influential factors that would potentially preserve the market interest comprises of: low interest rate policy, stabilization of foreign exchange rate, solidity of earnings per share, growth for company's listed on the exchange as well as reduction of government activity in local capital markets.

Need note, that since the inception of the JSE, it has provided lucrative opportunities for shareholders whom are able to benefit from their investments. Equally in return, business consumer confidence has reached its high, subsequent to the increase of market share from companies, in addition to raising capital and launching Initial Public Offering (IPO).

The local stock market has gradually improved over the years; it has not only contributed to a more stable and business friendly macroeconomic environment but also enhanced the standard of living through long term growth for investors. I am highly confident that the market will accelerate for this year 2017. ■

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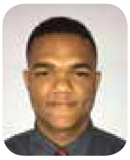

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Emerging Markets Spread

Richard Deane
Global Fixed Income Strategist

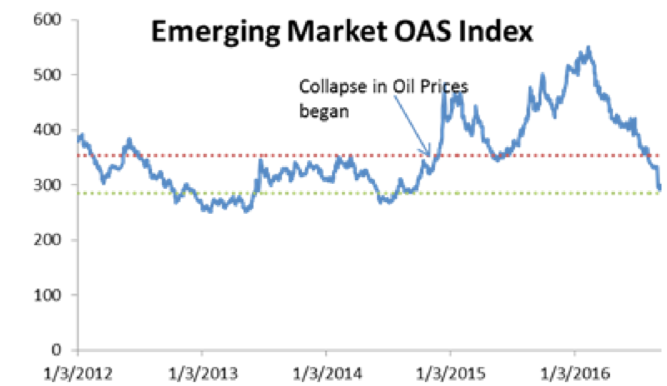
Since the collapse of oil prices in late 2014, the spread on emerging market bonds has sky rocketed. The expectation was that the rate would remain high during 2016, however it became clear that The Federal Open Market Committee (FOMC) would be hard pressed to increase interest rates during the year, which was even further complicated by the advent of Britain's exit from the European Union (BREXIT). It is anticipated that an increase in treasury yields in the United States would exacerbate the slump of commodities, and by extension, widen emerging market spreads.

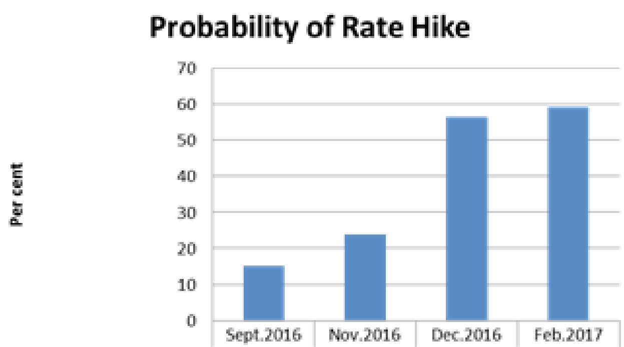
The technical argument
However this did not occur. Treasury yields continued to slide and emerging market bond spreads and commodity prices reacted by tightening and rising respectively. Emerging market bond spreads have fallen so much that they are now below the five year average and are approaching one standard deviation below that average, which happens to be a good range for emerging market option adjusted spreads (OAS).

When the spreads are placed in an index, the tightening spread is clearly seen as approaching that lower range level, and should, in the near future, slowdown in its decent or even reverse that downward trend. The expectation is that it should not fall too far below that lower range of the index.

Fundamental argument
The range regardless, the general argument is the so called "one and done" rate hike by the FOMC is more likely to happen than not. The probability of a rate hike is over 50 per cent for the December 2016 and February 2017 FOMC meetings, which shows that most people are betting on a rate hike after the election. The reality is that the rate hike would then have to occur prior to the target inflation rate of 2 per cent set by the FOMC. However the rate of inflation might not be a deciding factor in the next rate hike, as The Federal Reserve Bank of Cleveland reports that its latest estimate of 10-year expected inflation is 1.64 per cent. That is to say, the public currently expects the inflation rate to be less than 2 per cent on average over the next decade.

In conclusion, the underlying belief is that emerging market spreads should be facing some significant headwinds in the coming months.





	Sept.2016	Nov.2016	Dec.2016	Feb.2017
Probability of Rate Hike	15	23.8	56.5	59.1

COMPANY ANALYSIS
Blue Power Group Limited

Executive Summary

Established in 1998 by founder and Board Chairman Dhiru Tanna, BPOW is incorporated and domiciled in Jamaica and is listed on the Junior Market of the Jamaica Stock Exchange (JSE). The company is headquartered in Kingston, Jamaica and is an amalgamation of the Lumber Depot Limited and Blue Power Limited. BPOW's majority shareholder is Antibes Holdings Limited, which owns 50.09 per cent of the ordinary shares outstanding. The company is divided into two divisions: soap and lumber. The soap division, which manufactures Blue Power branded soap products as well as soap products for other companies, also has a growing export segment. Historically, the division has recorded low profit margins due to the significant competition from local and international suppliers.

The lumber depot division sells lumber, hardware supplies and related products locally. The revenue and profit in the lumber division are tied to the domestic construction, which is expected to accelerate in 2017. Like the soap division, the lumber division operates in a highly competitive market due to the myriad of lumber and hardware suppliers locally and the ease with which customers can switch suppliers.

For the nine months ended January 2017, BPOW experienced revenue growth of 16 per cent, while cost of sales grew by 10 per cent. Consequently, gross profit was up 39 per cent for the period. The company posted an 83 per cent increase in operating profits, and accordingly, improved net profits by 85 per cent for the nine months ended January 2017.

Economic Overview

Jamaica is considered as an upper middle income country by the World Bank. It has the largest population in the English speaking Caribbean. Despite that, Jamaica has struggled to grow its economy since the turn of the century, and is plagued by a high debt to GDP ratio which was 120 per cent of GDP as at March 2017. External shocks such as elevated oil prices and the 2008 financial crisis have exasperated the country's economic woes. Over the last 30 years, the economy expanded by an average of 1.79 per cent year over year. These factors contribute to why Jamaica is one of the slowest growing developing countries in the world, according to the International Monetary Fund (IMF). To stabilise the economy, reduce debt and unlock growth, the Government of Jamaica (GOJ) embarked on a comprehensive program of reforms which has garnered national and international support. The economic reform program has produced significant result. The country's credit rating has improved and Jamaican bonds trade at a premium in international markets. Total government debt represented 122 per cent of GDP by the end of fiscal year 2015/16. Additionally, inflation moved from 16.08 per cent in 2008 to 1.7 per cent in 2016. The GOJ has also managed to keep the primary balance at an average of 7.5 per cent of GDP (financial year (FY) 2013/14 – 2015/16). This was possible, in part, to a healthy Net International Reserves (NIR), which moved from US$1,304 million (FY2013/14) to US$2,427 million (FY2015/16). Finally, the unemployment rate was 12.9 per cent for the third quarter of 2016 compared to 13.8 per cent and 13.1 per cent for the third quarters of 2015 and 2014 respectively. This was against the background of a strong growth in the labour force.

Market Overview

The construction industry is used as a proxy to estimate the demand for lumber. Jamaica's construction industry continues to expand moderately at 0.8 per cent for the review period of October to December 2016, according to the Planning Institute of Jamaica (PIOJ). The growth was driven by an increase in the construction of housing units, hotel rooms and office space to facilitate the Business Processes Outsourcing (BPO) industry.

Expansion in the industry was also driven by, though to a lesser extent, an increase in the expenditure on civil engineering activities by the National Works Agency (NWA) and the Port Authority of Jamaica (PAJ).

The soap market is a highly competitive market, due to numerous local and international producers competing for market share. The market is also driven and affected by the disposable income of consumers. As such, margins for the soap division are low and the company has very little room to adjust prices. However, the recent increase in the income tax threshold and improving consumer confidence should bode well for the market.

Company Background

BPOW manufactures and sells laundry and beauty soaps in Jamaica. The company operates through two segments: soap and lumber. The soap division manufactures, Blue Power branded soap products as well as soap products for other companies while the lumber division sells lumber, hardware supplies, and related products. The company is headquartered in Kingston, Jamaica and as of 2010, is an amalgamation of the Lumber Depot Limited and Blue Power Limited. The company is led by Chairman of an 8 member board, Dhiru Tanna and Group Managing Director Major Noel Dawes.

Blue Power's top ten shareholders as at April 30, 2016 are:

• Antibes Holdings Limited	28,300,800
• Mayberry West Indies Limited	11,800,083
• Kenneth Benjamin & Sister	3,285,465
• Jane Fray	3,095,400
• Noel Dawes	1,412,715
• Silver Investment Limited	1,077,816
• JPS Employee Superannuation Fund	921,451
• Peter Millingen	921,100
• Pam-Individuals Retirement Scheme	891,451
• Guardsman Group Ltd.	687,285

SWOT

Strengths

- Continuous capital investment, especially in the soap division, is expected to improve efficiency and production volumes.
- Strategic partnership with several distribution companies.
- Significant cash reserve and low reliance on debt provides financial flexibility.

Weaknesses

- Susceptible to downturn in construction sector.

Opportunities

- The potential to expand into foreign markets.
- The construction activity that will accompany the development of new homes, hotels and offices will provide new avenues for growth.

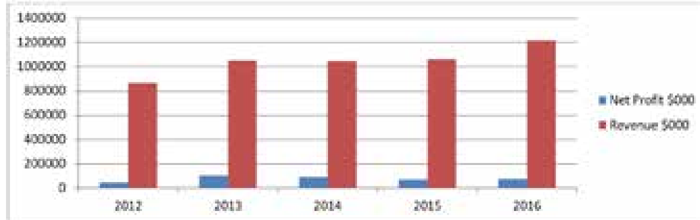
Threats

- Heavy reliance on import of raw material.
- The low barrier of entry to the lumber market.

Operational Analysis

BPOW Historical Profit and Loss

	FY2012	FY2013	FY2014	FY2015	FY2016	Change 2015/16	CAGR
Revenue	863,003,193	1,047,851,665	1,045,837,048	1,060,257,891	1,215,627,817	14.7%	8.9%
Cost of Sales	(698,585,331)	(815,583,312)	(827,540,842)	(838,984,243)	(962,515,011)	14.7%	8.3%
Gross Profit	164,417,862	232,268,353	218,296,206	221,273,648	253,112,806	14.4%	11.4%
Operating profit	46,470,367	95,763,051	83,337,776	64,581,511	71,165,979	10.2%	11.2%
Other income	48,848,741	98,031,114	85,544,387	66,739,132	74,902,456	12.2%	11.3%
Net finance Income/cost	(1,743,182)	5,948,439	7,558,025	3,871,632	10,556,501	172.7%	N/A
Profit before taxation	47,105,559	103,979,553	93,102,412	70,610,764	85,458,957	21.0%	16.1%
Taxation	-	-	-	(653,763)	(9,384,241)	1335.4%	N/A
Net Profit	47,105,559	103,979,553	93,102,412	69,957,001	76,074,716	8.7%	12.7%
EPS	0.83	1.84	1.65	1.24	1.35	8.7%	12.7%



The company's revenues have increased over the past five years, moving from $863.0 million in 2012 to $1.22 billion in 2016, growing at a compounded annual growth rate (CAGR) of 8.9 per cent. Revenues increased by 14.7 per cent for the most recent FY from $1.06 billion in 2015 to $1.22 billion in 2016. Cost of sales has also increased year on year since 2012 and has CAGR of 8.3 per cent, increasing from $698.59 million in 2012 to $962.52 million in 2016. Cost of sale increased by 14.7 per cent year over year, closing FY2016 at $962.52 million (20115: $838.98 million). The company posted a gross profit of $253.11 million in 2016, representing an increase of 14.4 per cent from the $221.73 million recorded in 2015.

As such, operating profits also trended upwards, increasing by a CAGR of 11.2 per cent over the five year period, growing from $164.42 million in 2015 to $253.11 million in 2016. The year over year growth was 10.2 per cent closing 2016 at $71.17 million (2015: $64.58 million). Year over year, other income grew by 12.2 per cent from $66.74 million for the FY2015 to $74.90 million for the FY2016. Other income also had a CAGR of 11.3 per cent over the five year period.

Net finance cost/income grew by 172.7 per cent year over year, closing FY2016 at $10.56 million (2015: $3.87 million). The company posted profit before taxation of $85.46 million in FY2016 compared to $70.61 million in 2015, representing a 21 per cent growth rate, and a 5 year CAGR of 16.1 per cent. BPOW paid a total of $653,763 and $9.38 million in taxes for FY2015 and 2016 respectively. Over the five years, the net profit has grown by a CAGR of 12.7 per cent, with the year over year growth for the most recent financial year being 8.7 per cent resulting in a net profit of $76.07 million for the FY 2016 relative to $69.96 million in 2015. BPOW's earnings per share (EPS) has improved steadily over the five year period from $0.83 in 2012 to $1.35 in 2016, a 12.7 per cent CAGR. For the 9 months ended January 2017, revenues increased by 16 per cent over the same period of 2016, closing at $1.04 billion, while net profit increased by 85 per cent at the end of the period, totalling $105.1 million (2016: $56.9 million). The nine month EPS was $1.86.

COMPANY ANALYSIS

Blue Power Group Limited

BPOW Historical Profit and Loss by division

	Lumber Division					Change	
	2012	2013	2014	2015	2016	2015/16	CAGR
Revenue	619,868,803	741,730,816	728,028,841	734,754,349	860,184,477	17.1%	8.5%
Profit from Operations	28,053,424	55,111,191	37,835,952	23,934,732	25,802,797	7.8%	-2.1%
Other Income	1,782,295	7,355,888	2,206,611	2,157,621	2,805,554	30.0%	12.0%
Net Finance Cost	(709,146)	(1,083,365)	2,403,975	-	-	N/A	N/A
Net Profit Before Tax	29,126,573	61,383,714	42,446,538	26,092,353	28,608,351	9.6%	-0.4%
Net Profit after Tax	29,126,573	61,383,714	42,446,538	26,092,353	28,608,351	17.1%	8.5%

Revenues for the lumber division grew by a CAGR of 8.5 per cent over the five year period, while for the most recent FY revenues grew by 17.1 per cent from $734.75 million in 2015 to $860.18 million in 2016. Management noted that revenues from this division benefited from the devaluation of the Jamaican dollar (JMD). However, profits from operation had a CAGR of -2.1 per cent over the five year. It peaked in 2013 at $55.11 million and closed the most recent FY2016 at $25.80 million. Other income saw improvement during the period with a CAGR of 12 per cent and closed the FY2016 at $2.81 million. Net profit after peaking in 2013 at $61.38 million, amounted to $28.61 million for the FY 2016, a growth of 17.1 per cent relative to the corresponding period of 2015.

Balance Sheet Analysis

	FY2012	FY2013	FY2014	FY2015	FY2016	CAGR
Assets						
Non-current Assets						
Property, plant and equipment	39,152,257	42,996,708	50,183,909	72,321,670	63,546,928	12.9%
Interest in Subsidiary	-	-	-	-	-	N/A
Deferred tax asset	-		-	-	456,513	N/A
Deferred expense	-	-	-	-	-	N/A
Total Non current Assets	**39,152,257**	**42,996,708**	**50,183,909**	**72,321,670**	**64,003,441**	**13.1%**
Current Assets						N/A
Cash and cash equivalents	58,434,760	145,350,305	136,283,747	166,007,854	258,643,148	45.0%
Accounts Receivables and prepayment	94,550,969	67,326,288	77,859,110	75,374,886	99,461,391	1.3%
Inventories	114,691,318	176,852,754	234,444,144	249,516,246	219,122,742	17.6%
Taxation Recoverable	866,814	1,253,276	1,708,980	2,416,875		-100.0%
Due to related party	1,277,612	-	-	-	-	-100.0%
Total Current Assets	**269,821,473**	**390,782,623**	**450,295,981**	**493,315,891**	**577,227,281**	**20.9%**
Total Assets	**308,973,730**	**433,779,331**	**500,479,890**	**565,637,561**	**641,230,722**	**20.0%**
Liabilities						N/A
Current Liabilities						N/A
Accounts Payables	57,504,015	87,092,022	70,356,085	64,157,906	69,062,007	4.7%
Due to related party	1,035,782	490,590	187,495	349,590	349,590	-23.8%
Bank overdraft	119,818	335,446	-	-	-	-100.0%
Current portion of long term liability	2,500,000	552,525	-	1,976,004	1,976,004	-5.7%
Taxation	-	-	-	-	5,555,470	N/A
Total Current Liabilities	**61,159,615**	**88,470,583**	**70,543,580**	**66,483,500**	**76,943,071**	**5.9%**
Net Current Assets	208,661,858	302,312,040	379,752,401	426,832,391	500,284,210	24.4%
Total Assets Less Current Liabilities	247,814,115	345,308,748	429,936,310	499,154,061	564,287,651	22.0%
						N/A
Shareholders' Equity						N/A
Share Capital	86,900,147	86,900,147	86,900,147	86,900,147	86,900,147	0.0%
Retained Earnings	160,361,443	258,408,601	343,036,163	404,518,314	472,118,180	31.0%
Total Shareholders Equity	**247,261,590**	**345,308,748**	**429,936,310**	**491,418,461**	**559,018,327**	**22.6%**
Non-current liabilities						N/A
Shareholders' advances	-	-	-	-	-	N/A
Related parties advances	-	-	-	-	-	N/A
Long-term loan	-	-	-	7,245,328	5,269,324	N/A
Deferred taxation	-	-	-	490,272	-	N/A
Long-term liability	552,525	-	-	-	-	-100.0%
Total Non-current Liabilities	**552,525**	-	-	**7,735,600**	**5,269,324**	**75.7%**
Total Liabilities	**61,712,140**	**88,470,583**	**70,543,580**	**74,219,100**	**82,212,395**	**7.4%**
Total Equity and Non Current Liabilities	**247,814,115**	**345,308,748**	**429,936,310**	**499,154,061**	**564,287,651**	**22.8%**

The non-current assets increased from $39.15 million in 2012 to $64 million in 2016, a CAGR of 13.1 per cent. Non-current assets comprises primarily property plant and equipment and, to a lesser extent, deferred assets. This increase is driven by the recent capital investments the company made to acquire machinery for its soap division to improve efficiency and production volume.

Current assets increased from $269.82 million in 2012 to $577.23 million in 2016, representing a CAGR of 20.9 per cent. Cash and cash equivalent accounts formed a significant portion of current assets and closed the FY2016 at $258.64 million compared to $166.01 million in 2015. BPOW's accounts receivables and prepayment rose by 32 per cent, up from $75.37 million in 2015 to $99.46 million in 2016, while inventories fell by 12.2 per cent over the same period to total $219.12 million for the FY2016.

Consequently, the company has increased its total assets from $308.97 million in the FY2012 to $641.23 million in the FY2016, representing a CAGR of 20 per cent. For the most recent quarter ended January 2017, total assets were $727.67 million, an increase of 22 per cent when compared to $598.51 million recorded last year.

Total stockholder's equity increased from $247.26 million in 2012 to $559.02 million in 2016, representing a CAGR of 22.6 per cent and this resulted in a book value of $9.89 for the FY2016. Retained earnings constitutes the majority of shareholder equity; it closed the FY2016 at $472.12 million with a CAGR OF 31 per cent over the five year period.

Current liabilities grew at a CAGR of 5.9 per cent from $61.16 million in 2012 to $76.94 million in 2016, while non-current liabilities were increased by a CAGR of 76 per cent over the same period closing the period at $5.27 million.

Total stockholders' equity as at January 2017 was $654.52 million, a 14 per cent increase from $539.86 million for the corresponding period last year. This resulted in a book value of $11.585 as at January 2017 compared to the value of $9.555 as at January 2016.

Ratio Analysis

Profitability Ratios

	Solvency Ratios				
	2012	2013	2014	2015	2016
Debt-to-Equity	0.01	0.00	-	0.02	0.01
Debt-to-Capital	0.01	0.00	-	0.02	0.01
Debt-to-Assets	0.01	0.00	-	0.02	0.01
Interest Coverage	15.36	34.16	29.94	19.27	21.02

Gross profit margins over the five year period have improved slightly, moving from 19.05 per cent in 2012 to 20.82 per cent in 2016. The pre-tax margin for the five year period has been trending upwards, from 5.46 per cent in 2012 to 7.03 per cent in 2016. This resulted in an improvement in the company's net profit margin over the period from 5.46 per cent in 2012 to 6.26 per cent in 2016; notably the company paid taxes in FYs 2015 and 2016. This as the company moved into the second stage of the tax holiday afforded to companies listed on the JSE's Junior Market, where, upon listing on the Junior Market no corporate tax is paid for the first five years and 50 per cent of the prevailing rate is paid over the next five years.

The company's return on assets (ROA) has declined from 15.03 per cent in 2012 to 12.61 per cent in 2016. This can be attributed to new machinery that the company acquired, for which profits have not been realised. Additionally, the company indicated that some new machinery are still to be installed. This trend was also present in the company's return on capital (2012:20.16 per cent; 2016:15.85 per cent), return on equity (2012:20.79 per cent; 2016:14.48 per cent) and operating return on assets, which decreased from 14.83 per cent in 2012 to 11.79 per cent in 2016.

Liquidity Ratios

Liquidity Ratios					
	2012	2013	2014	2015	2016
Current Ratio	4.41	4.42	6.38	7.42	7.50
Quick Ratio	2.54	2.42	3.06	3.67	4.65
Cash Ratio	0.96	1.64	1.93	2.50	3.36

BPOW's current ratio has increased over the five year period, moving from 4.41 times in 2012 to 7.5 times in 2016. This indicates that the company's ability to meet its short term obligation has improved. The increase in the quick ratio also corroborated this finding. The increase in the current and quick ratio is attributed to the company holding excess US dollars (USD) to hedge against a possible devaluation in the JMD. BPOWs cash ratio improved over the period from 0.96 times in 2012 to 3.36 times in 2016, which suggests that the company is able to meet its current liabilities from cash on hand.

Activity Ratios

Activity Ratios					
	2012	2013	2014	2015	2016
Receivables Turnover	7.92	12.95	14.41	13.84	13.91
Days of Sales O/S	46.06	28.19	25.34	26.38	26.25
Inventory Turnover	5.16	4.79	3.97	3.42	3.58
Days of Inventory on hand	70.73	76.16	92.03	106.73	101.94
Payables Turnover	12.10	12.14	11.24	12.70	13.99
# of Days of Payables	30.17	30.06	32.46	28.74	26.08
Total Assets Turnover	2.75	2.82	2.24	1.99	2.01
Fixed Asset Turnover	21.06	25.51	22.45	17.31	17.89
Working Capital Turnover	4.26	4.10	3.07	2.63	2.62
Cash Conversion Ratio	86.62	74.29	84.91	104.36	102.11

Since the FY2012, the company saw an increase in receivables turnover and a reduction of the time it takes to collect receivables. BPOW's inventory turnover has trended upwards over the five year period, which indicates that the company is taking longer to convert inventory to sales. The company has also reduced the time it takes to repay its payables, however, the assets turnover ratios suggest that the company is becoming less efficient at using assets to generate revenue currently, relative to prior years. As illustrated by the company's cash conversion ratio, the time it takes the company to convert inventory to cash has been increasing.

Solvency Ratios

Solvency Ratios					
	2012	2013	2014	2015	2016
Debt-to-Equity	0.01	0.00	-	0.02	0.01
Debt-to-Capital	0.01	0.00	-	0.02	0.01
Debt-to-Assets	0.01	0.00	-	0.02	0.01
Interest Coverage	15.36	34.16	29.94	19.27	21.02

BPOW has had no significant debt on its books over the five year period. Debt to equity, capital and asset ratios have all averaged between 0.01-0.02 times over the period. The company has an interest coverage ratio averaging 23.95 times over the five year period, peaking at 34.16 times in 2013.

Projections

BPOW's performance year to date has shown an increase in revenues of 16 per cent and an improvement in net profit of 85 per cent. The gross profit and net profit margins for the nine months ended January 2017 was 25.26 per cent and 10.02 per cent respectively. From its latest annual report, the company indicated that, "total exports, especially to Guyana, have increased by over 50 per cent and the company is beginning to gain more shelf space in retail outlets in Jamaica and has devoted additional resources to make further inroads". These developments, along with positive economic indicators, should bode well for the company. The management of BPOW noted that they "expect the company to remain on its current trajectory".

As Jamaica emerges from economic stagnation and macroeconomic indicators continue to trend positively, BOW should experience an increase in business activity. Revenue from sales is projected to increase driven by an expansion in the construction industry, which should positively impact the company's lumber division. Data from thePIOJ for the review period October to December 2016, estimated that construction grew by 0.8 per cent. This was due to an increase in building construction, led by new housing starts which totalled 1,780 units (2015: 403 units).

Prime Minister, the Most Honourable Andrew Holness, also signalled that that the GOJ will be implementing major reforms in the residential housing market in the hopes that a construction boom will drive economic growth. Additionally, there are multiple construction projects which have been planned and implemented by the private sector. Whilst BPOW only focuses on retail consumers rather than bidding for large construction projects, the increase in residential housing has led to an increase in the demand for lumber by individual home owners and small contractors. This increase is projected to continue with management indicating that, "as the residential housing stock increases and the company invests more into marketing and customer experience". Notwithstanding, the lumber division is expected to remain highly competitive and the profits from the devaluation of the JMD are expected to flatten as the dollar stabilises.

BPOW remains the most dominant local player in the soap market and is continuing to increase its market share by capturing more shelf space and increasing its product offerings. The company also highlighted that growth in its soap division was driven by exports, which experienced significant increases over the last five years. BPOW's management expects the growth in exports to continue for the FY2017, "as the company continues to acquire clients and market its products aggressively to establish brand presence in those markets". Furthermore, the installation of new equipment for the soap division is still ongoing and will help to boost output once completed. However, the soap market locally is a highly competitive, with a plethora of local and international brands, constraining the company's ability to alter price.

Thus, against this backdrop, in the next twelve months from January 2017, revenue is projected to increase by 15 per cent, given the anticipated expansion in the construction industry and the increases in disposable household income stemming from the increase in the income tax threshold. The gross profit margin is expected to average 26 per cent for the projected period, compared to 25.262 per cent for the nine months ended January 2017. Consequently, gross profit is expected to increase by 18.4 per cent, while net profit is expected to increase by 21 per cent for said period.

For the FY end 2016 BPOW's EPS was $1.35 (2015: $1.24), while the 12 months projected EPS is $2.43. The stock is trading at around $35 as at April 21, 2017 and is projected at $36.33 for the next twelve months using a P/E of 14.95 times. As such, the stock is recommended as a HOLD at this time.

Conclusion

BPOW continues to be a leader in the soap industry in Jamaica. This prominent position is expected to continue as the company expands its product offerings. Furthermore, the company has cited strong interest in an exporting opportunity by the local company it supplies with soap products. The continued growth in the construction industry and the planned logistics hub provide further expansion opportunity for the company. However, the company still faces a highly competitive market in both the soap and lumber divisions. As of April 21, 2017 the price of a BPOW share was $35, after starting the year at $ 29 per share. At current prices and the potential earnings based on projections, the company is recommended as a **HOLD**.

FORUM HIGHLIGHTS
FOR MARCH 2017

The presenters for the evening, Allison Peart, Country Managing Partner at Ernst & Young, Sushil Jain, Mayberry Director and Brian Denning, Tax Services Partner at PricewaterhouseCoopers (far right) are joined by Gary Peart (far left), Mayberry CEO.


Allison Peart responds to a question during the Q&A segment of the programme, while Brian Denning and Sushil Jain look on


Mayberry Investment Advisor, Cherrice Lewis, presents Brian Denning with a gift of gratitude for his participation in our Forum


The audience listens in attentively to the discussion on the budget and tax packages.


After the evening's presentations, Mayberry client, Catherine Peart engages Allison Peart in light discussion.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR MARCH 2017

	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$2,769.17 million as at March 2017, reflecting an increase of US$153.90 million relative to the US$2,615.26 million reported as at the end of February 2017.

Changes in the NIR resulted from an increase in foreign assets of US$132.62 million to total US$3,323.89 million. Currency and deposits contributed the most to the growth in foreign assets. This as currency and deposits as at March 2017 totalled US$3,023.39 million reflecting a growth of US$135.21 million compared to US$2,888.17 million booked as at February 2017. Foreign liabilities for March 2017 reflected a decline of US$21.29 million to total US$554.72 million. The decrease stemmed from a reduction in other liabilities of US$22.5 million. Liabilities to the IMF which accounted for 100 per cent of total foreign liabilities, increased to a total of US$554.72 million as at the end of March, relative to the US$553.51 million recorded in February 2017.

At its current value, the NIR is US$353.64 million more than its total of US$2,415.53 million at the end of March 2016. The current reserve is able to support approximately 38.78 weeks of goods imports or 22.49 weeks of goods and services imports.

The country surpassed the benchmark of US$2.56 billion outlined by the International Monetary Fund in the 14th Review and Adjusted Agreement under the Extended Fund Facility (EFF). Jamaica and the IMF have entered into a New Agreement to support growth and create jobs with the international body stating that, "Jamaica has made good progress under the previous IMF – support program". As such, the entity has approved a new US$1.64 billion loan for the country. According to the IMF, the loan is, "intended as insurance to support the country's ongoing reform program to tackle poverty, create jobs, and improve living standards". Consequently, the NIR target outlined as per the new agreement for the 2017/18 fiscal year is US$3.02 billion.

Jamaica Monthly Equity Market Report for March 2017

Main JSE Index: 223,833.57 points
Point Movement: -7,134.35 points
Percentage Change: 3.09%

Advance Decline Ratio: Positive
Advancers: 16 **Decliners**: 16
Traded Firm: 4

Junior JSE Index: 2,997.03 points
Point Movement: -91.99 points
Percentage Change: 2.98%

Advance Decline Ratio: Positive
Advancers: 11 **Decliners**: 18
Traded Firm: 3

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Kingston Properties Limited	48.64%	$16.35
ISP Finance Services Limited	37.21%	$12.50
Ciboney Group Limited	29.41%	$0.22
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
Blue Power Group Limited	-36.31%	$35.14
Margaritaville (Turks) Limited	-28.13%	$0.23
Cable And Wireless Jamaica Limited	-26.04%	$1.25

Total Shares Traded (Main): 290.67 million units
Total value (Main): Approx. $4.72 billion

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
Jamaica Stock Exchange Limited	78,846,132	27.13%
Sagicor Real Estate (XFUND) Limited	71,031,015	24.44%
Supreme Ventures Limited	33,205,563	11.42%

BUY HOLD SELL

Jetcon Corporation Limited (JETCON)

Results for the Financial Year (FY) ended December 31, 2016

BUY

Revenues for the FY end increased by 64 per cent to $857.04 million compared to $523.25 million for the last FY. The quarter had a 72 per cent or $103.18 million increase in operating revenues to $247.25 million.

Cost of sales increased by 62 per cent to $703.86 million from $435.65 million for the 2015 FY end. As a result, gross profit increased by 75 per cent to $153.19 million (2015: $87.60 million).

Other income increased by 21 per cent and amounted to $1.23 million for the 2016 FY. As a result, total operating income increased by 74 per cent to $154.42 million (2015: $88.61 million).

Total expenses has increased by 35 per cent to $51.25 million (2015: $38 million). This was as a result of a 117 per cent increase in selling and marketing expenses from $6.03 million in 2015 to $13.08 million in 2016. Administrative and other expenses for the FY has increased by $9.05 million or 33 per cent to $36.32 million while finance costs has declined by 61 per cent to $1.85 million. For the quarter, total expenses has increased by 73 per cent and amounted to $13.80 million.

Consequently, Profit before Tax increased by 104% from $50.61 million to $103.17 million. There was a tax charge of $4.18 million in 2016 relative to $10.26 million recorded for the prior year.

As a result, net profit for the year was reported at $98.99 million, an increase of 145 per cent on the previous year's total of $40.35 million. For the quarter, this increased by 154 per cent to $32.35 million relative to $12.75 million recorded in the fourth quarter of 2015.

EPS for the quarter totaled $0.17 compared to $0.07 in 2015, while, EPS for the year totalled $0.51 relative to $0.21 for the 2015 FY. The number of shares used in our calculations is 194,500,000 units

Sagicor Group Jamaica Limited (SJ)

For the Financial Year (FY) December 31, 2016

HOLD

Total revenues increased by 9 per cent to $59.7 billion from $54.99 billion in 2015, while the fourth quarter revenue decline by 6 per cent from $15.29 billion in 2015 to $14.37 billion in 2015. It was broken down as follows:

- Net investment income increased to $19.35 billion from $16.30 billion in 2015.
- Fees and other revenue increased 10 per cent to $6.86 billion (2015:$6.21 billion).
- Net premium revenue increased by 3 per cent to a total of $33.49 billion from $32.48 in 2015.

Benefits and expenses totalled $45.99 billion for the period, increasing year over year by 6 per cent from $43.32 billion. While, for the fourth quarter benefits and expenses declined by 26 per cent from $12.80 billion to $9.52 billion. This increase for the year was mainly driven by;

- A 10 per cent increase in net insurance benefits incurred to $21.05 billion (2015:$19.09 billion).
- Administration expenses for the period amounted to $14.32 billion compared to $13.35 billion in the prior year.
- Changes in insurance and annuity liabilities were negligible.

Share of profit from joint venture amounted to $8.26 million relative to a loss of $33.08 million a year prior, while share of profit from associate totalled $495.05 million relative to $94.20 million the prior year.

Profit before taxation amounted to $14.21 billion, a 22 per cent gain when compared to the $11.61 billion booked in 2015.

After corporation taxes of $2.95 billion (2015:$1.82 billion), net profit attributable to shareholders amounted to $11.26 billion (2015:$9.8 billion), an increase of 15 per cent, while for the fourth quarter net profit attributable to shareholders amounted to $3.86 billion (2015:$3.96 billion).

As a result, earnings per share (EPS) amounted to $2.88 (2015:$2.51) for the year and $0.99 for the fourth quarter (2015:$1.02).

Consolidated Bakeries (Jamaica) Limited (PURITY)

For the Financial Year (FY) ended December 31, 2016

SELL

PURITY recorded an increase in revenues of 15 per cent to $880.27 million in FY2016 from the $767.55 million recorded in FY2015. For the quarter, revenues increased by 1.1 per cent to $199.64 million compared to the fourth quarter 2015 period. Cost of sales closed the FY at $572.01 million, up 15 per cent from the $498.33 million reported a year ago. As a result, gross profit climbed by 15 per cent to $308.27 million (2015: $269.23 million).

Other income totalled $9.24 million for the period, a growth of 74 per cent relative to last year's other income of $5.30 million.

Total expenses increased by 13 per cent to $295.56 million, up from the $261.71 million recorded for the FY 2015. Of this, administrative expenses decreased marginally year over year to $160.59 million (FY2015: $164.01 million), while selling expenses climbed 38 per cent to $134.97 million relative to $97.7 million recorded in FY2015.

As such, profit from operations amounted to $21.95 million for the 2016 financial year, compared to $12.81 million in prior financial year. The company however reported an operating loss for the quarter ended December 31, 2016 closing at $12.95 million relative to a profit of $4 million reported in 2015.

Finance costs increased by 51 per cent, moving from $7.67 million in FY2015 to $11.62 million for FY2016. As such net profit for the FY2016 totalled approximately $10.33 million, an increase of 102.65 per cent relative to $5.10 million reported in FY2015.

The company also reported fair value appreciation of available for sale investments of $3.59 million relative to $2.76 million in FY2015. Total comprehensive income amounted to $13.92 million relative to $7.86 million.

Earnings per share (EPS) for the period amounted to $0.05 (FY2015: $0.02). EPS of $0.09 was recorded for the quarter compared to an EPS of $0.002 for the corresponding quarter in 2015.

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.