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Featured Stock: SALF

Salada Foods Jamaica Ltd. (SALF),
Opening price — \$39.00 Price to book — 4.32 times;
P/E — 18.44 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. Recently Salada has decided to purchase 25,000 boxes of cherries from coffee farmers and process same to green beans due to the challenges facing the local coffee industry and particularly the plight of local farmers in securing a market for their coffee cherries.

Salada Foods Jamaica Limited recorded a 19% increase in turnover for the year ended September 30, 2018 closed at \$1.04 billion (2017: \$871.73 million). This increase was due to domestic sales continuing to perform well, growing by 16.7% above prior year as the company deepens its penetration in existing channels and access new ones. Gross profit for the year amounted to \$399.96 million, a 45% increase year over year from the \$276.25 million booked in the prior year. Administrative expenses and Selling and Promotional expenses increased 43% and 37% respectively due to the launch of the MB876 and other marketing activities. Despite the increase, operating profit of \$270.07 million was recorded, up 237% compared to \$80.05 million booked for the previous year. SALF's net profit climbed significantly by 219%, from \$68.69 million in 2017 to \$219.18 million following taxation of \$71.53 million (2017: \$18.82 million).

Management also noted that, "sales to the trade through our distribution partner Lasco was \$655M, 13% above prior year. Export sales also did well, as both the Canadian and Barbadian market performed, growing year on year by 440% and 220% respectively. Our contract packaging sales grew 35% above last year." SALF further noted, "the optimization of factory operations resulted in improved margins, which also contributed."

Additionally, SALF (as at Friday February 8, 2019) was trading at 4.32 times its book value with a P/E of 18.44 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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