

Wigton To Raise \$5.5 Billion For Government Coffers- IPO To Open April 17

By: steven.jackson@gleanerjm.com



Rudolph Brown

Dr Nigel Clarke (left), minister of finance and the public service, speaking with Christopher Berry, chairman of Mayberry Investments Limited at the Wigton IPO briefing at The Jamaica Pegasus hotel, New Kingston, on Tuesday.

The Government is aiming to raise \$5.5 billion from the initial public offering (IPO) of Wigton Windfarm, which operates wind turbines in Manchester.

Concurrently, lead broker Mayberry Investments has indicated that it has priced the stock at \$0.50 per share to allow for price appreciation.

“This is the best way of giving back to the people. This is the best way of achieving the goal of socialisation of wealth,” stated Prime Minister Andrew Holness in his address at an investors’ briefing on the matter on Tuesday at The Jamaica Pegasus hotel, New Kingston.

Holness indicated that the stock market is often seen as a tool for the rich to become richer. But he argued that when utilised the right way with a regulated market, it can offer wealth to average citizens. The Government want more than 10,000 Jamaicans to become shareholders in Wigton.

BETTER THAN SOCIALISM

“It is the best way of socialising wealth. To put it in another way, it is better than socialism,” the prime minister said.

The offer opens on April 17 and will close on May 1, 2019.

Wigton Windfarm is a subsidiary of the state-owned Petroleum Corporation of Jamaica. The IPO will offer 11 billion units at \$0.50 per share. Government workers will receive 2.2 billion units as reserve shares, while the general public will have access to all the remaining.

Wigton made \$730 million-net profit for its nine months ending December 2018, or 26 per cent less profit than the \$1 billion in net profit a year earlier. Revenues over the period were flat year on year at \$1.9 billion. The reduced profit was attributable to refinancing activities, which cost the company \$1 billion, which reduced the net profit margin from 42 per cent to 29 per cent in December 2018.

A key revenue driver relates to foreign-exchange gains categorised in the financials as ‘other income’. Mayberry described the foreign-exchange gains as normal activity rather than a special one-time gain.

The other income totalled some \$590 million in the year, or about 20 per cent higher than a year earlier. Other income started jumping from the 2018 financial year when it grew to \$636 million over 12 months, or more income over the last four years combined.

“You will always have that other income line. Somebody might discount the other income and get a price that says they should not buy, and somebody else might not discount it and see it as a great buy, and they will make all the money,” stated Peart in response to Financial Gleaner queries.

Wigton makes foreign-exchange gains when the local currency depreciates against its United States (US) counterpart, following a sale of energy to its sole customer, power utility Jamaica Public Service (JPS).

Peart explained that JPS buys energy from Wigton and settles that power in Jamaican dollars indexed to the US dollar.

“So as the dollar fluctuates, that differential in the foreign--exchange rate goes towards ‘other income’,” he stated.

He also indicated that Wigton would save from finance costs with regard to losses on US-denominated loans. That is because it refinanced some US\$49 million in debt to local currency.

Wigton made \$826 million profit for the financial year to March, or 4.5 times higher than a year earlier.

The Jamaican Government plans to list the company on the Jamaica Stock Exchange in a bid to raise money for the Consolidated Fund and also to get a wide cross section of Jamaicans holding equity in the company.

Wigton Windfarm, incorporated in 2000, constructed its initial wind turbines in 2004 and then underwent three phases of expansion, constructing a total of 44 turbines that produce 62.7 megawatts of power.