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Featured Stock: SALF

Salada Foods Jamaica Ltd. (SALF),
Opening price — \$30.01 Price to book — 3.28 times;
P/E — 15.84 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, recorded a 3% increase in turnover for the nine months ended June 30, 2019, to close at \$769.64 million (2018: \$748.70 million). Cost of sales for the nine months increased by 10% to close the period at \$502.98 million relative to \$455.91 million in 2018. As such, gross profit amounted to \$266.66 million, a 9% decrease year over year from the \$292.80 million booked in the prior year. Consequently, this resulted in an operating profit of \$120.98 million, down 27% compared with the \$164.90 million reported for the corresponding nine months period for prior year. Profit before taxation decreased by 20% to \$145.34 million versus \$180.85 million booked for the previous year's corresponding period. Net profit attributable to shareholders for the nine months amounted to \$114.39 million relative to \$137.22 million twelve months earlier.

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."

Additionally, "profitability continues to be impacted by the cess on green beans with \$56M paid to JACRA year to date," SALF noted.

Additionally, SALF (as at Friday September 20, 2019) was trading at 3.28 times its book value with a P/E of 15.84 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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