

JMMB INVESTMENT & SOVEREIGN RESEARCH

Stationery and Office Supplies Limited (SOS)



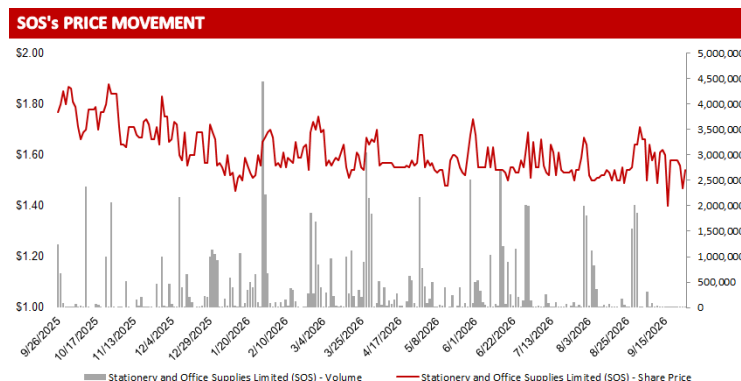
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EXECUTIVE SUMMARY

Stationery and Office Supplies Ltd. (SOS) started operations in 1965. The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on August 10, 2017. SOS specialized in the selling of stationery items and office supplies but since then has expanded its product offerings to office furniture, shelves, partitions and fittings needed for office space and industrial racks. The company is the sole local distributor for the Fursys and Boss brands of office furniture. Moreover, SOS entered the manufacturing space, with the acquisition of the SEEK brand of notebooks.

SOS has maintained a strong long-term growth trajectory, achieving a compound annual growth rate (CAGR) of 13.5% from FY2021 to FY2025. However, for the 2025 financial year, the company reported revenues of \$1.87B, representing an uptick of 1.2% year-over-year. Moreover, net income for the year was reported at \$132.52M, down 40.5% compared to the prior year. Notably, SOS's operating performance improved materially during the first half of 2026 after a difficult FY2025. Revenue increased by 2.4% to \$1.01B, while gross margin expanded to 56.6% and net profit rose by 51.7% to \$141.67M, outpacing the 2025FY's net profit. The improvement indicates that cost control and a better sales mix are restoring profitability, although modest revenue growth and the scheduled expiry of the Junior Market tax benefit remain important constraints.

We have placed a **MARKETPERFORM/HOLD recommendation on the shares of Stationery and Office Supplies (SOS)**, as we believe the stock is trading within its fair value. Due to the cyclical nature of SOS's



SOS's Statistics

Financial Year End	December	
Stock Price (25/09/2026)	\$	1.54
Trailing EPS	\$	0.08
Book Value per share	\$	0.79
Trailing P/E		19.17x
P/B		1.94x
Net Profit 6M FY2026 (millions)	\$	142
Price Target	\$	1.62
Dividend Yield		1.2%

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business, a favourable economic environment encourages increased business activity and expansion, which SOS relies on to drive demand for its suite of office supplies.

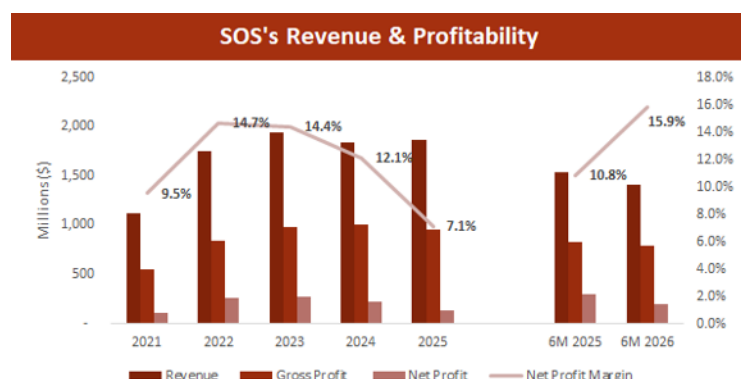
Company Overview

Stationery and Office Supplies Limited (SOS) has been a leading provider of high-quality stationery, office furniture, and related products in Jamaica since 1965. The Company's principal activities include the retail and distribution of office furniture, fixtures, stationery, and other office supplies, as well as the manufacture and sale of exercise books and related paper products.

SOS is the exclusive distributor in Jamaica for several internationally recognized brands, including Fursys Systems Office Furniture, one of its flagship modular office furniture lines, as well as Boss Chairs, Smart Office Furniture, Hi-Top Case Goods, Torch Furniture, Image Furniture, Evolve Furniture, Sentry Safes, and Gardex Fire-Resistant Cabinets and Safes. The Company is also the sole authorized service agent in Jamaica for Fellowes Shredders.

In May 2018, SOS expanded its manufacturing operations through the acquisition of the manufacturing assets of Book Empire Limited, a producer of SEEK notebooks, quire books, and writing pads. More recently, in 2023, the Company secured the exclusive distribution rights for Pilot writing instruments in Jamaica and became one of only two authorized distributors of 3M products in the local market

Income Statement Overview



SOS delivered modest top-line growth in FY2025; however, profitability weakened significantly as higher direct costs, increased operating expenses, and hurricane-related disruptions more than offset the gains in revenue. Revenue for the year ended December 31, 2025, increased by 1.2% to J\$1.87 billion, from J\$1.84 billion in FY2024. Management attributed the growth

primarily to a strong expansion in regional export sales, which increased by approximately 50%, as well as continued momentum in the EVOLVE furniture line, where revenue rose by 15% to approximately J\$160 million. Over the five-year review period, revenue increased from J\$1.12 billion in FY2021 to

J\$1.87 billion in FY2025, representing a compound annual growth rate (CAGR) of approximately 13.5%, highlighting the company's long-term growth trajectory despite recent operating challenges.

Despite the improvement in sales, cost pressures intensified during FY2025. Cost of sales increased by 9.4% year-over-year to J\$913.45 million, substantially outpacing revenue growth and resulting in the cost-of-sales ratio rising to 48.9% from 45.3% in FY2024. Consequently, gross profit declined by 5.5% to J\$952.79 million, while the gross profit margin contracted to 51.1% from 54.7%. Management indicated that the margin compression reflected a deliberate decision to absorb higher shipping costs, tariff-related expenses, and foreign-exchange movements rather than fully pass these costs on to customers. Additionally, the higher contribution from regional exports affected the sales mix, as export transactions generally generate lower margins despite offering greater volume potential. While this pricing strategy supported customer retention and market competitiveness, it weighed on short-term profitability.

Operating expenses placed further pressure on earnings. Administrative and general expenses increased by 7.2% to J\$612.49 million, largely reflecting higher staffing costs associated with additional specialized roles required to support the company's expanding operations and regional presence. Selling and promotional expenses remained relatively stable at J\$153.60 million, while the company recorded an impairment loss on financial assets of J\$13.26 million. Depreciation and amortisation also increased to J\$44.53 million. As a result, operating profit declined by 39.9% to J\$136.82 million, from J\$227.51 million in FY2024, with the operating margin falling to 7.3% from 12.3%. Notably, the FY2025 operating margin was well below the company's five-year average of approximately 12.5%, highlighting the extent of the earnings deterioration during the year.

The decline in operating performance was similarly evident at the EBITDA level. EBITDA fell by 33.5% to J\$181.34 million, from J\$272.53 million in FY2024, while the EBITDA margin contracted to 9.7%. This reflects the significant impact of cost inflation and operating expense growth on earnings generation despite the modest increase in revenue.

FY2025 performance was further affected by the impact of Hurricane Melissa during the fourth quarter. According to management, financial performance had been tracking ahead of expectations before the hurricane disrupted operations, particularly in western Jamaica. The company's Montego Bay warehouse was destroyed, along with approximately J\$13 million of inventory, resulting in the suspension of operations at that location for the remainder of the year. Consequently, fourth-quarter revenue declined by 14.0% year-over-year to J\$377 million, and the quarter ended with a pre-tax loss of J\$6 million. The hurricane's impact materially affected full-year performance and compounded the margin pressures already experienced throughout the year.

Non-operating income provided some support to earnings. Finance income increased to J\$15.15 million from J\$12.20 million, while finance costs declined to J\$3.68 million from J\$4.77 million. The company also recorded a foreign-exchange gain of J\$10.41 million and a gain of J\$2.04 million on the disposal of property, plant and equipment. However, these gains were insufficient to offset the deterioration in operating profitability. As a result, profit before taxation declined by 35.0% to J\$160.42 million, from J\$246.63 million in FY2024, while net profit fell by 40.5% to J\$132.52 million, from J\$222.83 million. Consequently, the net profit margin declined to 7.1% from 12.1%, and earnings per share fell to J\$0.06 from J\$0.10.

Overall, FY2025 was characterized by resilient revenue generation but significant earnings pressure, driven by margin compression, elevated operating costs, and the disruptive effects of Hurricane Melissa. While the company's strategic decision to prioritize market share and customer retention may support long-term growth, restoring margins and improving cost efficiency will be critical to rebuilding profitability in the periods ahead.

Six Months Ended June 2026 Performance

SOS delivered a strong earnings recovery in the first half of FY2026, supported by modest revenue growth, improved gross margins, and disciplined cost management. Revenue increased by 2.4% year-over-year to J\$1.01 billion, from J\$985.23 million, reflecting continued expansion in business activity despite a challenging operating environment. More importantly, the company generated significantly stronger margins, with gross profit rising by 9.0% to J\$571.37 million, from J\$524.03 million in the corresponding period of the prior year. As a result, the gross profit margin improved to 56.6% from 53.2%, indicating stronger cost control, improved product mix, and enhanced operating efficiency. Management similarly identified margin improvement as a key contributor to the stronger year-to-date performance.

Operating expenses remained well controlled during the period. Administrative and general expenses declined by 2.0% to J\$317.27 million, while selling and promotional expenses remained broadly unchanged at J\$81.77 million compared with J\$82.10 million in the prior-year period. Consequently, combined administrative and selling expenses decreased by approximately 1.7% to J\$399.04 million. Depreciation and amortisation increased to J\$28.82 million from J\$22.39 million, reflecting the expansion of the company's asset base following recent capital investments. Nevertheless, overall operating expenses remained broadly stable, demonstrating effective cost discipline despite ongoing business expansion.

The combination of higher revenue, margin expansion, and controlled operating costs translated into a significant improvement in operating profitability. Operating profit increased by 51.8% to J\$147.23 million, from J\$97.00 million in the corresponding period of FY2025. Consequently, the operating

margin strengthened to 14.6% from 9.8%, representing a substantial recovery from the 7.3% recorded for full-year FY2025 and signalling a meaningful improvement in operating efficiency.

Below the operating line, finance income declined to J\$4.97 million from J\$6.08 million, while finance costs fell to J\$1.28 million from J\$1.57 million. SOS also benefited from a foreign exchange gain of J\$5.22 million and a J\$3.90 million gain on the disposal of property, plant and equipment (PP&E). Supported by stronger operating performance, profit before taxation increased by 50.0% to J\$160.03 million, from J\$106.73 million, while net profit rose by 51.7% to J\$141.67 million, from J\$93.39 million in the corresponding period of FY2025.

As a result, the net profit margin improved to 14.0% from 9.5%, while earnings per share increased to J\$0.06 from J\$0.04. Notably, net profit generated during the first six months of FY2026 has already exceeded the J\$132.52 million earned during the entirety of FY2025, underscoring the strength of the company's earnings recovery following the hurricane-related disruptions and margin pressures experienced last year.

Balance Sheet Overview

SOS maintained a strong balance sheet position at the end of FY2025, supported by asset growth, improving equity levels, and modest financial leverage. Total assets increased by 5.9% year-over-year to J\$2.08 billion, reflecting growth in both current and non-current assets as the company continued to invest in capacity expansion while preserving a healthy liquidity profile.

Non-current assets increased to J\$1.02 billion from J\$940.43 million, driven primarily by property, plant and equipment (PP&E), which totaled J\$997.22 million, and right-of-use assets of J\$12.88 million. The increase is consistent with SOS's ongoing investment programme, including the expansion of its SEEK division, additional warehouse capacity, and the acquisition of new machinery to support future growth and operational efficiency.

Current assets grew by 3.6% to J\$1.06 billion, supported mainly by higher inventory and cash balances. Inventories increased by 4.4% to J\$416.02 million, reflecting management's strategy of maintaining adequate stock levels to support larger orders and mitigate potential disruptions arising from global shipping and supply-chain constraints. Cash and cash equivalents increased by 15.1% to J\$382.0 million, enhancing the company's financial flexibility and capacity to fund working-capital requirements and capital expenditures without significant reliance on external financing.

Shareholders' equity strengthened during FY2025, rising to J\$1.64 billion from J\$1.55 billion in FY2024. The increase was primarily driven by growth in retained earnings, which reached J\$1.23 billion, despite the payment of approximately J\$45.02 million in dividends during the year. The expansion in equity

underscores the company's ability to generate and retain earnings while continuing to return capital to shareholders.

Total liabilities increased by 6.7% to J\$436.05 million. Non-current liabilities rose to J\$78.43 million, largely due to an increase in deferred tax liabilities to J\$56.44 million. This was partially offset by lower long-term borrowings, which declined to J\$9.54 million, while other long-term loans stood at J\$7.09 million. Current liabilities increased by 6.9% to J\$357.63 million, driven mainly by higher trade and other payables, which rose to J\$336.88 million, and an increase in current lease liabilities to J\$8.78 million.

Despite the increase in liabilities, SOS maintained a conservative capital structure. Total debt declined by approximately 9.9% to J\$42.73 million, resulting in an improvement in the debt-to-equity ratio to 0.026x from 0.031x in FY2024. This highlights the company's limited dependence on debt financing and provides additional financial flexibility.

Liquidity remained robust, although some measures moderated slightly during the year. The current ratio eased to 3.0x from 3.1x, while the quick ratio declined to 1.8x from 1.9x. Conversely, the cash ratio improved to 1.1x, supported by higher cash balances. Overall, these metrics indicate that SOS continued to maintain substantial coverage of its short-term obligations and a strong liquidity buffer.

Working-capital efficiency weakened modestly during FY2025. The average cash conversion cycle increased to 177 days from 172 days, reflecting a longer period for cash to cycle through operations. Days sales outstanding increased to 37 days from 36 days, while days inventory outstanding rose to 157 days from 155 days. At the same time, days payables outstanding declined to 17 days from 20 days. The combination of slower collections, longer inventory holding periods, and accelerated supplier payments contributed to the deterioration in working-capital efficiency and warrants continued monitoring.

SOS's balance sheet continued to strengthen during the first six months of FY2026. Total assets increased by 8.8% year-over-year to J\$2.22 billion at June 30, 2026, from J\$2.04 billion in the corresponding period of 2025. Non-current assets grew by 4.7% to J\$1.02 billion, supported by PP&E of J\$997.54 million and intangible assets of J\$13.60 million. Meanwhile, current assets increased by 12.6% to J\$1.20 billion, reflecting a notable strengthening in the company's near-term financial position.

The increase in current assets was driven primarily by cash and receivables. Cash and cash equivalents rose by 16.7% to J\$551.14 million from J\$472.47 million, while trade and other receivables increased by 45.3% to J\$210.23 million from J\$144.65 million. Inventories increased more modestly by 3.7% to J\$363.99 million, suggesting improved inventory management relative to the pace of business growth.

Shareholders' equity increased further to J\$1.78 billion, up 8.2% from J\$1.65 billion in the corresponding prior-year period. The improvement was primarily driven by retained earnings, which increased to J\$1.37 billion following the company's strong first-half earnings performance of J\$141.67 million.

Total liabilities increased by 11.0% year-over-year to J\$439.42 million, driven mainly by a 14.4% increase in current liabilities to J\$372.58 million. Trade and other payables rose to J\$350.42 million, while the current portion of borrowings and other loans increased to J\$12.09 million. Current lease liabilities also increased to J\$10.07 million. In contrast, non-current liabilities declined by 4.6% to J\$66.84 million, reflecting lower longer-term borrowing obligations, with borrowings and other loans falling to J\$9.64 million from J\$23.14 million in the corresponding period.

Overall, SOS continues to exhibit a strong financial profile, characterized by healthy liquidity, low leverage, and growing shareholders' equity. While the increase in receivables and the lengthening cash conversion cycle warrant monitoring, the company's strong cash position and conservative capital structure provide ample capacity to support future growth initiatives, working-capital needs, and shareholder returns.

Cash Flow Statement Overview

SOS generated stronger operating cash flows in FY2025 despite the significant decline in profitability, highlighting the benefits of improved working-capital management. Net cash provided by operating activities increased by 15.0% to J\$214.87 million, from J\$186.77 million in FY2024. The improvement was driven primarily by favourable working-capital movements, which helped offset the weaker earnings performance during the year.

Trade and other receivables contributed a J\$6.57 million inflow, while changes in prepayments generated an additional J\$28.76 million inflow. Inventory-related cash outflows moderated significantly to J\$17.52 million, compared with J\$64.88 million in FY2024, reflecting more efficient inventory management and lower cash absorption. Higher trade and other payables also supported operating cash generation. Consequently, the improvement in operating cash flow was largely attributable to stronger working-capital performance rather than underlying earnings growth.

Investing activities resulted in net cash outflows of J\$96.08 million, marginally lower than the J\$100.28 million recorded in FY2024. Capital expenditure on property, plant and equipment totaled J\$114.03 million, reflecting continued investment in productive capacity, operational infrastructure, and growth initiatives. These outflows were partially offset by J\$15.16 million in interest income and J\$2.79 million in proceeds from the disposal of property, plant and equipment.

Financing activities generated a net cash outflow of J\$68.56 million, compared with J\$23.36 million in the prior year. The increase primarily reflected the payment of J\$45.02 million in dividends, together with ongoing debt and lease repayments. During the year, SOS repaid J\$5.57 million in borrowings, J\$6.18 million in other loans, and J\$11.79 million in lease liabilities, consistent with its conservative approach to balance sheet management.

Overall, SOS recorded a net increase in cash and cash equivalents of J\$50.23 million during FY2025, compared with J\$63.13 million in FY2024. The smaller increase reflected continued capital expenditure and higher financing outflows associated with dividend payments. Nevertheless, cash and cash equivalents totaled approximately J\$382.0 million at year-end, underscoring the company's strong liquidity position and capacity to fund future growth initiatives.

For the six months ended June 2026, operating cash flow before working-capital movements increased by 51.5% year-over-year to J\$180.89 million, from J\$119.39 million, reflecting the substantial improvement in underlying profitability. However, the contribution from working-capital movements was less favourable than in the corresponding period of 2025. While inventories generated a J\$52.03 million inflow as stock levels declined, this benefit was partly offset by a J\$14.23 million increase in trade and other receivables and a J\$26.65 million increase in prepayments. Trade and other payables provided an additional J\$13.54 million inflow, partially mitigating these outflows.

As a result, cash generated from operations increased modestly to J\$205.23 million, from J\$199.65 million in the corresponding period of 2025. After interest and tax payments, net cash provided by operating activities rose 1.2% to J\$202.65 million, compared with J\$200.29 million in the prior-year period. The relatively modest growth in operating cash flow, despite the sharp increase in earnings, reflects the continued working-capital demands associated with business expansion. Nonetheless, the results demonstrate that SOS continues to convert earnings into cash effectively while maintaining sufficient liquidity to support operations, capital investments, and shareholder returns.

Overall, SOS's cash flow profile remains fundamentally strong, supported by consistent operating cash generation, prudent capital allocation, and a healthy liquidity position. While working-capital requirements continue to absorb a portion of operating cash flow, the company's ability to sustain positive cash generation alongside ongoing investment and dividend payments underscores the resilience of its financial position.

Outlook

SOS enters the remainder of FY2026 with a significantly stronger earnings profile than was evident in FY2025, although revenue growth remains relatively modest. As a result, the investment case is

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increasingly dependent on the company's ability to sustain margin improvement, maintain cost discipline, and efficiently convert earnings into cash, rather than relying solely on accelerated top-line expansion.

The composition of revenue remains a key determinant of future performance. Furniture accounted for approximately 72% of FY2025 revenue and nearly 80% of gross profit, leaving the company particularly exposed to trends in corporate capital expenditure, office expansion, refurbishment projects, and public-sector procurement. Consequently, conditions within Jamaica's corporate and commercial real estate markets will continue to play an important role in shaping near-term financial performance. Meanwhile, stationery and related products, which represented approximately 24% of revenue, provide a more stable and recurring source of demand through replacement purchases and long-standing distribution relationships with brands such as Pilot and 3M. The books segment remains relatively small, contributing roughly 4% of revenue; however, the expansion of the SEEK operation provides an opportunity for this business line to become a more meaningful contributor over the medium term.

A key company-specific growth catalyst is the J\$185 million investment in the new SEEK factory and warehouse hub. The 8,000-square-foot facility, which became operational in November 2025, is expected to increase notebook production capacity, improve manufacturing efficiency through greater automation, shorten production cycles, and enhance inventory availability during peak demand periods, particularly the back-to-school season. Increased utilization should also improve fixed-cost absorption and support margin expansion. However, the success of this investment will ultimately depend on management's ability to generate sufficient demand to fully utilize the expanded capacity.

Regional expansion represents another important avenue for growth and diversification. Management reported approximately 12 export containers shipped during 2025 and has targeted approximately 20 containers annually, with shipments already made to Trinidad and Tobago, St. Lucia, and Barbados during 2026. The EVOLVE furniture line has also gained traction through dealer partnerships and commercial projects across the region. While exports currently represent a relatively small proportion of total revenue, successful execution could improve facility utilization, broaden the company's addressable market, and provide a partial natural hedge against imported input costs through increased foreign-currency earnings. Nevertheless, regional expansion introduces additional risks, including higher freight costs, distributor execution risk, longer delivery cycles, and greater working-capital requirements.

A notable near-term risk stems from weakness in Jamaica's business process outsourcing (BPO) and global digital services sectors, given SOS's significant exposure to furniture and office solutions. Industry consolidation, slower employment growth, and increased availability of fitted office space could reduce demand for large-scale workstation, seating, and office fit-out projects. Although the extent of this exposure is difficult to quantify, given the absence of segment-specific customer disclosures, the importance of furniture to overall profitability makes this a meaningful downside risk. Offsetting factors

include continued refurbishment activity, growth opportunities in other commercial sectors, and increasing demand from warehousing, logistics, and flexible workspace operators.

The domestic macroeconomic environment is also expected to influence performance. Our outlook assumes relatively subdued economic activity through much of 2026, followed by a stronger recovery in 2027 as tourism, construction, manufacturing, and agriculture continue to normalize. In the near term, weaker economic conditions could delay discretionary office upgrades and large corporate furniture projects. Conversely, improving business confidence and economic activity in 2027 could support stronger demand for furniture, stationery, books, and office equipment. Government procurement also remains an important variable, particularly given fiscal constraints and competing post-disaster spending priorities.

Inflation, exchange-rate movements, and financing conditions remain additional risks. Persistent inflation could increase freight, energy, labour, and distribution costs, while elevated interest rates may discourage business expansion and capital investment. Although SOS's low leverage and substantial cash reserves limit direct exposure to higher financing costs, the indirect impact on customer demand remains significant. Similarly, depreciation of the Jamaican dollar increases the cost of imported furniture, stationery, and manufacturing inputs. While pricing adjustments can mitigate some of these pressures, sudden currency fluctuations could temporarily compress margins, particularly on fixed-price contracts. The company's domestic manufacturing capabilities through SEEK and its growing export business provide some protection; however, disciplined inventory, pricing, and cost management will remain essential.

Overall, SOS's outlook has improved materially relative to FY2025, supported by stronger profitability, expanding margins, ample liquidity, and several identifiable growth initiatives. Nonetheless, execution will be critical to sustaining the current earnings recovery. Key upside catalysts include stronger-than-expected regional expansion, higher utilization of the SEEK facility, sustained margin expansion, and improved returns on invested capital. Conversely, weaker furniture demand, renewed cost pressures, deterioration in working-capital efficiency, or underutilization of recently expanded capacity could constrain future earnings growth.

Valuation

We employed a blended valuation approach incorporating both a Discounted Cash Flow (DCF) methodology and historical valuation multiples. The DCF model produced a fair value estimate of J\$0.98 per share. Applying SOS's three-year average P/E multiple of 17.91x to forecast earnings yields a valuation of approximately J\$1.86 per share, while the historical average P/B multiple of 2.01x applied to forecast book value per share generates a valuation of approximately J\$2.01 per share.

Averaging the three valuation methodologies results in a blended target **price of J\$1.62 per share**, representing **approximately 5.0% upside from the closing price of J\$1.54 on September 25, 2026**. While the company's strengthened earnings profile, solid balance sheet, and growth initiatives support a constructive outlook, the relatively modest upside suggests that much of the expected recovery is already reflected in the current share price.

Key Risks

- **Supply Chain Disruption:** Elevated energy prices, geopolitical tension and disruption to major shipping routes could increase freight costs and delivery times for imported furniture, stationery and production inputs. Holding additional safety stock may protect revenue, but it would also tie up cash and increase inventory and obsolescence risk.
- **Demand and Economic Recovery Risk:** Jamaica's economy is expected to recover gradually from late 2026, but the rebound remains exposed to weather, energy and external-demand shocks. A weaker recovery, constrained government procurement or delayed corporate capital expenditure would be most visible in furniture and large office-solution orders.
- **Foreign Exchange Risk:** Another notable risk lies in foreign exchange volatility, particularly given SOS's increasing engagement in international trade and its reliance on imported materials and finished goods. While the company has previously benefitted from gains in foreign exchange, sharp currency fluctuations or depreciation of the Jamaican dollar could raise input costs and pressure margins, especially if not offset by price increases or hedging strategies.

Recommendation

We assign a **MARKETPERFORM/HOLD** recommendation to **Stationery & Office Supplies Limited (SOS)**, as our estimated fair value is broadly in line with the current market price. While the company experienced earnings pressure in FY2025, largely due to hurricane-related disruptions and margin compression, recent results indicate a meaningful recovery in profitability and operating performance. SOS continues to benefit from a strong balance sheet, ample liquidity, low leverage, and ongoing investments in operational capacity, positioning the company to capitalize on future growth opportunities.

The company's long-term outlook remains supported by the expansion of its SEEK manufacturing operations, regional export initiatives, and continued focus on cost containment and operational efficiency. These initiatives, combined with an improving domestic economic environment, should support gradual revenue growth and margin expansion over the medium term. However, several risks remain, including potential global supply-chain disruptions arising from geopolitical developments, imported cost inflation, foreign-exchange volatility, and weaker-than-expected demand for furniture and

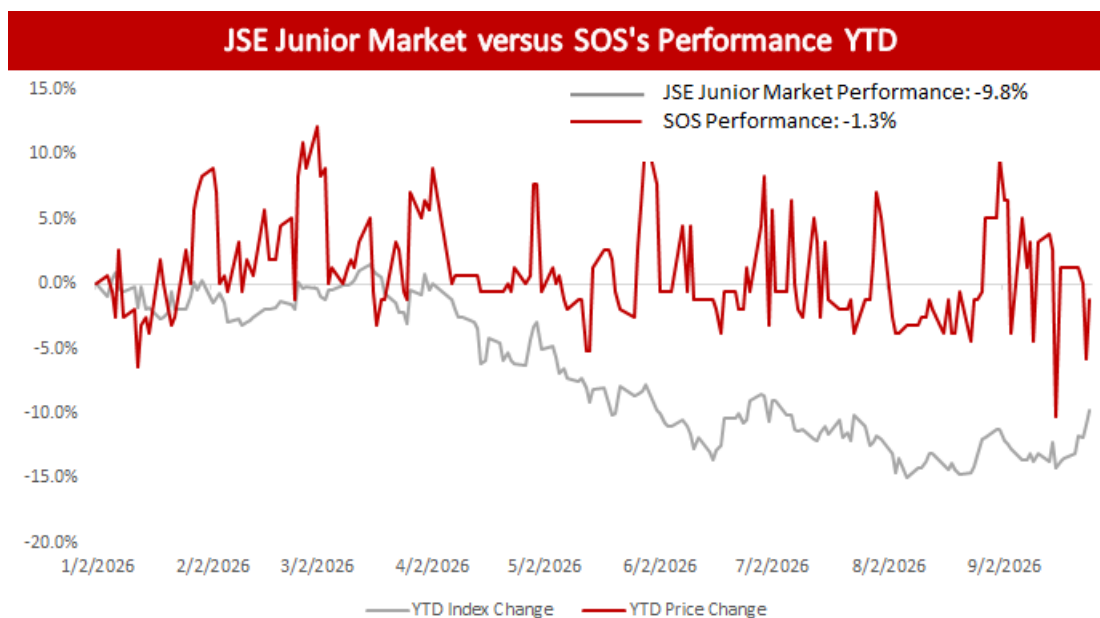
office solutions. In addition, the expiration of Junior Market tax incentives could place pressure on future earnings growth.

Share Performance and Liquidity

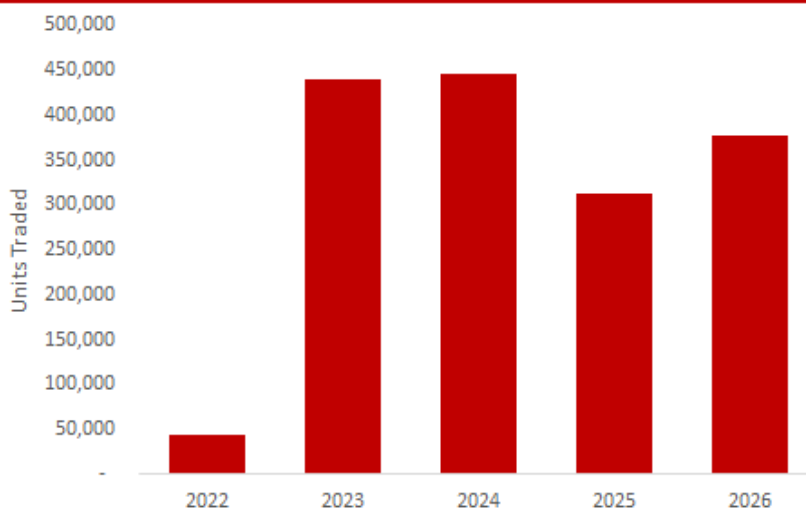
SOS's share price declined by approximately 1.3% year-to-date, outperforming the JSE Junior Market Index, which declined by approximately 9.8% over the same period. Despite this relative outperformance, trading liquidity has moderated. Average daily trading volume declined to approximately 312,490 shares during FY2025, compared with 446,050 shares in FY2024.

Notably, shareholders approved an increase in the company's authorized share capital from 500 million shares to 500 billion shares, alongside a nine-for-one stock split. As a result, the total number of issued ordinary shares increased from 250.1 million to 2.25 billion shares. The stock split improved affordability and market accessibility for retail investors and has contributed to a noticeable improvement in liquidity relative to pre-split trading levels.

Given its strong financial position, identifiable growth initiatives, and moderate valuation upside, SOS appears best suited to investors with a medium- to high-risk tolerance seeking exposure to a company with stable fundamentals and long-term growth potential.



SOS Average Daily Volume



Abridged Financials \$'000								SIX MONTHS		
	YE2021	YE2022	YE2023	YE2024	YE2025	Change		Jun-25	Jun-26	Change
Revenue	\$ 1,124,846	\$ 1,748,143	\$ 1,935,165	\$ 1,843,390	\$ 1,866,236	1.2%	\$	985,229	\$ 1,008,797	2.4%
COGS	\$ (573,699)	\$ (911,917)	\$ (953,082)	\$ (834,755)	\$ (913,445)	9.4%	\$	(461,200)	\$ (437,432)	-5.2%
Gross Profit	\$ 551,147	\$ 836,226	\$ 982,083	\$ 1,008,636	\$ 952,791	-5.5%	\$	524,029	\$ 571,365	9.0%
Operating Profit	\$ 123,461	\$ 263,648	\$ 324,382	\$ 227,511	\$ 136,815	-39.9%	\$	97,005	\$ 147,225	51.8%
Profit for the year	\$ 107,120	\$ 256,508	\$ 277,938	\$ 222,828	\$ 132,524	-40.5%	\$	93,394	\$ 141,667	51.7%
Total Assets	\$ 928,019	\$ 1,385,149	\$ 1,730,571	\$ 1,962,642	\$ 2,077,520	5.9%	\$	2,043,155	\$ 2,222,559	8.8%
Total liabilities	\$ 251,188	\$ 281,925	\$ 399,433	\$ 408,676	\$ 436,051	6.7%	\$	395,794	\$ 439,423	11.0%
Total Shareholder's Equity	\$ 676,831	\$ 1,103,224	\$ 1,331,138	\$ 1,553,966	\$ 1,641,469	5.6%	\$	1,647,361	\$ 1,783,136	8.2%
Cash Flow from Operating Activities	\$ 25,978	\$ 196,728	\$ 476,754	\$ 186,775	\$ 214,869	15.0%	\$	200,286	\$ 202,653	1.2%
Cash Flow from Investing Activities	\$ (8,743)	\$ (4,314)	\$ (245,659)	\$ (100,284)	\$ (96,077)	-4.2%	\$	(52,466)	\$ (23,730)	-54.8%
Cash Flow from Financing Activities	\$ (79,672)	\$ (94,938)	\$ (94,386)	\$ (23,362)	\$ (68,563)	193.5%	\$	(7,126)	\$ (9,792)	37.4%
EPS (\$)	0.05	0.11	0.12	0.10	0.06	-40.5%		0.04	0.06	51.7%
Book Value per share (\$)	0.30	0.49	0.59	0.69	0.73	5.6%		0.73	0.79	8.2%
Key Ratios							Average			
Gross Profit margin	49.0%	47.8%	50.7%	54.7%	51.1%	50.7%		53.2%	56.6%	6.5%
Operating Margin	11.0%	15.1%	16.8%	12.3%	7.3%	12.5%		9.8%	14.6%	48.2%
Net Profit margin	9.5%	14.7%	14.4%	12.1%	7.1%	11.5%		10.8%	15.9%	46.4%
Return on Assets	11.8%	22.2%	17.8%	12.1%	6.6%	14.1%		4.6%	6.4%	39.4%
Return on Equity	16.7%	28.8%	22.8%	15.4%	8.3%	18.4%		5.7%	7.9%	40.1%
Current ratio (x)	3.57	4.07	2.75	3.05	2.96	3.28		3.27	3.22	-1.6%
Quick ratio (x)	1.56	2.03	1.68	1.86	1.80	1.79		2.20	2.24	2.2%
Cash ratio (x)	0.24	0.73	0.86	0.99	1.07	0.78		1.45	1.48	2.0%
Debt/Equity (x)	0.20	0.09	0.05	0.03	0.03	0.08		0.02	0.01	-41.4%

Source: www.jamstockex.com, boj.org.jm, pioj.gov.jm, www.worldbank.org, Company Financials, Company Prospectus, JMMB Investment Research.

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APPENDIX

IMPORTANT DISCLOSURES

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

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STRONGLY UNDERPERFORM—REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 2.5% FOR THIS PARTICULAR ASSET

UNDERPERFORM—REDUCE EXPOSURE IN YOUR PORTFOLIO TO 2.5% - 4.9% FOR THIS PARTICULAR ASSET

SELL—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO.

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

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