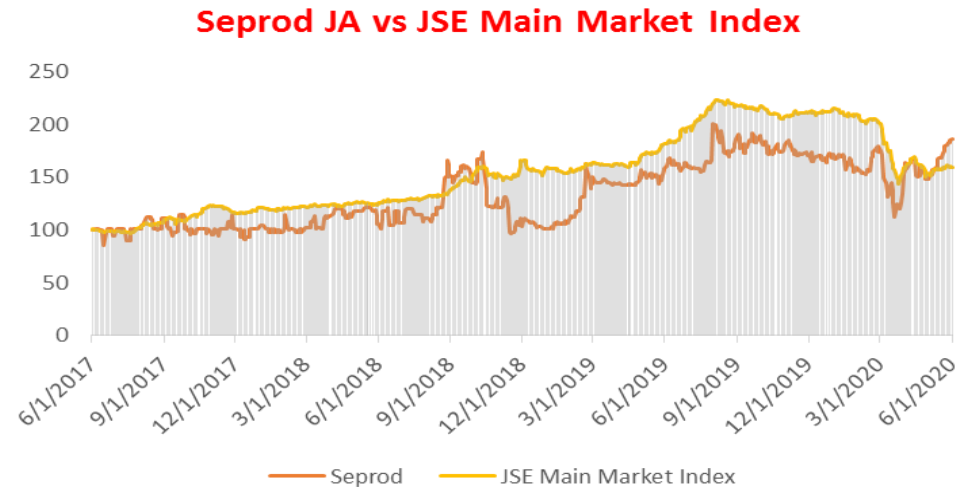


Company (Ticker): SEP	Positive / Risks	Financial Highlights	Outlook/Valuation/Recommendation																						
<p>Company Description: Seprod limited (SEP) is the largest food company in the English speaking Caribbean, with annual revenues of J\$32B, a staff compliment in excess of 1,000 employees and a distribution footprint across 18 countries around the world. The company has been listed on the Jamaica Stock Exchange since 1985 and, since then, Seprod has executed and undergone multiple transformations. Seprod’s most recent developments are listed below.</p> <p>Company Updates: In March 2018, Seprod opened its Grain Mill and has seen significant growth in the business line with the manufacturing and distribution of flour and corn products which now covers several CARICOM countries, USA, UK, Canada, Colombia and Haiti. In addition the company closed its dairy factory in St. Thomas and all operations were consolidated at its Bog Walk location which will likely improve the capacity and efficiency of the overall dairy business. Whilst the company expects broad-based border closures as a result of the current global pandemic to limit access to some non-CARICOM export markets, they are forecasting that this will be effectively offset by increased demand from CARICOM. Seprod acquired Facey Consumer Division in December 2018, this acquisition has given Seprod access world class brands such as Brunswick, Mondelez, Kraft, Goya, Eve, Roche, Pfizer and Boehringer Ingelheim. In July 2019 Seprod executed on its previously communicated decision to close its Golden Grove sugar operations and thereby bringing an end to 10 years of operating losses from that entity.</p>	<p>Investment Positives</p> <ul style="list-style-type: none"> • The company is a key food source for the region and as such will get the necessary support to maintain operations. • Pre-COVID, the company ramped up inventory in preparation for possible supply chain disruptions. • Diversity of product offerings. • The company has invested heavily in improving the efficiency of their business and are expected to reap the rewards on a forward-looking basis. • Post-COVID, the company will likely refocus on their initiative of expanding capacity whilst eyeing non-CARICOM export markets <p>Investment Negatives</p> <ul style="list-style-type: none"> • A COVID-19 outbreak at one of the company’s facilities will disrupt activities and impact revenues negatively. • Shortage of foreign exchange due to declining FX receipts could result in disruptions in raw material supply and deterioration credit relationships. • Increase in the spread of the coronavirus in the group’s source markets could negatively impact the company’s performance by increasing cost of goods sold. • FX volatility and a weakening JMD could result in increased cost for raw materials. 	<p>Year ended Dec 2019. For the Fiscal Year Ended (FYE) December 2019 there was a 45% increase in revenues from continuing operations to \$32.7B. This was mainly attributable to the Facey Consumer acquisition in conjunction with increased efficiencies obtained from the consolidation of the company’s diary businesses and the reorganization of the ingredients and distribution businesses. This translated into a 24% increase in Net Profit from Continuing Operations, YoY - from J\$1.37B in 2018 to J\$1.71B in 2019. Seprod’s net profits were buffeted by the closure of the Golden Grove Sugar Company and the associated costs of doing so which amounted to J\$732M. This resulted in a Net Profit of J\$973M in FYE 2019 versus J\$1.1B in FYE 2018. Nevertheless, The closure of the sugar factory is expected to have a favorable impact on the company’s profitability and cash flows going forward.</p> <p>Quarter ended Mar 2020 (Unaudited). Seprod recorded revenues of J\$9.14bn which represented a 6% or J\$544M increase, when compared to the corresponding period in 2019. Net Profit at the end of the period was J\$633M which represented an increase of J\$321M or 103% over March 2019. The increase in the company’s profitability is mainly attributable the acquisitions and consolidations that the group would have executed in the preceding years. The company’s operations have remained relatively insulated from the effects of the COVID-19 thus far given their classification as essential. However, COVID-19 continues to pose significant risks and will remain a challenge to the company’s operations in the near term.</p>	<p>Outlook/Recommendation</p> <p>We continue to expect the investments in acquisitions, distribution expansion, increased exports (CARICOM) and retooling of the manufacturing base will drive growth and profitability in the company.</p> <p>Recommendation Given the above, based on a relative valuation model, with a 1-yr forward P/E of 23.97 and an EPS of \$2.39 and, we arrived at a target price for SEP JA of \$57.18. We recommend SEP as a HOLD. Based on the current share price, the stock is trading 4.53% below its target price projected over a one year period.</p> <table border="1" data-bbox="1564 771 2026 1274"> <thead> <tr> <th colspan="2" data-bbox="1564 771 2026 820">Key Information</th> </tr> </thead> <tbody> <tr> <td data-bbox="1564 820 2026 868">Year-End</td> <td data-bbox="1564 820 2026 868">Dec-31</td> </tr> <tr> <td data-bbox="1564 868 2026 917">Issuer</td> <td data-bbox="1564 868 2026 917">Sep JA</td> </tr> <tr> <td data-bbox="1564 917 2026 966">Share Price (Jun 1st)</td> <td data-bbox="1564 917 2026 966">\$54.70</td> </tr> <tr> <td data-bbox="1564 966 2026 1015">Market Cap (\$M)</td> <td data-bbox="1564 966 2026 1015">40,345</td> </tr> <tr> <td data-bbox="1564 1015 2026 1063">Shares Outstanding (M)</td> <td data-bbox="1564 1015 2026 1063">733</td> </tr> <tr> <td data-bbox="1564 1063 2026 1112">Trailing EPS</td> <td data-bbox="1564 1063 2026 1112">\$2.12</td> </tr> <tr> <td data-bbox="1564 1112 2026 1161">P/E Multiple</td> <td data-bbox="1564 1112 2026 1161">15.11</td> </tr> <tr> <td data-bbox="1564 1161 2026 1209">BVPS</td> <td data-bbox="1564 1161 2026 1209">\$29.00</td> </tr> <tr> <td data-bbox="1564 1209 2026 1258">P/B Multiple</td> <td data-bbox="1564 1209 2026 1258">1.86</td> </tr> <tr> <td data-bbox="1564 1258 2026 1307">Target Price (12m)</td> <td data-bbox="1564 1258 2026 1307">\$57.18</td> </tr> </tbody> </table>	Key Information		Year-End	Dec-31	Issuer	Sep JA	Share Price (Jun 1st)	\$54.70	Market Cap (\$M)	40,345	Shares Outstanding (M)	733	Trailing EPS	\$2.12	P/E Multiple	15.11	BVPS	\$29.00	P/B Multiple	1.86	Target Price (12m)	\$57.18
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Financial Snapshot				
	2016	2017	2018	2019
Rev	15,781.92	16,511.21	22,499.78	32,694.82
Rev Growth	14.5%	4.6%	36.3%	45.3%
Operating Profit Margin	10.1%	8.1%	9.2%	8.8%
Dividend Yield	10.95	3.17	3.06	1.86
Return on Equity	9.75%	7.19%	7.20%	7.77%
EPS (\$)	2.11	1.42	2.07	1.46
Price/Earnings	13.95	21.08	19.24	28.19

Source: Company's data, Bloomberg, SIJL estimates



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