

| Jamaica Stock Exchange (JSE)   | Positive / Risks  | Financial Highlights  | Outlook/Valuation/Recommendation   |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
|--|---|---|--|-----------------|--|----------|--------|--------|--------|------------------------|----------|----------------|----------|------------------------|--------|--------------|------|--------------|-------|------|-------|--------------|------|---------------------|----------|
| <p><b>JSE JA Equity.</b><br/> <b>Company Description:</b> The Jamaica Stock Exchange (JSE) was incorporated in 1968 and started operations in 1969 at the Bank of Jamaica (BOJ) building, later moving to its present location at 40 Harbour Street in 1999. The JSE’s mandate is the mobilization of capital to facilitate the growth and development of companies and by extension the economy. Their key objectives are to promote the orderly and transparent development of the stock market and the stock exchange in Jamaica and to ensure that the stock market and its broker members operate at the highest standards practicable.</p> <p><b>Company Updates:</b> The JSE recently signed a seven year agreement for Nasdaq to deliver matching engine and market surveillance technology to the Jamaica Stock Exchange. The matching engine technology should bolster JSE’s ability to manage a range of trading functions and improve the latency of order execution. The Nasdaq Market Surveillance technology, on the other hand, is designed to detect market abuse by closely monitoring trading activities, which should aid in upholding market integrity. The company is also pursuing their newest initiative to facilitate international investments by local investors. This new enterprise, which will be launched soon, will give traders the opportunity to invest in stocks listed on foreign exchanges creating further diversification of stock portfolios. This could likely result in increased trading activities supporting improved revenue generation for the company through cess income.</p> | <p><b>Investment Positives</b></p> <ul style="list-style-type: none"> <li>• High level of interest among local companies to raise equity capital via APO and rights issue which should contribute to higher revenues for the company.</li> <li>• Diversity of the company’s product offerings through avenues such as trustee services, registrar services, trading fees etc. has increased the resilience of the company to the current economic shock.</li> <li>• The JSE is committed to ensuring that they have best in class technology.</li> </ul> <p><b>Investment Negatives</b></p> <ul style="list-style-type: none"> <li>• COVID-19 has created uncertainties within the market place. Consequently, activity levels on the exchange has declined and plans for capital raising via the exchange have been put on hold, adversely impacting JSE’s fee income .off</li> <li>• The company faces competition within their trustee segment which accounts for approximately 39% of fee income earned.</li> <li>• JSE is relatively positively correlated with the phases of the business cycle. Currently, the country is in the contractionary period (recession) where investor confidence and profits have been low. Accordingly, trading activity has been low due to volatility in stock prices earlier in the year.</li> </ul> | <p><b>Year ended Dec 2019.</b> Revenues increase by 34.76% YoY to J\$1.88B, reflecting a general increase across all revenue generating segments. These include: cess income which is income from trading activities, fee income (membership fees, account maintenance fees, user fees and trustee service fees), E-campus income, and other operating income. Fee Income increased to J\$1.05B from J\$0.81B in 2018, a(n) x% increase and continued to be the company’s primary revenue generating segment accounting for approximately 56% 2019 revenues..</p> <p><b>Net Profit</b> rose to J\$519.88M in FYE 2019 compared to J\$413.06M in FYE 2018 reflecting a 25.9% increase YoY, driven by the expansion in the company’s top line.</p> <p><b>Nine months ended Sept 2020 (Unaudited).</b> Revenues for the nine months ended September 2020 were J\$1.26B, 9.31% lower when compared to the corresponding period in 2019. There was a J\$396.03M (55%) falloff in cess income when compared to September 2019 which was a direct consequence of a significant reduction in trading activities since the onset of COVID-19. However, fee income increased by J\$162.21M (21%) which buffered what could have been a more substantial decline in revenues during the nine month period.</p> <p><b>Net profit</b> was J\$286.27M, 30% lower than the J\$409.12M recorded in the equivalent period of 2019 due to a reduction in revenues recorded during the period.</p> | <p><b>Outlook/Recommendation</b> Within the near term the business is likely to experience a reduction in revenues, particularly from cess income, due to reduced trading activity which is expected to continue into early 2021. There is still much uncertainty in the market due to the current economic downturn. However, with the recent announcement of successful vaccines, coupled with the success of Barita’s APO and Tropical Battery’s IPO, it is likely that there is a fair degree of appetite in the market. As such, we do expect to see more equity offerings becoming available to the public which would positively impact fee income. Additionally, in the longer term as the market gradually recovers and companies regain profitability, we expect that trading activity will improve, positively impacting the company’s cess income.</p> <p><b>Recommendation</b> Based on a relative valuation model, with a 1-yr forward EPS of \$0.75 and an average P/E in the finance sector of 27.10x, we arrived at a target price for JSE JA of <b>\$20.19</b>. We recommend JSE JA as a <b>HOLD</b>.</p> <table border="1" data-bbox="1564 982 2026 1461"> <thead> <tr> <th colspan="2" data-bbox="1564 982 2026 1031">Key Information</th> </tr> </thead> <tbody> <tr> <td data-bbox="1564 1031 1879 1071">Year-End</td> <td data-bbox="1879 1031 2026 1071">Dec-31</td> </tr> <tr> <td data-bbox="1564 1071 1879 1112">Issuer</td> <td data-bbox="1879 1071 2026 1112">JSE JA</td> </tr> <tr> <td data-bbox="1564 1112 1879 1153">Share Price (Nov 18th)</td> <td data-bbox="1879 1112 2026 1153">\$ 18.32</td> </tr> <tr> <td data-bbox="1564 1153 1879 1193">Market Cap (M)</td> <td data-bbox="1879 1153 2026 1193">12,980.1</td> </tr> <tr> <td data-bbox="1564 1193 1879 1234">Shares Outstanding (M)</td> <td data-bbox="1879 1193 2026 1234">701.25</td> </tr> <tr> <td data-bbox="1564 1234 1879 1274">Trailing EPS</td> <td data-bbox="1879 1234 2026 1274">0.58</td> </tr> <tr> <td data-bbox="1564 1274 1879 1315">P/E Multiple</td> <td data-bbox="1879 1274 2026 1315">27.10</td> </tr> <tr> <td data-bbox="1564 1315 1879 1356">BVPS</td> <td data-bbox="1879 1315 2026 1356">2.000</td> </tr> <tr> <td data-bbox="1564 1356 1879 1396">P/B Multiple</td> <td data-bbox="1879 1356 2026 1396">9.34</td> </tr> <tr> <td data-bbox="1564 1396 1879 1461">Forward Price (12m)</td> <td data-bbox="1879 1396 2026 1461">\$ 20.19</td> </tr> </tbody> </table> | Key Information |  | Year-End | Dec-31 | Issuer | JSE JA | Share Price (Nov 18th) | \$ 18.32 | Market Cap (M) | 12,980.1 | Shares Outstanding (M) | 701.25 | Trailing EPS | 0.58 | P/E Multiple | 27.10 | BVPS | 2.000 | P/B Multiple | 9.34 | Forward Price (12m) | \$ 20.19 |
| Key Information  |   |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| Year-End   | Dec-31  |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| Issuer   | JSE JA  |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| Share Price (Nov 18th)   | \$ 18.32  |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| Market Cap (M)   | 12,980.1  |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| Shares Outstanding (M)   | 701.25  |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| Trailing EPS   | 0.58  |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| P/E Multiple   | 27.10   |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
| BVPS   | 2.000   |   |  |                 |  |          |        |        |        |                        |          |                |          |                        |        |              |      |              |       |      |       |              |      |                     |          |
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| Financial Snapshot      |        |        |          |          |
|-------------------------|--------|--------|----------|----------|
|                         | 2016   | 2017   | 2018     | 2019     |
| Net Rev (\$MM)          | 865.78 | 991.15 | 1,390.85 | 1,874.37 |
| Revenue Growth          | 34.87% | 14.48% | 40.33%   | 34.76%   |
| Operating Profit Margin | 32.68% | 32.58% | 41.23%   | 41.67%   |
| Return on Equity        | 27.67% | 23.26% | 36.70%   | 35.36%   |
| EPS (\$)                | 0.32   | 0.31   | 0.59     | 0.74     |
| Dividend Yield          | 4.28%  | 2.07%  | 2.85%    | 1.43%    |
| Price/Earnings          | 17.25  | 22.40  | 17.83    | 37.63    |

Source: Company's data, Bloomberg, SIJL estimates

### General Disclosures

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