

# STRATEGIC INVESTING

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## CEO CORNER

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For September's edition of our monthly Investor Forum, our guest speaker, Adam Stewart, Deputy Chairman of Sandals Resorts International Limited, informed our audience on the Tourism Sector; The associated opportunities of the Tourism Linkages Network and the challenges the network might be confronted with presently and in the near future.



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# JUNE 2019 CEO CORNER

## A Company's Stock Price: what does it mean?

made. Nonetheless, over the long term, they can generate good returns. Investors receive two types of return from the purchase of shares being bought: annual income and long-term capital growth or income in the form of dividends, which are usually paid twice a year to shareholders. This is generally paid when a company is making substantial amounts of profit.

Many companies have faced challenges by becoming undermined with the value of share price. This occurs when management is unable to utilise the funds raised to increase future earnings with the value of the business. There are conditions that the company must undergo in making its share price beneficial for all stakeholders: it is imperative that the business is a reputable entity with steady profit growth where the increase in share price is aligned with the increase in the value of the business and employ corporate strategies that aid in increasing the added value of the company, which will be advantageous in increasing shareholders' value.

A good management team must have a vision for its company and be able to take advantage of its share price to grow the business. Once the value of the stock price has increased, it will provide alternative opportunities to further develop and improve in value. This will in turn attract potential investors as well as build partnerships. ■

Companies enter the stock market either to issue shares or sell shares after their initial public offering (IPO). Studies have proven over time that shares or equities are one of the best long-term investments in the financial marketplace and therefore, measures the overall strength and well-being of a company's performance.

The stock price of the company is varied to change in its value. This involves taking risks once the investment has been

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# THE JUNIOR MARKET SLOWDOWN



**Damali Morgan**  
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There has been a slowdown in the Junior Market throughout the year, the market moved to a high in August 2019 but has however declined 8% since. This was mainly due to average earnings and a number of large offerings in the market. The Junior Market has grown 3% year over year and companies continue to remain resilient. There have been 2 listings on the market for the year with two different outcomes. These listings are ICREATE and the LAB, both listed at \$1.01 and \$1.00 each for the public. The LAB closed trading October 28, 2019 at \$2.50 whilst ICREATE closed at \$0.67.

The below average returns have been a result of companies trying to grow exponentially through

expansion, and companies facing increased competition. These have both contributed to reduced profitability margins. We expect to see more companies being listed on the Junior Market, and also couple of these companies expanding their offerings locally as well as seek additional markets overseas. There is not much panic to be had about the Junior Market. As companies begin to settle into their expansion strategy we expect to see better returns going forward and an increased market performance. ■



*Focus on the Journey*  
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# COMPANY ANALYSIS

Sagicor Group Jamaica Ltd.



## Executive Summary

Sagicor Group Jamaica (SGJ) is a member of the Sagicor Financial Corporation and is a financial conglomerate whose core business is to deliver world class products and services such as banking, investments, life & health insurance, pensions, and real estate services, with an outstanding history and reputation for leading innovation. Of their subsidiaries, Sagicor Life Jamaica Limited is Jamaica's leading Life and Health insurance provider; Sagicor Investments is one of the top Investment companies and Sagicor Bank Jamaica is one of Jamaica's largest banks.

The Group has a diversified business model with business segments spanning Individual Insurance, Employee Benefits and Banking (Commercial and Investments).

## Our Thoughts!

As Jamaica's economy continues to illustrate signs of gradual recovery and consumer confidence strengthens further, SJ is expected to yield positive returns in their bottom-line figures as a positive economic environment is good for insurance, investments and banking. For FY2018, SJ delivered strong revenues and net profit of \$39.81 billion (2017: \$41 billion) and \$13.88 billion (2017: \$12.07 billion) respectively.

The Company has benefitted from its strategic growth initiative of expansion. SJ has announced that Sagicor Investment Jamaica has completed its acquisition of 60% stake in Advantage General Insurance Company Limited (AGIC), arguably the most profitable general insurance company in Jamaica. Also, it was announced that Sagicor and Alignvest will acquire Scotiabank's life insurance operations in Jamaica and in Trinidad and Tobago and will also enter into a 20-year exclusive agreement where Sagicor will provide insurance solutions to Scotiabank's clients in Jamaica and Trinidad and Tobago. Sagicor expects that this transition will increase annual net income by approximately US \$30 million, upon closing. Closing is expected in 2020, subject to regulatory approval and certain conditions being met. The Sagicor Group plans to expand the Sagicor Investments and Wealth Management services it offers beyond Jamaica by establishing a subsidiary in Cayman. Notably, SJ's debt analysis suggests the company's current debt ratios are very favourable and the company is positioned to take on additional debt to facilitate further expansions.

The Stock currently trades \$67.59 as at October 15, 2019; below its current valuation of \$71.85 based on projected earnings. The stock also trades at a P/E of 17.21 times; below main market P/E (Harmean) of 18.28 times. As such, the stock is recommended as a HOLD at this time. The downside risk is that SJ's stocks are slightly liquid as

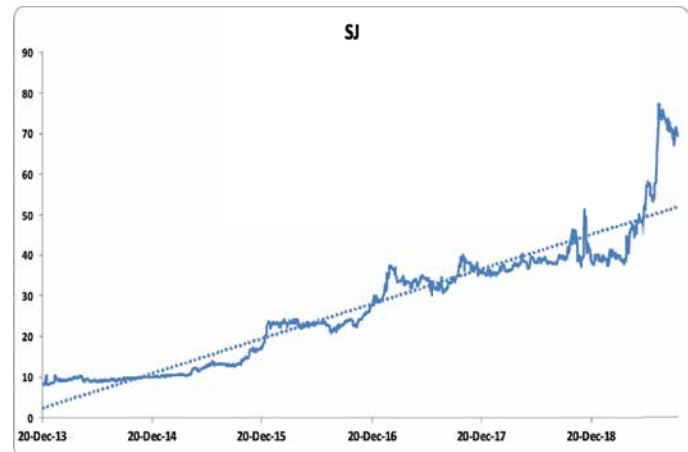
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it traded at an average volume of 659,215 year to date; 2% of the main market's liquidity.

## SJ's Price Movement



## Key Statistics

### SJ's Market statistics

Market Cap (mil)	\$	263,982
Price to earnings ratio		17.21
Forward PE ratio		16.63
Price to book		2.37
Dividend Yield1		.17%
Current Price6	\$	7.59
52 week low3	\$	6.01
52 week high	\$	85.00
Average monthly volume		624,576
Net profit FY18 (mil)	\$	13,878
Projected Net profit FY19 (mil)	\$	15,872
Financial year endD		ecember

\*Prices at October 15, 2019

## Latest Event

**Acquisition of Shares in Advantage General Insurance Co. Ltd**

**2nd quarter earnings released on July 30, 2019**

**HOLD**

# COMPANY ANALYSIS

Sagicor Group Jamaica Ltd.



## Macroeconomic Overview

### LOCAL ECONOMIC OVERVIEW

The latest data from The Bank of Jamaica (BOJ) indicates that the prospects for the Jamaican economy are positive, while noting the headwinds arising from the global economy. They highlighted that "Domestic economic activity continues to show signs of recovery, although at a slower pace than earlier observed. The near-term outlook is for real GDP to expand at an average quarterly rate of 1% to 2%, which is below the previous projection for a quarterly expansion of 1.5% to 2.5%."

Unemployment fell to a historic low of 7.8% for the second quarter of 2019; the employed labour force also increased by 2.5% to 1,244,500, persons in April 2019.

BOJ decided to hold the policy interest rate unchanged at 0.5% during the month of September based on the Central Bank's that monetary conditions are generally appropriate to support the achievement of the inflation target of 4.0% to 6.0%.

Exchange rates during the month of September averaged \$136.69 with a max exchange rate of \$138.34 on September 6, 2019 before starting to decline again, following a cyclical trend.

With regards to inflation, STATIN indicated that the country's consumer price index for the month of August 2019 increased by 0.8%, following a 1.1% increase in its index for July 2019.

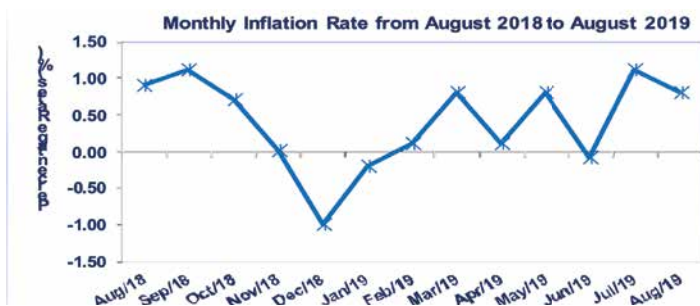
Business confidence dipped in the second quarter of 2019, primarily due to unmet expectations about their level of financial performance, while consumer confidence strengthened further, fuelled by expectations about jobs and views of government initiatives.

### LOCAL STOCK MARKET OVERVIEW

The JSE Main Market progressed in September as the index increased 0.85%, from the 0.64% growth observed in August. As at October 15, 2019, the Main Market has grown 31.54% since the start of the year. The Junior Market, on the other hand, rose 1.49% in September, up from the previous month's decline of 3.44% with the index continuing to experience year to date gains.

### GLOBAL ECONOMIC TRENDS

Global growth remains subdued. Since the April World Economic Outlook (WEO) report, the United States further increased tariffs on certain Chinese imports and China retaliated by raising tariffs on a subset of US imports. Additional escalation was averted following the June G20 summit. Global technology supply chains were threatened by the prospect of US sanctions. Brexit-related uncertainty continued, and rising geopolitical tensions roiled energy prices. Against this backdrop, global growth is forecast at 3.2% in 2019, picking up to 3.5% in 2020.



## Financial Analysis

### INCOME STATEMENT

The company's total revenues have gradually increased over the five-year period, climbing from \$45.63 billion in 2014 financial year to \$70.66 billion in the 2018 financial year, growing at a compounded annual rate (CAGR) of 12%. Total Revenues remained unchanged year over year, amounting to \$70.66 billion for the 2018 financial year relative to \$70.44 billion in 2017.

Benefits and Expenses totalled \$54.07 billion for the period, a decrease of 4% from \$56.59 billion. Notably, over the last five years, this grew by a CAGR of 8% from \$39.99 billion in 2014 to \$54.07 billion in 2018.

In addition, Sagicor took control of the Sagicor X-Fund Group ("X-Fund") thereby consolidating X-Fund's operations, results and balance sheet in SGJ. As such, profit was boosted by Gain on step acquisition of X Fund Group totalled \$1.52 billion (2017: nil).

Investment and corporation taxes increased to \$4.17 billion for the period (2017: \$2.92 billion).

SJ's profitability has increased over the five-year period, moving from \$8.56 million in 2014 to \$13.88 million in 2018. Net profit rose significantly by a CAGR of 13% thus reflecting continuous efforts of the Group to stimulate consumer demand.

For the first six months in FY19, SJ has delivered a 33% increase in revenue and a 35% increase in net profit to \$43.59 billion and \$7.13 million respectively. Favourable quarterly results are attributable to due to favourable market conditions as well as the consolidation of new subsidiaries (Sagicor Real Estate XFund Limited - XFund and Travel Cash Jamaica Limited).

### Revenue vs Profitability Indicators



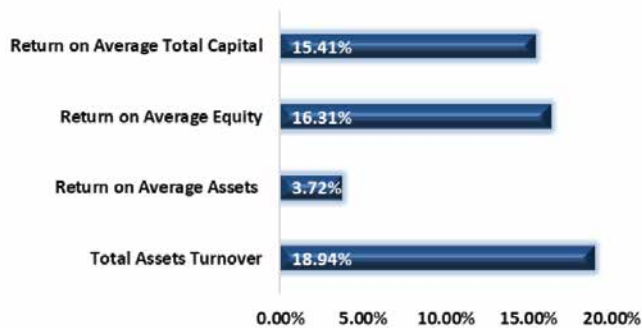
Profitability	FY2014F	Y2015F	Y2016F	Y2017F	Y2018
Revenue Growth	8%	21%9	%1	7%	1%
Loss ratio (Net claims/ Net Premium Revenue)	59%5	9%	63%5	3%	64%
EBITDA Margin2	2%	24%2	6%	25%2	8%
Group Efficiency Ratio (Admin Exp / Revenue)	25%2	4%	24%2	5%	26%
Return On Average Equity	20%2	1%	22%1	9%	16%
Return On Average Assets	4%	3%	4%	3%	4%
Pre-tax Margin	19%2	1%	24%2	2%	26%
Net Profit margin	19%1	8%	19%1	7%	20%

# COMPANY ANALYSIS

Sagicor Group Jamaica Ltd.



## Shareholder's Return for FY18



## Debt to Equity



Year	FY2014	FY2015	FY2016	FY2017	FY2018
Dividends	0.63	0.73	1.12	1.28	1.20
Dividend pay-out ratio	28.90%	29.11%	38.86%	39.11%	32.93%
EPS	2.18	2.51	2.88	3.27	3.64
SJ P/E	4.66	7.96	10.07	10.87	10.28
Main Market P/E (Harmean)	4.43	7.82	9.35	16.14	13.24
Share Price	10.15	19.95	29.04	35.58	37.47
Revenue	45,630	54,998	59,701	70,444	70,657

## BALANCE SHEET

As at December 31, 2018, SJ's assets increased to \$394.13 billion in 2018 (2017: \$352.04 billion). The movement was attributed to a \$16.73 billion increase in 'Financial investments', which closed at \$158.84 billion (2017: \$142.11 billion). 'Property, plant and equipment' increased 275% to \$19 billion (2017: \$5.06 billion), while tempered by a 14% decrease in 'Pledged assets' which totalled \$70.49 billion (2017: \$81.61 billion). Over the last five years, total assets have increased at a CAGR of 9% from \$284.22 billion in 2014.

Total liabilities slightly increased by 3% to \$292.44 billion in 2018 relative to \$283.53 billion booked in 2017. The increase year over year was mainly attributed to the company booking a \$9.97 billion in 'Loans payable' relative to nil the prior year.

The Group's equity base improved 48% during the year to total \$101.69 billion in 2018, compared with \$68.50 billion in 2017. Notably, over the last five years the Company saw a CAGR of 22% up from a total equity of \$46.07 billion in 2014.

Balance Sheet	FY2014	FY2015	FY2016	FY2017	FY2018
Shareholders Equity (mil)	46,065	46,569	56,411	68,502	101,695
Book Value	11.79	11.92	14.44	17.54	19.03

## DEBT ANALYSIS

Sagicor increased its preference for the use of debt in 2018 in the financing of its operations of X-Fund Property LLC and Real Estate Limited. SJ closed FY18 with total debt of \$9.97 billion (2017: nil), closing the year with a debt to equity ratio of 10%. Assessment of the company's solvency ratios indicate the company is in a very good position to repay its debt both from its EBITDA and cash flow from operations (see table to the right). The debt coverage ratios are also above average financial covenant ratios indicating the company is also able to take on additional debt to finance further future expansions.

Debt Analysis	FY2014	FY2015	FY2016	FY2017	FY2018
EBITDA/Interest Expense (times)	42.49	21.02	39.02	42.89	89.67
Debt Coverage Ratio (times)	-	-	-	-	47.68
Debt to EBITDA (times)	-	-	-	-	0.51
Debt to CFO (times)	-	-	-	-	5.55

## Indicative Desktop Calculation of Value

## OVERVIEW

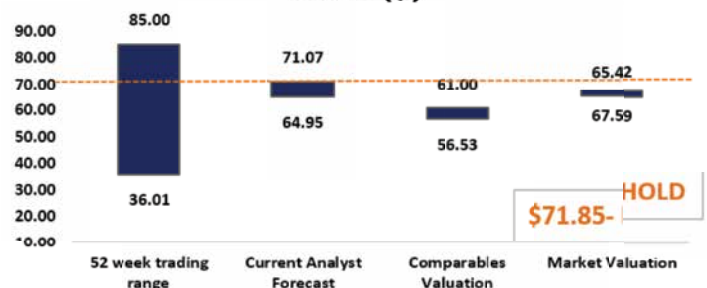
Year to date, October 15, 2019, SJ's stock price has advanced 80% from the start of the year to close at a high of \$77.14 on August 07, 2019. SJ's stock price reached a low of \$37.35 on February 13, 2019.

The stock trades at an average volume of 659,215 year to date and 624,575 for the month of September. In comparison to the main market's average traded volume of 36,988,770 year to date and 57,515,808 for the month of September, SJ represents 2% of main market liquidity year to date.

## RECOMMENDATION

Stock currently trades \$67.59 as at October 15, 2019; below its current valuation of \$71.85 based on projected earnings. The stock also trades at a P/E of 17.21 times; below main market P/E (Harmean) of 18.28 times. As such, the stock is recommended as a HOLD at this time.

## Valuation Summary- Equity Value per Share (\$)







# FORUM HIGHLIGHTS

FOR SEPTEMBER 2019



Mayberry's Chief Executive Officer, Gary Peart and Director of Investment Banking, Tania Waldron-Gooden joins Deputy Chairman of Sandals Resorts International Limited for a photo op after his presentation.



The audience listens attentively during the presentation.



Mayberry's Executive Investment Advisor, Okella Parredon presents Adam with a token of appreciation after her presentation.



Adam Stewart making his presentation.



Executive Investment Advisor, Karen Hall, during her Vote of Thanks.



(L-R) Mayberry's Research Manager, Rachel Kirlaw and Assistant Manager, Asset Management share a moment after the evening's presentation.



Mayberry's CEO, Gary Peart, and Executive Chairman, Christopher Berry greets Deputy Chairman of Sandals Resorts International Limited, Adam Stewart upon his arrival.

# ECONOMIC HIGHLIGHTS

## ECONOMIC HIGHLIGHTS FOR SEPTEMBER 2019

	September 2019	August 2019	Change
<b>91 Days Treasury Bills Avg. Yield (%)</b>	1.741	1.840	-0.10
<b>182 Days Treasury Bills Avg. Yield (%)</b>	1.751	1.866	-0.12
<b>Exchange Rate (US\$: J\$)</b>	136.69	136.14	0.55
<b>Net International Reserves (NIR) (US\$M)</b>	3,098.05	2,936.45	161.60

### Net International Reserves- September 2019

Jamaica's Net International Reserves (NIR) totaled US\$3.10 billion as of September 2019, reflecting an increase of US\$161.60 million relative to the US\$2.94 billion reported at the end of August 2019 (see figure 1).

Changes in the NIR resulted from an increase in Foreign Assets of US\$151.35 million to total US\$3.58 billion compared to the US\$3.43 billion reported for August 2019. 'Currency & Deposits' contributed the most to the increase in Foreign Assets. 'Currency & Deposits' as of September 2019 totaled US\$3.04 billion reflecting an increase of US\$162.51 million compared to US\$2.88 billion booked as of August 2019.

'Securities' amounted to US\$311.06 million; US\$10.31 million less the US\$321.38 million reported in August 2019. Foreign Liabilities for September 2019 amounted to US\$483.86 million compared to the US\$494.12 million reported for August 2019. Liabilities to the IMF accounted for 100% of total foreign liabilities, reflecting a US\$10.25 million decrease month over month from August 2019.

At its current value, the NIR is US\$71.33 million more than its total of US\$3.03 billion as at the end of September 2018. The current reserve is able to support approximately 33.45 weeks of goods imports or 22.82 weeks of goods and services imports.

The country came in slightly below the benchmark of US\$3.22 billion outlined by the International Monetary Fund for March

2019, closing the fiscal year at US\$3.08 billion, US\$0.13 million below the targeted amount.

An International Monetary Fund (IMF) staff team led by Uma Ramakrishnan visited Jamaica from June 10 to 14, 2019, ahead of the sixth and final review under the SBA planned for September 2019. The team took stock of progress on Jamaica's economic reform program supported by the IMF's precautionary Stand-By Arrangement (SBA).

Following the meeting, the IMF issued a statement citing, "Jamaica's improved economic growth in FY2018/19 was buoyed by construction and mining. Unemployment is now at an all-time low of 8 percent. The inflation outturn was 3.9 percent (y/y) in April, closer to the Bank of Jamaica's (BOJ) target range of 4–6 percent. The primary surplus was almost 7½ percent of GDP in FY2018/19, with public debt falling to about 95 percent of GDP at end-March 2019—the lowest since FY2000/01. Non-borrowed reserves were US\$430 million above target at end-March 2019, providing a critical buffer against unforeseen global economic shocks."

The Net International Reserve (NIR) target outlined as per the new agreement for the 2019/20 fiscal year is US\$3.155 billion. As at September 2019, the Country is US\$0.06 million below the targeted amount.

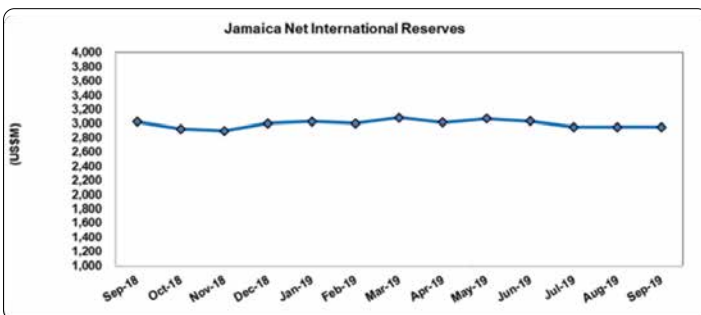


Figure 1

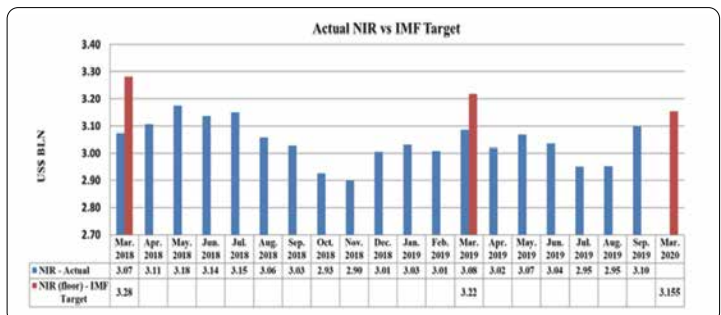


Figure 2

# JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR SEPTEMBER 2019

**Main JSE Index:** 516,042.91 points  
**Point Movement:** 4,367.37 points  
**Percentage Change:** 0.84%

**Advance Decline Ratio:** Negative  
**Advancers:** 17 **Decliners:** 25  
**Traded Firm:** 2

**Junior JSE Index:** 3,533.27 points  
**Point Movement:** 52.67 points  
**Percentage Change:** 1.47%

**Advance Decline Ratio:** Negative  
**Advancers:** 9 **Decliners:** 29  
**Traded Firm:** 0

## Major Winners (Main & Junior)

Stock	Increase	Closing Price
ISP Finance Services Limited	42.78%	\$25.00
Barita Investments Limited	21.11%	\$86.46
MPC Caribbean Clean Energy Limited	20.52%	\$153.06

## Major Losers (Main & Junior)

Stock	Decrease	Closing Price
Eppley Caribbean Property Limited SCC	-25.61%	\$35.79
Elite Diagnostic Limited	-24.00%	\$5.32
138 Student Living Jamaica Limited	-22.62%	\$3.25

**Total Shares Traded (Main):** 1.21 billion units  
**Total value (Main):** Approx. \$9.78 billion

## Volume Leaders (Main)

Stock	Units Traded	Market Volume
Wigton Windfarm Limited	622,474,418	51.54%
Sagicor Real Estate X Fund Limited	185,160,674	15.33%
Sagicor Select Funds Limited	108,254,838	8.96%

**BUY****HOLD****SELL****Salada Foods Jamaica Limited (SALF)**

For the nine months ended June 30, 2019

**BUY**

• Salada Foods, recorded a 3% increase in turnover for the nine months to close at \$769.64 million (2018: \$748.70 million). For the third quarter revenue amounted to \$275.14 million (2018: \$266.43 million), a 3% rise. SALF stated that this was due to, "improvements in domestic sales coupled with stronger sales in export markets."

• 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. Gross profit for the third quarter fell 3% to close at \$98.99 million relative to \$101.57 million booked for the comparable quarter in 2018.

• Other operating income for the first nine months amounted to \$4.92 million relative to the income of \$2.77 million booked in 2018.

• Administrative expenses rose by 20% to \$107.31 million (2018: \$89.56 million). Management noted that "this was attributable to salary, staff welfare, and training expenses." Also, selling and promotional expenses went up by 5% from \$41.11 million in 2018 to \$43.29 million in 2019.

• 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 the prior year. Operating profit for the third quarter closed at \$42.65 million (2018: \$57.52 million).

• The company reported a net finance income of \$24.36 million for the period; this compares to the net finance income of \$15.96 million for the same period in 2018.

• Profit before taxation decreased by 20% to \$145.34 million versus \$180.85 million booked for the previous year's corresponding period. While, for the quarter, pre-tax profits closed at \$77.23 million (2018: \$73.53 million).

• For the nine months ended June 30, 2019, net profit fell by 17%, from \$136.85 million in 2018 to \$114.15 million following taxation of \$31.19 million (2018: \$44 million). Net profit for the quarter rose by 7% to \$60.38 million in 2019 relative to \$56.58 million in 2018.

• Net profit attributable to shareholders for the nine months amounted to \$114.39 million relative to \$137.22 million twelve months earlier. Profit attributable to shareholders for the quarter amounted to \$60.41 million compared to \$56.60 million for the corresponding quarter of 2018.

• SALF noted that "profitability continues to be impacted by the cess on green beans with \$56M paid to JACRA year to date." In addition, "the outlook for the remaining three months to year-end remains favourable with strengthening of our marketing efforts in both domestic and overseas markets," the Company highlighted.

• Earnings per stock unit for the nine months amounted to \$1.10 (2018: \$1.32). The EPS for the third quarter was \$0.58 (2018: \$0.54). The trailing-twelve-month EPS is \$1.89. The number of shares used in our calculations is 103,883,290 units.

**CAC 2000 Limited (CAC)**

For the nine months ended July 31, 2019

**HOLD**

• CAC 2000 (CAC) revenues for the nine months ended July 31, 2019, decreased 19% to \$737.69 million relative to \$908.81 million for the comparable period in 2018. Revenues for the third quarter decreased by 22% to \$221.21 million compared to \$285.38 million for the same period the prior financial year.

• Cost of Sales also decreased by 10% for the period to \$498.50 million (2018: \$556.01 million). Consequently, Gross Profit for the period fell \$113.61 million or 32% to \$239.19 million (2018: \$352.80 million). For the quarter, Gross Profit dropped 37% to close at \$65.54 million (2018: \$103.64 million). Management noted that "this was primarily due to reduced revenues and reduction in margins realized."

• The Company reported an 8% increase in Total Expenses to \$306.70 million (2018: \$284.39 million). This was as a result of a 13% increase in General Administration to \$290.93 million (2018: \$257.19 million) but tempered by a 42% downward movement in Selling & Distribution Expenses to \$15.77 million (2018: \$27.20 million). For the quarter, the Company reported a 15% increase in Total Expenses which closed at \$102.54 million compared to \$88.89 million in 2018. The Company stated that "improved efficiencies have resulted in a reduction in selling, distribution, and general administrative expenses despite increased warehousing (rental and transportation), plus utility costs that CAC has incurred to try and minimize the negative impacts of the construction."

• Other Income of \$47.20 million was recorded for the period up from \$7.33 million reported for the same period the prior year. CAC highlighted that "this continues to be positively impacted by the Barbuda project and the Company plans to continue this trend by exploring further expansion within the territory." Consequently, loss before taxation and finance cost closed at \$20.31 million versus profit before taxation and financial cost of \$75.74 million in the previous comparable period.

• Net finance costs increased significantly for the period in review to \$19.16 million (2018: \$3.26 million). "Finance costs have increased due to increased borrowing to cover the Company's working capital shortfalls (Due to reduction in walk-in cash sales)." Management noted. Interest expense for the nine months amounted to \$17.56 million relative to \$16.62 million twelve months earlier. Interest income and other losses amounted to \$206,761 (2018: \$4.85 million) and \$1.80 million (2018: gains of \$8.51 million) respectively.

• Loss before taxation closed the nine months period at \$39.47 million relative to profit before taxation of \$72.48 million reported in the prior corresponding period. No taxes were recorded for the period as such, net loss for the nine months amounted to \$39.47 million compared to a net profit of \$72.48 million in the same period last year. Net loss for the quarter was reported at \$42.54 million compared to a profit of \$18.83 million for the corresponding quarter of 2018.

• Loss-per-share (LPS) for the nine months amounted to \$0.31 compared to earnings per share of \$0.56 in 2018, while for the quarter the LPS amounted to \$0.33 versus an earnings per share of \$0.15. The twelve months trailing LPS amounted to \$0.29. The number of shares used in our calculations is 129,032,258 units.

**Jetcon Corporation Limited (JETCON)**

For the six months June 30, 2019

**SELL**

• JETCON for the six months ended June 30, 2019, reported a total turnover of \$467.17 million, 23% less than the \$606.52 million reported for the corresponding period in 2018.

• Cost of Sales for the period decreased 21% to \$386.80 million (2018: \$486.88 million). As such, Gross Profit for the period decreased by 33% to \$80.37 million compared to \$119.64 million in 2018.

• Total Expenses for the period increased by 44% to \$56.48 million (2018: \$39.13 million). Of this, Selling and Marketing Expenses for the period decreased to \$12.01 million (2018: \$13.59 million), while Administrative and Other Expenses recorded an increase of 11%, closing at \$19.59 million (2018: \$17.58 million). Finance costs closed the period at \$394,147 a 33% decrease when compared to the \$591,682 million the prior year. Another operating cost for the six months closed \$24.49 million relative to \$7.38 million booked for the corresponding period 2018.

• Consequently, Profit Before Taxation amounted to \$23.89 million relative to \$80.50 million in 2018, representing a 70% decrease year-on-year for the period.

• There were no taxation charges for the period as such, net profit for the period amounted to \$23.89 million relative to \$80.50 million. While, net profit for the quarter decreased by 75%, to total \$8.67 million (2018: \$34.70 million)

• Total comprehensive income for the period amounted to \$23.89 million (2018: \$80.53 million).

• As such, the earnings-per-share for the year amounted to \$0.04 relative to \$0.14 last year. The twelve months EPS is 0.06 where the number of shares used in our calculation is 583,500,000.

**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.

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