

Company (Ticker): Jamaica Broilers Group Ltd. (JBG)	Positive Factors and Risks	Financial Highlights	Outlook & Recommendation																								
<p>Company Description: Jamaica Broilers Group Ltd. (Jamaica Broilers) is a multinational corporation headquartered in Jamaica commonly associated with the iconic “Best Dressed Chicken” brand. JBG has an extensive reach in the agri-business via its many subsidiaries such as Hi-Pro Ace in Jamaica, International Poultry Breeders and Wincorp International in the USA, and Le Chic Poulet in Haiti.</p> <p>Company Updates: In the USA, Jamaica Broilers has expanded to achieve a fully, vertically integrated business. In the process of achieving that, JBG acquired a poultry processing plant in South Carolina in Q2 2020, a feed mill in Georgia in Q2 2019, and a hatchery in Pennsylvania in Q2 2018.</p> <p>In Jamaica, Jamaica Broilers undertook several initiatives, in FYE 2019, to improve its efficiency and cut costs in Jamaica. One such initiative was the purchase of machinery for the Best Dressed Chicken division including packing machines, a ten-cut machine, a new spiral freezer, and new conveyors. The management team also took a decision to close the Montego Bay distribution facility and commence island-wide distribution from their Spring Village plant and distribution facility to improve the cost efficiency of its operations.</p> <p>In Haiti, Jamaica Broilers scaled back its operations to mitigate losses by laying off approximately 25% of its staff and closing the poultry processing side of the operation in Q3 2020. This has been fuelled by the ongoing political and economic crisis the country has been experiencing.</p>	<p>Positive Factors</p> <ul style="list-style-type: none"> • The “Best Dressed Chicken” brand is expected to appeal to the Jamaican diaspora in the U.S.A. • Geographically diversified operations (Jamaica, U.S.A., Haiti and other Caribbean islands). The company stated that it is considering expanding to the Ukraine. • Diversified product offerings covering everything from eggs to ready to eat meats. • Strong expansion potential in the U.S.A. <p>Risks</p> <ul style="list-style-type: none"> • Weakening Haitian Gourde leading to Foreign Exchange losses • A COVID-19 outbreak at the company’s plants in any of the countries it operates in would significantly disrupt activities and impact revenues negatively. • Possibility of the Jamaican, and Haitian governments closing their borders once again and the US getting stricter about theirs, thereby stifling the hospitality and restaurant industries, two major sources of income for JBG. 	<p>Fiscal Year Ended May 2020</p> <p>Revenues for Jamaica Broilers for the fiscal year ended May 2, 2020 were 1.25% higher Year over Year (YoY). This was as a result of a 11.49% YoY increase in the USA being offset by a 3.26% YoY decrease in Jamaica and an 8.21% YoY decrease in ‘Haiti and Other Caribbean Countries.’</p> <p>The increase in revenues from the US was driven by JBG’s poultry processing plant in South Carolina, acquired in Q2 2020, and its feed mill in Georgia, acquired in Q2 2019.</p> <p>The decline in revenues experienced in Haiti was due to the combined effect of two main factors: the company scaled back its operations and the ongoing political and economic instability in the country.</p> <p>JBG reported a Net Profit attributable to stockholders of the company of J\$1.4B in FYE 2020, a 40.81% decrease YoY. The decline was driven by a 13.84% increase in wages, a 132.02% increase in termination costs and a 97.65% reduction in interest income. Interest income declined to near zero as a result of the sale of a loan it gave to West Indies Petroleum to Scotiabank in Q1 2020.</p>	<p>Outlook</p> <p>Over the next fiscal year, we expect that revenues in the USA will remain virtually flat, but Jamaica and Haiti are expected to see strong declines. If any of the three countries return to shuttering their economies, we expect JBG to experience an even deeper decline in earnings. In the medium-term we see the company returning to its expansion plans in the USA. It is likely that JBG’s operations in the USA could see growth in the range of 10% as a result of that. Operations in Jamaica are expected to return to a long-term growth rate of approximately 5%, which they were experiencing pre-COVID-19, and operations in Haiti are expected to continue to shrink unless the country undergoes political and economic reform.</p> <p>Recommendation: Given the above, and based on a relative valuation model, with a one-year forward P/E of 41.52x and an EPS of \$0.64, we arrived at a target price for JBG of \$27.18. Considering the aforementioned, and a current market price of \$26.62, we place a Hold recommendation on the stock.</p>																								
<table border="1"> <thead> <tr> <th colspan="2" data-bbox="1581 1049 1787 1081">Key Information</th> </tr> </thead> <tbody> <tr> <td data-bbox="1581 1089 1751 1114">Recent Year-End</td> <td data-bbox="1887 1089 1997 1114">02-May-20</td> </tr> <tr> <td data-bbox="1581 1122 1646 1146">Issuer</td> <td data-bbox="1887 1122 1927 1146">JBG</td> </tr> <tr> <td data-bbox="1581 1154 1803 1179">Share Price (17-Jul-20)</td> <td data-bbox="1887 1154 1961 1179">\$26.62</td> </tr> <tr> <td data-bbox="1581 1187 1751 1211">Market Cap (\$M)</td> <td data-bbox="1887 1187 1961 1211">31,927</td> </tr> <tr> <td data-bbox="1581 1219 1814 1243">Shares Outstanding (M)</td> <td data-bbox="1887 1219 1948 1243">1,199</td> </tr> <tr> <td data-bbox="1581 1252 1698 1276">Trailing EPS</td> <td data-bbox="1887 1252 1948 1276">\$1.37</td> </tr> <tr> <td data-bbox="1581 1284 1709 1308">Forward P/E</td> <td data-bbox="1887 1284 1961 1308">41.52x</td> </tr> <tr> <td data-bbox="1581 1317 1719 1341">Current BVPS</td> <td data-bbox="1887 1317 1961 1341">\$15.53</td> </tr> <tr> <td data-bbox="1581 1349 1709 1373">Forward P/B</td> <td data-bbox="1887 1349 1948 1373">1.65x</td> </tr> <tr> <td data-bbox="1581 1382 1766 1406">Current Fair Value</td> <td data-bbox="1887 1382 1961 1406">\$25.78</td> </tr> <tr> <td data-bbox="1581 1414 1766 1438">Target Price (12m)</td> <td data-bbox="1887 1414 1961 1438">\$27.18</td> </tr> </tbody> </table>				Key Information		Recent Year-End	02-May-20	Issuer	JBG	Share Price (17-Jul-20)	\$26.62	Market Cap (\$M)	31,927	Shares Outstanding (M)	1,199	Trailing EPS	\$1.37	Forward P/E	41.52x	Current BVPS	\$15.53	Forward P/B	1.65x	Current Fair Value	\$25.78	Target Price (12m)	\$27.18
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Financial Snapshot				
	2021 (Forecasted)	2020	2019	2018
Total Revenues (\$M)	48,975.03	55,747.93	55,057.93	48,280.87
Total Revenues Growth	-12.15%	1.25%	14.04%	8.63%
Operating Profit Margin	4.04%	5.38%	6.60%	7.00%
Return on Equity	3.78%	8.81%	16.08%	15.54%
Dividend Yield	0.39%	2.17%	0.61%	1.62%
EPS (\$)	\$0.64	\$1.37	\$2.30	\$1.64
Price / Earnings	42.39x	19.46x	13.90x	12.83x
Price / Book	1.69x	1.71x	2.24x	1.99x

Source: Company's financials, Bloomberg, & SIJL's estimates



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