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Featured Stock: SALF

Salada Foods Jamaica Ltd. (SALF),
Opening price — \$18.22 Price to book — 2.27 times;
P/E — 13.39 times

This week's stock pick is Salada Foods Jamaica Ltd. (SALF), incorporated and domiciled in Jamaica. Its principal activity is the manufacture and sale of instant coffee and roasted and ground coffee beans and other consumer products. Effective February 1, 2017, the company outsourced the distribution of its core products in local market to its subsidiary, Mountain Peak Food Processors Limited.

Salada Foods, recorded a 22% increase in turnover for the nine months to close at \$748.70 million (2017: \$612.80 million). The company highlighted that, "The introduction of the Mountain Bliss 876 brand has bolstered domestic sales, achieving a 45% distribution into the retail market since launch in May of 2018." Cost of sales for the period increased 15% to close at \$455.91 million relative to \$397.72 million in 2017. As such, gross profit amounted to \$292.80 million, a 36% increase year over year from the \$215.08 million booked in the prior year. As a result of a shift in SALF's marketing strategy, administrative expenses fell by 5% to \$89.56 million (2017: \$94.04 million), while selling and promotional expense also fell 5% to \$41.11 million (2017: \$43.46 million). The shift resulted in the use of social media instead of traditional media sources as SALF continues to engage a younger audience. Net profit attributable to shareholders for the nine months amounted to \$137.22 million relative to \$65.49 million twelve months earlier. Profit attributable to shareholders for the quarter amounted to \$56.60 million compared to \$19.04 million for the corresponding quarter of 2017.

The company noted, "At the end of this nine-month reporting period all the business indicators were aligned in the right direction with company set on an upward trajectory. This position however, will be adversely affected should the Government's recently imposed cess on imported green beans in addition to the 20% local blending rule remain in effect."

Additionally, SALF (as at Friday September 21, 2018) was trading at 2.27 times its book value with a P/E of 13.39 times.

Our weekly pick features a stock currently held in the Mayberry Managed Equity Portfolio (MMEP). For more information on the MMEP, please contact your investment advisor today.

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