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KNOWLEDGE**
REGIONAL MACROECONOMIC LANDSCAPE



Jamaica Update

Equity Opportunities - 2022

JMMB-Group
Research

February-24-2022



Possible Equity Opportunities

- JMMB Research continues to monitor the equity investment space. As a result we have identified a few opportunities which may exist that clients could look at. **We note also that this list is not exhaustive.**
- As the economic environment, both domestically and internationally, continues to change, the performance of these entities may also change. We encourage our clients to keep abreast of our detailed reviews and to also maintain a diversified portfolio.
- **We do not guarantee the performance of any asset and advise clients that every investment opportunity has its own unique set of risks.**
- **Major near term risks to stock performance** include: (I) increasing international freight & shipping costs; (II) rising oil prices; (III) international geopolitical pressures (Russia / Ukraine); (IV) rising domestic interest rates / cost of capital / existing interest expenditure; (V) Rising inflation and (VI) the ongoing global pandemic and its consequent impact of domestic economic recovery.



Lumber Depot Limited



➤ Lumber Depot (LUMBER) offers exposure to the construction retail sector. Despite the challenges of covid-19, the **construction sector** has been one of, if not the, top performing sector.

REAL VALUE ADDED IN THE GOODS PRODUCING INDUSTRIES (%)

	Jul-Sep 2020	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021	Jul-Sep 2021
Goods Producing	-3.4	0.2	2.7	12.7	2.8
Agriculture, Forestry & Fishing	2.4	-7.2	-1.9	15.0	7.2
Mining & Quarrying	-20.1	6.3	7.2	-9.2	-31.0
Manufacturing	-10.8	-0.4	-0.9	12.9	8.5
Construction	7.0	6.3	10.5	17.4	1.7

November 24, 2021 Planning Institute of Jamaica

➤ The business continues to benefit from improved revenues as well as the improved tax status arising from listing on the Junior Market of the JSE.

➤ Over the 12 month period ended April 2021, LUMBER has grown revenues to \$1.43B, a **55% increase over the 2020YE revenues of \$921M**. LUMBER has also grown profits to \$145M compared to profits of \$22M for the 2020YE, **an increase of 554%**.



Lumber Depot Limited

- **Going forward** there are concerns that the increase in international freight and shipping charges (4X) plus increases in domestic interest rates could constrain the performance of the sector. However, preliminary data suggests that demand for retail construction materials continues to be strong.
- However, despite the continued strong demand, spreads / margins could be an issue as retailers may have to absorb a percentage of the increase in cost, at least temporarily, to maintain sales and not increase inventory.

Company	Market Capitalization	Price to Earnings	Price to Book	Return on Equity	Return on Assets	Dividend Payout	Dividend Yield
CAC	967,741,935		2.33x	-8.37%	-2.93%		
DTL	10,070,289,525	33.52x	1.94x	5.78%	3.20%	17.49%	0.52%
EFRESH	1,007,190,000		2.26x	-55.13%	-24.32%		
FOSRICH	4,545,593,773	36.16x	4.34x	11.99%	3.66%	37.96%	1.05%
FTNA	9,332,829,943	18.22x	5.00x	27.45%	13.08%	24.39%	1.34%
INDIES	4,424,021,675	27.57x	4.05x	14.70%	7.94%	91.35%	3.31%
JETCON	542,655,000	6.62x	0.99x	15.00%	12.37%	0.00%	0.00%
LASD	11,901,282,160	13.09x	1.75x	13.37%	7.63%	25.09%	1.92%
MDS	1,707,894,739	24.53x	1.63x	6.66%	2.66%	26.46%	1.08%
Sector Average	4,944,388,750	14.20x	2.70x	13.6%	7.2%	37.1%	1.5%
LUMBER	2,041,026,375	14.08x	5.08x	36.06%	23.02%	26.35%	1.38%



FosRich Company Limited

- ❑ FosRich Company Ltd is a distributor of lighting, electrical and solar energy products.
- ❑ However, the company has also made key strategic steps in expanding its product lines. On 15th April-2021, FosRich began the manufacturing of PVC pipes. The new plant produces a variety (different sizes) of potable water pipes, waste water pipes and drain pipes. The plant operates on a 24-hour basis – six (6) days per week and **currently has the capacity to supply the entire local market.**
- ❑ **FosRich** is also at the final stages of the construction of a 30,000 sq. ft distribution centre at 76 Molynes Road. Phase two is to involve the building of a 70,000 sq. ft superstore on the same property. The superstore should also incorporate office, banking and retail facilities and other amenities.



FosRich Company Limited

- ❑ FosRich has also diversified its operations by signing a four-year renewable contract with Jamaica Public Service Company, JPS, to repair over a thousand transformers yearly of the 40,000 deployed throughout the power utility's network. JPS will then have no need to send transformers abroad for repairs.
- ❑ The repairs are to be done via the application for a new company, **Blue Emerald Limited**, to be registered under the Special Economic Zone Authority, in order to take advantage of the significant **long-term tax concessions that are available**. Activities are to be undertaken at the new Hayes facility in Clarendon and will be done through this new entity **acting exclusively for FosRich under a contract manufacturing arrangement**.
- ❑ The Hayes manufacturing facility in Clarendon is housed in two buildings that sit on a 25-acre property. FosRich holds a 25-year lease on the property from owner Factories Corporation of Jamaica.



FosRich Company Limited

□ Financial Highlights

Year-to-date (9-Months Ended Sep-2021)

- ✓ Revenues - \$1,686 million, up \$294 million or 21% from \$1,391 million in the prior period
- ✓ Gross Profit - \$671 million, up \$117 million or 21% from \$554 million in the prior period
- ✓ **Net Profit** - \$179 million, **up \$104 million or 138%** from \$75 million in the prior period
- ✓ **Earnings per stock unit** - \$0.36, compared to \$0.15 in the prior period, **an increase of 139%**

Quarter 3

- ✓ Revenues - \$593 million, up \$59 million or 11% from \$534 million in the prior period
- ✓ Gross Profit - \$236 million, up \$20 million or 9% from \$216 million in the prior period
- ✓ **Net Profit** - **\$65 million up \$12 million or 22% from \$53 million in the prior period**
- ✓ Earnings per stock unit - \$0.13, compared to \$0.11 in the prior period, an increase of 23% for the period

Source: Company Financials ..www.Jamstockex.com



Derrimon Trading Limited

- For the 9-month period (Jan-Sep-2021 y-o-y), DTL reported net profit of J\$260 million representing a **53% increase in profits**.

Group Highlights of Q3 and 9 Months Performance - 2021

	Current Quarter			Year to Date		
	September 30, 2021 \$'000	September 30, 2020 \$'000	Change	September 30, 2021 \$'000	September 30, 2020 \$'000	% Change
Revenue	4,143,313	3,315,390	24.97%	12,195,721	9,618,342	26.80%
Gross Profit	819,964	640,944	27.93%	2,358,833	1,840,508	28.16%
EBITDA	300,656	202,075	48.78%	866,665`1	564,702	53.47%
Net Profit	133,980	90,699	47.72%	419,788	280,662	49.57%
Net Profit attributable to shareholders	128,828	85,105	51.38%	398,324	260,346	53.00%
Earnings Per Share	0.030	0.031	-4.52%	0.092	0.095	-3.49%



Derrimon Trading

- ❑ **DTL remains in acquisition mode:**
 - ✓ On Jan-8-2021, DTL acquired 80% of the Brooklyn-based operations of **FoodSaver New York, Inc.**, a wholesale food distributor and **Good Food For Less, LLC**, a specialty supermarket. Derrimon incorporated a New York subsidiary, Marnock LLC, to acquire the operations of both companies.
 - ✓ Both companies represent diversity of earnings in both location / economies (USA) and currency (USD). The **margins generated** by these entities are also relatively attractive and they ensure that DTL has a hedge against currency devaluation in its J-dollar reporting currency (**translation gains**).
- ❑ On January 10, 2022 DTL also acquired **100% ownership of Spicy Hill Farms**. The Spicy Hill line of products include: Ram Goat Soup “Mannish Water”, Ram-It-Up “Curry Goat Booster”, Granulated Scotch Bonnet Pepper, and Dried Thyme Leaves. The products manufactured by this Company are available in over 200 retail outlets throughout the island in addition to major stores within markets such as the United States, Canada, the United Kingdom and the Caribbean.



Derrimon Trading

- ❑ The acquisition of Spicy Hill provides DTL with its first food manufacturing business and provides more diversification into the Jamaican diaspora as well as the African, Caribbean and Indian diaspora. This could have positive implications for spreads / margins and USD earnings.

- ❑ In 2020 DTL also made significant strides via:
 - (I) a **realignment of their debt portfolio** from short term to long term amortized facilities;
 - (II) the **switching from US Dollar loans to Jamaican Dollar** facilities and
 - (III) the **re-negotiation of interest rates** which positively impacted the finance cost of the Group.

- ❖ **EPS has declined**, however it should be noted that without an affluent benefactor, DTL must fund its acquisitions through the issuance of debt. **DTL's recent successful APO listing** saw its total share capital rise to 4.53 billion shares.



Derrimon Trading

□ DTL continues to underperform the market!

Market Performance

	September 30, 2021	September 30, 2020	Percentage
DTL Stock Price	\$2.28	\$2.91	-21.65%
Junior Market Index	3,296.35	2,555.68	28.98%
JSE Manufacturing and Distribution Index	105.15	75.31	39.62%
Market Capitalization	\$10.34 Billion	\$7.95 Billion	30.06%
Number of Shares	4,533,360,670	2,733,360,670	65.85%



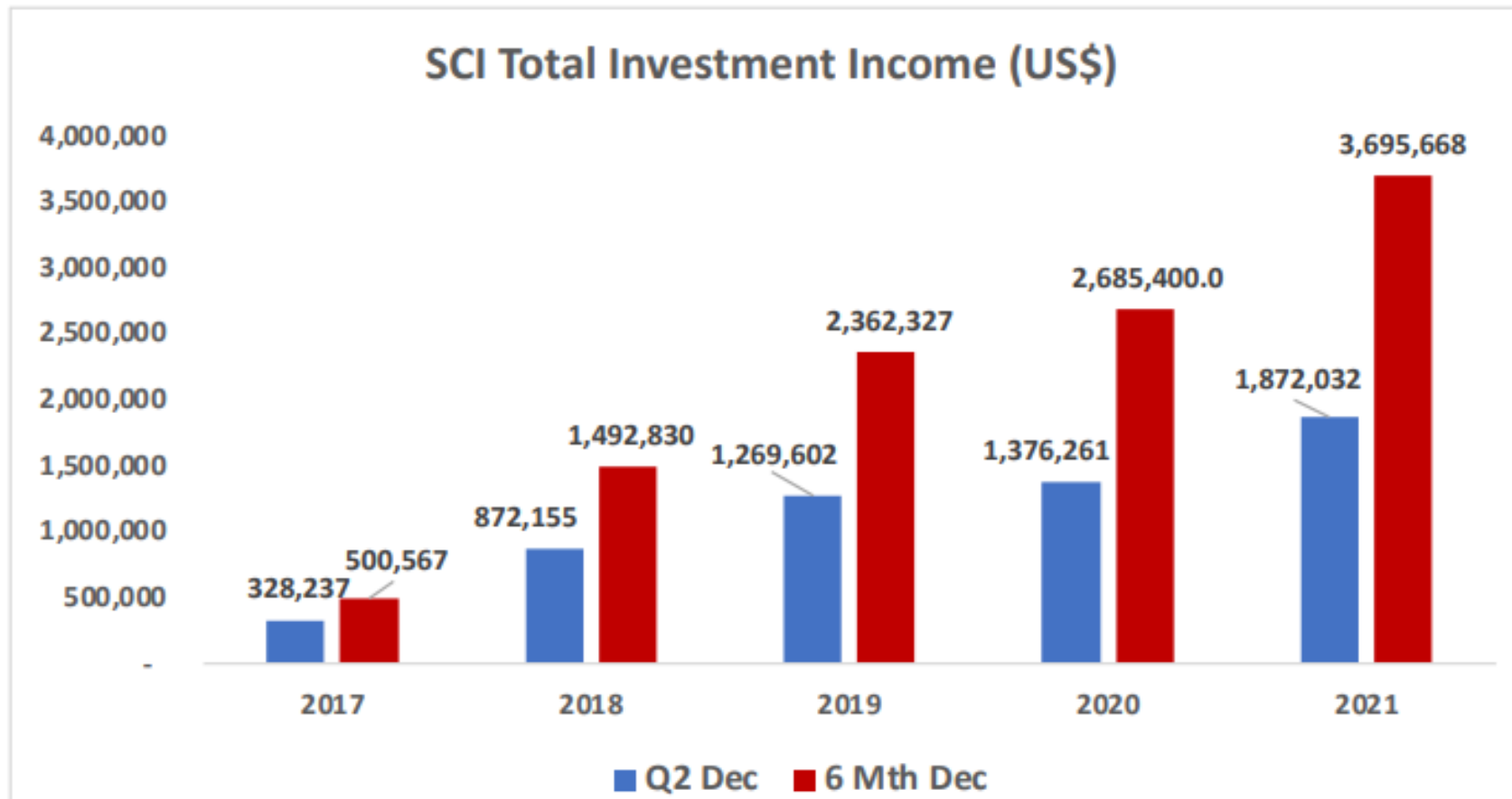
Sygnus Investments

- ❑ Sygnus is a Caribbean-based non-traditional financial solutions firm. They provide out-of-the-box ideas to meet the needs of a diverse set of Caribbean and international clients, including individuals, companies and governments. Sygnus provides financial solutions along three core business lines: Investment Banking, Investment Management & Tax Advisory.
- ❑ **Sygnus Credit Investments Limited reported record core revenues of US\$3.70 million and record net profits of US\$2.46 million for the 6 months ended December 31, 2021 ("6 Month 2021").**
- ❑ SCI's core revenues, or total investment income, grew by 37.6% or US\$1.01 million to a record US\$3.70 million for 6 Month 2021. This compares with US\$2.69 million for the six months ended December 31, 2020 ("6 Month 2020").
- ❑ For the second quarter ended December 31, 2021 ("Q2 2021"), total investment income grew by 36.0% or US\$495.8 thousand to a record US\$1.87 million. This compares with US\$1.38 million reported for the second quarter ended December 31, 2020 ("Q2 2020").



Sygnus Investments

- ✓ Net profit attributable to shareholders grew by 95.2% or US\$1.20 million to a record US\$2.46 million for 6 Month 2021, vs US\$1.26 million for 6 Month 2020. For Q2 2021, net profit grew by 106.1% or US\$491.2 thousand to US\$953.9 thousand vs US\$462.8 thousand in Q2 Dec 2020.





Sygnus Investments

- ✓ **Sygnus remains in acquisition mode.** On December 21, 2021, Sygnus Credit Investments Limited ("SCI") entered into a Stock Purchase Agreement to acquire a majority interest in **Acrecent Financial Corporation ("AFC")**, one of the largest private credit companies in Puerto Rico. The executive management team of AFC will remain partners with SCI.
- ✓ While Puerto Rico has faced tremendous challenges recently due to a debt default and a major hit from hurricanes,... the country has slowly emerged from default. The sovereign is now a beneficiary of US grant funding, is a commonwealth and provides business access to the US mainland and has taken on a low tax approach as an incentive to pull back in investments to the sovereign.



WISYNCO

- ❑ Wisynco Group Limited is a leading Jamaican distributor and manufacturer. The company imports top brands of food, beverages, and paper products and produces their own lines of high quality products including Bigga, Wata, CranWata, and Boom.
- ❑ **Revenues for the second quarter (Q2) of \$9.5 billion represents the highest in the company's history**, an increase of 19% above the \$8 billion achieved in the corresponding quarter of the previous year. Wisynco has seen a continued recovery in their Revenues with all Channels increasing at vibrant levels. **Exports as well for the quarter were up 103%** over the same quarter of the prior year.
- ❑ Gross Profit for the quarter of \$3.3 billion was 24.3% more than the \$2.7 billion achieved in the same quarter of the previous year. Similarly, Gross Margin at 34.8% was higher than the 33.3% for the corresponding quarter in the prior year.



WISYNCO

- ✓ Profit before Taxation for the quarter was \$1.5 billion, which is an impressive \$707 million or 84.6% higher than the \$836 million of the comparative quarter for the prior year and includes an exchange gain of \$279.5 million (\$26.2 million exchange loss for the comparative quarter last year). YTD profit before taxation was \$2.8 billion compared to \$1.9 billion in the prior year an increase of \$962 million or 51.6%.
- ✓ After provision for taxes, Wisynco recorded Net Profits Attributable to Stockholders of \$1.2 billion, or 31c per share for the quarter, which was 74% greater than the \$688 million earned for the prior year. Earnings per share for the prior year quarter was 19c.
- ✓ The Wisynco Board declared an interim dividend of 20c per share, or 100% greater than the 10c per share interim dividend declared January 2021. This dividend will be paid on March 1, 2022 to shareholders on record as at February 15, 2022. The stock trades ex dividend February 14, 2022.



WISYNCO

Wisynco Group Limited Group Statement of Comprehensive Income Six months ended 31 December 2021

	Quarter ended 31 December 2021 \$'000	Quarter ended 31 December 2020 \$'000	Six months ended 31 December 2021 \$'000	Six months ended 31 December 2020 \$'000
Revenue	9,493,297	7,978,766	18,699,200	16,044,869
Cost of sales	(6,192,150)	(5,323,062)	(12,117,109)	(10,491,870)
Gross Profit	3,301,147	2,655,704	6,582,091	5,552,999
Other operating income	26,833	35,231	71,418	78,107
Selling and distribution expenses	(1,740,917)	(1,478,400)	(3,386,579)	(3,043,366)
Administration expenses	(356,662)	(336,612)	(735,238)	(690,659)
Operating Profit	1,230,401	875,923	2,531,692	1,897,081
Finance income	353,667	45,176	361,020	86,626
Finance costs	(31,679)	(60,495)	(58,659)	(96,678)
Share of results of associate	(9,217)	(24,491)	(7,583)	(22,876)
Profit before Taxation	1,543,172	836,113	2,826,470	1,864,153
Taxation	(384,169)	(147,682)	(700,455)	(324,481)
Net Profit	1,159,003	688,431	2,126,015	1,539,672
Other Comprehensive Income				
Items that may be subsequently reclassified to P&L:				
Exchange differences on translation of foreign subsidiary	11,701	(404)	3,124	(292)
Share of other comprehensive income of associate	(10,233)	1,119	(10,601)	16,149
Items that may not be subsequently reclassified to P&L:				
Unrealised gains on investment securities	4,288	458	3,650	5,133
Total Comprehensive Income	1,164,759	689,604	2,122,188	1,560,661
Net Profit attributable to:				
Stockholders of Wisynco Group Limited	1,159,003	688,431	2,126,015	1,539,672



- *Thank
You*