
Initial Public Offering: Indies Pharma Jamaica Ltd.



Prepared by:

JN Fund Managers Ltd.'s Global Investment
Research Unit

July 2018

Company Description: Indies Pharma Jamaica Limited

Headquartered in Freeport, Montego Bay, Jamaica, Indies Pharma Jamaica Limited is a pharmaceutical distribution company which was incorporated in Jamaica on the 9th of December 2003 by medical doctor, Dr. Guna Muppuri, and his wife Mrs. Vishnu Muppuri. The Company sold its first set of pharmaceutical products on 18 April 2005, and today distributes over 150 prescriptions and over the counter pharmaceutical formulations for Bioprist Holdings Limited under the 'Bioprist' brand. The Company also operates a pharmacy, Trident Pharmacy, located in Sam Sharpe Square, Montego Bay, Jamaica. The Company currently services customers across all the 14 parishes of Jamaica, including over 400 pharmacies, private and public hospitals and government agencies such as the National Health Fund (NHF) as well as medical practitioners, and directly to individual end users. The Company's strategy is to provide unique, quality and affordable pharmaceutical and complementary products, and to maintain efficient and effective product distribution across the island. It also aims to be seen as a leading and trusted pharmaceutical distribution company with strong customer relationships, a commitment to brand and product development, and a large and reliable distribution network. The Company continues to be managed by its founding members and Directors, with the support of a professional team of 60 employees, and 3 non-executive Board members.



INDIES PHARMA
"Caring for the Nation's health"

Analyst's Opinion: Indies Pharma Jamaica Ltd.

Recommendation	BUY	Implied Price Upside	38.62%
Initial Public Offering Price	J\$1.50	Implied Dividend Yield	2.98%
Estimated Fair Value	J\$2.08	Implied Total Return	41.59%

Over the last several financial years, Indies Pharma has exhibited consistent revenue and earnings growth resulting from increased customer penetration, expansion of its product portfolio and increased efficiency. The consistent improvement in the Company's performance has been the result of a push to improve brand awareness and the expansion of its distribution channels which now allows the Company to supply pharmaceuticals to all fourteen (14) parishes of Jamaica. Despite the consistent sales growth, Indies Pharma currently controls a smaller market share relative to some of the more dominant companies in the industry. We believe this represents an opportunity for the Company to continue to expand its scale.

We anticipate the capital injection from the proceeds of the initial public offering (IPO) will support the Company in reducing its debt and provide additional working capital to expand its line of products distributed. Indies Pharma is **266,507,330** ordinary shares to prospective investors to raise approximately **J\$387.22M** with approximately **J\$248.43M** going to the Company and **J\$138.79M** going to the Founders/Selling Shareholders. The IPO price

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represents a **10.08X** price to earnings multiple of our projections for FY 2018 Pre-Tax Earnings and the Company's IPO price represents a **2.71X** multiple of our estimate of FY 2018 yearend Book Value. We believe that based on our use of the P/B and P/E relative valuation methods, Indies Pharma is being listed at a discount. Our estimated fair value is **J\$2.08** based on the Group's projected performance in FY 2018. This is a **~39%** implied upside from the listing price. Additionally, based on the Group's stated dividend policy of a **30%** pay-out ratio, the estimated dividends per share for FY 2018 is **J\$0.04**. This translates to a potential dividend yield of **2.98%** on the issue price. Consequently, the estimated I-Year Total return is **41.59%**. **We therefore rate Indies Pharma as a BUY** at its IPO price.

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Invitation Details

Indies Pharma Jamaica Limited is seeking to raise **J\$387.22M** through the issuance of **266,507,330** ordinary shares to prospective investors through an Initial Public Offering (IPO). The Company has stated that of the **J\$387.22M** raised approximately **J\$248.43M** will accrue to the Company while the remaining **J\$138.79M** will accrue to the selling shareholders. The proceeds of the IPO are expected to be used to repay existing debt, business expansion, working capital and 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 distribute an annual cash dividend of up to **30%** of net profits; based on board approval.

Issuer	Indies Pharma Jamaica Limited
Exchange	The Jamaica Stock Exchange's Junior Market Opening Date: July 12, 2018 at 9:00AM Closing Date: July 19, 2018 at 4:30PM
Offer Period	Early Applications may be made. Such Applications will be received but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received and processed on a first come, first served basis.
Shares Offered	The Company is seeking to raise approximately J\$373.25M by inviting Applications to subscribe for up to 266,507,330 Shares. These shares will be reserved as follows; - 65,380,497 (4.91%) Reserved Shares - 5,000,000 (0.38%) Directors - 10,000,000 (0.75%) Employee's Reserved Shares - 20,000,000 (1.50%) Key Partner's Shares - 66,626,833 (5.00%) GK Reserved Shares - 60,000,000 (4.50%) Broker's Client Reserved Shares The remaining 39,500,000 (2.96%) shares will be offered to the general public.
Pricing	J\$1.50 per share (General Public). J\$1.43 per share (Directors) J\$1.28 per share (Employees) J\$1.35 per share (GK Reserved Shares) Payments MUST be made at the time of Application along with a J\$163.10 processing fee.
Use of Proceeds	The Board of Directors intends to use the proceeds of a successful subscription the Shares in the invitation for the following purposes: -Repayment of the Company's debts -Strategic Preparation for improvement and expansion of business -Working Capital and general corporate expenses
Proposed Dividend Policy	If the Shares are admitted to listing on the Junior Market of the JSE, the Board expects to distribute approximately 30% of net profits available for distribution to the shareholders, subject to the need to maintain funds to re-invest earnings for growth, and for regulatory purposes.
Acceptable Payments Methods	Either: (1) Manager's Cheque payable to "Sagicor Investments Jamaica Limited"; (2) Transfer or direct deposit to Sagicor Investments or GK Capital Management (details set out in the Application form attached herein). Absolutely no cash payments will be accepted.
Returned Applications/Refunds	Where applicable, it is expected that refunds will be distributed to the Broker within 10 days of the Closing Date

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Industry Overview

Jamaica’s pharmaceutical distribution industry is a relatively small one, with most of the major distributors located in the Kingston and St. Andrew area. Indies Pharma is one of the few distributors in the north-western region of the island, that can provide to hospitals and pharmacies on the north coast. Prior to new companies entering the market, availability and affordability of essential and specified pharmaceutical drugs were less than optimal. There is currently one (1) public pharmaceutical distributor which has met approximately seventy percent (70%) of the essential needs of the public sector; and approximately twenty-two (22) private distributors centralized in and around the southern urban areas. The local pharmaceutical industry has been facing an issue where the availability of innovative and branded drugs is in higher demand than supply. Outside of Kingston/ St. Andrew the ability to acquire branded drugs is limited, and consequently prices are much higher. The availability of generic, cheaper alternatives is in abundance and therefore the industry requires a greater supply of new and branded drugs, to satisfy the demand and lower prices.

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:
MODERATE	MODERATE	HIGH	LOW	MODERATE
Indies Pharma competes with both private and public-sector distributors. To effectively compete in this industry, private distributors must increase their cache of drugs and adapt competitive prices. However, the industry is concentrated with a relatively small number of firms. There is moderate competition currently with the major public distributors and established private distributors	We rate the threat of new entrants into the industry as moderate due to the relatively high start-up costs and approval required from the Ministry of Health to distribute drugs.	“Suppliers” in this industry are considered overseas providers of pharmaceutical drugs. The companies supply is highly dependent on foreign availability and prices.	Indies Pharma is a part of the pharmaceutical industry which has low dependence on consumer opinion based on the necessity of prescription drugs across the island.	The pharmaceutical industries are one where changes in supply and demand are volatile due to advances in medical technologies and research. The possibility of more effective and cheaper substitute drugs should be considered at all times.

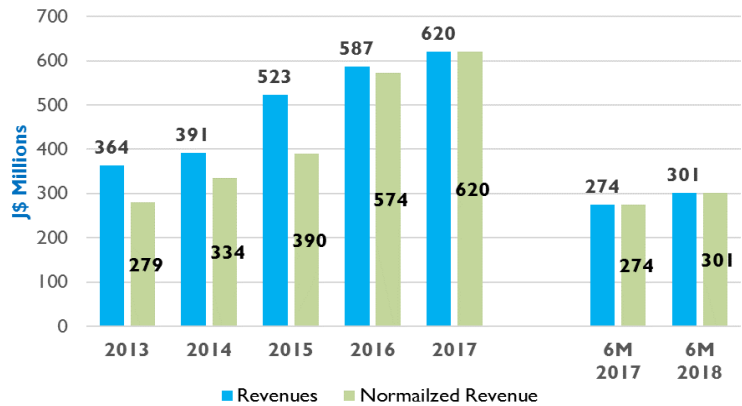
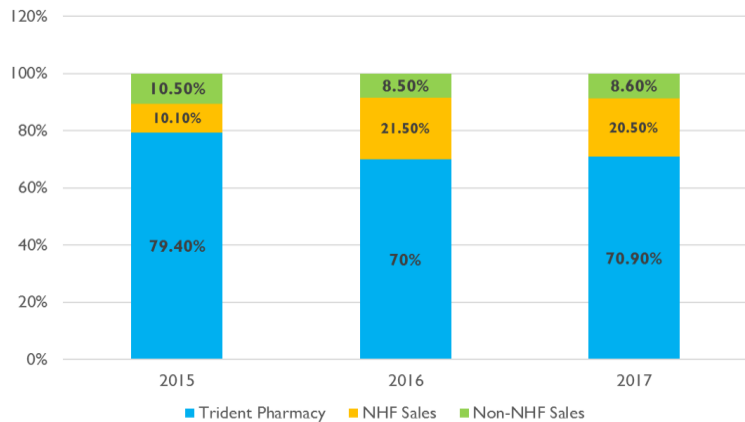
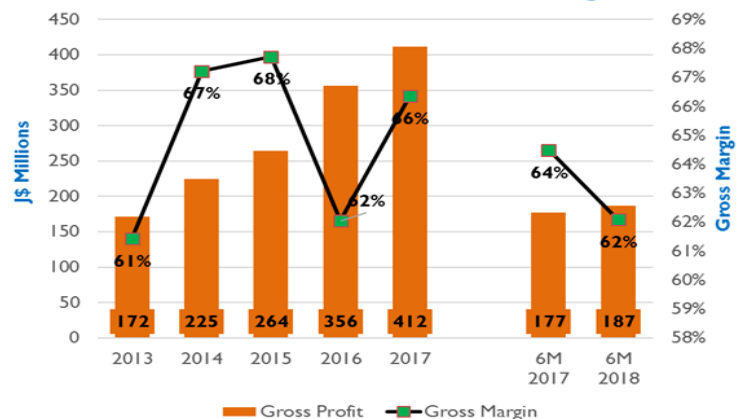
Financial Analysis¹

Revenue & Profitability

Between FY 2013 and FY 2017 (ending October 2017), Indies Pharma experienced sustained growth in Normalized Revenues at a Compounded Average Annual Growth Rate (CAGR) of **22.07%**. Revenues were normalized retrospectively due to an accounting policy change in FY 2016 relating to the recognition of the cost of promotional goods². However, Revenues have continued to grow through to FY 2017, rising by **5.68%** or **J\$33.34M** year-over-year (YoY) to **J\$620.35M**.

Indies Pharma typically earns its income from sales gained through its subsidiary, Trident Pharmacy (9% of Sales) and Pharmaceutical sales (National Health Fund (NHF) and Non-NHF related). Over the last 3-Years the Company's sales have relied more heavily on NHF related sales and less on the sales of Trident Pharmacy.

Over the period under review, the Company's Cost of Goods Sold (COGS) grew at a CAGR of **17.98%**. Consequently, the Company's Gross Profit has risen by a CAGR of **24.44%**. The variability that can be seen in Gross Profit Margin over the years, especially the dip seen in FY 2016, is largely attributable to growth or decline in the volume of the lower margin NHF related sales. Gross Profits rose by **15.63%** or **J\$55.64M**, YoY, in FY 2017 to **J\$411.59M**. The

Indies Pharma's Historical Revenue

Indies Pharma's Sales Breakdown

Indies Pharma's Gross Profit & Margin


¹ An extract from the company's financial statements is included in the Appendix

² Historically, the estimated sales price of these goods was recognized as revenue and an equivalent value included as an expense in the Company's Income Statement. Since FY 2016, this was no longer recognized in this way, with only the cost of goods in question being recognized in the Company's cost of sales.

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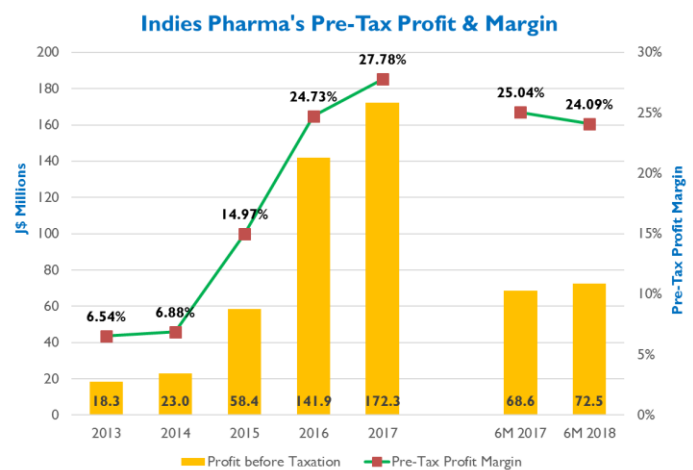
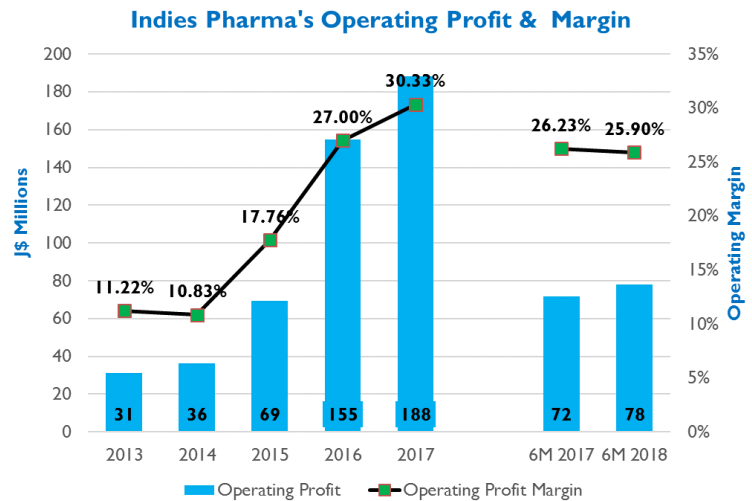
resurgence of the Gross Profit margin to **66%** in FY 2017 from **62%** in FY 2016 can be attributed to higher margins due to growth in non-NHF related sales as well as a **430bps** reduction in the direct expense ratio to **33.65%**.

Indies Pharma's Normalized Operating Profits have risen at a 5-Year CAGR of **56.53%**. The Company's Operating Profit Margin has also consistently risen over the last four financial years. Operating Profits have risen from **J\$31.34M** in FY 2013 to **J\$188.17M** in FY 2017. In FY 2017, YoY,

Normalized Operating Profits rose by **21.48%** or **J\$33.27M** Year-Over-Year to **J\$188.17M**. The Company's expense to revenue ratio has improved significantly from **53.30%** in FY 2013 to **36.25%** in FY 2017, indicating the Company improving scale and increased efficiency.

Finally, Indies Pharma's sustained revenue growth has translated into an improvement in their bottom line; as Pre-Tax Profits have mirrored the upward movement in Revenues and Operating Profits. Pre-Tax Profits have, over the last 5-Years, grown at a CAGR of **75.25%**. In FY 2017, Pre-Tax Profits grew by **21.50%** or **J\$30.49M** to **J\$172.3M**.

Over the 6-Months ending April 30th, 2018, Indies Pharma's Revenues grew by **9.87%** or **J\$27.05M** over the corresponding period last year. However, a **17.27%** or **J\$16.81M** growth in cost of sales saw Gross Profits only increasing by just **5.79%** or **J\$10.24M**. This performance translated into a **5.71%** or **J\$3.92M** increase in Profits before taxation.



Dupont Analysis

DuPont Analysis					
Financial Year	2013	2014	2015	2016	2017
Profit Margin	4.60%	4.61%	11.84%	19.30%	22.13%
Asset Turnover Ratio	0.63	0.71	0.74	1.08	1.04
Financial Leverage Ratio	1.72	1.77	1.71	1.75	2.04
Return on Equity	5.01%	5.81%	15.04%	36.58%	46.91%

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Indies Pharma's Return on Equity (ROE) has seen a sustained improvement over the last 5 financial years. This has largely been the result of the Company's consistently improving profitability margin. The Asset Turnover Ratio has improved marginally over the last 5-Years whilst the Financial Leverage Ratio has grown to **2.04X** in FY 2017 from **1.72X** in 2013. The sharp rise in Financial Leverage Ratio in FY 2017 was the result of the Company taking on additional debt to fund operations.

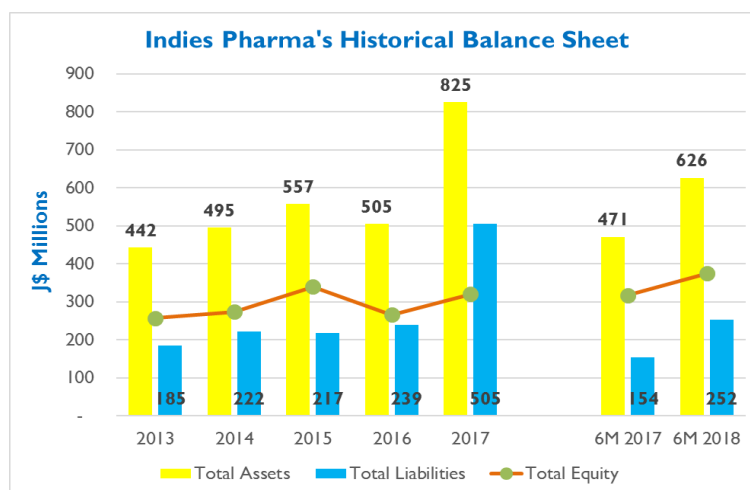
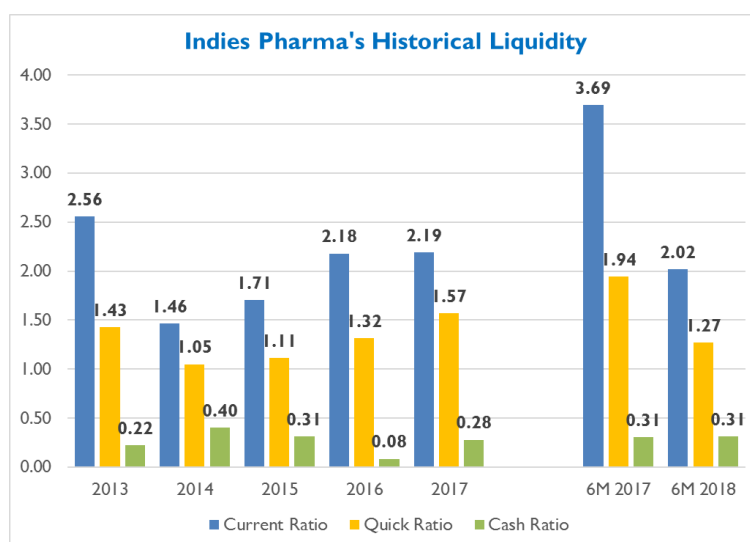
Liquidity and Solvency

Between FY 2013 and FY 2017, Indies Pharma's liquidity as measured by its Current Ratio displayed an uptrend; being well above the benchmark of **1.00X**. Core liquidity, as measured by the cash ratio stood at **0.31X** as at April 2018 relative to **0.28X** as at the end of October **FY 2017**. This improvement in liquidity has been due to the Company's strong earnings growth over the years. The sharp uptick in liquidity in FY 2017 was due to **J\$383.89M** worth of loans receive in the year (**J\$135.59M** of which was from Bioprist Holding Limited- a related company owned by the Mupurri's).

The Company's asset base exhibited a 5-Year CAGR of **16.90%** between FY 2013 and FY 2017. As at the end of the 6-Months ended April 2018, Total Assets fell by **24.12%** or **J\$199.07M** to **J\$626.42M**, YTD. This reduction in assets was largely due to a **J\$154.24M** decrease in a Related party loan to Beta IRS Holdings Limited. Total liabilities, YTD, has fallen sharply by **50.15%** or **J\$253.51M** to **J\$251.99M**.

Indies Pharma's Total Equity has expanded by a CAGR of **5.65%** between FY 2013 and FY 2017. As at the end of the 6-Months ended April 2018, YTD, Total Equity rose by **17.01%** or **J\$54.43M** to **J\$374.43M** (Book Value Per Share (BVPS): **J\$0.28**).

Indies Pharma has, over the last few years, been more and more dependent of growing its business through increased leverage. This is reflected in their Total Debt to Equity ratio increasing from **0.59X** in FY 2013 to **1.22X** as at the end

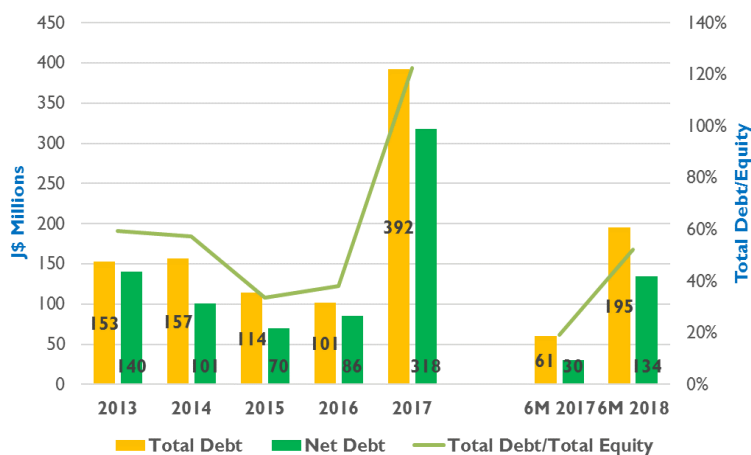


of FY 2017 in October 2017. In FY 2017, the Company borrowed a series of long-term loans from Bioprist, Sagicor and NCB to the tune of **J\$283.72M** (excluding **J\$151.17M** of current debt) in total. Though a part of this was used to repay debt, **J\$85M** was used to make a special dividend payment (prior to this no dividend payment had been made previously). However, over the first 6-Months of their 2018/19 FY, they have repaid **J\$189.43M** of these loans. This caused Total debt to fall from **J\$391.75M** as at the end of FY 2017 to **J\$195.14M** as at the end of the 6-Months ended April 2018.

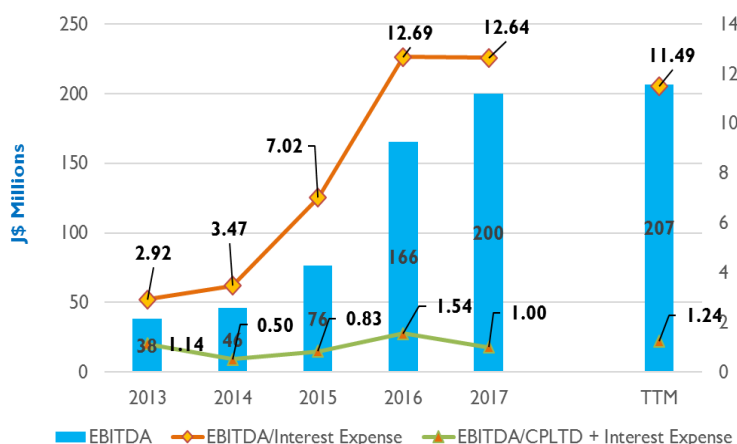
The Company's debt position would be reduced as the proceeds of the IPO will close out their debt position and repay debt owed to First Global Bank in the amount of **J\$59.04M**, and to NCB in the amount of **J\$1.477M**. In addition, the Company will repay debt to its holding company, Bioprist Holdings Inc., in the amount of **US\$1.056M** and this will also cause the Founding Exiting Shareholders being co-investors of Dr. Guna Muppuri and Mrs. Vishnu Muppuri, to exit their holdings in the Company.

In examining the composition of their debt, we must assess whether their debt levels are sustainable. Due to consistent profitability, Indies Pharma's Earnings before Interest, Taxes, and Depreciation (EBITDA) has increased at a 5-Year CAGR of **51.27%**. Though leverage has notably increased over the years, the Company's interest coverage has improved over the said period. If only interest expenses are considered, then their

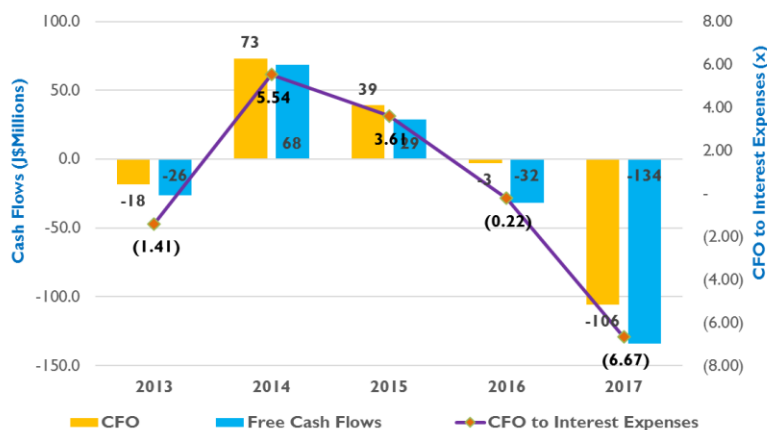
Indies Pharma's Historical Debt Movements



Indies Pharma's EBITDA & Coverage



Indies Pharma's Historical Cash Flows



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coverage has improved from **2.92X** in FY 2013 to **11.49X** as at the 6-Months ending April 2018.

Due to Company rapid expansion over the last several financial years there has been sharp movements in the company's operating assets, resulting in volatile and at times negative operating cashflows.

Investment Positives and Negatives

Positives

- **Consistent Revenue & Earnings Growth** - Between FY 2013 and FY 2017 (ending October 2017), Indies Pharma experienced sustained growth in Normalized Revenues at a Compounded Average Annual Growth Rate (CAGR) of **22.07%**.
- **Extensive Supply Chain** – Indies Pharma distributes to customers across all Fourteen (14) parishes of the island, including over 400 pharmacies, private and public hospitals and government agencies including the National Health Fund as well as medical practitioners, and directly to individual end users.
- **Non-Cyclical Industry** – Indies Pharma operates in a Non-Cyclical industry resulting from the lower elasticity of the demand for its products.
- **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) Indies Pharma enjoys 100% tax relief and for the remaining five (5) years, benefit from 50% tax concession.
- **Diversified Revenue Lines** – The Company is divided into two divisions: (i) Branding, Manufacturing, and Distribution and (ii) Retail Division which includes Indies' full-service pharmacy Trident Pharmacy.

Negatives

- **Key Man Risk** – The Company has been built and heavily relies on the skills of Dr. Guna Muppuri, its Chief Executive Officer, for the relationship with its suppliers and customers and for strategic planning based on his in-depth knowledge of the health care industry in Jamaica along with the assistance of their Chief Operations Officer, Mrs. Vishnu Muppuri. Therefore, he is a critical figure to the success of the Company based on his integral role.
- **Small Free Float** – Indies Pharma is seeking to issue **266.51M** shares (173.983M new and 92.5M from selling shareholder) of the Company, bringing the total shares outstanding post-IPO to **1.33B**. According to the prospectus, only approximately **39.5M** or **2.96%** shares will be made available to the general public. The scarcity of shares could inhibit trading activity which could curtail potential upside.
- **Competitive Market** - The pharmaceutical distribution industry is dominated by a small number of large players including Cari-Med Limited, Facey Commodity Company Limited and Massy Distribution (Jamaica) Limited and the remaining market share is competed for by other smaller companies, including Indies Pharma.

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Valuation: Indies Pharma Jamaica Ltd.

Key Valuation Assumptions

For the Financial Year (FY) 2018 ending October 31st, 2018 we are projecting that Indies Pharma will earn Pre-tax Profits of approximately **J\$198M** which would represent a **15.01%** YoY increase relative to FY 2017. This translates to an earnings per share (EPS) of approximately **J\$0.15**. Our projections are predicated on a conservative **10%** growth rate in revenue which is well below the growth rate experienced in revenue over the last several financial years. We believe the company will achieve earnings growth from increased sales volume of new and existing products coupled with increased efficiency.

Based on Indies Pharma's Book Value as at Q2 2018, the expected inflow of **J\$248.43M** in equity from the IPO, projected FY 2018 net profits coupled with a forecasted retention ratio of **70%** of earnings (the Company has indicated an intended dividend policy of **30%** of earnings) we are projecting a Book Value as at the end of FY 2018 of approximately **J\$735.60M** (Book Value per Share of **J\$0.55**).

Relative Valuation Models

Indies Pharma has no history of paying dividends consistent with an established dividend pay-out policy which prevents us from effectively using the Dividend Discount Model as an effective basis for estimating the Company's fair value. The Company is also currently in the growth phase of their life cycle and therefore likely to have volatile cash flows in the near term. 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 utilized the Price to Earnings (P/E) and Price to Book (P/B) models to estimate a fair value for the.

Indies Pharma vs. Comparables			
Stock	Price/ Earnings (X)	Price/Book (X)	Return on Equity
Medical Disposables & Supplies	12.46	2.03	16.28%
Lasco Distributors Ltd	14.47	3.18	21.97%
Indies Pharma Jamaica Limited	11.34	5.34	46.91%
Sector Average ex 'Indies'	13.46	2.60	18.92%
Junior Market Average	23.77	3.40	19.47%

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Price-to-Earnings (P/E) Ratio Valuation Method

Based on Indies Pharma's proposed IPO price of **J\$1.50** and their 12-month trailing Pre-Tax Earnings per Share (EPS) of **J\$0.13** up to April 2018, the Company's listing P/E ratio was calculated at **11.34X**. This is lower than the average of Company's comparables which trade at an estimated **13.46X**. We are projecting Earnings per share of **J\$0.15** (Pre-Tax Income of **J\$198M**) in FY 2018. The IPO price represents a **10.08X** multiple of our projections for FY 2018 Pre-Tax Earnings. Our projections for the expected growth in the Company's profitability over the next year are relatively in line with their comparables and consequently we believe it should trade at a similar P/E Multiple; **13.46X**. When the projected multiple is applied to estimated FY 2018 earnings the P/E Method implies a fair value of **J\$2.00**, which implies **~33%** upside from the Company's listing price.

Price-to-Book (P/B) Ratio Valuation Method

Based Indies Pharma's proposed IPO price of **J\$1.50** and their book value per share of **J\$0.28** as at April 2018, the Company's listing P/B ratio was calculated at **5.34X**. The Company's P/B multiple is higher than its comparables which currently trade at an estimated **2.60X**. We are projecting book value per share of **J\$0.55** in FY 2018 which translates to a P/B at the listing price of **2.71X**. Indies Pharma's Return on Equity was twice its comparables over the 12M trailing to April 2018. We therefore believe a Price to Book multiple 50% higher than its comparables is appropriate (**3.90X**). When the projected multiple is applied to estimated FY 2018 Book Value year-end, the P/B Method implies a fair value of **J\$2.16**, which is **~44%** upside to the Company's listing price.

Fair Value Estimate

The average of both methods produces an estimated fair value of **J\$2.08** which implies **~39%** upside from the intended IPO price. We therefore rate the stock as a **BUY** at IPO price.

P/E Valuation Method	J\$2.00
P/E Valuation Method	J\$2.16
Fair Value	J\$2.08

Risks to Valuation

- A general downturn in the local equity market could lead to compression in market multiples and lower valuations.
- There is a risk related to the Company's dependence on the supply of products from overseas. Changes in trade relations could impact the company's operations.

Appendix

Shareholdings Pre-IPO:

Pre-IPO Shareholders for Indies Pharma Jamaica Limited		
Name of Shareholder	Share Capital	Percentage Ownership
Dr. Guna Muppuri	590,862,285	51.00%
Vishnu Muppuri	428,664,795	37.00%
Exiting Founding Shareholders	139,026,420	12.00%
TOTAL	1,158,553,500	100.00%

Shareholdings Post-IPO:

Post-IPO Shareholders for Indies Pharma Jamaica Limited		
Name of Shareholder	Issued Share Capital	Percentage Ownership
Dr. Guna Muppuri	590,862,285	44.34%
Vishnu Muppuri	336,140,614	25.23%
Bioprist Holdings	139,026,420	10.43%
GK Capital/ GK Investments	66,626,833	5.00%
Directors	5,000,000	0.38%
Employees	10,000,000	0.75%
Key Partners	20,000,000	1.50%
Company Reserved Shareholders	65,380,497	4.91%
Broker & Co-Broker Shares	60,000,000	4.50%
General Public	39,500,000	2.96%
TOTAL	1,332,536,649	100.00%

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Financial Statement Extracts

INCOME STATEMENT EXTRACT

October J\$						6-Months	6-Months
	2013	2014	2015	2016	2017	Apr-17	Apr-18
Revenue	363,715,942	391,234,658	523,289,327	587,005,510	620,349,804	274,050,478	301,100,368
Less: Promotions	(84,346,000)	(56,918,000)	(133,466,000)	(13,361,000)	-	-	-
Normalized Revenue	279,369,942	334,316,658	389,823,327	573,644,510	620,349,804	274,050,478	301,100,368
Cost of Sales	(107,745,378)	(109,608,558)	(125,865,573)	(217,692,713)	(208,755,519)	(97,330,846)	(114,144,240)
Gross Profit	171,624,564	224,708,100	263,957,754	355,951,797	411,594,285	176,719,632	186,956,128
Other Operating Income	8,623,780	8,430,209	8,604,483	2,629,050	1,446,514	3,023,024	558,541
Administrative Expenses	(233,251,290)	(253,845,436)	(336,783,702)	(248,551,641)	(224,867,500)	(107,861,822)	(109,542,108)
Less: Promotions	(84,346,000)	(56,918,000)	(133,466,000)	(13,361,000)	-	-	-
Less: Loss on Disposal	-	-	-	(31,509,000)	-	-	-
Normalized Operating Costs	(148,905,290)	(196,927,436)	(203,317,702)	(203,681,641)	(224,867,500)	(107,861,822)	(109,542,108)
Operating Profit	31,343,054	36,210,873	69,244,535	154,899,206	188,173,299	71,880,834	77,972,561
Finance Cost	(13,073,221)	(13,203,885)	(10,869,944)	(13,046,456)	(15,827,852)	(3,249,449)	(5,424,759)
Profit before Taxation	18,269,833	23,006,988	58,374,591	141,852,750	172,345,447	68,631,385	72,547,802
Taxation	(5,409,299)	(7,584,332)	(12,232,074)	(31,116,334)	(35,043,865)	(16,752,689)	(18,112,987)
Net Profit	12,860,534	15,422,656	46,142,517	110,736,416	137,301,582	51,878,696	54,434,815

In order to properly analyse the Company's historical performance, certain normalization adjustments are required for the 2013–2017 FYs:

- **Recognition of Promotional Costs:** In 2016, the Company's accounting policy relating to the recognition of the cost of promotional goods was revised. Historically, the estimated sale price of these goods was recognized as revenue and an equivalent value included as an expense in the Company's income statement. Since the 2016 financial year, this item is no longer recognized in this manner, with only the cost of the goods in question being recognized in the Company's cost of sales.
- **Non-Recurring Costs in 2016:** As previously mentioned, the Company transferred real estate during the 2016 financial year for which it recognized a cost of **J\$31.5M** in its income statement.

The adjustment for promotional costs has no effect on net profit as it reduces both income and costs by equivalent amounts. However, as previously stated, there was a one-off loss on the transfer of real estate from the Company in the 2016 financial year resulting in a non-recurring cost of **J\$31.5M**.

Indies Pharma Jamaica Limited
BALANCE SHEET EXTRACT

October J\$						6-Months	6-Months
	2013	2014	2015	2016	2017	Apr-17	Apr-18
Non-Current Assets							
Property, Plant & Equipment	298,402,605	293,143,820	315,345,629	88,255,355	104,797,042	104,650,999	99,283,027
Investments	1,027,123	1,027,123	239	-	-	-	-
	299,429,728	294,170,943	315,345,868	88,255,355	104,797,042	104,650,999	99,283,027
Current Assets							
Inventories	63,141,289	57,150,564	83,742,434	165,010,312	166,203,415	173,436,117	144,675,429
Receivables (excl. Shareholders Loan)	63,798,982	78,178,400	83,566,791	126,169,510	128,611,750	110,736,421	114,629,069
Taxation Recoverable	112,085	146,844	226,020	276,638	367,044	2,208,670	1,185,289
Director's current account	3,197,910	-	30,220,046	32,924,646	22,728,315	43,495,874	31,295,028
Related Company	-	10,243,000	-	76,043,418	193,027,822	5,974,613	38,791,240
Cash & Cash Equivalents	12,423,101	55,320,944	43,896,053	15,942,300	74,166,362	30,318,875	60,972,306
	142,673,367	201,039,752	241,651,344	416,366,824	585,104,708	366,170,570	391,548,361
TOTAL ASSETS	442,103,095	495,210,695	556,997,212	504,622,179	689,901,750	470,821,569	490,831,388
Non-Current Liabilities							
Long-Term Loans	128,428,999	83,654,446	74,309,115	12,128,846	232,717,115	52,417,386	53,481,692
Deferred Tax Liability	1,059,360	590,104	951,182	2,695,551	4,313,893	2,434,270	4,309,851
Director's Loan	-	-	-	33,341,282	1,113,520	-	-
	129,488,359	84,244,550	75,260,297	48,165,679	238,144,528	54,851,656	57,791,543
Current Liabilities							
Payables	24,005,940	16,055,306	41,857,307	69,404,084	54,377,484	48,864,892	4,351,650
Short-Term Liabilities	17,681,485	35,154,732	31,276,899	56,002,739	157,917,859	7,065,701	140,549,622
Related Company	2,836,970	42,431,532	49,856,078	38,339,191	27,004,140	1,250,000	8,807,552
Directors' Loan	6,652,753	37,703,546	8,278,032	-	-	1,113,520	1,113,520
Taxation	4,573,631	5,921,417	10,388,240	27,336,191	28,055,250	40,892,981	39,380,195
	55,750,779	137,266,533	141,656,556	191,082,205	267,354,733	99,187,094	194,202,539
Shareholders' Equity							
Share capital	15,635,000	15,635,000	15,635,000	15,635,000	15,635,000	15,635,000	15,635,000
Revaluation Reserve	235,155,847	236,568,846	256,807,076	102,873,596	105,773,595	102,873,596	105,773,595
Retained Earnings	6,073,110	21,495,766	67,638,283	146,865,699	198,584,294	198,274,224	253,019,112
Total Equity	256,863,957	273,699,612	340,080,359	265,374,295	319,992,889	316,782,820	374,427,707
TOTAL DEBT	152,763,237	156,512,724	113,864,046	101,472,867	391,748,494	60,596,607	195,144,834
NET DEBT	140,340,136	101,191,780	69,967,993	85,530,567	317,582,132	30,277,732	134,172,528
EBITDA	38,222,910	45,786,322	76,311,078	165,520,926	200,129,080	77,576,187	84,338,810

CASHFLOW STATEMENT EXTRACT

October J\$						6-Months	6-Months
	2013	2014	2015	2016	2017	Apr-17	Apr-18
Depreciation	6,879,856	9,575,449	7,066,543	10,621,720	11,955,781	5,695,353	6,366,249
Cash Flows from Operating Activities	(18,423,903)	73,102,814	39,227,027	(2,813,510)	(105,556,660)	39,790,230	179,613,854
CAPEX	(7,726,866)	(4,843,665)	(10,574,873)	(28,973,500)	(28,497,469)	(19,425,404)	(376,239)

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KEY FINANCIAL STATISTICS							
Ratios	2013	2014	2015	2016	2017	Apr-17	Apr-18
Liquidity Ratios							
Current Ratio	2.56	1.46	1.71	2.18	2.19	3.69	2.02
Quick Ratio	1.43	1.05	1.11	1.32	1.57	1.94	1.27
Cash Ratio	0.22	0.40	0.31	0.08	0.28	0.31	0.31
Profitability Ratios							
Return on Equity	5.01%	5.81%	15.04%	36.58%	46.91%	-	40.28%
Return on Assets	2.91%	3.29%	8.77%	20.86%	22.99%	-	23.69%
Gross Margin	61.43%	67.21%	67.71%	62.05%	66.35%	64.48%	62.09%
Operating Margin	11.22%	10.83%	17.76%	27.00%	30.33%	26.23%	25.90%
Pre-tax Profit Margin	6.54%	6.88%	14.97%	24.73%	27.78%	25.04%	24.09%
Profit Margin	4.60%	4.61%	11.84%	19.30%	22.13%	18.93%	18.08%
Efficiency Ratios							
Asset Turnover Ratio (x)	0.63	0.71	0.74	1.08	1.04	-	1.10
Receivables Turnover (x)	5.70	5.51	6.47	5.60	4.87	-	5.32
Days receivable	64.02	66.23	56.41	65.21	74.95	-	68.57
Expense to Revenue Ratio	53.30%	58.90%	52.16%	35.51%	36.25%	39.36%	36.38%
Credit Ratios							
Leverage Ratio (x)	1.72	1.77	1.71	1.75	2.04	1.49	1.70
Total Debt/EBITDA (x)	4.00	3.42	1.49	0.61	1.96	-	0.94
EBITDA/Interest Expense (x)	2.92	3.47	7.02	12.69	12.64	-	11.49
EBITDA/CPLTD+ Interest Expense (x)	1.14	0.50	0.83	1.54	1.00	-	0.84
Total Debt/Total Equity (x)	0.59	0.57	0.33	0.38	1.22	0.19	0.52

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Board of Directors³

Dr. Guna Muppuri

President & Chief Executive Officer

M Dr. Guna Muppuri is a medical doctor and the co-founder of the Company. He has over 20-years' experience in the medical field inclusive of 12years' experience as the founder and Chief Executive Officer of the Company. He currently sits on the Audit Committee of the Board. Dr. Muppuri holds a medical degree from the S.V University Medical College in Tirupati, India. He migrated to Jamaica in early 1992 and has worked in various capacities (private and public) as a medical officer in the Jamaican health care system. He is also the immediate past President of the Business Process Industry Association of Jamaica, a member of the Dean's Advisory Board for the School of Health Professions University of Alabama at Birmingham, USA, Member of the Board of Directors for The University of Common Wealth Caribbean (UCC) in Jamaica, a member of the National Information and Communications Technology Advisory Council, and is currently a Director of Bioprist Pharmaceuticals NA LLC, USA, Bioprist Holdings Inc., Bioprist Las Americas Limited, Bioprist Pharmaceuticals Limited (India), Bioprist (BPO ICT) Knowledge Parks, Bioprist Institute of Health and Medical Sciences – BIMS and WINFRA Development Consortium Limited – Las Marinas Resort Condominiums & Winfra Homes. In 2008, Dr. Muppuri received the 'Good Physician of the Year' inaugural award from the Medical Association of Jamaica, in 2015 he was nominated for the Civic Leadership Award by the American Chamber of Commerce, and in 2016 he was nominated the Entrepreneur of the Year Award by the Jamaica Chamber of Commerce.



Vishnu Muppuri

Executive Director

Vishnu Muppuri is the Chief Operations Office of the Company and she currently sits on the Compensation Committee of the Board. She has over 12 years' experience with the Company in this capacity. Mrs. Mupuri holds a Master of Science in Food and Nutrition Sciences from the Sri Venkateswara University, with honours. Following obtaining her masters, she taught Food Science and Nutrition for 2 years at the Sri She currently serves as Director on several Boards including First Global Bank, Cari-Med Ltd, RJR Gleaner Communications Group, and JPS Co Ltd. Minna holds an MBA from the Richard Ivey School of Business at the Western University, Ontario, Canada, and a BSc Degree in Management Studies from The



³ Biographies were taken from the Company's Prospectus

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University of the West Indies. Krishnavenu Junior College in Chittoor-Andhra, Pradesh, India. She also serves on the Board of Bioprist Group in addition to Bioprist Pharmaceuticals North America, Bioprist Pharmaceuticals, India and GMP Greenfield India Limited.

Dr. Trevor McCartney

Non-Executive Independent Director

Dr. McCartney is a non-executive director of the Company, and sits on the Audit and Compensation committees of the Board. He has over 30 years' experience in the medical field. Since 1983, he has held the position of Consultant Surgeon with the St. Joseph's Hospital (Kingston), the Andrews Memorial Hospital (Kingston), the Nuttall Memorial Hospital, and the Maxfield Medical Centre. He is also a Medical Consultant to Guardian Life (Kingston). He previously held the positions of Consultant Surgeon (1983-2007), Chairman, Department of surgery (1987-1992), and Senior Medical Officer (1989-2007) with the Kingston Public Hospital; and Consultant Surgeon and Medial Chief of Staff (2007-2015), Chief Executive Officer (2008-2013) and Honorary Consultant Surgeon (1983-2007) with the University Hospital of the West Indies.

Dr. McCartney is also the Chief of Medical Staff at the University Hospital of the West Indies, Deputy Dean and a Professor of Surgery at the Faculty of Medical Sciences, University of the West Indies, Mona. He previously served as Associate Senior Lecturer and Associate Lecturer in Surgery at the same institution. Dr. McCartney is the Chairman of the Medical Relations Committee, Sagicor Jamaica Limited. He has previously held positions on the Boards of the Blue Cross of Jamaica, Kingston Public Hospital, South East Regional Health Authority, and the Medical Council of Jamaica.



Dr. Norman Dunn

Non-Executive Independent Director

Dr. Dunn is a non-executive director of the Company, and sits on the Audit and Compensation committees of the Board. He is a Pharmacist and businessman with over 25 years of experience in the pharmaceutical industry. He owns a line of pharmacies trading under the name, the Supermed Group. Dr. Dunn is currently the First Vice-President of Caribbean Association of the Pharmacists, Former Acting Chairman of the Pharmacy Council of Jamaica, Vice Chairman of the South East Regional Health Authority, First Vice-President of the Caribbean Association of Pharmacy, and a member of the Board of the Pembroke High School. Previously, he has held board positions with the Jamaica Association of



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Pharmacy Owners (Founding Vice President), the Pharmaceutical Society of Jamaica, the Health Corporation of Jamaica, and National Health Fund.

Dr. Dunn received a Diploma in Pharmacy (Honours) from the University of Technology (formerly the College of Arts Science and Technology) (1987), a Bachelor of Science in Management, Accounts and Economics (1997) and a Master of Science in International Business (2000), both from the University of the West Indies, Jamaica. He then went on to achieve a Bachelors of Pharmacy (2009) and a Doctor of Pharmacy (2013) from the University of Technology Jamaica.

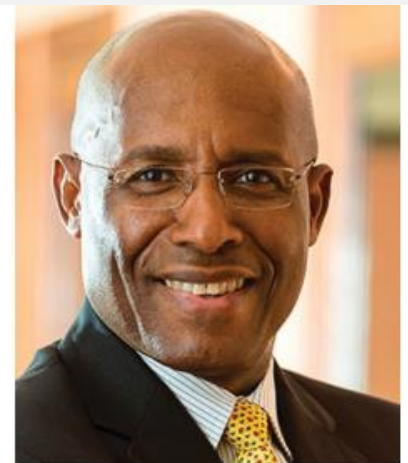
Senator Aubyn Hill

Non-Executive Independent Director and Mentor

Senator Hill is a non-executive director and Mentor of the Company, and Chairs the Audit and Compensation committees of the Board. He is currently the Chief Executive Office of Corporate Strategies Ltd., and has over 35 years working experience in the private sector. In early 1980s he led a start-up team to open a branch of American Express International Banking Corporation (AEIBC) in Sri Lanka, and success there led to promotion to Amex Bank in Bahrain. Prior to his work in Sri Lanka, Senator Hill had worked with Amex Bank in New York, Rome, and Mumbai.

During his 21 years as a banker in the Middle East, Senator Hill assisted in and led the restructuring of two major banks — Burgan Bank in Kuwait and the National Bank of Oman, where he served as CEO. He has also led the management team at the National Commercial Bank Jamaica Limited (NCB). Senator Hill sits on various corporate boards, including that of Jamaica Broilers Group Limited, Salada Foods Jamaica Limited and also serves on the University Council, which governs four campuses of the University of the West Indies. He also serves as chairman of both the National Water Commission and the National Irrigation Commission. In March 2016, he was appointed to the Senate — Jamaica’s Upper House of Parliament — and he was subsequently elected as Deputy President of the Senate. Senator Hill is also the Special Investment Ambassador and Envoy to India as well as the Executive Director of the Economic Growth Council.

His academic qualifications include an MBA from Harvard Business School, which he earned in 1978.



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Douglas Robinson
Non-Executive Director

Mr. Douglas Robinson is a non-executive director of the Company, and sits on the audit and Compensation committees of the Board. He has over 11 years of experience in the Jamaican financial and advisory industry spanning investment banking, corporate finance, mergers and acquisition advisory and private equity investment. Over the course of his career while working for two of Jamaica’s leading names, GraceKennedy and Sagicor, he has advised companies across a number of industries.

Douglas Robinson is the Vice President, Investment Banking at GK Capital Management Limited. He joined GK Capital in 2014 and his role within the organization encompasses management of its investment banking and corporate finance unit, negotiating and coordinating M&A activity, and providing oversight and management for select companies which form a part of GK Capital’s private investment portfolio.

Douglas currently serves a number of companies’ Board of Directors and sub-committees in various capacities. He is a Director of Gray’s Pepper Products Limited, a member of the audit sub-committee of the Jamaica Promotions Corporation Limited, an alternate director of Greenfield Media Productions Limited and is an invitee to the Boards of GK Capital Management Limited and GK Investments Limited. He holds a Bachelor of Arts degree (B.A.) in Mathematics from Ithaca College and a Master of Science degree (MSc.) in Computer Science from the University of the West Indies



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