

## JBS S.A. Brazil

PLEASE SEE **IMPORTANT DISCLOSURES** IN THE **APPENDIX**

### Executive Summary

**JBS S.A** is the largest meat processing company (by sales volume) in the world. The company sells beef, chicken and pork as well as its bi-products. JBS is headquartered in Sao Paulo, Brazil but has approximately 150 industrial plants around the world. The company's vast presence worldwide and its access to different markets ensure a healthy and diverse supply of foreign exchange from global sources. Consequently translation gains and diversity ensures a hedge against downturns in different markets. The company has a presence in the US, UK, France, Holland and Ireland just to mention a few.

Over the last two years however, JBS S.A. has had to deal with 1) the downturn in economic activity in Brazil; 2) the recent ban on beef exports from Brazil; and 3) allegations of corruption and penalties imposed by the authorities. In recent times debt levels have also risen and liquidity is proving to be somewhat of a challenge. The company has put measures in place to ease the liquidity constraints but the challenges are ongoing.

Historically the company has had a strong balance sheet with impressive cash flows, relatively quick inventory turnover, strong reinvestment in capital equipment and innovation either via acquisition or endogenous innovation. On the basis of balancing the company's strengths with its near term challenges, we have placed a **MARKETWEIGHT** recommendation on the asset at this time.

### Company Overview

JBS S.A., formerly Friboi Ltd, is a Brazil-based company involved in the food processing sector. The Company is primarily engaged in animal slaughtering, cold storage of beef, production and sale of meat, meat by-products and canned food. JBS S.A. divides its food processing business into three segments: Cattle Meat, Pork Meat and Chicken Meat. In addition, the Company and its subsidiaries are involved in leather tanning; aluminium cans production, industrial waste management and plastic resin manufacturing; bar soap and soap production for its own brands of cleaning and hygiene products; production of biodiesel, glycerine and fatty acid; retail sale of meat and barbecue related items; production and distribution of electric power, among others.

In June 2014, its wholly-owned subsidiary, JBS Foods SA, announced initial and secondary public offering of its ordinary shares. In June 2014, it acquired 100% of Comercio e Industria de Massas Alimenticias Massa Leve Ltd. and properties. In 2015, JBS acquired Moy Park, one of Europe's leading prepared food products and poultry producers, with 13 food processing and manufacturing units in the UK, France, Holland and Ireland and over 12 thousand employees. The acquisition represented an

All information contained herein is obtained by JMJB® Investment Research from sources believed by it to be accurate and reliable. All opinions and estimates constitute the Analyst's judgment as of the date of the report. However, neither its accuracy and completeness NOR THE OPINIONS BASED THEREON ARE GUARANTEED. As such NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THIS REPORT IS GIVEN OR MADE BY JMJB® IN ANY FORM WHATSOEVER.

## JBS S.A. Brazil

important step towards JBS' expansion strategy in Europe with integrated production focused on innovation and powerful brands. In 2015, JBS also acquired Cargill's pork business in the US, the transaction added to JBS USA Pork two hog processing facilities, five feed mills, and four breeding units. With the acquisition, JBS became the second largest pork producer in the USA.

### Financial Analysis:

**Table 1: Income Statement**

US\$M	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jun-17
Revenue	16,839.52	17,699.91	31,318.94	37,024.58	38,902.16	43,216.83	51,324.75	49,646.80	49,181.84	24,929.72
- Cost of Revenue	15,178.61	16,107.87	27,474.03	33,012.44	34,436.27	37,705.94	43,369.17	42,762.60	43,029.41	21,607.63
Gross Profit	1,660.91	1,592.04	3,844.91	4,012.14	4,465.89	5,510.89	7,955.58	6,884.20	6,152.42	3,322.09
+ Other Operating Revenue	-	97.93	31.76			39.12			55.65	38.37
- Operating Expenses	1,274.09	1,192.37	2,575.98	2,945.31	3,068.18	3,620.15	4,631.05	4,104.85	4,249.15	2,209.48
Operating Income	386.81	497.60	1,300.68	1,066.83	1,397.71	1,929.86	3,324.52	2,779.35	1,958.92	1,150.98
- Interest Expense	307.13	305.08	1,132.61	1,037.09	878.09	1,007.40	1,349.30	1,045.48	957.79	575.18
- Foreign Exchange Losses (Gains)	--	(433.36)	(163.72)	295.00	321.96	637.29	805.98	2,811.19	(1,142.73)	282.60
- Net Non-Operating Losses (Gains)	32.64	421.86	294.08	(127.39)	(512.73)	(540.52)	(616.64)	(3,478.28)	2,014.93	(42.07)
Pretax Income	47.04	204.02	37.72	(137.87)	710.39	825.70	1,785.88	2,400.96	128.93	335.27
- Income Tax Expense (Benefit)	34.53	92.39	187.89	55.59	318.32	305.47	760.65	838.05	(78.26)	42.98
Income Before XO Items	12.51	111.62	(150.18)	(193.45)	392.07	520.23	1,025.23	1,562.91	207.19	292.29
- Extraordinary Loss Net of Tax										
- Minority Interests	(1.89)	(0.30)	22.04	(148.09)	22.59	89.04	157.85	148.88	95.70	71.62
Net Income	14.40	111.92	(172.22)	(45.36)	369.48	431.18	867.38	1,414.03	207.19	292.29

Source: Bloomberg, JMMBIR

JBS S.A. reported net earnings of US\$292.29M for the 6 months ended June 2017 relative to net earnings of US\$207.19M for the year ended December 2016. Revenue for the review period was US\$24.93B with the associated cost of revenue amounting to US\$21.61B. From this viewpoint, gross profit stood at US\$3.3B for the review period. Notwithstanding, operating expenses seemed to mirror last year's trajectory. All indicators point to a slight improvement in profitability relative to 2016.

## JBS S.A. Brazil

**Table 2: Balance Sheet**

US\$M	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jun-17
<b>Assets</b>										
+ Cash & Near Cash Items	990	2,909	2,448	1,206	952	1,995	3,162	2,721	1,723	3,418
+ Short-Term Investments	0	--	--	1,632	1,676	1,820	2,472	2,037	1,151	
+ Accounts & Notes Receivable	964	1,838	2,352	2,512	2,777	3,776	3,619	3,060	2,946	2,959
+ Inventories	1,102	1,996	2,839	2,901	2,530	2,923	3,718	3,530	2,952	3,038
+ Other Current Assets	513	1,153	1,241	1,373	1,528	1,725	1,214	1,228	1,649	2,146
<b>Total Current Assets</b>	<b>3,569</b>	<b>7,896</b>	<b>8,880</b>	<b>9,623</b>	<b>9,462</b>	<b>12,239</b>	<b>14,184</b>	<b>12,576</b>	<b>10,422</b>	<b>11,560</b>
+ LT Investments & LT Receivables	31	676	686	545	126	117	112	89	1,877	1,547
+ Net Fixed Assets	2,125	8,619	9,168	8,253	7,912	8,864	9,105	9,211	10,474	10,183
+ Gross Fixed Assets	2,574	--	10,936	10,264	10,179	12,100	12,796	13,454	15,711	
- Accumulated Depreciation	449	--	1,768	2,010	2,267	3,236	3,691	4,243	5,238	
+ Other Long-Term Assets	1,230	8,004	8,091	7,022	6,789	7,847	7,597	8,864	8,818	9,615
Total Long-Term Assets	3,385	17,300	17,945	15,821	14,827	16,829	16,813	18,164	21,169	21,345
<b>Total Assets</b>	<b>6,955</b>	<b>25,195</b>	<b>26,825</b>	<b>25,445</b>	<b>24,289</b>	<b>29,068</b>	<b>30,997</b>	<b>30,739</b>	<b>31,591</b>	<b>32,905</b>
<b>Liabilities &amp; Shareholders' Equity</b>										
+ Accounts Payable	898	1,462	1,710	1,784	1,740	2,261	2,623	3,136	3,293	2,913
+ Short-Term Borrowings	957	2,941	3,127	2,866	2,977	3,992	5,171	5,278	5,576	5,520
+ Other Short-Term Liabilities	275	939	998	930	915	1,243	1,601	1,611	349	477
<b>Total Current Liabilities</b>	<b>2,130</b>	<b>5,342</b>	<b>5,834</b>	<b>5,579</b>	<b>5,632</b>	<b>7,496</b>	<b>9,395</b>	<b>10,025</b>	<b>9,218</b>	<b>8,910</b>
+ Long-Term Borrowings	1,470	7,328	8,335	7,263	7,025	9,876	9,971	11,355	11,710	13,133
+ Other Long-Term Liabilities	706	1,532	1,394	1,010	1,169	1,904	1,942	1,961	1,979	1,952
Total Long-Term Liabilities	2,175	8,860	9,728	8,273	8,194	11,780	11,914	13,317	13,689	15,085
<b>Total Liabilities</b>	<b>4,305</b>	<b>14,202</b>	<b>15,563</b>	<b>13,853</b>	<b>13,826</b>	<b>19,276</b>	<b>21,309</b>	<b>23,342</b>	<b>22,907</b>	<b>23,995</b>
+ Total Preferred Equity	0	0	0	0	0	0	0	0		
+ Minority Interest	-1	943	663	502	402	500	668	402	351	420
+ Share Capital & APIC	1,942	9,462	10,871	11,542	10,499	9,104	8,125	6,006	7,309	7,194
+ Retained Earnings & Other Equity	708	588	-272	-452	-437	189	895	990	494	401
<b>Total Equity</b>	<b>2,649</b>	<b>10,993</b>	<b>11,262</b>	<b>11,592</b>	<b>10,463</b>	<b>9,792</b>	<b>9,688</b>	<b>7,398</b>	<b>8,684</b>	<b>8,911</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,955</b>	<b>25,195</b>	<b>26,825</b>	<b>25,445</b>	<b>24,289</b>	<b>29,068</b>	<b>30,997</b>	<b>30,739</b>	<b>31,591</b>	<b>32,905</b>

*Source: Bloomberg, JMMBIR*

The asset base of the company moved higher during the 6 months ended June 2017. Influenced by increases in current assets, the asset base of the company moved from US\$31.59B in December 2016 to US\$32.91B in June 2017. The main impetus for this growth in current assets stemmed from rising inventories and other current assets. Total liabilities have increased by 4.7% during the same period on account of increases in long-term borrowings.

All information contained herein is obtained by JMMB® Investment Research from sources believed by it to be accurate and reliable. All opinions and estimates constitute the Analyst's judgment as of the date of the report. However, neither its accuracy and completeness NOR THE OPINIONS BASED THEREON ARE GUARANTEED. As such NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THIS REPORT IS GIVEN OR MADE BY JMMB® IN ANY FORM WHATSOEVER.

## JBS S.A. Brazil

**Table 3: Cash Flow Statement**

US\$M	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jun-17
Cash From Operating Activities										
+ Net Income	14.40	111.92	(172.22)	(45.36)	369.48	431.18	867.38	1,414.03	109	231
+ Depreciation & Amortization	235.03	243.30	697.59	773.73	829.32	948.42	1,085.03	1,125.36	1,299.14	688.63
+ Other Non-Cash Adjustments	636.65	432.84	(304.85)	195.45	113.56	652.63	1,678.51	2,968.44	(354.94)	(83.10)
+ Changes in Non-Cash Capital	(352.38)	(10.43)	(1,063.27)	(560.44)	(555.74)	(850.18)	197.91	954.62	5.90	(647.40)
<b>Cash From Operations</b>	<b>533.70</b>	<b>777.64</b>	<b>(842.75)</b>	<b>363.38</b>	<b>756.62</b>	<b>1,182.05</b>	<b>3,828.82</b>	<b>6,462.46</b>	<b>219.40</b>	<b>188.86</b>
Cash From Investing Activities										
+ Disposal of Fixed Assets										
+ Capital Expenditures	(686.95)	(921.56)	(715.27)	(703.25)	(832.24)	(808.17)	(1,520.72)	(4,833.09)	(1,011.30)	(483.33)
+ Increase in Investments										
+ Decrease in Investments										
+ Other Investing Activities	(957.70)	(2,000.81)	(192.34)	281.24	(128.94)	(78.43)	(301.38)	(1,750.51)	(10.38)	(485.38)
<b>Cash From Investing Activities</b>	<b>(1,644.66)</b>	<b>(2,922.37)</b>	<b>(907.61)</b>	<b>(422.01)</b>	<b>(961.18)</b>	<b>(886.60)</b>	<b>(1,822.10)</b>	<b>(6,583.59)</b>	<b>(1,021.68)</b>	<b>(967.28)</b>
Cash from Financing Activities										
+ Dividends Paid	(28.38)	(62.35)				(79.27)	(93.68)	(706.36)	(484.18)	(30.07)
+ Increase in Long-Term Borrowings	2,005.98	2,325.38	8,076.35	10,504.53	7,269.90	10,095.96	10,504.18	14,306.35	215.21	1,364.21
+ Decrease In Long-Term Borrowings	(2,179.03)	(1,611.42)	(7,659.78)	(9,721.39)	(7,078.41)	(8,760.82)	(10,012.55)	(12,427.91)	(344.07)	(98.61)
+ Increase in Capital Stocks	1,415.46	1,281.57	910.17							
+ Decrease in Capital Stocks		(38.72)	(121.58)	(75.12)	(1.21)	(1.10)	(27.37)	(436.29)		
+ Other Financing Activities	401.94	1,657.87	(25.76)	77.73	63.05	138.41	135.16	584.08	(1,724.19)	80.50
<b>Cash from Financing Activities</b>	<b>1,615.98</b>	<b>3,552.34</b>	<b>1,179.40</b>	<b>785.75</b>	<b>253.33</b>	<b>1,393.19</b>	<b>505.75</b>	<b>1,319.85</b>	<b>(2,337.23)</b>	<b>1,316.03</b>
<b>Net Changes in Cash</b>	<b>505.02</b>	<b>1,407.61</b>	<b>(570.96)</b>	<b>727.12</b>	<b>48.77</b>	<b>1,822.83</b>	<b>2,512.47</b>	<b>1,198.72</b>	<b>(3,139.50)</b>	<b>537.61</b>

*Source: Bloomberg, JMMBIR*

Cash flow from operating activities seemed to have deteriorated since 2016. This deterioration followed 5 years of consistent growth in cash generated from operating activities. From this standpoint, the company scaled down on capital expenditure over the same period. Notwithstanding, free cash flow has since turned negative.

## JBS S.A. Brazil

**Table 5: Ratio Analysis**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jun-17	
Debt Ratios	Total Debt/EBIT	8.06	18.23	8.32	10.60	7.53	7.90	5.14	7.22	8.36	7.98
	Net Debt/EBIT	4.77	13.07	6.54	7.63	5.55	5.72	3.23	5.16	6.97	6.52
	EBITDA to Interest Expense	2.02	2.43	1.76	1.77	2.54	2.86	3.27	3.73	2.93	3.53
	EBITDA-CapEx/Interest Expense	-0.21	-0.59	1.13	1.10	1.59	2.05	2.14	-0.89	1.98	2.73
	EBIT to Interest Expense	1.26	1.63	1.15	1.03	1.59	1.92	2.46	2.66	1.75	2.46
	Common Equity/Total Assets	38.11	39.89	39.51	43.58	41.42	31.97	29.10	22.76	23.1	23.08
	Long-Term Debt/Equity	55.48	66.66	74.01	62.66	67.14	100.85	102.92	153.49	153.0	163.86
	Long-Term Debt/Capital	28.95	34.47	36.68	33.44	34.33	41.74	40.16	47.25	46.9	49.25
	Long-Term Debt/Total Assets	21.13	29.09	31.07	28.55	28.92	33.97	32.17	36.94	37.1	39.91
	Total Debt/Equity	91.59	93.41	101.78	87.38	95.59	141.62	156.30	224.85	225.81	232.73
	Total Debt/Capital	47.81	48.30	50.44	46.63	48.87	58.61	60.98	69.22	69.31	69.95
	Total Debt/Total Assets	34.89	40.76	42.73	39.81	41.18	47.71	48.85	54.11	54.72	56.69
	Net Debt/Equity	54.22	66.95	80.04	62.90	70.48	102.66	98.15	160.53	188.26	190.09
Net Debt/Capital	28.30	34.62	39.67	33.57	36.03	42.49	38.30	49.42	65.31	65.53	
Liquidity	Cash Ratio	0.46	0.54	0.42	0.51	0.47	0.51	0.60	0.47	0.28	0.35
	Current Ratio	1.68	1.48	1.52	1.72	1.68	1.63	1.51	1.25	1.02	1.18
	Quick Ratio	0.92	0.89	0.82	0.96	0.96	1.01	0.98	0.78	0.57	0.65
	CFO/Avg Current Liab	0.22	0.22	-0.16	0.06	0.13	0.17	0.42	0.66	0.10	0.18
	CFO/Total Liabilities	9.65	6.20	-5.73	2.35	5.20	5.58	15.93	22.94	4.71	1.09
	CFO/CapEx	0.78	0.84	-1.18	0.52	0.91	1.46	2.52	1.34	1.01	1.06
Profitability	Return on Common Equity	0.56	1.87	-1.73	-0.40	3.48	4.36	8.89	17.99	1.45	9.60
	Return on Assets	0.21	0.74	-0.68	-0.16	1.48	1.57	2.70	4.55	0.33	2.20
	Return on Capital	1.83	2.25	-21.92		4.14	5.08	6.95	9.15	3.67	7.42
	Return on Invested Capital	2.00	2.20	-24.36		3.65	5.36	7.37	7.15	5.21	7.45
	Gross Margin	9.86	8.99	12.28	10.84	11.48	12.75	15.50	13.87	12.51	14.78
	EBITDA Margin	3.69	4.19	6.38	4.97	5.72	6.66	8.59	7.87	6.59	9.02
	Operating Margin	2.30	2.81	4.15	2.88	3.59	4.47	6.48	5.60	3.95	6.30
	Pretax Margin	2.28	6.23	6.48		6.76	8.30	13.26	3.10	0.26	1.01
Income before XO Margin	0.28	1.15	0.12	-0.37	1.83	1.91	3.48	4.84	0.42	1.14	
Net Income Margin	0.07	0.63	-0.48	-0.52	1.01	1.20	2.00	3.15	0.22	0.74	
Working Capital	Accounts Receivable Turnover	17.50	12.85	15.50	14.40	14.60	12.72	13.03	15.02	15.70	17.12
	Days Sales Outstanding	20.92	28.41	23.55	25.35	25.07	28.70	28.02	24.31	23.32	21.32
	Inventory Turnover	13.47	10.54	11.80	10.89	12.66	13.41	12.16	11.78	14.39	12.19
	Days Inventory Outstanding	27.18	34.62	30.94	33.51	28.92	27.21	30.02	30.98	25.43	29.95
	Accounts Payable Turnover	17.87	14.14	18.40	18.11	19.39	18.59	17.05	14.92	12.76	14.19
	Days Payables Outstanding	20.48	25.81	19.84	20.16	18.87	19.64	21.41	24.46	28.69	25.71
	Cash Conversion Cycle	27.61	37.22	34.66	38.71	35.11	36.27	36.64	30.83	20.06	25.56

**Source: Bloomberg, JMMBIR**

The level of indebtedness has remained elevated over the review period amidst increases in long-term debt. The increase in long-term debt helped to alleviate the liquidity conditions during the review period. There has been a slight deterioration in the liquidity level since 2016. Similarly, the profitability has waned following the economic recession in Brazil. There have been some improvements in the cash conversion cycle, which indicate management's ability to effectively manage its working capital.

All information contained herein is obtained by JMMB® Investment Research from sources believed by it to be accurate and reliable. All opinions and estimates constitute the Analyst's judgment as of the date of the report. However, neither its accuracy and completeness NOR THE OPINIONS BASED THEREON ARE GUARANTEED. As such NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THIS REPORT IS GIVEN OR MADE BY JMMB® IN ANY FORM WHATSOEVER.

## JBS S.A. Brazil

### Standard and Poor's Credit view on JBS S.A:

- JBS recently announced a refinancing agreement that will ease their liquidity pressures but doesn't entirely solve its short-term debt concentration. Under the agreement, the company will pay about R\$2.5 billion of principal in instalments over 9 months, but will still have close to R\$19 billion maturing towards the end of the next 12 months. Additionally, if the company succeeds in its divestment plan over the next few months, it is required to use 80% of the proceeds from asset sales to amortize part of the R\$19 billion in advance.
- The leniency agreement signed on May 31, 2017 by J&F (JBS' parent company) settled several investigations related to JBS but the company might face contingent liabilities arising from other investigations by the U.S. Department of Justice, the Brazilian Securities and Exchange Commission (CVM), and the Brazilian Federal Revenue Office. The outlook still remains negative as the timing for the conclusion of these investigations is uncertain, as well as the amount of potential liabilities.
- Under its plea agreement, which JBS said was ratified by Brazil's Supreme Court, the 7 executives involved in the case will pay fines totalling R\$225 million and will cooperate with the public prosecutor's office "regarding all matters disclosed to the authorities, among other obligations." The company said it would issue further updates as appropriate. From the company, prosecutors are seeking payment of R\$11.2 billion reals (\$3.4 billion) over 10 years as part of a leniency arrangement.
- The company's future cash flow generation will continue to be a challenge, with lower revenue and profitability, due to the Brazilian real's appreciation, and weaker operations in Brazil in the near term. (As a result, funds from operation (FFO) to debt will take longer to consistently reach levels above 20%).
- Meanwhile, Brazil still suffers from subdued economic prospects and fiscal weaknesses. The diversified economy is exiting a steep multiyear contraction, but its growth is expected to remain below peers.

## JBS S.A. Brazil

### Recommendation:

There has been a slight recovery in JBS SA performance in the first half of 2017. Notwithstanding such improvements JBS SA will continue to face challenges in the near term against the background of liquidity constraints and looming legal woes. Earlier in the year, JBS SA had cut their beef production following the ban on beef exports to the United States. Subsequently, Brazil's Agriculture Minister Blairo Maggi stated that it would be possible to reopen the U.S. market to fresh Brazilian beef within 2 months following his meeting with U.S. Secretary of Agriculture, Sonny Perdue in Washington, D.C. On the other hand, the legal woes have delayed the plans of the initial public offering as investors' interest wanes. From this standpoint, liquidity pressures will continue to rise amidst uncertainty. Within the context of the aforementioned challenges and positives, JBS S.A. is recommended as a **MARKETWEIGHT** at this time.

*Source: JMMB Investment & Research, Bloomberg, Various Company Financial Statements, Standard & Poor's*

## 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.

**UNDERWEIGHT**—REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET.

**SELL**—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO.

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

All information contained herein is obtained by JMMB® Investment Research from sources believed by it to be accurate and reliable. All opinions and estimates constitute the Analyst's judgment as of the date of the report. However, neither its accuracy and completeness NOR THE OPINIONS BASED THEREON ARE GUARANTEED. As such NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THIS REPORT IS GIVEN OR MADE BY JMMB® IN ANY FORM WHATSOEVER.

## JBS S.A. Brazil

**OVERWEIGHT/BUY**—EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

### **COPYRIGHT INFRINGEMENT**

“Unless otherwise expressly stated, copyright or similar rights in all material in this research report (including graphical images) is owned, controlled or licensed by Jamaica Money Market Brokers Limited or its affiliates (JMMB) and is protected or covered by copyright, trade mark, intellectual property law and other proprietary rights. No part of this research report or the report in its entirety may be published, used, reproduced, distributed, displayed or copied for public or private use in any form including by any mechanical, photographic or electronic process (electronically, digitally on the Internet or World Wide Web, or over any network, or local area network or otherwise) without written permission from JMMB.

No part of this research report may be modified or changed or exploited or used in any way for derivative works, or offered for sale, or used to construct any kind of database or mirrored at any other location without the express written permission of JMMB. Thank you for respecting our intellectual property rights.”

*The investments referred to in this report may not be suitable for you should consult your licensed investment advisor. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable to your individual circumstances or otherwise constitutes a personal recommendation to you.*

### **Disclosure Under The Securities Act**

*This disclosure is being provided pursuant to section 39 of the Securities Act. This research report is prepared by Jamaica Money Market Brokers Limited (JMMB) and the information and views expressed are those of JMMB. JMMB is a subsidiary of the JMMB Group Limited (JMMBGL). Associated persons of JMMB include JMMBGL and its subsidiaries and affiliated companies, including JMMB Fund Managers Limited, a licensed securities dealer and manager of collective investment schemes.*

*As at the date of this report, JMMB and its affiliates, directors, officers, employees and other associated persons may from time to time buy or sell, or act as principal or agent in, the securities mentioned in this research report. JMMB or its affiliates, directors, officers and employees have no interest in or interest in the acquisition or disposal of the securities other than expressed above. No part of their compensation is or will be related to the recommendations or opinions in this report.*

All information contained herein is obtained by JMMB® Investment Research from sources believed by it to be accurate and reliable. All opinions and estimates constitute the Analyst’s judgment as of the date of the report. However, neither its accuracy and completeness NOR THE OPINIONS BASED THEREON ARE GUARANTEED. As such NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THIS REPORT IS GIVEN OR MADE BY JMMB® IN ANY FORM WHATSOEVER.