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# Security Review:

## Initial Public Offering: Elite Diagnostics Ltd.

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Prepared by:  
JN Fund Managers Ltd.'s Global  
Investment Research Unit

**January 2018**

## Company Description: Elite Diagnostic Company Ltd.

Elite Diagnostics Company Ltd. (“Elite” of “the Company”) is a registered private Health Centre which offers a range of medical imaging and diagnostic imaging services. Diagnostic imaging is the imaging of internal structures of the human body using certain types of equipment and technology for example, Ultrasound, Computed Tomography (CT) Scans and X-Rays. The Company commenced operations in August, 2013 at its Holborn Road location. Elite, on opening, targeted growth based on the overcrowded and under-equipped government health facilities. Elite’s business has since expanded over the years and on November 1<sup>st</sup> 2017 it opened a new branch at 164½ Old Hope Road. The Company’s operations rely on referrals of patients from Medical Practitioners and currently has six (6) Radiologists, five (5) technicians and twenty-one (21) other employees.



Elite is controlled by a group of private partners through a special purpose company called Excel Investments Inc. The Company was launched with equity participation from NCB Capital Markets Limited, Sagicor Investments Jamaica Limited and project development firm, Barnett Limited.

Services/Imaging Modalities	Interventional procedures
Magnetic Resonance Imaging (MRI)	Angiogram
Computed Tomography (CT or CAT) Scan	Port-A-Cath
X-Ray Imaging	Hysterosalpingogram (HSG)
Ultrasound	Ultrasound Biopsy
Fluoroscopy	Arthrogram

## Analyst’s Opinion: Elite Diagnostic Company Ltd.

<b>Recommendation</b>	<b>BUY</b>	<b>Implied Upside</b>	<b>43.79%</b>
<b>Current Price</b>	<b>J\$2.00</b>	<b>Implied Dividend Yield</b>	<b>0.92%</b>
<b>Estimated Fair Value</b>	<b>J\$2.88</b>	<b>Implied Total Return</b>	<b>44.71%</b>

Elite Diagnostics has demonstrated substantial top line growth since its inception in 2013. The Company has also exhibited improving operational efficiency and demonstrated its ability to sufficiently contain operating expenses. Elite’s business strategy has been to focus on providing premium medical imaging services and fulfilling the needs of healthcare patients as a result of limited services by the public sector. The Company has also focused on increased marketing of its services and establishing partnerships with corporate entities. We believe Elite’s potential for growth is promising as it has room for expansion in other areas of the country. The Company has also focused on expanding its service offerings based on its recent addition of interventional radiology procedures.

We anticipate continued revenue growth in 2018 as a result of Elite’s recent expansion of its business. During the latter part of 2017, the Company opened an additional branch on Old Hope Road and it expects incremental

revenue to be reflected in the latter half of FY 2018. The proceeds of the Initial Public Offering (IPO) will put the Company in a position to repay a substantial portion of the debt incurred in financing the capital cost of its business expansion. Additional operating and depreciation expenses to be incurred as a result of its expansion were accounted for in our projections.

Elite is offering the general public approximately **70.68M** shares. The IPO of **J\$2.00** per share represents a **10.83X (P/E)** multiple of our projections for FY 2018 Pre-Tax Profits and a **1.77X (P/B)** multiple of projected FY 2018 book value. The projected P/E multiple represents a premium to the services sector of the junior market which trades at P/E of **9.13X**. The P/B multiple represents a discount to the comparable services sector which is at a P/B of and **3.47X**<sup>1</sup>. For the Financial Year (FY) 2018 ending June 30<sup>th</sup> 2018 we projected Pre-tax Profit of approximately **J\$65.28M** which would represent a **9.61%** YoY increase relative to FY 2017. This translates to an earnings per share (EPS) of approximately **J\$0.18**. We are also projecting a Book Value as at the end of FY 2018 of approximately **J\$399.52M** (Book Value per Share of **J\$1.13**).

Based on the projected market multiples (P/B and P/E) valuation methods, Elite is being listed at a discount. We estimate that the fair value based on both methods is **J\$2.88** which represents a **43.79%** implied upside from the listing price. Based on the Group's stated dividend policy of a **10%** pay-out ratio, the estimated dividends for FY 2018 is **J\$0.018**. This translates to a potential dividend yield of **0.92%** at the issue price. Consequently, the estimated 1-Year Total return is **44.71%**. Additionally, we believe technical market factors which is the presence of significant J\$ liquidity in long term portfolios, may drive strong demand in the short term for the stock. **We therefore rate Elite Diagnostics as a BUY.**

## Industry Analysis

Jamaica's health sector is comprised of both public and private entities. Healthcare in the private sector is provided through 10 private hospitals and over 495 pharmacies<sup>2</sup>. The health sector provides care at all three levels: primary, secondary and tertiary. <sup>3</sup>At the Primary level of care, the Ministry of Health (MOH) public health services deliver care through a network of 384 primary health care centres. However, these patients are often referred from this level for additional care in the private health sector. Public Hospitals have limited Magnetic Resonance Imaging (MRI) and diagnostic equipment and the overflow of patients are directed to emerging private Diagnostic Centres which offer more premium imaging technologies. The diagnostic industry is broken into different levels of classification such as laboratory services, MRI, X-ray/Radiography Imaging, Ultrasound Imaging, CT scanning, and other diagnostic services.

<sup>1</sup> JN Fund Managers' estimate as at January 15, 2018 adjusted for outliers

<sup>2</sup> Industry information provided by Elite Diagnostics Junior Market prospectus

<sup>3</sup> Primary level refers to health centres and community hospitals and is offered in 318 health centres. Secondary and tertiary level services refer to care offered in hospitals classified as types A, B, C and Specialist according to bed capacity and services offered. Secondary care is offered in 24 hospitals including University Hospital

### Global Investment Research Unit

**Ramon Small-Ferguson, CFA, FRM**  
 Chief Investment Strategist &  
 Head of Research  
 rsferguson@jngroup.com

**Simon Johnson**  
 Assistant Manager,  
 Research & Investment Strategy  
 simonjohnson@jngroup.com

**Karen Irons-Jolly**  
 Research Analyst  
 kareni@jngroup.com

**April Walters**  
 Junior Research Analyst II  
 aprilw@jngroup.com

The industry continues to have technological advancement of its imaging technologies to enhance the ability to detect, diagnose, and treat conditions while also allowing patients to avoid more invasive procedures.

	Private/Public	MRI Scans	CT Scans	Ultrasound	X-Ray	Fluoroscopy	Nuclear Medicine	Mammography
<b>Elite Diagnostics</b>	Private	✓	✓	✓	✓	✓		
<b>Winchester MRI</b>	Private	✓						
<b>Medical MRI</b>	Private	✓		✓	✓			✓
<b>UWI Mona Radiology</b>	Public	✓	✓	✓	✓	✓		✓
<b>Apex</b>	Private		✓	✓	✓	✓	✓	
<b>X-Ray Diagnostic</b>	Private		✓	✓	✓		✓	

## Porter's Five Forces Framework

The Porter's Five Forces model is an analysis tool that uses five industry forces to determine the intensity of competition in an industry and its profitability level.

Competition in the Industry	Threat of New Entrants:	Power of Suppliers:	Power of Customers:	Threat of Substitute Products:
<b>MODERATE</b>	<b>LOW</b>	<b>MODERATE - HIGH</b>	<b>LOW</b>	<b>LOW</b>
Elite competes with both private and public sector health centres. To effectively compete in this industry, Private health facilities must invest in medical technology and equipment to enhance and differentiate services. However, the industry is concentrated with a small number of firms. There is limited competition currently with only four other major private diagnostic imaging centres.	Entrance into the industry is relatively low due to high start-up and maintenance costs.	"Suppliers" in this industry are considered providers of medical equipment as well as specialized skilled individuals. The Company utilizes the services of an independent radiologist (Dr. Kevin Palmer) and West Indies Radiology Outsourcing Limited to provide radiology services. The Company also relies on the importation of equipment from international suppliers such as General Electric.	Elite operates in a Non-Cyclical industry. Therefore, the risk of earnings volatility is lower as the Company's performance is unlikely to fluctuate heavily with the performance of broader local/global economy.	Although the persons may opt to utilize the public health care system, the sector is underequipped to facilitate patient demand. The threat of a substitute is also low for Elite as there is no close substitute for diagnostic imaging.

## Invitation Details

Elite diagnostics is seeking to raise **J\$141.36M** by issuing up to 70,680,000 ordinary shares to prospective investors. The Company will be using the funds to retire a portion of this debt, pay IPO & Listing Expenses and to provide working capital for the Company. Listing Expenses are estimated to be in the region of **J\$11.00M**.

<b>Issuer</b>	<b>Elite Diagnostic Limited</b>
<b>Exchange</b>	The Jamaica Stock Exchange's Junior Market
<b>Shares Offered</b>	The Company is seeking to raise approximately <b>J\$141.36M</b> by inviting Applications to subscribe for up to <b>70,680,000</b> Shares. Up to <b>18,000,000</b> of these shares will be reserved as follows; Directors and Employees of the Company - 4,060,000 Affiliated Doctors - 700,000 Affiliated Entities - 420,000 Referring Doctors Tiers 1 - 6,160,000 Referring Doctors Tiers 2 - 1,900,000 Medical Practitioners - 4,760,000
<b>Co-Lead Brokers</b>	NCB Capital Markets & Sagicor Investments
<b>Minimum Application</b>	1,000 Shares or J\$2,000.00. Each application must be for a minimum of 1,000 Shares and in multiples of 100 Shares
<b>Offer Period</b>	<b>Opening Date:</b> February 5, 2018 at 9:00AM <b>Closing Date:</b> February 12, 2018 at 4:30PM
<b>Pricing</b>	<b>J\$2.00</b> per share. Payments <b>MUST</b> be made at the time of Application along with a J\$163.10 processing fee.
<b>Use of Proceeds</b>	The Company has incurred certain debt obligations in the process of expanding its business and intends to use the net proceeds of the IPO to retire part of this debt, pay IPO & Listing Expenses and/or to provide working capital for the Company
<b>Allotment &amp; Acceptance of Applications</b>	Application Forms that meet the requirements set out in this Prospectus will be accepted on a <b>"first come first served basis"</b> . The Company reserves the right to allot or allocate, on any application, less Shares than the number applied for. Announcement of Allotment will be by <b>February 26, 2018</b> .
<b>Proposed Dividend Policy</b>	The Board intends to adopt a conservative dividend policy during the next five years as it continues to expand its business. Thus, after providing for an appropriate reserve to cover outgoings and a modest reserve for contingencies, the directors intend to recommend to the stockholders a distribution of approximately <b>10%</b> of the distributable profits. Pursuant to a loan agreement made on September 14, 2015 between the Company and SagicorBank Jamaica Limited, the Company is restricted from declaring dividends and making capital distributions while the relevant debt remains outstanding. This restriction will cease if the loan is repaid according to its tenure. The tenure of the loan is sixty (60) months from the initial date of disbursement of the proceeds of the loan. The Company will use part of the proceeds raised in the IPO to retire this debt which will allow the Company to adhere to the above dividend policy

## Financial Analysis<sup>4</sup>

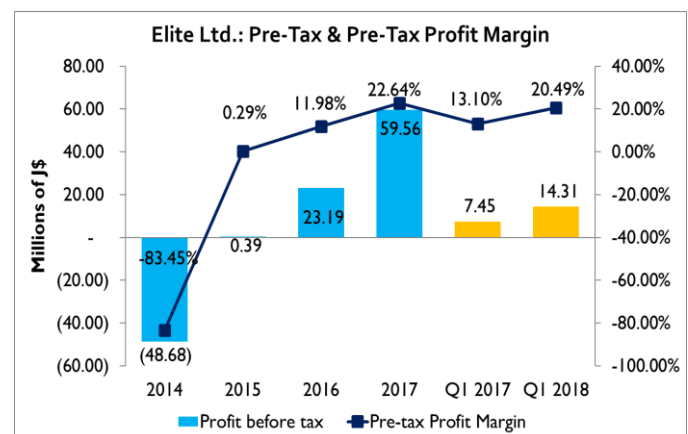
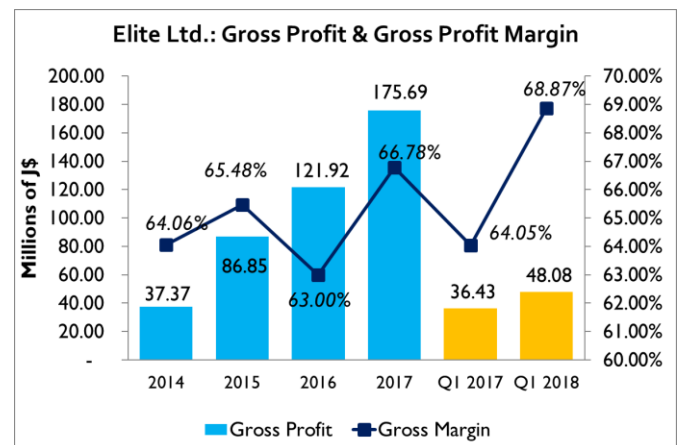
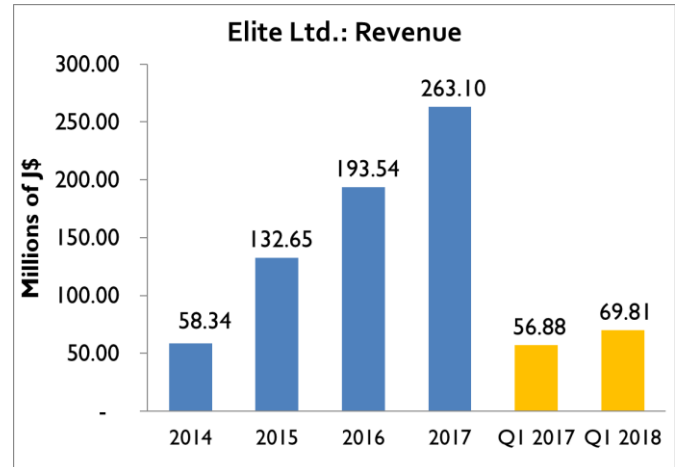
### Revenue & Profitability

Between FY 2014 and FY 2017 Elite Diagnostic Company Ltd. achieved a significant growth in revenues (see Appendix: *Overview of Elite Diagnostics' Services* for breakdown). The Company's compound average annual growth rate (CAGR) in revenue was **65.22%** driven by increased consumption of its diagnostic imaging services. Revenues rose by **35.94%** or **J\$69.55M** year-over-year (YoY) in FY 2017 to **J\$263.09M**. MRI scans composed majority of revenue generated.

Between FY 2014 and FY 2017, the Company's Gross Profit rose by a compound average annual growth rate of **67.52%**. Gross Profits rose by **44.10%** or **J\$53.76M** year-over-year (YoY) in FY 2017 to **J\$175.69M**. The rise in gross profits was the result of a lower increase in cost of sales margin relative to revenue growth. The Company's Gross Profit Margins also showed YoY improvement to **66.78%** in FY 2017 from **63.00%** in FY 2016.

Total Operating Expenses rose by a CAGR of **17.28%** over the four-year period. During FY 2017, Elite's total operating expenses rose YoY by **22.93%** or **J\$20.27M** to **J\$108.68M** as a result of an increase in Administrative Expenses and Depreciation Expense by **21.22%** and **4.00%** respectively. During the year, Elite incurred additional costs associated with the opening of its second location on Old Hope Road in November 2017.

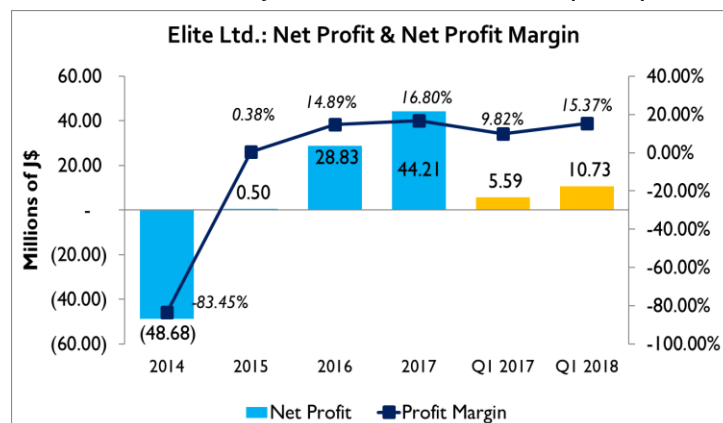
The Company's Pre-Tax Profits have shown considerable improvement throughout the period under review. Between FY 2014 and FY 2017 Pre-Tax Profits rose from a loss of -



<sup>4</sup> An extract from the company's financial statements is included in the Appendix

**J\$48.683M** in FY 2014 to a Pre-tax profit of **J\$59.56M** in FY 2017. Net Profits rose YoY by **J\$15.38M** or **53.34%** to **J\$44.21M** while Elite's Profit Margins also rose in FY 2017 to **16.80%** from **14.89%** for FY 2016.

Elite's strong performance translated during the first quarter ended September 30, 2017 (Q1 2018). The Company's top line growth continued with revenue increasing by **J\$12.93M** or **22.74%** to **J\$69.81M** relative to the prior period ending September 2016. COGS was flat for the period at **J\$21.73M** during Q1 2018 relative to the **J\$20.45M** in Q1 2017. During the quarter Elite had a one-off shipping Expense of **J\$1.04M** but incurred additional depreciation expense of **J\$8.76M** as at Q1 2018 relative to the **J\$6.91M** in Q1 2017. Net Profit improved to **J\$10.73M** in Q1 2017 from **J\$5.59M**.



## Dupont Analysis

DuPont Analysis				
Financial Year	2014	2015	2016	2017
Profit Margin	-83.45%	0.38%	14.89%	16.80%
Asset Turnover Ratio	0.24	0.57	0.74	0.97
Financial Leverage Ratio	1.60	1.55	1.45	1.21
<b>Return on Equity</b>	<b>-32.46%</b>	<b>0.33%</b>	<b>16.08%</b>	<b>19.78%</b>

Elite's Return on Equity (ROE) has increased significantly over the period under review due primarily to improvements in the Company's operational efficiency. Along with the Elite's improved earnings, the Company has shown improvement in its ability to generating earnings from its assets as evidenced by its Asset Turnover Ratio. Elite's Asset Turnover remains low, due primarily to a high relative asset base. Financial leverage has shown improvement due to a growth in assets improving at a higher relative pace than equity.

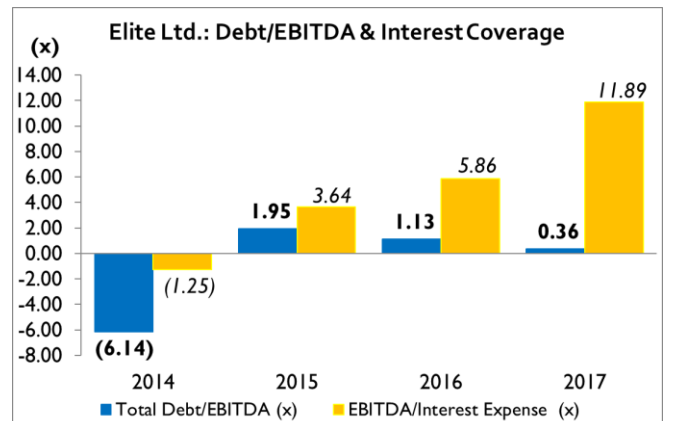
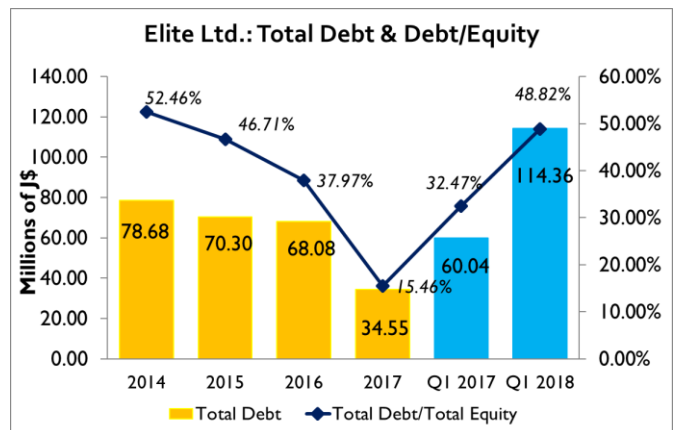
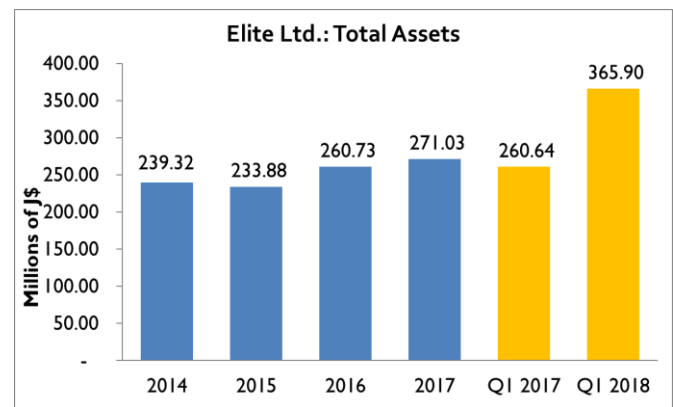
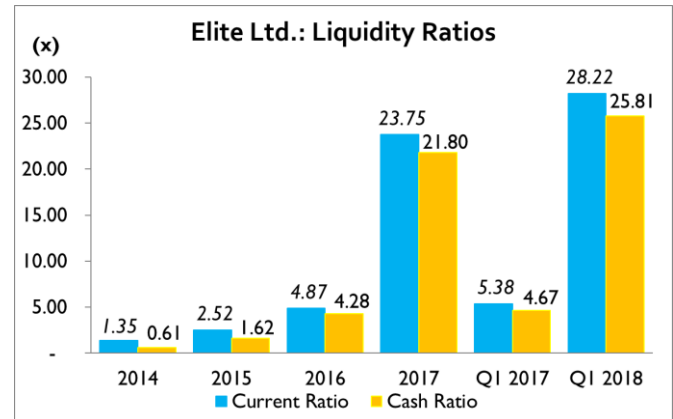
## Liquidity and Solvency

Elite has a solid liquidity position because of its low reliance on short term financing and substantial decline in current liabilities. The Company's liquidity as measure by its current ratio was **28.22X** as at Q1 2018, relative to the **21.80X** as at FY 2017.

Elite's asset base has exhibited a CAGR of **4.24%** between FY 2014 and FY 2017. As at Q1 2018, total assets were **J\$365.90M**, representing an expansion of **J\$94.87M**, or **35.0%** from the **J\$271.03M** as at FY 2017. The growth in Elite's asset base was due to a **J\$33.39M**, or **43.8%**, increase in Cash & Cash Equivalents to **J\$109.70M** and a **J\$58.03M**, or **30.9%** growth in Company's fixed assets to **J\$245.92M** as at the end of Q1 2018. This increase was due to the acquisition of diagnostic equipment and leasehold improvements made to the Company's new offices on Old Hope Road. The acquisitions and improvements were made using part of the proceeds of a **J\$90.0M** loan from National Commercial Bank Jamaica Limited (NCB), leading to the increase in Elite's cash position.

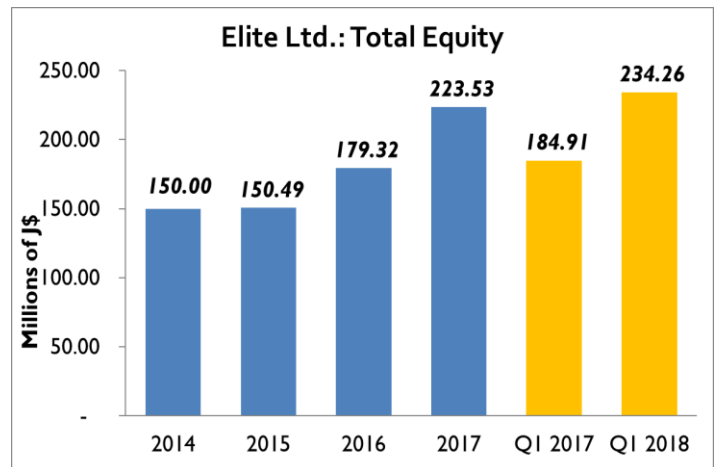
Between FY 2014 and FY 2017, Total liabilities fell at a CAGR of **-18.98%**, to **J\$47.51M** as at FY 2017. Elite's liabilities are primarily composed of non-current liabilities, which have declined over the four-year period due to a decrease in long term loans, the Company's primary funding source. Between FY 2017 and Q1 2018, total liabilities grew to **J\$84.14M** from **J\$47.50M**, a **177.1%** increase as a result of the **J\$90.0M** loan from NCB.

As at December 2017, Elite's total debt grew further to **J\$202.11M** to fund additional expansion activities. The proceeds of this IPO will be used to repay a portion of this





debt. As at Q1 2018, Elite's debt to equity ratio was **48.82%** due to the Company's low debt position relative to its equity base. The Company also has a vendor financing facility with General Electric Company for Medical Equipment which as at December 2017, was **J\$76.38M**. The MRI Machine to be installed at its Hope Road location is a 3T MRI scanner from General Electric Company and costs **US\$1.18M**. Elite paid half of the purchase price (**US\$587,500**) up front and secured vendor financing from GE for the remaining half.



Total Shareholder Equity's grew at a compound annual rate of **14.22%** between FY 2014 and FY 2017 due to the significant growth in the Group's net profits. YoY It increased by **3.95%**, or **J\$10.30M** to **J\$234.26M** as at Q1 2018.

## Investment Positives and Negatives

### Positives

- **Tax Benefit** - The Company stands to benefit from a 10-year concessionary tax regime that starts from the date of listing. For the first (5) the Elite enjoys 100% tax relief and for the remaining five (5) years, benefit from 50% tax concession.
- **Strong Historical Revenue Growth** – Between FY 2014 and FY 2017, the Company has exhibited substantial growth in sales, having a compound annual growth (CAGR) rate of **65.22%**.
- **Non-Cyclical Industry** – Elite operates in a Non-Cyclical industry. Therefore, the risk of earnings volatility is lower as the Company's performance is likely to not fluctuate with the performance of broader local/global economy. There is also limited competition currently with only four other major private diagnostic imaging centres.
- **Strategic Investors** – Elite is controlled by a group of private partners through a vehicle called Excel Investments Inc with equity participation from NCB Capital Markets Limited (**29.61%** ownership) and Sagicor Investments Jamaica Limited (**9.87%** ownership). Elite has already benefited and poised to benefit from its association with these key strategic investors who provide business management expertise and financial backing.
- **Robust Liquidity Position** - Elite has a solid liquidity position as a result of its low reliance on short term financing and substantial decline in current liabilities. The Company's liquidity as measure by its current ratio was **22.66X** as at Q1 2018, relative to the **23.75X** as at FY 2017.

## Negatives

- **Small Free Float** – Of the approximately **353.40M** shares of the Company, only approximately **70.7M**, (20.00% of total shares offered) will be issued with a further **52.68M** shares being made available to the general public. The scarcity of shares could inhibit trading activity which could curtail potential upside.
- **Reliance on Independent Services** - The Company utilizes the services of an independent radiologist (Dr. Kevin Palmer) and West Indies Radiology Outsourcing Limited (“WIROL”) to provide radiology services. If WIROL were to terminate the provision of its services unexpectedly the Company’s operations would be significantly disrupted which could result in a reduction of income.
- **Foreign Currency Exposure** – Elite’s Diagnostic equipment is purchased abroad with foreign currency - typically United States dollars (US\$). The depreciation of the Jamaican dollar relative to the US\$ would increase the Company’s payment obligations to its supplier.
- **Lack of Comparable** – Presently, there is not a like-for-like comparable listed on the Jamaica Stock Exchange, which makes it difficult for investors to benchmark the performance of the Company and to fully assess the potential of the industry.
- **Dependence on Referrals-** As is customary in the industry, Elite relies on the referral of patients from unaffiliated medical practitioners and hospitals who are not obligated or contracted to refer patients to the Company. Therefore, the Company may be affected should Doctors reduce the number of patients they refer to Elite.

## Valuation

### Key Valuation Assumptions

For the Financial Year (FY) 2018 ending June 30<sup>th</sup> 2018 we projected Pre-tax Profit of approximately **J\$65.28M** which would represent a **9.61%** YoY increase relative to FY 2017. This translates to an earnings per share (EPS) of approximately **J\$0.18**. Our projections are predicated on a conservative **25%** growth rate in revenue which is below the since-inception and year-to-date growth trends. We believe the Company will realize additional gains during the year resulting from the opening of a second location and the expansion of its service offerings. Additional operating and depreciation expenses to be incurred as a result of its expansion were accounted for in our projections.

Based on Q1 2018 book value of **J\$237.84M**, the expected inflow of **J\$141.36M** in equity from the IPO, projected FY 2018 earnings coupled with a forecasted retention ratio of **90%** of earnings (the Company has indicated an intended dividend policy of 10% of earnings) we are projecting a Book Value as at the end of FY 2018 of approximately **J\$399.52M** (Book Value per Share of **J\$1.13**).

## Valuation Methods

Elite has no established history of paying conventional dividends which prevents us from using the Dividend Discount Model as an effective basis for estimating the Company's valuation. The Company is also currently in the growth phase of their life cycle and therefore likely to have volatile cash flows. This has inhibited the effectiveness of Free Cash Flow models in valuing the Company. We have therefore opted to use market multiples as a basis of valuing the Company. We have opted to utilize the Price to Earnings (P/E) and Price to Book (P/B) models to value the Company.

### Price -to-Earnings Ratio Valuation Method:

Based Elite Diagnostic's proposed IPO price of **J\$2.00** and their 12-month trailing Pre-Tax Earnings per Share (EPS) of **J\$0.19** up to September 2017, the Company's listing P/E ratio was calculated at **10.64X**. This is higher than the Company's comparables which currently trade at an estimated **9.13X**<sup>5</sup>.

JSE JUNIOR MARKET SERVICES RELATIVE MULTIPLES		
NAME	Price/ Earning (x)	Price/Book (x)
Elite Diagnostics	10.64	2.97
CAC 2000 Ltd	10.50	2.50
Gwest Corporation	7.76	4.44
<b>Services Industry</b>	<b>9.13</b>	<b>3.47</b>
Junior Market Average	23.07	4.94

We are projecting Earnings per share of **J\$0.18** (Pre-Tax Income of **J\$65.28M**) in FY 2018 which translates to a **10.83X** on projected FY 2018 Pre-Tax Earnings. We believe that a reasonable P/E multiple for Elite given the expected growth in profitability and its comparables is **14.00X**. When the projected multiple is applied to estimated FY 2018 earnings the P/E Method implies a fair value of **J\$2.59**, which is **29.30%** upside to the Company's listing price.

### Price -to-Book Ratio Valuation Method:

Based Elite Diagnostic's proposed IPO price of **J\$2.00** and their book value per share of **J\$0.67** as at September 2017, the Company's listing P/B ratio was calculated at **2.97X**. This is lower than the Company's comparables which currently trade at an estimated **3.47X**<sup>6</sup>. We are projecting book value per share of **J\$1.13** in FY 2018 which translates to a P/B **1.77X** at the listing price. We believe that a reasonable P/B multiple for Elite given the expected growth in profitability and its comparables is **2.80X**. When the projected multiple is applied to estimated FY 2018 Book Value year-end, the P/B Method implies a fair value of **J\$3.17**, which is **58.27%** upside to the Company's listing price.

The average of both methods produces an estimated fair value of **J\$2.88** which implies **43.79%** upside from the intended IPO price which implies that stock is a **BUY** at these levels.

P/E Valuation	J\$2.59
P/B Valuation	J\$3.17
<b>Fair Value</b>	<b>J\$2.88</b>

<sup>5</sup> JNFM estimate as at January 15, 2018 adjusted for outliers

<sup>6</sup> JNFM estimate as at January 15, 2018 adjusted for outliers

## Risk to Valuation:

Key downside risks that could prevent the Elite shares from trading at our fair value estimate include;

1. The Company's is dependent on its contractual arrangements with international suppliers General Electric, and if any such relationship suffered or was terminated, the Company's business and profits could be affected.
2. A general downturn in the broad local equity market which could compress market multiples.
3. The low free share float (14.9% of overall shares) could adversely impact trading activity.

# Appendix

## Financial Statements

INCOME STATEMENT EXTRACT							
J\$M ('000)						Unaudited	
Jun-30 Year End	2014	2015	2016	2017	Sep-16	Sep-17	
Revenues	<b>58,335.54</b>	<b>132,650.92</b>	<b>193,542.64</b>	<b>263,096.18</b>	<b>56,881.65</b>	<b>69,814.90</b>	
Costs of Goods Sold	(20,965.90)	(45,796.75)	(71,618.32)	(87,406.89)	(20,451.47)	(21,732.13)	
Gross Profit	37,369.64	86,854.17	121,924.31	175,689.29	36,430.18	48,082.77	
Other income	289.78	3.77	94.68	173.44	-	-	
Administrative expenses	(41,784.79)	(50,867.57)	(61,466.97)	(80,658.16)	(19,513.26)	(20,892.16)	
Depreciation and amortisation	(25,587.35)	(25,722.62)	(26,944.49)	(28,023.29)	(6,912.98)	(8,755.82)	
Total Operating Expenses	(67,372.15)	(76,590.19)	(88,411.46)	(108,681.45)	(26,426.24)	(29,647.98)	
Operating profit	(29,712.73)	10,267.75	33,607.53	67,181.28	10,003.94	18,434.79	
Foreign gain/(loss)	(8,696.32)	(3.45)	(87.84)	415.09	-	-	
Net Other Income/Expense	-	-	-	-	-	(1,044.52)	
Finance costs	(10,274.31)	(9,878.17)	(10,326.03)	(8,040.02)	(2,553.74)	(3,081.96)	
EBITDA	(12,821.70)	35,986.93	60,464.19	95,619.66	16,916.92	26,146.09	
Profit before tax	(48,683.35)	386.14	23,193.66	59,556.34	7,450.20	14,308.31	
Income tax expense	-	111.94	5,633.97	(15,350.93)	(1,863.00)	(3,578.00)	
Net Profit	<b>(48,683.35)</b>	<b>498.08</b>	<b>28,827.63</b>	<b>44,205.42</b>	<b>5,587.20</b>	<b>10,730.31</b>	
BALANCE SHEET EXTRACT							
J\$M ('000)							
Jun-30 Year End	2014	2015	2016	2017	Sep-16	Sep-17	
<b>CURRENT ASSETS</b>							
Cash and bank balances	6,469.01	21,134.51	57,049.91	76,303.12	64,636.71	109,697.26	
Trade and other receivables	6,630.06	8,783.49	7,087.10	6,097.02	4,060.40	4,826.93	
Other Current Assets	-	-	-	-	5,670.98	5,454.82	
Prepayment	1,266.58	779.38	734.90	734.90	-	-	
Total Current Assets	<b>14,365.66</b>	<b>32,997.38</b>	<b>64,871.91</b>	<b>83,135.05</b>	<b>74,368.09</b>	<b>119,979.01</b>	
<b>NON-CURRENT ASSETS</b>							
Fixed assets- Property Plant & Equipment	224,951.78	200,489.38	185,365.71	187,897.75	186,276.62	245,923.99	
Total Non-Current Assets	<b>224,951.78</b>	<b>200,881.13</b>	<b>195,859.78</b>	<b>187,897.75</b>	<b>186,276.62</b>	<b>245,923.99</b>	
<b>TOTAL ASSETS</b>	<b>239,317.44</b>	<b>233,878.51</b>	<b>260,731.69</b>	<b>271,032.80</b>	<b>260,644.71</b>	<b>365,902.99</b>	
<b>CURRENT LIABILITIES</b>							
Trade & Other Payables	7,080.35	10,688.68	13,324.91	3,500.82	13,834.95	4,250.88	
Other Current Liabilities	-	-	-	-	2,187.16	2,564.27	
Total Current Liabilities	<b>10,636.40</b>	<b>13,082.25</b>	<b>13,324.91</b>	<b>3,500.82</b>	<b>13,834.95</b>	<b>4,250.88</b>	
<b>NON - CURRENT LIABILITIES</b>							
Long term Liabilities	78,684.17	70,301.31	68,084.20	34,548.97	-	-	
Loans	-	-	-	-	60,036.98	114,360.79	
Deferred tax liability	-	-	-	9,455.02	1,863.00	13,033.02	
Total Non-Current Liabilities	<b>78,684.17</b>	<b>70,301.31</b>	<b>68,084.20</b>	<b>44,003.99</b>	<b>61,899.98</b>	<b>127,393.81</b>	
Total Debt	78,684.17	70,301.31	68,084.20	34,548.97	60,036.98	114,360.79	
<b>TOTAL LIABILITIES</b>	<b>89,320.57</b>	<b>83,383.56</b>	<b>81,409.11</b>	<b>47,504.80</b>	<b>75,734.93</b>	<b>131,644.69</b>	
<b>EQUITY</b>							
Share Capital	217,848.06	217,848.06	217,848.06	217,848.06	217,848.06	217,848.06	
Retained Earnings	(67,851.19)	(67,353.12)	(38,525.49)	5,679.93	(38,525.49)	5,679.93	
Net Income	-	-	-	-	5,587.20	10,730.31	
Shareholders Equity	<b>149,996.87</b>	<b>150,494.95</b>	<b>179,322.58</b>	<b>223,527.99</b>	<b>184,909.78</b>	<b>234,258.30</b>	
<b>Total Liabilities and Equity</b>	<b>239,317.44</b>	<b>233,878.51</b>	<b>260,731.69</b>	<b>271,032.80</b>	<b>260,644.71</b>	<b>365,902.99</b>	

CASHFLOW STATEMENT EXTRACT						
J\$M ('000)						
Jun-30 Year End	2014	2015	2016	2017	Sep-16	Sep-17
Cashflow from Operations	(44,744.22)	27,771.05	50,046.90	83,343.78	23,457.91	20,364.37
Working Capital	3,729.25	19,915.14	51,547.00	79,634.23	60,533.14	115,728.12
KEY FINANCIAL STATISTICS						
Ratios	2014	2015	2016	2017	Sep-16	Sep-17
Liquidity Ratios						
Current Ratio	1.35	2.52	4.87	23.75	5.38	28.22
Cash Ratio	0.61	1.62	4.28	21.80	4.67	25.81
Profitability Ratios						
Return on Equity	-32.46%	0.33%	16.08%	19.78%		27.62%
Return on Assets	-20.34%	0.21%	11.06%	16.31%	-	17.68%
Gross Margin	64.06%	65.48%	63.00%	66.78%	64.05%	68.87%
Operating Margin	-50.93%	7.74%	17.36%	25.53%	0.13	0.22
Pre-tax Profit Margin	-83.45%	0.29%	11.98%	22.64%	0.13	0.20
Profit Margin	-83.45%	0.38%	14.89%	16.80%	9.82%	15.37%
Efficiency Ratios						
Asset Turnover Ratio (x)	0.24	0.57	0.74	0.97	0.22	0.19
Receivables Turnover (x)	8.80	17.21	24.39	39.91	11.20	15.71
Credit Ratios						
Leverage Ratio (x)	1.60	1.55	1.45	1.21	1.41	1.56
Total Debt/EBITDA (x)	(6.14)	1.95	1.13	0.36	-	1.09
EBITDA/Interest Expense (x)	(1.25)	3.64	5.86	11.89	6.62	8.48
Total Debt/Total Equity	52.46%	46.71%	37.97%	15.46%	32.47%	48.82%
Total Debt/Total Assets	32.88%	30.06%	26.11%	12.75%	23.03%	31.25%

## SHAREHOLDERS

### Prior to Invitation

Shareholders for Elite Diagnostics Ltd.		
SHAREHOLDER	NUMBER OF SHARES	%
Excel Investments Inc. Ltd.	145,140,264	51.34%
NCB Capital Markets Ltd.	83,713,392	29.61%
Sagicor Investments Ltd.	27,904,464	9.87%
Barnett Ltd.	22,165,248	7.84%
Lizette Mowatt	3,703,632	1.31%
Warren Chung	93,000	0.03%
<b>TOTAL</b>	<b>282,720,000</b>	<b>100.0%</b>

### After to Invitation

Shareholders for Elite Diagnostics Ltd.		
SHAREHOLDER	NUMBER OF SHARES	%
Excel Investments Inc. Ltd.	145,140,264	41.1%
NCB Capital Markets Ltd.	83,713,392	23.7%
Sagicor Investments Ltd.	27,904,464	7.9%
Barnett Ltd.	22,165,248	6.3%
Lizette Mowatt	3,703,632	1.0%
Warren Chung	93,000	0.0%
Reserve Share Applicants	18,000,000	5.1%
Members of the Public	52,680,000	14.9%
<b>TOTAL</b>	<b>353,400,000</b>	<b>100.0%</b>

All the Company's issued Ordinary Shares will be converted into stock units.

## Board of Directors

### Steven Gooden

#### Chairman

Steven Gooden is the Chief Executive Officer of NCB Capital Markets Limited, which under his leadership has expanded into the southern and eastern Caribbean via the establishment of hubs in the Cayman Islands, Trinidad & Tobago and Barbados. Steven's ascension to executive management was at 26 years old when he was appointed General Manager for one of Jamaica's leading fund management companies. In 2009, he re-joined NCB Capital Markets as Vice President, Investments and Trading where he successfully integrated the investment management functions of the Group's subsidiaries with combined assets exceeding US\$2billion. Steven is a holder of the Chartered Financial Analyst (CFA) designation, has a Master's Degree in Finance and Economics and a Bachelor's degree in Economics and Accounting. He has also participated in executive development courses at Chicago Booth and Wharton Business schools covering strategy, change leadership and mergers & acquisitions. Steven sits on the board of directors of several companies within the NCB Group, the Jamaica Stock Exchange Limited and the Caribbean Mezzanine Fund Limited. Additionally, he is the Chairman of NCB Global Finance Ltd and NCB Capital Markets (Barbados) Limited as well as President of the Jamaica Securities Dealers Association.

### Warren Chung

#### Executive Director

Warren Chung has 5 years' experience in the medical imaging business. He has overseen the growth of the Company since its inception. He has a Bachelors Degree in Business Management from Florida International University. Warren is part owner of Majesty Foods, Inc., a USDA, HACCP and SQF food manufacturing Company in South Florida and was the Managing Director of the Company from 1997-2011.

From the business point, Warren focuses on promoting and developing the business; ensuring that there is adequate administrative support and information technology to facilitate the cost-effective delivery of the service.

### Dr. Neil Fong

#### Executive Director

Dr Neil Fong has 9 years' experience in the medical imaging field. He has a B.Sc. in Chemistry from Florida International University and a medical degree, M.B.B.S. (1999) from the University of the West Indies. He is also Director of PDT Foods Ltd. He has been with Elite Diagnostic since its inception. Dr. Fong ensures that the Company delivers a consistently high standard of medical diagnostic services using well-trained and experienced specialists working with the latest technology.



## Andre Ho-Lung

### Non-Executive Director

Andre Ho-Lung is the Senior Assistant General Manager-Finance at NCB and primarily leads the finance and accounting functions for the five largest subsidiaries of the NCB Group of companies as well as the NCBJ Group's Investment Accounting function. He has seventeen years' experience in managing the finance units of various financial services companies, including Life Insurance, Securities Dealership and General Insurance in two of the largest banking groups in Jamaica. Prior to specialising in financial services he spent seven years in Audit and Advisory services with PricewaterhouseCoopers. Mr. Ho Lung is a Fellow of the Association of Chartered Certified Accountants ("ACCA") and holds a Master's Degree in Accounting from the University of the West Indies

## Kevin Donaldson

### Non-Executive Director

Kevin joined Sagicor Investments in 2016 and has oversight of the Fund Management and the Capital Markets Division where he manages over US\$600 million in assets. He has over 15 years' experience in the financial industry, spanning several areas of the industry at both the local and international level. Previous to joining Sagicor Investments, Kevin was involved in the fund raising and strategic activities of the GraceKennedy Group. Kevin has a M.B.A. in Banking and Finance from Mona School of Business, a B.Sc. in Economics from the University of the West Indies and a Certification in Risk and Reinsurance from the Insurance College of Jamaica

## Paula Kerr-Jarrett

### Non-Executive Director

Paula attended the University of London (SOAS &UCL) where she gained both her B.A. and LL.M degrees. She attended the Norman Manley Law School where she qualified as an Attorney-at-Law. She is a Director of the Barnett Group of Companies. She has also served as a Director on the boards of the TEF and JAMPRO and is currently a Director on the Branson Centre for Entrepreneurship Board (Founding Member); We Care for Cornwall Regional (Non-Profit group assisting Cornwall Regional Hospital with funding); Ambassador for the UWI (Western Campus) and Council Member of the Economic Growth Council (EGC). In addition to her community work, Paula works along with her husband Mark Kerr-Jarrett in the management of their family business, Barnett Estates. She also has direct oversight of that Company's investments and the business development strategy of the Barnett group, in particular. Most recently she spear-headed the development of the Barnett Tech Park.

## Quentin Hugh Sam

### Non-Executive Director

Quentin Hugh Sam is an experienced entrepreneur with over 30 years in the business community in Canada and Jamaica. He is a graduate of the University of Miami in Accounting. Quentin is currently a Director of Clean Chem Limited. Over the years he has invested in several successful business ventures. He has been on the Board of Directors of Elite since 2013.

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## Peter D. Chin

### Non-Executive Director

Peter D. Chin has over twenty years experience in the fields of investment and financial management, commercial lending and project finance, providing services to major institutions such as Grace Kennedy & Co. Limited, IBM and Issa Trust and Merchant Bank Limited. He has a B.Sc. in Management Studies from the University of the West Indies and an M.B.A. from George Washington University. He is President of Alliance Investment Management Limited, an investment management Company and licensed securities dealer, Alliance Financial Services Limited and Alliance Finance Limited; former Independent Director and Chairman of the Audit Committee, Supreme Ventures Limited; Independent Director and Chairman, Compensation Committee, AMG Packaging and Paper Company Limited. Mr. Chin is also President of the Jamaica Golf Association, Past President of the Munro Old Boys' Association and the Jamaica Securities Dealers Association.

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## William Mahfood

### Non-Executive Director

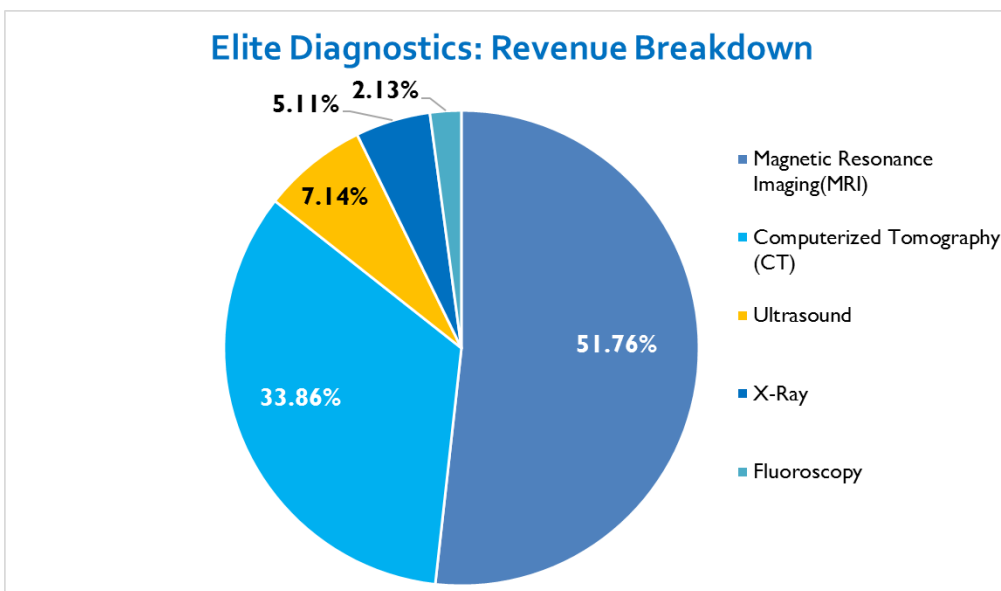
William Mahfood is Chairman of Wisynco Group Limited, a Jamaican Company involved in the manufacture, distribution and retail of beverages, quick service restaurants and consumer products. William's career began as a warehouse supervisor at Wisynco Trading. This followed with a 20-year stint as the Company's Managing Director then as Chairman of Wisynco Group Limited in 2014. During his time at Wisynco, he and his team launched a number of beverage products such as WATA, CRAN-WATA, BIGGA and BOOM. These combined with many other brands that the Company holds makes Wisynco one of the largest beverage companies in Jamaica today. William has served on teams in support of national interests, these include The Shaggy Foundation, Food for the Poor, Violence Prevention Alliance, Laws Street Trade Training Centre, Crime Stop, the Electricity Sector Enterprise Team, and was appointed President of the Private Sector Organization of Jamaica (2014-2016). He has also served on numerous boards including Jamaica National Building Society (now JN Bank Limited) amongst others. In 2011, William received an honorary doctor of public service degree from Northern Caribbean University and in 2016 he was awarded the American Chamber of Commerce Business and Civic Leadership Awards for Excellence -President's Award for his contribution to national development and Brand Jamaica. Most recently, William was awarded the American Friends of Jamaica 2017 International Humanitarian Award in recognition of his contribution to the improvement of the lives of Jamaicans. William received his degree in Industrial Engineering and Information Systems from Northeastern University in Boston, Massachusetts.

## Overview of Elite Diagnostics' Services

As at December 2017, the Company's medical equipment in total at its two locations are 2 MRI Machines (1 to be installed), 1 CT Scan Machine, 1 X-Ray Machine, 1 C-Arm Machine and 2 Ultrasound Machines. We estimated the useful year left of its medical equipment (excluding the 3 additional machines purchased for the second location last year).

Medical Equipment	Average Life Expectancy
Magnetic Resonance Imaging (MRI)	11.4
Computed Tomography (CT) Scan	8
X-Ray Imaging	8
Ultrasound	12
	<b>9.85</b>
Years Gone	4
Est. Useful Years Left	6.53
<b>Total Useful Years</b>	<b>10.53</b>

Average Cost of Service	
Magnetic Resonance Imaging(MRI)	\$36,713.00
Ultra Sounds	\$8,084.00
Fluoroscopy	\$10,268.00
CT - Scan	\$28,345.00
X-Ray	\$3,984.00



Services/Imaging Modalities	Description	Studies
MRI	Magnetic Resonance Imaging is a medical diagnostic technique that uses large magnet and radio frequency to view inside the body. MRI is a painless procedure that allows your doctor to view certain types of tissue and can provide very important information about the brain, spine, joints and internal organs. In addition, it allows your physician to early detect disease or injuries, and start treatment as soon as possible.	<ul style="list-style-type: none"> <li>• Brain</li> <li>• Lumbar Spine</li> <li>• Cervical Spine</li> <li>• Thoracic Spine</li> <li>• Knee</li> </ul>
CT Scan	Computed Tomography (CT), more commonly known as a CAT scan, uses special x-ray equipment to obtain information from different angles around the body. Computers are then used to process the information and create cross-sectional images that appear as “slices” of the body and organs. CT is fast, patient friendly and has the unique ability to image a combination of	<ul style="list-style-type: none"> <li>• Brain</li> <li>• Chest</li> <li>• Abdomen</li> <li>• Pelvis</li> </ul>
X-Ray	An imaging technique which involves exposing a body part to a small dose of radiation to produce an image of an internal organ. An X-ray image is produced when a small amount of radiation passes through the body and strikes an image sensitive plate placed on the other side of the body. This film is then placed in a developing machine	<ul style="list-style-type: none"> <li>• Chest</li> <li>• Ankle</li> <li>• Knee</li> <li>• Foot</li> </ul>
Ultrasound	Ultrasound uses high frequency sound waves to obtain images of the human body. The sound waves are transmitted, and then received through a hand-held device called a transducer. A computer converts this information into images, which the skilled sonographer can observe continuously while moving the transducer over the skin, constantly changing the point of view and adjusting technical factors to demonstrate the anatomy to best advantage. A unique feature of sonography is that it involves no exposure to x-rays, and the pictures can be seen in real time.	<ul style="list-style-type: none"> <li>• Abdominal</li> <li>• Pelvic</li> <li>• Thyroid</li> <li>• Liver</li> </ul>
Fluoroscopy	Fluoroscopy is the use of an x-ray system that allows the radiologist to view x-ray images on a computer monitor over time. Many types of fluoroscopic exams use different types of contrast agent that allow various organs to be watched as they function. Examples of these procedures include: barium meal, barium enema, intravenous pyelogram and HSG (hysterosalpingraply)	

Interventional Procedures	Description	Studies
Angiogram	An imaging technique using X- rays, a special dye and a camera to visualize the inside of blood vessels and internal organs	<ul style="list-style-type: none"> <li>• Blood Vessels</li> <li>• Heart</li> </ul>
Port-A-Cath	A implantable venous access device that is placed under the skin (usually the chest) used to draw blood and inject drugs or intravenous fluids	
Hysterosalpingogram (HSG)	An X-ray procedure used to investigate the uterus and fallopian tubes	<ul style="list-style-type: none"> <li>• Uterus</li> <li>• Fallopian Tubes</li> </ul>
Ultrasound Biopsy	A procedure in which a needle guided by ultrasound is used to remove a sample of tissue for laboratory testing.	
Arthrogram	An imaging technique using X- rays to obtain a series of images of a joint after a contrast medium has been injected into the joint	<ul style="list-style-type: none"> <li>• Ankle</li> <li>• Knee</li> <li>• Shoulder</li> </ul>

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