



# Initial Public Offering: Fontana Limited

## Company Description

Fontana Limited operates a network of pharmacies and retail stores in Jamaica and currently has 5 locations across the island (Montego Bay, Mandeville, Barbican, Ocho Rios and Sav-La-Mar). The Company plans to open a new branch on Waterloo Road in Kingston Square in 2019 and plans thereafter to expand its branch network in Montego Bay and Portmore. Fontana's core business entails the sale of pharmaceutical products through their licensed pharmacies. In addition to its core business, Fontana Limited offers a wide range of beauty and cosmetic items, housewares, home décor, toys, baby items, electronic, school and souvenir products. The Company was established in 1968 at the Manchester Shopping

Center in Mandeville by Shingue "Bobby" Chang and Angela Chang. Currently the Company is managed by Chairman - Kevin O'Brien Chang, Chief Executive Officer - Anne Chang and Chief Operating Officer - Raymond Therrien with the support of Independent Directors and a team of 330 employees. Fontana Limited employs various customer engagement tools such as a loyalty card programme and an e-commerce platform, which is supported by a call centre that handles customer queries. The Company also has extensive geographical reach through its online shopping platform ([www.fontanapharmacy.com](http://www.fontanapharmacy.com)) which is utilized by both customers locally and internationally.

## Analyst's Opinion

Over the past 50 years, Fontana has successfully extended its reach from Mandeville to other major locations in Jamaica, whilst strengthening its brand image in the competitive local retail pharmacy market. The Company has maintained increasing sales over the last five (5) financial years with sales growth slowing sharply in FY 2018 due to the state of emergency in Montego Bay and major road works in the Barbican area which affected two of their major branches. Fontana has also effectively and efficiently converted increased sales into increased profitability. The Company is expected to further expand its reach by opening a new branch on Waterloo Road in Kingston in the latter half of 2019.

Though this store may cannibalize sales from its Barbican store, we expect that it should present a net benefit to the company. Fontana is offering to investors approximately **250M** (or **20%** of the Company) ordinary shares at a price of **J\$1.88** per share. The IPO price represents **6.84** multiple of current Pre-Tax Earnings (Trailing Twelve Months) and a **6.06** multiple of our projections for FY 2019 earnings. We believe that the stock is being listed at a significant discount to its fair value and as such we believe it represents a rare value opportunity for prospective investors. Our estimated fair value of **J\$3.99**, implies a potential upside of **112.44%** from the listing price. Based on the stated dividend policy of a **25%** pay-out ratio, we estimate dividends for FY 2019 to be **J\$0.08** per share. This translates to a potential dividend yield of **4.13%** on the listing price and an estimated 1-Year Total return of **116.56%**. **As such, we recommend buying Fontana at its IPO price.**

### Key Features:

IPO Price	J\$1.88
Estimated Fair Value	J\$3.99
Implied Downside	112.44%
Current P/E (x)	6.84
Current P/B (x)	2.84
Dividend Yield (T12M)	3.35%
TTM Pre-Tax Income (J\$M)	J\$343.62
TTM EPS (J\$)	J\$0.28

**BUY**

**Strong Sell at or above J\$4.99**



**Strong Buy at or below J\$3.00**

### Global Investment Research Unit

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

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

**April Walters**  
Senior Research & Investment  
Strategy Analyst  
aprilw@jngroup.com

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

## Summary of Offer

Fontana Limited is seeking to raise **J\$468.08M** through the issuance of **249,874,965** ordinary shares to prospective investors through an Initial Public Offering (IPO). The Company has stated that of the **J\$468.08M** raised approximately **J\$234.04M** will accrue to the Company while the remaining **J\$234.04M** will accrue to the selling shareholders. The proceeds of the IPO are expected to be used to take advantage of opportunities for business expansion and improvement, working capital and general corporate purposes, as well as to pay the expenses associated with the listing. If the listing is successful, the Company has stated its intention to pay dividends of not less than **25%** of profits available for distribution; subject to the need to maintain funds to re-invest earnings for growth. A summary of the details of the offer is in the table below and the full details are in the [Prospectus](#).

<b>Issuer</b>	<b>Fontana Limited</b>
<b>Exchange</b>	The Jamaica Stock Exchange's Junior Market
<b>Offer Period</b>	Opening Date: December 13, 2018 at 9:00AM Closing Date: December 20, 2018 at 4:00 PM
<b>Broker</b>	Scotia Investments Limited
<b>Shares Offered</b>	The Company is seeking to raise approximately <b>J\$468.08M</b> by inviting Applications to subscribe for up to <b>249,874,965</b> Shares. These shares will be distributed as follows; - <b>2,961,834 (0.24%)</b> Employee Gifts - <b>87,706,113 (7.02%)</b> Strategic Partners - <b>39,855,057 (3.19%)</b> Key Customers and Doctors - <b>5,917,159 (0.47%)</b> Company Reserved Shares - <b>113,434,802 (9.08%)</b> General Public
<b>Pricing</b>	<b>J\$1.88</b> per share (General Public and Other Shares). <b>Except:</b> <b>J\$1.69</b> per share (Company Reserved Shares and the Employee Gift Shares Only) Payments <b>MUST</b> be made at the time of Application along with a <b>J\$163.10</b> processing fee.
<b>Use of Proceeds</b>	The Board of Directors intends to use the proceeds due to the Company from a successful Invitation from the Subscription Shares, take advantage of opportunities for improvement and expansion of the business, working capital and general corporate purposes, and the payment of the expenses of the Invitation.
<b>Minimum Subscription</b>	5,000 shares

## Financial Analysis

### Revenue & Profitability

Between FY 2014 and FY 2018 Fontana experienced a Compound Annual Growth Rate (CAGR) in Sales of **17.63%**. The Company has seen a significant growth in revenue stemming from the expansion of its branch network and increased brand presence. The Company's Kingston and Ocho Rios branches represent **27%** and **16%** of the total sales, respectively, as at FY 2018, whilst the Montego Bay and Barbican Square locations together represented **62%**. During FY 2018 ending June 30, 2018, Revenue grew year-over-year (YoY) by **8.66%** to **J\$3.4B**. This YoY movement represents a slowdown in sales relative to the **15.66%** and **21.26%** YoY increase in FY 2017 and FY 2016, respectively.

### Global Investment Research Unit

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

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

**April Walters**  
Senior Research & Investment  
Strategy Analyst  
aprilw@jngroup.com

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

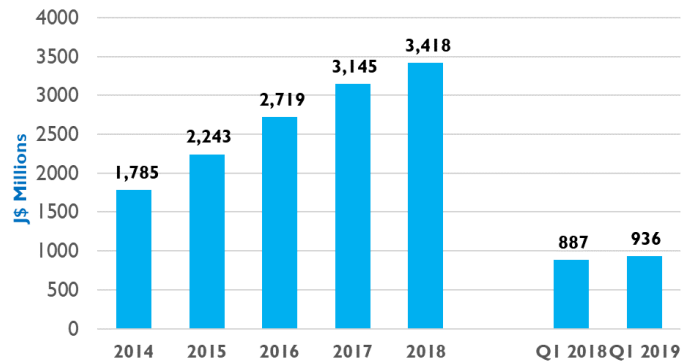
Fontana has attributed the slowdown in revenue growth to the roadworks near their Barbican Square branch which temporarily reduced client access to the location, and the State of Emergency in Montego Bay that forced the Fairview branch to shorten its opening hours and decreased client traffic overall. For the 1st quarter ending September 30, 2018 (Q1 2019) total revenue generated was **J\$935.81M**, a **5.5%** increase relative to the **J\$886.97M** recorded over comparable 2017 period.

Fontana's Gross Profit grew by only **5.85%** in FY 2018 to **J\$1.3B** as the **10.44%** YoY growth in Cost of sales outpaced the growth in revenue. The Gross Profit Margin fell to **37.72%** in FY 2018 from the **38.72%** in FY 2017 given the slowdown in revenue growth. Cost of sales has grown at a CAGR of **15.65%** between FY 2014 and 2018. The Company has stated that they currently source approximately **75%** of total purchases locally inclusive of pharmaceuticals, over the counter drugs, cosmetics and beauty supplies. The bulk of the higher margin items such as toys, housewares, and gift items are imported directly from overseas markets. Gross Profits in Q1 2019 reflected a **24.90%** growth relative to Q1 2018. The sharp rise in Gross Profits for the 1<sup>st</sup> quarter of 2019 reflects a decline in cost of goods sold during the period and resulted in an expansion in the Gross Margin from **26.69%** to **31.60%**.

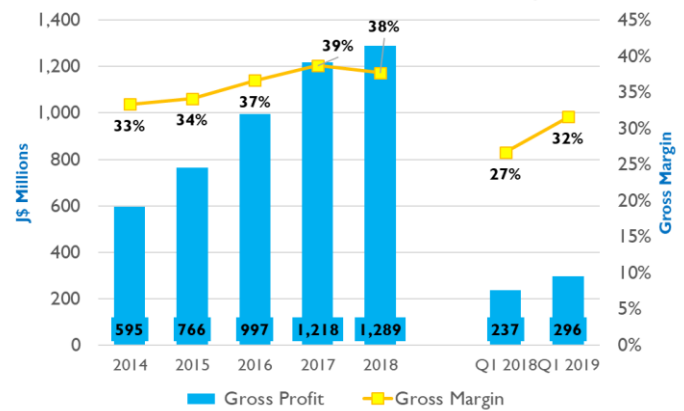
Total Expenses increased, YoY in FY 2018, by **11.54%** or **J\$97.55M** to **J\$943.171M** driven by a growth in Administrative & Other expenses. Additional staff compensation resulted in a **14%** increase in staff expenses from **J\$356.14M** in FY 2017 to **J\$405.1M** in FY 2018. The increases in expenses both combined to adversely impact over profitability. Operating Profits fell by **7.07%** to **J\$345.88M** in FY 2018 whilst Operating Profit Margin fell to **10.12%** from **11.83%**. For Q1 2019, total expenses grew by **8.79%** compared to **J\$238.14M**, however, Operating Profit rose over the same period by **J\$39.7M** to **J\$57.59M**.

Net Profit for FY 2018 decreased by **5.57%** over FY 2017, falling from **J\$261.89M** to **J\$247.31M** whilst the Net Profit Margin fell from **8.33%** to **7.24%**. Due to the improvement in gross and operating margins over the 1<sup>st</sup> quarter of the 2019, Profits before tax over the period increased by **352.89%** to **J\$52.05M** from **J\$11.49M** in Q1 2018. The Company reported that this reflected a normalization of its operating results given the completion of roadworks in the Barbican area.

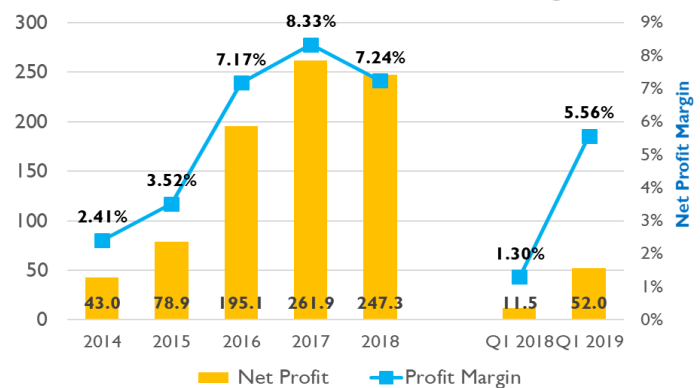
Fontana Limited's Historical Revenue



Fontana Limited's Gross Profit & Margin



Fontana Limited's Net Profit & Margin



**Global Investment Research Unit**

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

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

**April Walters**  
Senior Research & Investment  
Strategy Analyst  
aprilw@jngroup.com

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

## Asset Quality, Liquidity and Solvency

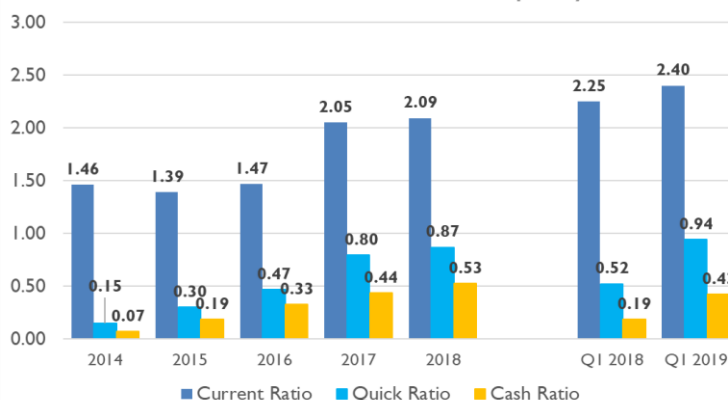
Fontana maintained a fair level of liquidity between FY 2014 and FY 2018 with their Current Ratio remaining well above the benchmark of **1X**. Their Current Ratio rose to **2.09X** in FY 2018 ending June 2018 from **2.05X** in FY 2017 and rose further to **2.40X** as at the end of Q1 2019 ending September 30<sup>th</sup>, 2018. The cash ratio ending FY 2018 at **0.53X** and Q1 2019 at **0.43X**. The increase in the Company's financial position post FY 2017 seemingly coincides with its branch expansion. Fontana's operating Cash Flows remained positive between FY 2015 and FY 2018, ending FY 2018 at **J\$297.2M**, a **119.93%** increase from FY 2017. The increase in FY 2018 was due to lower inventory purchases and inflows from related parties.

Fontana's asset base has exhibited a CAGR of **25.43%** between FY 2014 and FY 2018 driven by the growth in cash & cash equivalents, its physical expansion of its store network and inventory growth. In FY 2018, Total Assets rose by **19.87%** or **J\$278.88M** to **J\$1.68B**, YoY, driven by an addition to intangible assets (goodwill) and increase cash & cash equivalents. Fontana's goodwill stems from the acquisition of the related company Fontana Kingston Ltd. Back in 2013, Fontana Kingston Limited acquired the assets and goodwill of Azmart in Barbican square which was rebranded to Fontana Pharmacy.

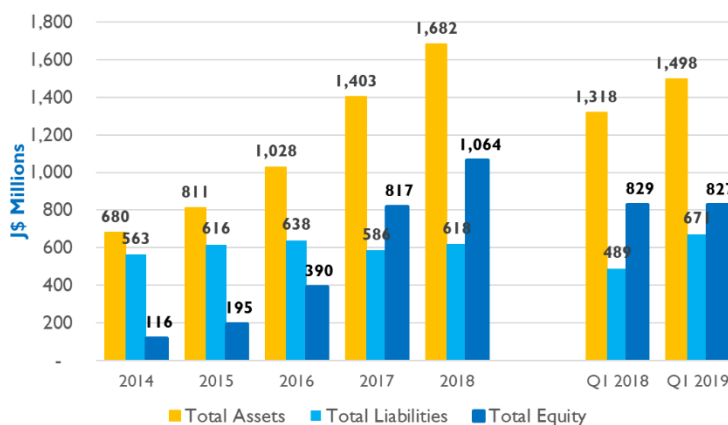
Total assets fell by **J\$183.74M** or **10.92%** as at Q1 2019 ending September 30, 2018, relative to FY 2018, due to the **J\$294.66M** decline in property plant & equipment. During July 2018, Fontana opted to de-recognize the real assets comprising of the buildings holding the warehouse in Montego Bay (36 Bogue Industrial Estate) and the store in Manchester (lots 5, 6 & 7 Manchester Shopping Centre). These were transferred out to a related company, Fontana Properties Limited with the shortfall being funded from the Fontana's accumulated surplus as at June 30, 2018. As such, Fontana Limited has now entered into a leasehold agreement to pay its affiliated company, Fontana Properties, rent on the stores located in the Mandeville shopping centre and Bogue Estate.

Consequently, Total equity fell as at Q1 2019 by **J\$237.37M** or **22.30%** to **J\$827.11M** from **J\$1.06B** as at FY 2018. Meanwhile, during the first quarter of 2019 (Q1 2019) Fontana made a deposit of **J\$106.34M** on its new development in Waterloo Square, Kingston. Total Liabilities fell by **5.39%** or **J\$31.58M** to **J\$617.72M** as at FY 2018 ending June 2018 and rose only slightly by **8.68%** to **J\$671.35M** as at Q1 2019. Fontana's Total Debt has fluctuated between FY 2014 and FY 2018, ending at **J\$132.71M** as at Q1 2019. Due to equity growth outpacing that of the debt and relatively low reliance on debt by Fontana, the Company's debt

### Fontana Limited's Historical Liquidity



### Fontana Limited's Historical Balance Sheet



## Global Investment Research Unit

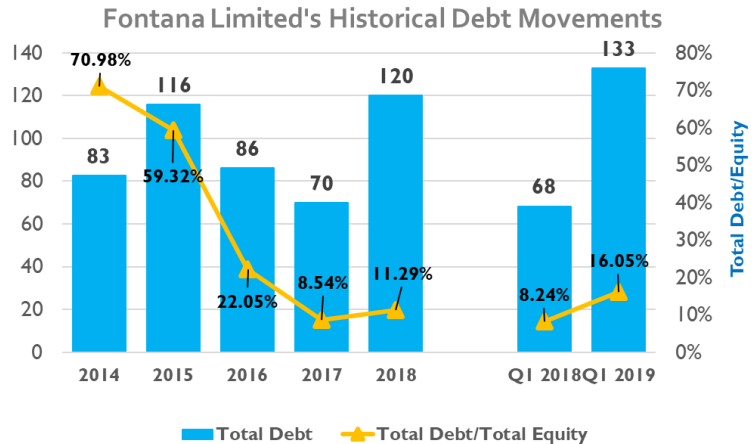
**Ramon Small-Ferguson, CFA, FRM**  
 Chief Investment Strategist &  
 Head of Research  
 rsferguson@jngroup.com

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

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
 aprilw@jngroup.com

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

to equity ratio has remained low over the last 5-Years. Total Equity has a CAGR, as at the end of FY 2018, of **73.91%**; reflective of a strengthening accumulated surplus balance. The debt to equity ratio has fallen from a high of **0.71X** in FY 2014 to now rest at **0.16X** as at the end of Q1 2019. As at FY 2018, debt was largely composed of loan facilities from Scotia Jamaica to fund store expansions and a private bond (note) related to the purchase of the Barbican Square store.



## Investment Positives

**Supportive Macro Environment:** The local and international macroeconomic environment have improved steadily since the Global Financial Crisis. These improvements have resulted in greater consumer confidence and greater levels of discretionary income to be spent with retailers such as Fontana. According to the latest Jamaica Conference Board Consumer & Business Confidence report, Consumer confidence in the third quarter of 2018 was recorded at 172.6 points, up from 159.1 in the second quarter, the highest level since the survey began in 2001 and was largely attributed to the views of current and future job prospects.

**Robust Historical Revenue & Earnings Growth:** Between FY 2014-FY 2018, the Company has exhibited a consistent growth in sales, having a CAGR rate of **17.63%**. This implies a consistent growth in demand for the Company's retail services.

**Significant Market Presence:** The Company operates in a competitive local retail market and therefore, the demand for its goods are likely to be elastic (sensitive) to changes in price levels and the availability of substitutes. However, the significant market presence of Fontana has given them a distinct advantage over other local retail pharmacies.

**Potential Growth Expectations:** Fontana could seek to expand further inorganically through the acquisition of other local pharmacies due to their low leverage and a sound cash position or organically through the opening of other locations in high density areas.

**The Stock is being listed at a significant discount:** Our valuation of Fontana implies a fair value of **J\$3.99** per share, relative to the offer price of **J\$1.88** per share. This implies a potential **112.44%** upside to the stock. This is as the stock is being listed at a P/E of **6.84X** Trailing Pre-Tax Earnings and a P/B of **2.84X** of Q1 2019's book value

## Investment Risks

**Market Competition:** The Company operates in a competitive retail pharmacy market. This industry typically not only competes with other pharmacies that sell discretionary items ranging snacks and beverages to party gifts and kitchen ware, but they compete with non-pharmacy retailers.

### Global Investment Research Unit

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

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

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
 aprilw@jngroup.com

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

## Valuation Estimate

We are projecting full FY 2019 Earnings before Taxes (EBT) up to June 2019 of approximately **J\$388M**. This translates to forward 2019 FY earnings per share (EPS) of approximately **J\$0.31**. We believe that the projected earnings are likely to grow over the next few financial years due to an increase in publicity coming out of this IPO

P/E Valuation Method	\$	4.65
P/B Valuation Method	\$	3.33
<b>Fair Value</b>	<b>\$</b>	<b>3.99</b>

listing, the addition of their new store in Kingston, and the possibility of further stores to be added in high density areas. In choosing our Valuation methods, we utilized the Relative Valuation model using both the Price to Earnings (P/E) and P/B multiples. The average of the methods produces an estimated fair value of **J\$3.99** which implies an **112.44%** upside from the IPO price of **J\$1.88**. We therefore rate the stock as a **BUY** at the IPO price.

## Risks to Valuation

- Fontana may continue to grow organically and as such may add additional stores that are not a part of our financial projections
- A general downturn in the broad local economy market; which could negatively impact the domestic market, significantly impacting equity valuations.
- The small relative float and the expected oversubscription is likely to drive prices above the expected range.

### Global Investment Research Unit

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

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

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
 aprilw@jngroup.com

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

## Appendix

### Shareholdings Pre-IPO:

Pre-IPO Shareholders for Fontana Limited		
Name of Shareholder	Share Capital	Percentage Ownership
Burbank Holdings	1,124,437,260	100.00%
<b>TOTAL</b>	<b>1,124,437,260</b>	<b>100.00%</b>

### Shareholdings Post-IPO:

Post-IPO Shareholders for Fontana Limited		
Name of Shareholder	Issued Share Capital	Percentage Ownership
Burbank Holdings Limited	999,499,860	80.00%
Employee Gifts	2,961,834	0.24%
Straetgic Partners	87,706,113	7.02%
Key Customers and Doctors	39,855,057	3.19%
Company Reserved Shares	5,917,159	0.47%
General Public	113,434,802	9.08%
<b>TOTAL</b>	<b>1,249,374,825</b>	<b>100.00%</b>

#### Global Investment Research Unit

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

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

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
 aprilw@jngroup.com

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

## Financial Statement Extracts

## INCOME STATEMENT EXTRACT

June J\$						Sep-17	Sep-18
	2014	2015	2016	2017	2018	Q1 2018	Q1 2019
<b>Revenue</b>	<b>1,785.09</b>	<b>2,242.63</b>	<b>2,719.45</b>	<b>3,145.27</b>	<b>3,417.74</b>	<b>886.97</b>	<b>935.81</b>
Cost of Sales	1,189.87	1,476.91	1,722.76	1,927.48	2,128.69	650.20	640.08
<b>Gross Profit</b>	<b>595.23</b>	<b>765.72</b>	<b>996.69</b>	<b>1,217.80</b>	<b>1,289.05</b>	<b>236.77</b>	<b>295.72</b>
Administrative and Other Expenses	442.58	524.61	628.90	777.20	871.90	205.20	222.70
Selling and Promotion Expense:	40.94	54.23	67.44	68.43	71.27	13.70	15.44
<b>Total Expenses</b>	<b>483.52</b>	<b>578.85</b>	<b>696.34</b>	<b>845.62</b>	<b>943.17</b>	<b>218.90</b>	<b>238.14</b>
<b>Operating Profit</b>	<b>111.70</b>	<b>186.87</b>	<b>300.35</b>	<b>372.18</b>	<b>345.88</b>	<b>17.87</b>	<b>57.59</b>
<b>Other Income</b>	<b>15.59</b>	<b>26.13</b>	<b>30.16</b>	<b>37.58</b>	<b>33.28</b>	<b>9.22</b>	<b>8.52</b>
Finance and Policy Costs	77.80	97.86	93.54	88.21	76.09	15.60	14.06
<b>Profit Before Taxation</b>	<b>49.50</b>	<b>115.15</b>	<b>236.98</b>	<b>321.54</b>	<b>303.06</b>	<b>11.49</b>	<b>52.05</b>
Taxation Charge	6.55	36.23	41.89	59.66	55.76	-	-
<b>Net Profit</b>	<b>42.95</b>	<b>78.92</b>	<b>195.09</b>	<b>261.89</b>	<b>247.31</b>	<b>11.49</b>	<b>52.05</b>

## BALANCE SHEET EXTRACT

June J\$						Sep-17	Sep-18
	2014	2015	2016	2017	2018	Q1 2018	Q1 2019
<b>Non - Current Assets</b>							
Property, plant and equipment	250.49	274.94	295.34	502.49	508.46	510.00	213.80
Intangible asset	-	-	-	-	165.46	61.17	165.46
Other non-current assets	3.12	32.41	58.84	0.81	-	3.10	-
	<b>253.61</b>	<b>307.35</b>	<b>354.19</b>	<b>503.30</b>	<b>673.92</b>	<b>574.27</b>	<b>379.27</b>
<b>Current Assets</b>							
Inventories	381.58	393.89	458.93	549.70	589.11	571.10	680.05
Trade and other receivables	23.28	41.96	62.35	93.81	64.26	110.88	98.09
Other Current Assets	-	0.24	2.64	64.14	101.06	0.14	142.57
Cash and cash equivalents	21.17	67.79	150.19	192.36	253.84	61.58	198.48
	<b>426.03</b>	<b>503.87</b>	<b>674.11</b>	<b>900.01</b>	<b>1,008.27</b>	<b>743.71</b>	<b>1,119.19</b>
<b>Total Assets</b>	<b>679.64</b>	<b>811.22</b>	<b>1,028.30</b>	<b>1,403.31</b>	<b>1,682.19</b>	<b>1,317.98</b>	<b>1,498.45</b>
<b>Non-Current Liabilities</b>							
Long term debt	62.40	79.76	50.72	36.97	63.38	68.27	132.71
Other Non-Current Liabilities	209.61	174.70	128.92	110.27	72.82	90.95	72.82
	<b>272.01</b>	<b>254.47</b>	<b>179.65</b>	<b>147.24</b>	<b>136.20</b>	<b>159.21</b>	<b>205.53</b>
<b>Current Liabilities</b>							
Trade and other payables	200.21	302.38	371.83	358.27	396.03	292.28	439.26
Current portion of long term debt	20.20	36.07	35.37	32.79	56.77	-	-
Other current Liabilities	70.85	23.03	51.08	47.85	28.72	37.82	26.56
	<b>291.26</b>	<b>361.48</b>	<b>458.28</b>	<b>438.90</b>	<b>481.52</b>	<b>330.10</b>	<b>465.82</b>
<b>Total Liabilities</b>	<b>563.28</b>	<b>615.95</b>	<b>637.93</b>	<b>586.14</b>	<b>617.72</b>	<b>489.32</b>	<b>671.35</b>
<b>Equity</b>	<b>116.36</b>	<b>195.28</b>	<b>390.37</b>	<b>817.17</b>	<b>1,064.47</b>	<b>828.66</b>	<b>827.11</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>679.64</b>	<b>811.22</b>	<b>1,028.30</b>	<b>1,403.31</b>	<b>1,682.19</b>	<b>1,317.98</b>	<b>1,498.45</b>
<b>TOTAL DEBT</b>	<b>82.60</b>	<b>115.84</b>	<b>86.10</b>	<b>69.76</b>	<b>120.15</b>	<b>68.27</b>	<b>132.71</b>
<b>EBITDA</b>	<b>136.51</b>	<b>214.37</b>	<b>328.55</b>	<b>405.44</b>	<b>381.58</b>	<b>25.84</b>	<b>64.45</b>

## Global Investment Research Unit

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

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

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
 aprilw@jngroup.com

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



KEY FINANCIAL STATISTICS							
Ratios	2014	2015	2016	2017	2018	Q1 2018	Q1 2019
<b>Liquidity Ratios</b>							
Current Ratio	1.46	1.39	1.47	2.05	2.09	2.25	2.40
Quick Ratio	0.15	0.30	0.47	0.80	0.87	0.52	0.94
Cash Ratio	0.07	0.19	0.33	0.44	0.53	0.19	0.43
<b>Profitability Ratios</b>							
Return on Equity	36.91%	50.65%	66.62%	43.38%	26.29%	-	30.44%
Return on Assets	6.32%	10.59%	21.21%	21.54%	16.03%	-	18.10%
Gross Margin	33.34%	34.14%	36.65%	38.72%	37.72%	26.69%	31.60%
Operating Margin	6.26%	8.33%	11.04%	11.83%	10.12%	2.02%	6.15%
Pre-tax Profit Margin	2.77%	5.13%	8.71%	10.22%	8.87%	1.30%	5.56%
Profit Margin	2.41%	3.52%	7.17%	8.33%	7.24%	1.30%	5.56%
<b>Efficiency Ratios</b>							
Asset Turnover Ratio (x)	2.63	3.01	2.96	2.59	2.22	-	2.18
Inventory Turnover (x)	4.68	5.78	6.38	6.24	6.00	-	5.46
Days Inventory on Hand (days)	78.02	63.11	57.23	58.52	60.81	-	66.82
Receivables Turnover (x)	76.68	68.75	52.14	40.28	43.24	-	42.70
Days receivable	4.76	5.31	7.00	9.06	8.44	-	8.55
Expense to Revenue Ratio	0.27	0.26	0.26	0.27	0.28	0.25	0.25
<b>Credit Ratios</b>							
Leverage Ratio (x)	5.84	4.78	3.14	2.01	1.64	1.59	1.81
Total Debt/EBITDA (x)	0.61	0.54	0.26	0.17	0.31	-	0.32
EBITDA/Interest Expense (x)	1.75	2.19	3.51	4.60	5.01	1.66	4.58
EBITDA/CPLTD+ Interest Expense (x)	1.39	1.60	2.55	3.35	2.87	1.66	4.58
Total Debt/Total Equity (x)	0.71	0.59	0.22	0.09	0.11	0.08	0.16

## Global Investment Research Unit

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

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

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
 aprilw@jngroup.com

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

**Disclaimer:** All information contained herein is obtained by JN Fund Managers Limited (JNFM) from sources believed to be accurate and reliable. All opinions expressed are based on the authors judgment as of the date of the report. As such, no warranty is made, expressed or implied by JNFM in any form whatsoever as to the accuracy, timeliness or completeness of information contained in this report. JNFM is therefore not liable for any actions taken in reliance on information contained herein.

JNFM does not provide investment advice that considers the circumstances and objectives of the parties who receive this report. **It is therefore recommended that before making any investment decision, investors seek the advice of a JN Fund Managers Investment Advisor.**

This report does not represent an offer to buy or sell, or solicitation of an offer to buy or sell the securities mentioned. Past performance is not necessarily an indication of future performance. Estimates of future performance are based on assumptions that may not be realized. Additional information not available in this report may be available upon request.

JN Fund Managers is a multifaceted organization with, investment banking, investment management, fund administration and brokerage business lines. JNFM may therefore conduct investment banking or other business activities with some of the companies and countries covered by the Company's Global Investment Research Unit.

JN Fund Managers may invest in and trade the securities covered in this report for its own proprietary account and/or on behalf of its clients. JNFM's trading activity in these securities may be contrary to any recommendation(s) indicated in this report.

### Contact us

#### St. James

**Keisha Sharpe-Gibbs** - 876-465-3726  
[ksharpegibbs@jngroup.com](mailto:ksharpegibbs@jngroup.com)

#### Kingston & St. Andrew

**Delories Jones** - 876-564-6866 [djones@jngroup.com](mailto:djones@jngroup.com)  
**Kimberley Martin** - 876-868-4680 [kimberleym@jngroup.com](mailto:kimberleym@jngroup.com)  
**Peta-Gay Miller** - 876-588-8886 [pmiller@jnbs.com](mailto:pmiller@jnbs.com)  
**Paul Penn** – 876 -564-8276 [pennp@jngroup.com](mailto:pennp@jngroup.com)  
**Tamara Honeyghan** - 876-557-0082 [tamarah@jngroup.com](mailto:tamarah@jngroup.com)  
**Kimberly Savage** - 876-307-9461 [ksavage@jngroup.com](mailto:ksavage@jngroup.com)

#### Mandeville

**Horace Walters** – 876-487-9267  
[waltersh@jngroup.com](mailto:waltersh@jngroup.com)

### Global Investment Research Unit

**Ramon Small-Ferguson, CFA, FRM**  
 Chief Investment Strategist &  
 Head of Research  
[rsmall@jngroup.com](mailto:rsmall@jngroup.com)

**Simon Johnson, MSc**  
 Assistant Manager,  
 Research & Investment Strategy  
[simonjohnson@jngroup.com](mailto:simonjohnson@jngroup.com)

**April Walters**  
 Senior Research & Investment  
 Strategy Analyst  
[aprilw@jngroup.com](mailto:aprilw@jngroup.com)

**Karen Irons-Jolly**  
 Research Analyst  
[kareni@jngroup.com](mailto:kareni@jngroup.com)