INVESTMENT AND SOVEREIGN RESEARCH October 11, 2023

PanJam Investment Limited

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Executive Summary

The primary operations of Pan Jamaica Group Limited, encompassing its subsidiaries, joint ventures and affiliates, spans across portfolio management, hospitality management, port terminal operations, maritime transport and logistics, bespoke food and beverage production, farming, financial services and investment holdings. In November of FY 22, a deal was struck between PanJam and JP that eventually led to JP transferring primary operational businesses over to PanJam in exchange for a 34.5% equity stake in the latter. After the merger completion on April 1st of 2023, Pan Jamaica Group Limited was successfully established.

During the evaluation period (FY 18 to FY 22), PJAM's earnings exhibited considerable fluctuations. These historical fluctuations in profitability can be attributed to a combination of inconsistent investment income and gains from the sale of associates, which cause intermittent spikes in profitability such as those seen in FY 19 and FY 22.

At the moment, PJAM is trading at around 8.6x its trailing TTM EPS a valuation that is roughly on par with the harmonic mean of 8.9x observed within the Main Market. When compared to other shares within this market, PJAM's shares reveal a relatively high degree of liquidity, with an average daily volume of about 75.3K units traded over the preceding year. This translates to a worth of roughly $4.2 million. Over the past month, PJAM's average bid-ask spread has been around 4.9%, suggesting a somewhat elevated implicit cost involved in acquiring shares in this particular stock.

PanJam Investment Limited

Abridged Financial Data (In Billions)

	YE 2018	YE 2019	YE 2020	YE 2021	YE 2022	CAGR	Q2 2022	Q2 2023	% ▲
Per Share Data									
Share Price	72.67	100.88	67.99	64.85	57.23	-5.80%	65.06	53.33	-18.0%
BVPS	32.02	40.40	44.51	48.92	39.88	5.64%	45.60	44.80	-1.7%
EPS	5.06	7.85	3.31	6.78	4.46	-3.13%	0.35	0.65	86.4%
Dividend Per Share	1.05	1.31	0.38	1.00	1.12	1.63%	0.92	0.33	-64.7%
JSE Main Market Index	379,791	509,916	395,615	396,156	355,897	-1.61%	384,186	332,035	-13.6%
Abridged Income Statement (in J$ Billions)									
Revenue	3.3	4.6	2.1	4.3	2.4	-7.88%	1.0	10.0	945.5%
Gross Profit	-	-	-	-	-	N/A	0.5	3.1	567.0%
Investments Income	1.1	2.2	(0.5)	2.1	(0.8)	N/A	-	-	N/A
Property Income	2.1	2.2	2.1	2.1	2.4	3.73%	-	-	N/A
Operating Profit	1.6	2.8	0.3	2.5	(0.9)	N/A	0.9	2.3	149.6%
Profit from Assoc. Company	4.7	5.0	3.9	5.5	5.0	1.38%	-	-	N/A
Share of profits in associates and joint ventures	-	-	-	-	-	N/A	1.0	1.6	59.0%
Pre-tax Profit	5.7	8.7	3.3	7.2	4.4	-6.30%	0.4	1.7	287.9%
Profits to PJAM Shareholders	5.3	8.3	3.5	7.2	4.7	-2.88%	0.4	1.1	187.3%
Abridged Balance Sheet Statement (in J$ Billions)									
Investment in associates and joint venture	26.3	31.1	35.3	38.0	26.8	0.43%	34.8	30.1	-13.6%
Investment properties	8.4	9.0	9.5	10.0	10.4	5.61%	10.1	10.9	8.2%
Investments	7.5	10.0	12.5	10.8	8.3	2.67%	9.7	7.8	-19.5%
Non-Current Assets	44.4	52.7	60.9	65.2	52.7	4.40%	62.9	105.3	67.4%
Current Assets	1.5	1.7	1.7	2.5	5.4	37.56%	1.2	21.6	1653.7%
Total Assets	45.9	54.4	62.6	67.8	58.1	6.08%	64.1	127.0	98.0%
Total Liabilities	11.8	11.3	15.1	15.5	15.2	6.54%	15.4	32.9	113.8%
Debt	10.6	9.4	13.7	13.6	14.0	7.26%	13.6	24.5	79.3%
Equity	33.7	42.7	47.2	52.0	42.5	5.91%	48.4	72.9	50.6%
Abridged Cash Flow Statement Statement (in J$ Billions)									
CFO	(3.3)	1.2	1.0	1.1	1.6	N/A	0.3	(0.7)	-358.0%
CFI	1.6	2.2	(3.9)	1.4	1.6	0.46%	0.1	9.5	6846.6%
CFF	1.4	(3.0)	2.7	(1.8)	(2.2)	N/A	(1.8)	0.8	-145.8%
Ratios						**Average**			
Operating Margin	47.6%	61.0%	15.3%	58.1%	-40.1%	28.38%	97.2%	23.2%	-76.1%
Net Profit Margin	163.4%	179.6%	170.6%	167.6%	201.9%	176.61%	38.8%	10.7%	-72.5%
Debt-to Equity	0.31	0.22	0.29	0.26	0.33	0.28	0.28	0.34	19.1%
Financial Leverage	1.33	1.31	1.30	1.31	1.33	1.32	1.32	1.57	19.0%
ROE	16.6%	21.7%	7.8%	14.5%	10.1%	14.14%	9.6%	9.9%	3.5%
ROA	12.5%	16.6%	6.0%	11.1%	7.5%	10.74%	7.3%	6.3%	-13.0%
P/E	14.4	12.8	20.6	9.6	12.8	14.03	13.1	10.0	-23.8%
P/B	2.3	2.5	1.5	1.3	1.4	1.81	1.4	1.2	-16.6%
Dividend Payout Ratio	20.7%	16.7%	11.5%	14.7%	25.1%	17.76%	263.7%	50.0%	-81.1%
Dividend Yield	2.0%	1.4%	0.5%	1.5%	1.8%	1.46%	1.4%	0.6%	-57.4%

Financial Overview

Income Statement Review

The group's revenue has displayed significant fluctuations throughout the period under review, topping out at $4.6 billion in FY 19 before concluding at $2.4 billion in FY 22. In FY 22, revenue witnessed a severe reduction of 45.3%, largely attributable to a decrease in investment income, which dropped from $2.1 billion in FY 21 to a deficit of $758.8 million in FY 22. This reduction was due to negative trends within global markets that affected the firm's trading securities portfolio. Historically, investment income has been the primary source of PJAM's erratic revenue, reaching its zenith in FY 19 with $2.2 billion.

Over the course of the assessment period, earnings from property assets demonstrated relative stability. In FY 22, there was a 14.3% rise in property income, culminating in a value of $2.4 billion. The primary driver behind this increase was a notable uplift in the fair value gain on property, which surged by 82%, reaching $463.1 million during FY 22.

Over the evaluation period, operating profit demonstrated significant instability, reaching a pinnacle of $2.8 billion in FY 19 before plummeting to a deficit of $943.2 million in FY 22. The operating profit experienced a decrease of $3.4 billion, chiefly as a result of the previously mentioned downturn in earnings from investments. Furthermore, PJAM incurred heightened expenditures including an additional cost related to hotel management amounting to $804.2 million in FY 22.

The main source of PJAM's earnings, the profit from associates, has shown consistent performance throughout the period under review. The profit from associates fluctuated between a minimum of $3.9 billion in FY 20 and a maximum of $5.5 billion in FY 21. PJAM's share in Sagicor Group Jamaica Limited is the key driver of profits from associates.

Profits credited to the shareholders of PJAM have shown significant volatility, reaching a high of $8.3 billion in FY 19 and then dropping to a review period low of $3.5 billion in FY 20. In FY 22, profits credited to PJAM shareholders have experienced a drop by 34.1% to $4.7 billion. Even though earnings in FY 22 were supported by a gain on the sale of PJAM's 33.3% stake in New Castle Company Limited, which amounted to $1.4 billion.

In the second quarter of FY 23, revenue experienced a significant upswing to $9 billion, marking an extraordinary rise of $8.5 billion in comparison to the same period in the preceding financial year. The principal contributor to this surge in revenue over the recent half-year period was the Specialty Foods division, which accounted for $5.3 billion in revenues.

PJAM has seen a remarkable rise in its operating profit before finance costs and tax by 149.6%, reaching a total of $2.3 billion. This substantial increase was primarily driven by their financial services segment, which comprises of holdings in Sagicor Group Jamaica Limited and Term Finance (Jamaica) Limited. The most significant contribution to the operating profit was made by the financial services segment, generating a robust $1.7 billion during the most recent 6-month timeframe. While this division has shown impressive performance overall, certain areas of the portfolio were impacted by instability in specific financial asset markets, resulting from high interest rates and market fluctuation. Additionally, this division's performance is reflective of the alteration made this year in the accounting treatment for insurance contracts under IFRS 17.

The Global Services (GS) Division, the second-largest contributor to operating profit, encapsulates PJAM's interests in port terminal operations, warehousing and third-party logistics services, via Kingston

Wharves. Additionally, it includes freight consolidation and forwarding from the UK and USA through JP Logistics Solutions, as well as shipping line services between Europe, the Caribbean and South America via Geest Line. Other noteworthy business interests within this division involve associate companies such as Outsourcing Management Limited or "itel" and Chukka Caribbean Adventures Limited. The GS division reported an operating profit of $736.3 million.

The profit percentage derived from associated entities and joint ventures dropped by 25.3%, amounting to $922 million in Q2 FY 23. This substantial reduction was primarily due to a decrease in profit margins at associated firm, Sagicor Jamaica Limited.

In the end, earnings surged by 102.3% to reach a total of $1.4 billion in Q2 FY 23. Of greater significance, however, is the 54.9% rise in profits credited to PJAM shareholders, amounting to $1.1 billion. This marked shift in the Group's profit trajectory during the second quarter is primarily due to the successful consolidation of Jamaica Producers Group Limited's operational businesses with PanJam Investment Limited. On the downside, investment losses and substantial transaction expenses incurred by PanJam as a result of this consolidation impinged on earnings growth.

Balance Sheet Review

Throughout the period under review, there was a general increase in total assets, reaching a zenith in FY 21 at $67.8 billion. The ensuing decline of total assets by 14.3% or $9.7 billion to $58.1 billion in FY 22 was predominantly attributable to the adoption of IFRS 17. This resulted in PJAM marking down its declared value of investments in associates by $9.3 billion as at December 2022.

The primary constituents of PJAM's balance sheet at the conclusion of FY 22 are Financial Assets Designated at FVTPL, Investment in Associated Companies, and Investment Properties. These assets represent 10.7%, 53.6% and 15.4% of the total assets respectively.

The value of financial assets recorded at fair value through profit or loss (FVTPL) saw a reduction of $2.2 billion, which constitutes a 23.1% decrease to reach $7.2 billion in FY 22. This reduction was predominantly due to a drop in the value of equity securities by the same amount. In contrast, the investment properties owned by PJAM experienced an upswing of $374.1 million or 3.7%, totalling $10.4 billion, which was influenced by a fair value gain amounting to $463.2 million and the allocation of property into investment properties which came up to $406.5 million. Nevertheless, this growth was somewhat restrained due to a transfer of properties worth $502 million to PP&E.

Over the period under review, the equity of PJAM has predominantly shown an upward trend, reaching a zenith of $52 billion in FY 21. Nevertheless, in FY 22, there was a substantial reduction in equity by 18.3%, bringing it down to $42.5 billion. The major influence of Sagicor's initial application of IFRS 17 on PJAM's outcomes has necessitated a restatement of its financial statements from previous years. This led to a decrease of $9.3 billion in the stated value of Investment in Associated Companies as at 31 December 2022. Consequently, there was a reduction in PJAM's equity.

On the side of liabilities, debt which is predominately bank loans, accounts for 24.1% of total assets at the end of FY 22. The amount of borrowings has remained fairly constant over the past three financial years, experiencing a slight increase of 2.7% year on year to reach a total of $14 billion.

In FY 22, PJAM did not have any loans that were denominated in foreign currencies. Moreover, the proportion of securities denominated in foreign currency, predominantly U.S. Dollars, saw an increase to 65% of the total portfolio, up from 49% in FY 21. As a result, the firm receives a net advantage from the depreciation of the USD against the JMD. The company also revealed that an anticipated appreciation of the USD against the JMD by 4% is likely to boost profit before tax to $300.6 million in FY 22.

The group witnessed an 88.4% surge in total assets, amassing $127 billion in the past 6 months, ending June 2023. At the close of Q2 FY 23, investments in associated & joint venture and PP&E turned out to be the most substantial assets on the company's balance sheet, constituting 23.7% and 34.5% of total assets respectively.

The firm has successfully sustained a robust cash position, culminating the second quarter of FY 23 with $13.2 billion in cash and short-term holdings. This represents approximately 10.4% of the total assets.

Cash Flow Statement Review

Over the period under review, the cash flow from operating activities has shown significant fluctuations, reaching a high of $1.6 billion in FY 22 and falling to a net outflow of $3.3 billion in FY 18. The increase of 37.1% in operating cash flow for FY 22 can be attributed to a gain on disposal of financial assets amounting to $1.6 billion compared to $582.8 million in the preceding financial year. Conversely, the substantial outflow noted in FY 18 was due to a hefty expenditure of $3.4 billion on the purchase of investment assets.

The cash flow resulting from investment activities has seen considerable fluctuations, hitting a high of $1.6 billion in FY 22 and plummeting to a low with an outflow of $3.9 billion in FY 20. There was an 11.2% enhancement in the cash flow from investing activities during FY 22, triggered by the inflow of $2.3 billion following the divestiture of an associated firm's investment stake.

The cash utilised in financing activities for FY 22 was $2.2 billion, a surge of 23.7% compared to the previous financial year. Typically, the main factors depleting financing cash flow are payouts of dividends and the disbursement of loan repayments. The upswing in cash used for financing activities during FY 22 was primarily due to dividends for equity shares escalating to $1.5 billion in FY 22, against $759.9 million for the preceding financial year.

The most recent half-year period saw a cash outflow from operating activities amounting to $740 million, a stark contrast to the prior FY's corresponding period which realised an inflow of $286.9 million. The primary reason for this cash outflow in the latest 6-month span is attributable to alterations in working capital.

Investment activity cash flows saw a significant rise, reaching $9.5 billion in the latest half-year period. The main factor behind this upsurge was a substantial net cash injection of $10.2 billion resulting from the purchase of Jamaica Producers.

The company's financing activities generated a cash inflow of $822.3 million in the six-month period concluding in June 2023, primarily influenced by loans received amounting to $3.4 billion. However, this was mitigated by loan repayments totalling $880.7 million. In contrast, during the equivalent period of the previous financial year, the firm reported a cash outflow from financing activities standing at $1.8 billion, predominantly triggered by a $1.3 billion expenditure on dividends disbursed to shareholders.

Ratios Review

Over the assessment period, the operating margin has experienced considerable fluctuation, reaching its zenith at 61% in financial year 2019 and plummeting to a nadir of -40.1% in FY 22. The key cause for this instability has been earnings from investments, which can have a substantial impact on the net revenue within a specific financial year. Meanwhile, over the period under review, the company's net profit margin has been exceptionally high, chiefly due to the significant contributions from its associated companies' profit.

Throughout the assessed period, PJAM has maintained a consistently low debt-to-equity ratio, suggesting that it can comfortably manage its long-term commitments. Furthermore, employing debt as a strategic tool for expansion through acquisitions presents a feasible route for PJAM.

During the period under review, the highest dividend payments were recorded in FY 19 at $1.31 per share. Moreover, the company's dividend yield reached its highest point for the review period at 2% in FY 18. However, due to the absence of a consistent rise in dividend payments and the existing high interest rate context, we believe that the current dividend yield on the stock is not appealing to investors.

The operating profit margin saw a substantial decrease from 97.2% to 23.2% during the latest six-month period. This significant shift is primarily attributed to the alteration in the principal revenue streams following the company's merger with JP. Consequently, the profits shared with associates had a reduced impact on PJAM's operating profits. A parallel trend was also noticeable in the net profit margin, which experienced a sharp fall of 2817 percentage points, dropping to 10.7% over the most recent six-month period.

The debt-to-equity ratio experienced a 19% rise, reaching 0.34x at the conclusion of Q2 FY 23. This surge is mainly attributed to the rate of debt expansion surpassing that of equity growth. Simultaneously, the financial leverage saw an uptick of 19%, hitting 1.6x by the close of Q2 FY 23. Both these ratios suggest that PJAM's current levels of debt are considerably below any potentially worrying thresholds.

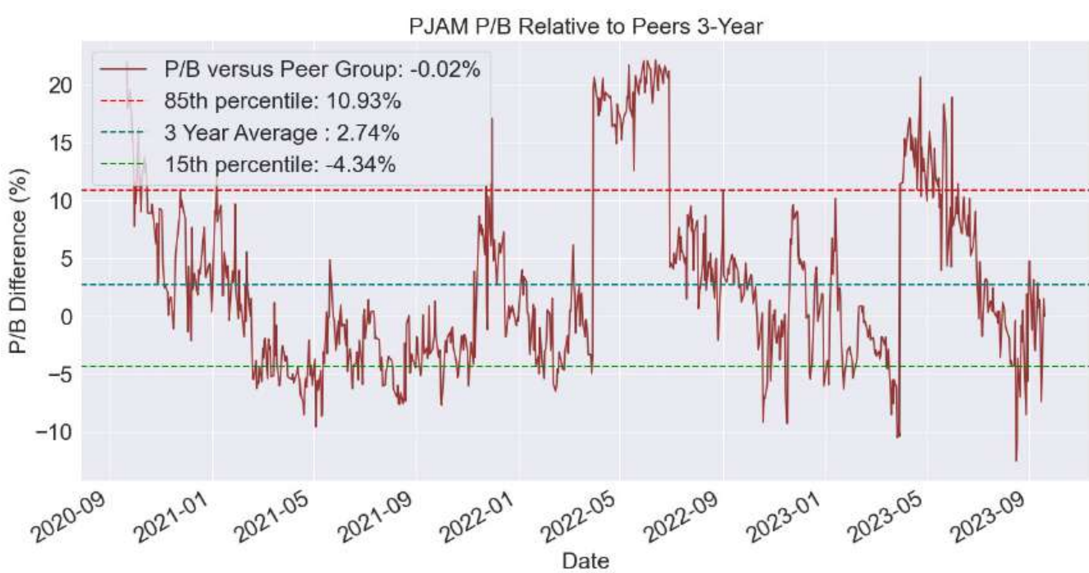
Over the assessment period, PJAM has maintained a steady payment of dividends. Yet, the dividend yield for investors has not surpassed 2% during the last six months. This trend mirrors what was observed in the corresponding timeframe of the preceding financial year. It is worth mentioning that the BOJ's inflation target ranges from 4% to 6%, thus dividends that fall significantly below this benchmark are less enticing for investors.

Forecast and Valuation

We have established a price target for PJAM at $46.51, which we derived by applying the harmonic P/B and P/E multiples of the Main Market to our projected BVPS and EPS for PJAM in FY 24. This computation took into account the historical disparities that are typically associated with the difference in valuation between PJAM and the Main Market. Our projection is grounded on the assumption that the investor sentiment towards the Main Market will remain fairly stable. Below, we've included diagrams demonstrating how PJAM's P/B and P/E ratios compare to those of the Junior Market over the previous three years. **By employing the 85th and 15th percentile of the P/B and P/E valuation discrepancy, we determined our maximum and minimum price objectives, which are $50.27 and $42.35 respectively**.

As illustrated in **Chart 1**, the P/B ratio of PJAM is currently on par with the Main Market. Over the past three years, shares of PJAM have typically traded with a premium of 2.7% compared to the P/B ratio of the Main Market. This indicates that PJAM's current premium is largely consistent with historical patterns, suggesting that its present valuation appears to be fair.

Chart 1



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As shown in **Chart 2**, the P/E ratio of PJAM is currently trading below that of the Main Market. Over the past three years, shares of PJAM have traditionally traded at an average premium of 21.7% in relation to the Main Market's P/E ratio. This indicates that PJAM's current premium is markedly lower than historical trends, suggesting market expectations for a downturn in profits. The trailing EPS of PJAM was given a boost by a disposal gain from New Castle Company Limited amounting to $1.4 billion in Q4 FY 22. Consequently, this may temporarily depress the trailing P/E ratio, giving the impression that PJAM is significantly undervalued from a P/E standpoint.

Chart 2

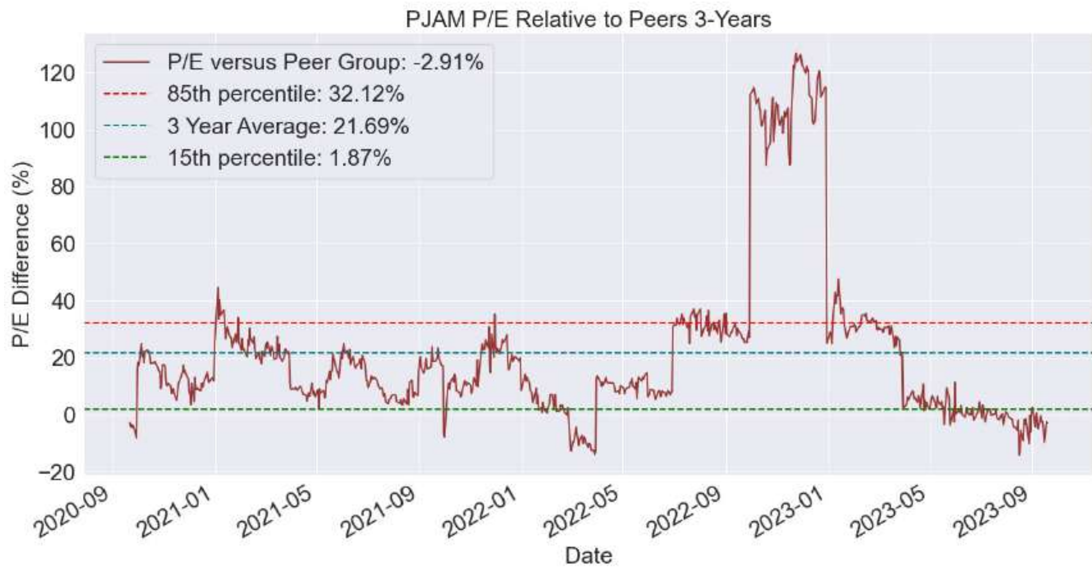

Chart 3 illustrates a marked deterioration in PJAM's P/B ratio over the course of time. In the calendar year 2019, the P/B ratio of PJAM soared to a high of approximately 3x. However, since that peak, it has witnessed a swift downfall, with the recent five-year average resting at 1.75x. The current P/B ratio stands at a meagre 1.02x, which is the lowest it has been since the calendar year 2017.

Chart 3

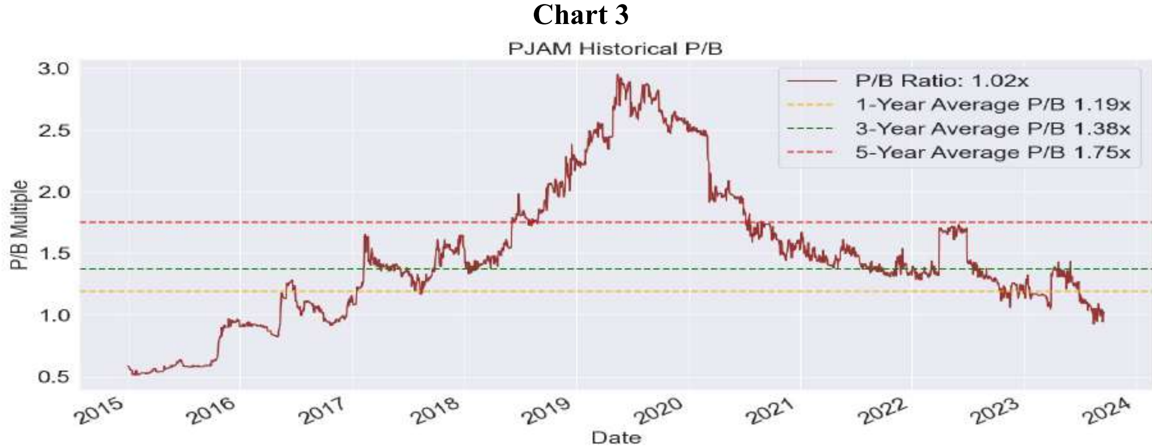

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Chart 4 demonstrates a noticeable decline in the P/E ratio of PJAM over time. The P/E ratio of PJAM has been quite unstable, due to fluctuations in the trailing EPS of PJAM, which have been caused by major shifts in its investment portfolio and profit from the sale of associated companies. The current trailing P/E is about 8.6x, markedly below the 5-year historical average of roughly 14x. However, it should be noted that the present trailing P/E of PJAM was driven lower by one-off profits that inflated the trailing EPS. Furthermore, as will be detailed below, the price of PJAM's shares has significantly dropped in YTD.

Chart 4

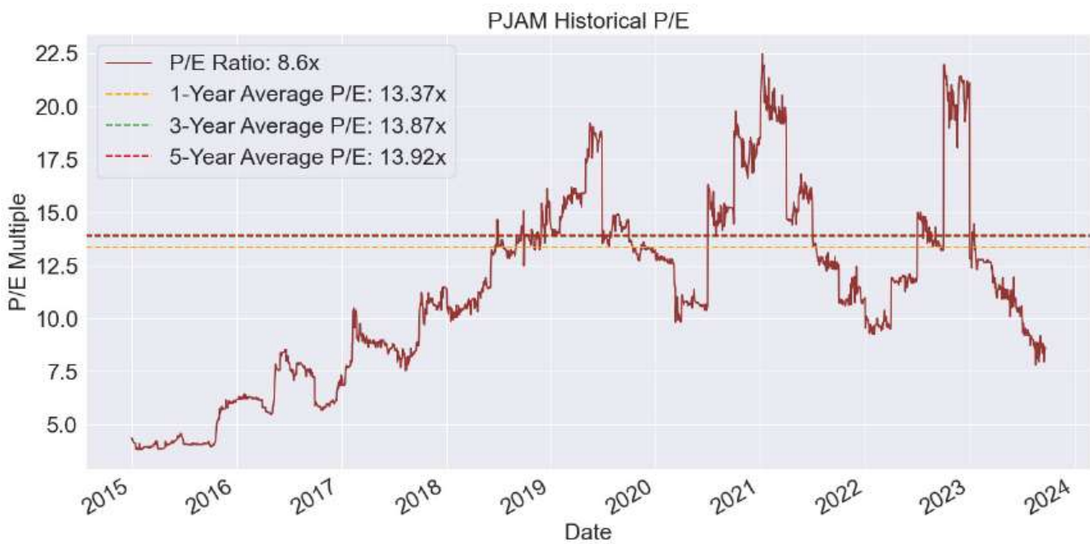

Chart 5 portrays a substantial decrease in the P/B ratio of the Main Market, plunging sharply from over 2x in the calendar year 2019 to its current standing at roughly 1x. The five, three, and one-year average P/B ratios exhibit a trend of diminishing averages, signifying a consistent downward trajectory for P/B. The market encountered a precipitous fall in P/B due to the COVID-19 sell-off, hitting about 1.3x early in the calendar year 2020. Nevertheless, following a swift recovery, it has since declined substantially. The present P/B of around 1x corresponds with levels last recorded in the calendar year 2016. The swift escalation in policy rates commencing in October 2021 has played a part in driving down multiples throughout the market. However, it is noteworthy that the decrease in P/B multiples commenced well before interest rate hikes and adverse COVID-19 effects, suggesting an element of over-excitement within the market prior to these significant events.

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Chart 5

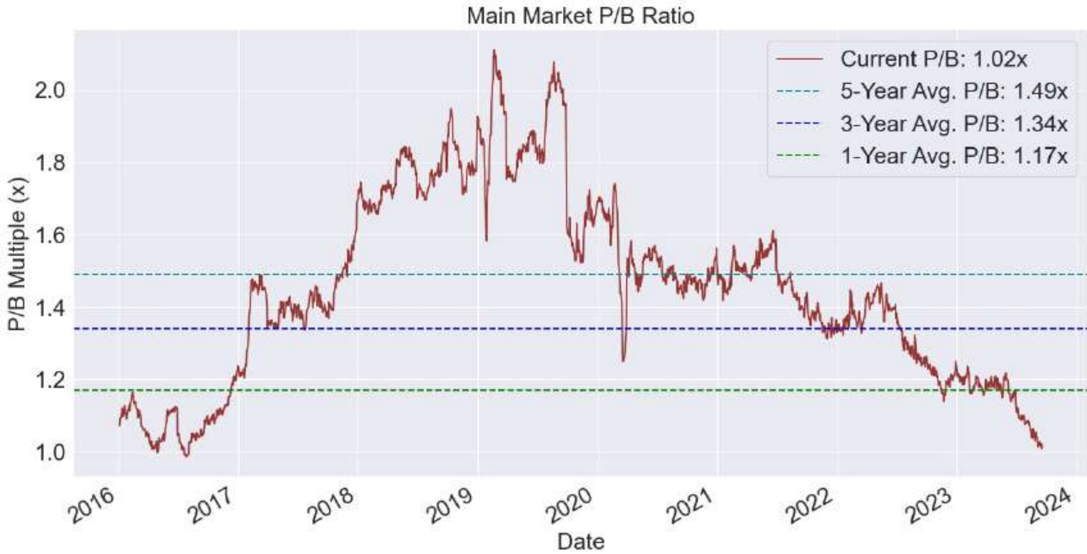

Chart 6 (see below) demonstrates a notable underperformance by PJAM compared to the Main Market YTD, showing a decrease of around 20% in comparison to the Main Market's decline of 11.9%. In Q2 of FY 23, there was a favourable reaction from investors as PJAM reported a significant rise in earnings. Nonetheless, some of the ensuing advancements have subsequently been eroded.

Chart 7 (see below) provides a comprehensive view of the monthly and annual trajectories of PJAM, indicating a broad spectrum of performance. It hit its lowest point, a decline of 32.6%, in the calendar year 2020 and reached its zenith with a spectacular growth of 61.5% in the calendar year 2018. A steady downward trend was observed in PJAM's shares from FY 20 to FY 22. Furthermore, it appears that PJAM is set for another slump in the share price for the calendar year 2023. However, it should be noted that between FY 14 and FY 19, PJAM delighted shareholders with a steady appreciation in share price. During this period, although earnings showed an expanding trajectory for most part, there was an exception in FY 17 when earnings saw a minor contraction. Although the company did register growth in earnings for FY 19, this was amplified by divestment gains from associated companies and investments which only offered temporary support to earnings.

The current bid-ask spread for PJAM stands at 0.2%, which is significantly lower compared to the previous last year's average of 3.3%, as depicted in **Chart 8 (see below)**. The last month's bid-ask spread saw a rate of 4.9%, indicating a relatively low implicit trading cost for the company shares. However, it is important to note that, within the recent month, there have been several instances where the bid-ask spread has risen above 10%, potentially leading to higher implicit trading costs for the company's shares.

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Chart 9 (see below) illustrates bar charts detailing the average daily trading value transacted on PJAM from the calendar year 2018 through to the calendar year 2023. The highest level of activity was observed during the calendar year 2019, with an average daily value exceeding $13.5 million. Conversely, in the current YTD for the calendar year 2023, the stock's average daily trading value has dropped significantly to $4.2 million, far below the levels seen in calendar year 2019. This downward trend aligns with broader market activity. During January and August of the calendar year 2019, the Main Market saw transactions totalling around $59.2 billion in value, in stark contrast to a significantly lower $22.9 billion during the same period in calendar year 2023 - marking a decline of 61.3%.

Outlook

Following their consolidation with Jamaica Producers Limited (JP), PJAM has gained access to an array of previously untapped sectors. This will facilitate a more diversified revenue and profit base, thus ensuring enhanced stability. Moreover, these additional sources of income serve to lessen the impact of investment returns on PJAM, which have traditionally led to significant variations in revenue.

The company's substantial cash reserves will underpin its strategy for expansion through acquisitions. Moreover, both PJAM and JP have an impressive history of sensible long-term investments. As such, the amalgamation of this proficiency with a more substantial balance sheet is anticipated to facilitate further buyouts in the future. Concurrently, the integration of operations with JP could potentially give rise to synergies that may enhance efficiencies throughout the group.

PJAM wrapped up the building of ROK Residences at the close of FY 22. The sale of units is advancing positively, and delivery to buyers is expected to commence in Q2 2023. Furthermore, we anticipate that an increase in profits will be facilitated by key subsidiaries such as Kingston Wharves. In the medium to long term, as we see a reduction in the high interest rate climate, we predict that the company's investment portfolio will revert to robust growth.

Our forward-looking earnings projections for PJAM are rather cautious, which we believe is wise considering the existing economic climate. Although we anticipate a growth in earnings for PJAM shareholders to $5.1 billion in FY 24 versus FY 22, it's plausible that the EPS may experience a decrease. This is attributed to the significant surge in outstanding shares from roughly 1.06 billion to 1.6 billion subsequent to the issuance of new shares for procuring the operational businesses of Jamaica Producers Limited (JP).

FY	Q1	Q2	Q3	Q4	YE
2024	0.33E	0.58E	0.96E	1.27E	3.14E
2023	-0.01	0.66	0.94E	1.19E	2.79E
2022	-0.30	0.65	0.64	4.03	4.46

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	Price Target	Implied Upside/(Downside)
Upper	50.27	9.88%
Base	46.51	1.66%
Lower	42.35	-7.43%

Key Risks to Our Price Target

PJAM has further expanded its reach, venturing into a multitude of sectors via its acquisition of JP. Nonetheless, several key factors could potentially influence its profitability, including the performance of its investment holdings and the earnings derived from affiliated companies. Consequently, any significant reduction in the value of financial assets from their current levels could substantially impact PJAM's earnings and may lead to a shortfall in our projected figures. Moreover, should SJ's performance not align with our predictions, this could result in PJAM's earnings falling below our forecasts. In addition, the performance of KW significantly impacts the operating results of PJAM.

Recommendation

We are retaining our HOLD rating on PJAM, primarily due to the stock trading in line with our base price target, considering the near to medium-term headwinds. The dip in our price target is mainly a result of the present market paradigm which we foresee will continue in the medium-term.

Our assessment has been negatively impacted by the projected drop in EPS in FY 24 and the anticipation of the ongoing interest environment to remain unchanged in the short-term. Nevertheless, we envisage that the acquisition of Jamaica Producers Limited (JP) operations will support steady profit growth and enhance geographical diversification. Furthermore, the expansion of PJAM's asset base has increased its stability by somewhat reducing the concentration of if its exposures.

Our estimations suggest an earnings increase of 7.7% for FY 24 compared to FY 22, resulting in a final profit of $5.1 billion. Assuming PJAM's current price, this is predicted to result in a P/E ratio of 14.6x and a P/B ratio of 0.92x. It is noteworthy that our forward P/E prediction could somewhat explain why the trailing P/E currently is considerably below PJAM's historical norms. Therefore, we expect that the tepid sentiment towards PJAM will persist, driven by an upcoming decline in EPS.

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Chart 6

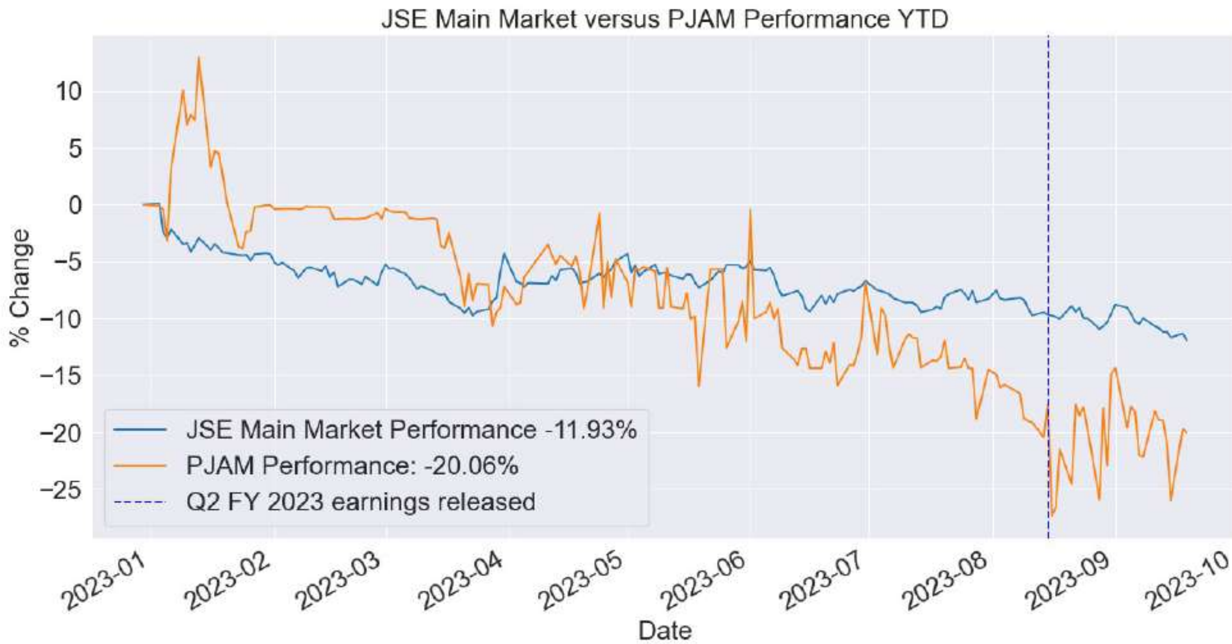


Chart 7

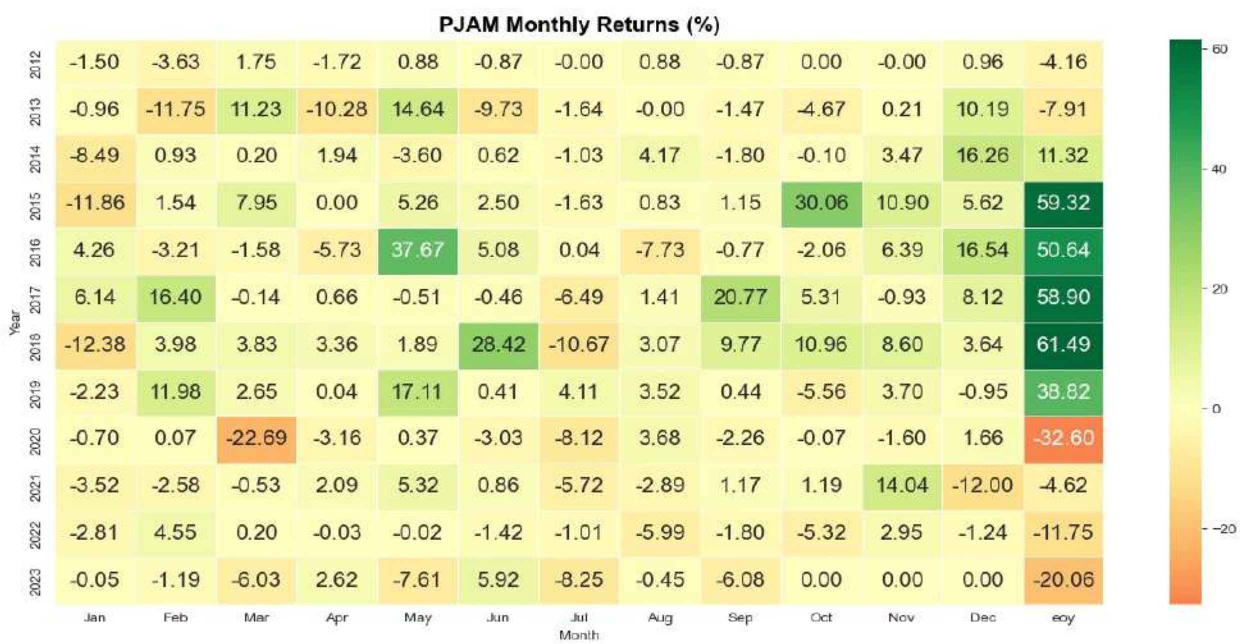


Chart 8

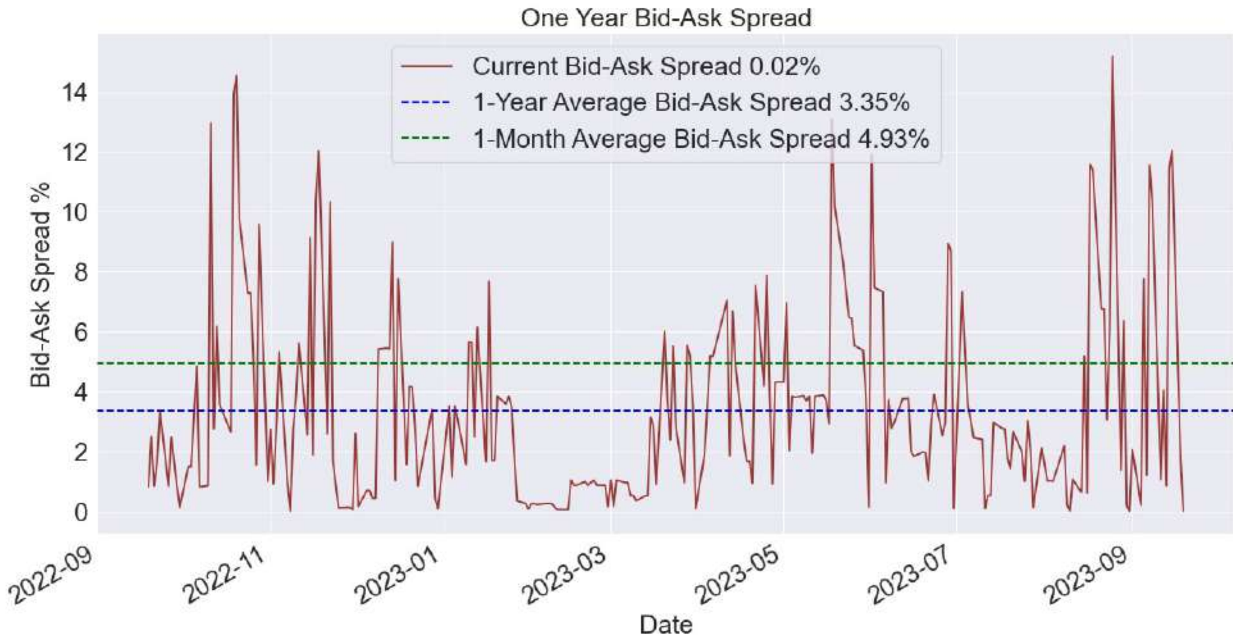
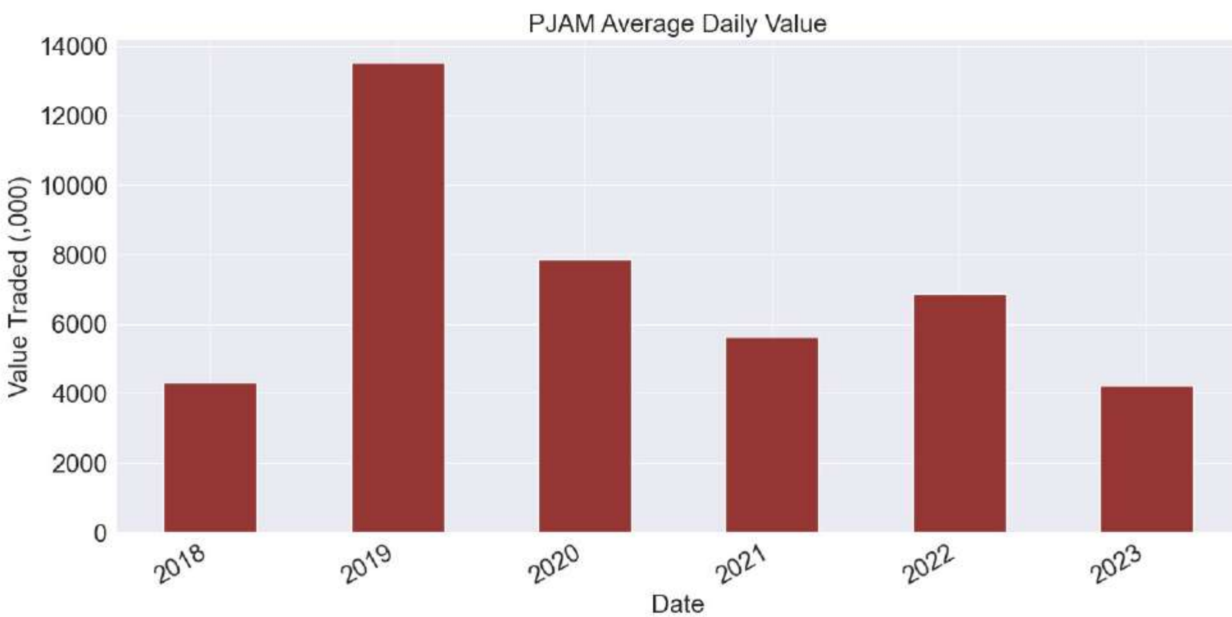


Chart 9



Source: http://www.jamstockex.com, JMMB Investment & Research, Bloomberg, Various Company Financial Statements.

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

PLEASE NOTE THAT NO INDIVIDUAL ASSET IN YOUR PORTFOLIO SHOULD HAVE A WEIGHTING GREATER THAN 5% UNLESS OTHERWISE RECOMMENDED BY YOUR PORTFOLIO MANAGER OR A SPECIFIC JMMB RESEARCH REPORT. CONSEQUENTLY THE FOLLOWING **DEFINITIONS** ARE PROVIDED FOR CLARITY.

OUTPERFORM/OVERWEIGHT/BUY—EXPOSURE TO THIS ASSET SHOULD BE UP TO 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

MARKETPERFORM/HOLD/MARKETWEIGHT—EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

UNDERPERFORM/UNDERWEIGHT— ADJUST EXPOSURE IN YOUR PORTFOLIO HELD AT JMMB TO BETWEEN 2.5% AND 4.9% FOR THIS PARTICULAR ASSET

STRONGLY UNDERPERFORM/ STRONGLY UNDERWEIGHT—REDUCE EXPOSURE TO THIS ASSET TO BELOW 2.5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

SELL—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO (0%).

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