

About the Offer

Limners and Bards Limited (The LAB) is seeking to raise \$189.14Mn by offering 189,138,050 ordinary shares of the company for sale at a price of \$1.00 each to the general public and reserved share applicants. The offer comprises 20% of the LAB's post-IPO share capital. If successful, the company will be listed on the Junior Market of the Jamaica Stock Exchange (JSE). **The proceeds of the offer will be used to finance the execution of the company's growth strategy, which includes the expansion of its operations through a prospective acquisition; regional and international expansion; the build out of a public relations department; and the acquisition of new media technological infrastructure. Some of the proceeds will also be used to pay the expenses of the invitation, which is not expected to exceed approximately \$10Mn.**

About the Company & Summary Recommendation

Incorporated on March 30, 2009, The LAB is an advertising and film production agency that currently does most of its business in Jamaica but is seeking to establish a foothold in regional markets. It is one of Jamaica's leading advertising and marketing agencies offering services to businesses in Jamaica with several large blue chip companies among its clientele. Several of these clients have businesses internationally and The Lab provides services with respect to their operations both in Jamaica and internationally. It classifies its services in three

Financial Year End	October 31 st
Stock	The LAB
Offer Price	\$1.00
TTM EPS	\$0.09 ¹
Book Value per share	\$0.31 ²
Price/Book	3.21x
Trailing P/E	11.49x ³
Fair Value Estimate	\$1.17
Recommendation	BUY

segments - production, agency and media. It offers core services such as consultation on branding communication strategy, campaign concepts & execution, media purchase and film production. The company is the first of its kind to seek listing on the Jamaica Stock Exchange and comes to market having had a solid performance over the last 6 years as measured by growth in revenues and profits. It operates in a competitive industry that has good growth potential over the medium-term, and has developed a strong reputation in the local film production and advertising industries.

Dividend Policy

The directors intend to pursue a dividend policy that targets an annual payout of up to 25% of net profits, subject to the need for reinvestment in the company from time to time.

The LAB's Capital Structure:

¹ This Trailing EPS was calculated using profit before Tax (PBT) as the proxy for earnings, as once the company is successfully listed it will be exempted from paying income tax for the proceeding five years.

² This book value per share is reflective of the expected value of the company's total equity post IPO.

³ Profit before Tax (PBT) was used as the proxy for earnings in calculating the P/E, as once the company is successfully listed it will be exempted from paying income tax for the proceeding five years.

Name of Shareholders	Shareholdings Pre - IPO			Shareholdings Post-IPO	
	Authorized Share Capital	Issued Shares Before IPO	% of Issued Share Capital	# of Shares After Opening Date	% after Opening Date
Kimala Bennett Private Company		728,181,394	96.25%	728,181,394	77.00%
Kimala Bennett		100	0.00001%	100	0.00001%
Tashara Lee Johnson		28,370,708	3.75%	28,370,708	3.00%
From Authorized Share Capital (total: 5Bn)	189,138,050				
Reserved Share Applicants				139,138,000	14.71%
General Public				50,000,050	5.29%
Total Ordinary Shares		756,552,202	100%	945,690,252	100%

Table 1: Showing breakdown of the company's capital structure (NB: the shares being sold to the market are being issued from the company's authorized share capital of 5Bn shares).

Company Overview

Originally incorporated as “The Production Lab Limited”, the company changed its name to Limners and Bards (The LAB) on April 22, 2014. The new name is a classical term for writers and artists, and management sees it as representative of the company's creative spirit and purpose. The LAB is a member of the Advertising Agencies Association of Jamaica and the Marketing Association of Jamaica, with a client portfolio of leading brands such as Grace Kennedy, WISYNCO Foods, Digicel Group, NCB and JPS among others.

The LAB is a marketing and film production company that operates through three divisions namely agency, media and production. The agency division is the main creative engine of the company. This segment covers research, data analysis, strategy development, concept creation and concierge client services. The media segment purchases the airtime or space in the media through which the work created by the agency (or delivered by the client) is broadcast to the client's customer base. As consistent buyers, The LAB's media team leverages its long-standing relationships with media professionals that allow it to access preferred rate packages and benefit from as much as an 18% media sales commission. Production is the core department and competency of the company and covers both live production (shooting) and post production (video and sound recording). The department also offers a la carte production services to other suppliers, including: film production, equipment rental and transport, audio and photo studio rental, as well as video and audio editing. **In 2018 most of the revenue was generated from the media segment (49.0%), followed by production (32.0%) and its agency services (19.0%).**

Corporate Structure and Governance

The LAB is coming to the stock market with a one tier board that consists of seven directors (7), of which two (2) are executive directors and the remaining five (5) non-executive members. The two executive directors (Kimala Bennett & Tashara Johnson) come with a wealth of experience and accomplishments in the creative industry. Kimala Bennett is the founder and CEO of The LAB with over a decade of experience in the film production and advertising sectors. She has received several awards for her entrepreneurial pursuits including being named one of the Private Sector Organization of Jamaica (PSOJ) 50 under 50 business leaders in 2012. Tashara Johnson is the general manager of The LAB and has been

a part of the team for three (3) years. Ms. Johnson served primarily in production roles in her previous jobs and has extensive international experience with campaigns, commercials, feature films, and documentaries. Some of these include On the Run (OTR) II Beyoncé and Jay Z and King of the Dancehall by Nick Cannon. Michael Bennett will serve as a connected non-executive director and hails from the music and entertainment industry. He is known for his philanthropic music ventures and is the owner and creative director of Grafton Studios, which has nurtured acts such as JC Lodge and Chronixx. The remaining four (4) are classified as non-executive independent directors with solid reputations and a strong track record of achievements in their respective fields such as Steven Gooden (Finance), Douglas Lindo (Manufacturing), Rochelle Cameron (Legal Services) and Maxine Walters (Film Production).

Figure 2: Showing the board of directors & areas of expertise

The LAB's Executive Board of Directors	Film Production	Advertising	Music & Entertainment Industry	Legal Services	Manufacturing Sector	Financial Services	Strategic Leadership	Corporate Governance
Kimala Bennett	.	.					.	
Tashara Lee Johnson	.							
Michael Bennett			.					
Rochelle Cameron				.				.
Douglas Lindo					.			
Maxine Walters	.							
Steven Gooden						.	.	.

The Board has three committees, namely Audit, Remuneration & Nomination, and Corporate Governance committees. Only the Audit and Remuneration committees are required by the JSE Junior Market rules, therefore the addition of the Corporate Governance Committee speaks volumes to the company's commitment to effective corporate governance.

The members of the respective board committees bring a wealth of experience to the table (see figure 3 below). The Audit Committee is chaired by Douglas Lindo. Douglas Lindo is the co-owner and managing director of Bellindo Ltd., one of the country's leading manufacturers of designed metal products. Mr. Lindo's background in finance and experience as a business leader should equip him to provide strong leadership and solid direction to the Audit Committee. Rochelle Cameron, will chair the Remuneration and Nomination Committee. She is an attorney-at-law with 20 years of experience and spent several years as Vice President of Legal and Regulatory Compliance for Flow Caribbean. Ms. Cameron is currently the Assistant Vice President of Human Resource Development and Public Relations at the Jamaica Broilers Group and is well known for strategic leadership and mentorship. Her experience in

human resource development and legal & regulatory compliance bodes well for the Remuneration and Nomination Committee. The Corporate Governance Committee should benefit from strategic leadership by Steven Gooden who will serve as the committee's chairman. Mr. Gooden is the CEO of NCB Capital Markets Limited and sits on the boards of several companies. He is also the President of the Jamaica Securities Dealers Association and his board memberships and strategic leadership experience should make him an asset to the Corporate Governance Committee.

Audit Committee	Remuneration and Nomination Committee	Corporate Governance Committee
Douglas Lindo (Chairman)	Rochelle Cameron (Chairman)	Steven Gooden (Chairman)
Maxine Walters	Douglas Lindo	Kimala Bennett
Steven Gooden	Maxine Walters	Rochelle Cameron
		Michael Bennett

Figure 3: Board Committees & Composition

Industry Analysis

The local marketing and advertising industry is competitive and fragmented with multiple firms, small and large, offering similar services to the LAB. Its competitors are mostly private companies with Main Events Entertainment Group (**MEEG**) being its closest listed competitor on the Jamaica Stock Exchange (**JSE**). However, MEEG conceptualizes and executes concepts on behalf of clients, while The LAB's offering extends beyond creating concepts to providing holistic advertising, production and marketing services. Therefore, a direct comparison would be insufficient. **OGM Integrated Communication** and **Admark** would be closer competitors as they offer a wider range of similar services with a strong foothold in the local industry. These companies were established in 1964 and 1998, respectively, more than a decade before The LAB in 2009, and **also sell their services to established blue chip companies**. One of the advantages The LAB has over these firms is that its services extends beyond marketing and advertising to include film production and other aspects of its value chain such as equipment rental and agency media services, making it a one stop shop for a wide variety of creative services.

It must be noted that the marketing and advertising industry is changing with a shift towards low cost and more targeted social media marketing globally. Currently, most of The LAB's marketing and advertising services focus on traditional mediums such as print ads and television. Social media also gives entities the power to market for themselves, especially small firms, which may leave only medium and large firms to spend heavily on traditional marketing and advertising. Nevertheless, the company intends to strengthen its digital offerings via a build out of digital services through the acquisition of an existing digital marketing firm. This is a key component of its growth strategy with a particular focus on both social media management and web development services such as search engine optimization (SEO).

Porters Five Forces Model

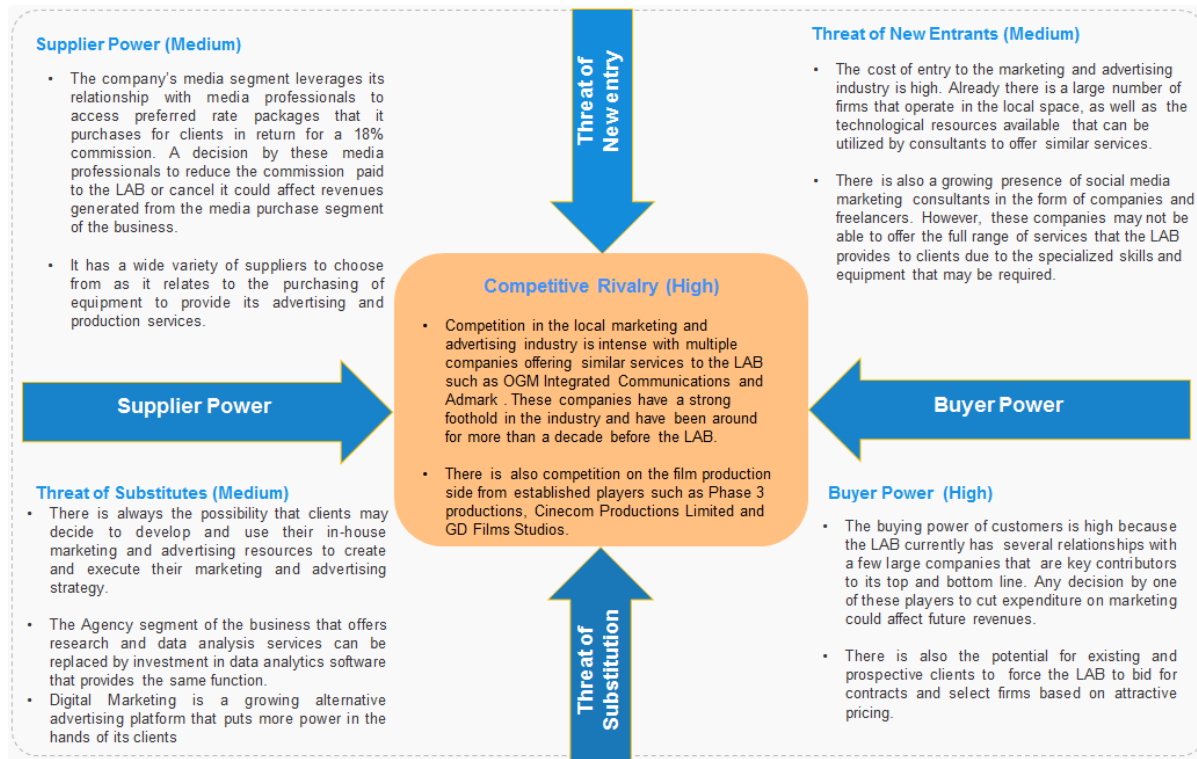


Figure 4: Porters 5 Forces Model

Global box office revenue is forecasted to increase from US\$38Bn in 2016 to \$50Bn in 2020⁴. Growth in the industry will be driven by increasing demand for blockbuster movies and TV shows. This is coupled with the evolution of distribution platforms due to increased internet penetration which should continue to drive growth⁵. The company's plan to expand its film production service to international clients in the US and across the Caribbean, positions it to benefit from the forecasted growth in the global film production industry.

Opportunities also abound for the production side of the business, as the Jamaican film landscape has been gaining traction on the international scene. The local film industry performed well in the 2017/2018 financial year attracting a record \$1.2Bn in film production expenditure to the local economy (Source: JAMPRO). This represented a 65% increase over the \$745Mn generated in the previous year and was the first time the figure had exceeded \$1Bn. Some 124 international film productions took place over the period and generated 2,781 jobs. About three Netflix productions were filmed in Jamaica such as Like Father, the Intent 2 and Marvel's Luke Cage, along with other short films, music videos, and

⁵ <https://www.zacks.com/commentary/204452/film-television-production-and-distribution-industry-outlook>

⁵ <https://www.zacks.com/commentary/204452/film-television-production-and-distribution-industry-outlook>

web series. There was also Idris Elba's Yardie and currently the 25th James Bond film which is slated to be released on April 03, 2020. JAMPRO's effort to attract more investments to the Jamaican film industry will not only benefit The LAB's content and production services but also provides a revenue earning opportunity from other services along the value chain such as its equipment rental services. Competition in the local film production industry comes from some established players such as Phase 3 Productions, Cinecom Productions Limited, and GDFILMS Studios.

SWOT Analysis

	Positive	Negative
Internal	Strengths <ul style="list-style-type: none"> Experienced management team with accomplishments in the film production and advertising industry. The diversity, experience, skills and accomplishments of the board should result in effective corporate governance. Strong reputation based on its ability to win bids for contracts and its portfolio of well established blue chip companies on the market. Good track record of involvement in the production of internationally renowned films from household names such as Drake and Rihanna. 	Weaknesses <ul style="list-style-type: none"> Its client portfolio consists of a few large companies which predisposes it to concentration risks. Key Person Risk – as a small company, the strategic leadership expertise of the company lies in a few key persons. Management has taken steps to mitigate this but there are still risks given the small size of the company. As a small company, the corporate governance structure may be weak. However, listing on the Junior Market should help to address this by bringing greater transparency and encouraging a formal governance structure.
External	Opportunities <ul style="list-style-type: none"> Supportive macroeconomic environment should fuel business expansion which could increase spending on marketing and advertising. Listing on the stock market will boost its brand equity and awareness of its operations since it will be the first company of its kind to list on the Jamaica Stock Exchange. The growing importance of data analytics to drive sales for business bodes well for the company's agency segment that offers this service. 	Threats <ul style="list-style-type: none"> Losing large clients to the competition. A downturn in the economy that could reduce expenditure on marketing and advertising Clients deciding to invest in internal resources to execute their own marketing and advertising strategies The competitive dynamics in the market are intense since the barriers to entry is low. New entrants offering a subset of the Lab's services could erode margins.

Figure 5: SWOT Analysis

Industry Outlook

Marketing and Advertising

The marketing and advertising industry should benefit from Jamaica's macroeconomic stability and accommodative monetary and fiscal policies. Increased access to credit will fuel expansion among businesses and consequently boost competition among firms, thereby increasing expenditure on marketing and advertising. As mentioned earlier, there is also an increasing shift to more low cost targeted social media marketing and data analytics to drive marketing strategy. The LAB is preparing for this through the expansion of its digital arm, which should complement the data analysis services provided through its agency operations.

Film Production

The spike in international film productions in Jamaica such as music videos, documentaries, and TV shows is primarily influenced by Jamaica's cultural influence globally. The country's contribution to the world through music, entertainment, and sports along with the effort of JAMPRO to promote the island as a filming destination continues to attract film-makers to the island. This should continue as Jamaica gains increasing popularity in pop-culture and attracts the attention of outsiders with a curiosity to understand local trends and cultural art forms. Nevertheless, cost is an important consideration for film producers in selecting film destinations. Currently, the Dominican Republic offers a 25% tax rebate on local expenditure from film producers once spending is at least US\$500,000. Jamaica is at a disadvantage because it does not offer similar incentives to international film producers. Nevertheless, the demand for corporate ads, local music videos and social campaign ads by government agencies should increase amidst the improved economic environment, which augurs well for The LAB.

Business Strategy

Despite the various competitors in the advertising and marketing space, The LAB differentiates itself by being a full service advertising agency that offers agency, media and production services. This is a strong value proposition, especially for medium and large companies as most of The Lab's major competitors specialize in one or two of these areas. Having a single company offering the full suite of services can simplify the marketing and procurement process for these companies. Additionally, through its management and organization, the Company maintains flexibility to adjust its team by utilizing an efficient combination of full time and sub-contract employees. The LAB expects to continue its growth by increasing its share of the Jamaican advertising market through three key strategies, namely: the acquisition of new clients, maximizing its share of wallet from existing clients and the expansion of its service offerings through acquisitions of new business.

The acquisition of new clients and new business is critical to its continued growth. Management has taken the last few years to develop various competencies in-house such as its staff skills as well as improving the effectiveness of the sales force. It is expected that this will prepare the company to target more local entities for new business as well as to expand its services regionally. This includes small and medium enterprise (SMEs), large corporates as well as government agencies.

The LAB also sees an opportunity to increase its share of its existing client's wallet. Based on an analysis of its client base, a large portion of clients currently access services it offers from alternative providers. The LAB sees this as an opportunity to increase its services to its existing client base which would minimize the hassle for the client caused by dealing with multiple service providers. **This could lead to lower cost for the clients and an increase in revenues for the company.**

The LAB intends to continue to innovate and expand its offerings to its customers in order to meet and exceed their expectations. **In the coming year, the objective is to execute on this mandate through key acquisitions aimed at adding services and talent to the Company that will improve profitability.** It also

intends to acquire a digital agency in order to expand its capacity in this area. Currently, it does not have a strong presence in digital marketing. With more companies looking to digital, including internet and social media marketing to maximize their investments by being more targeted in their advertising, this service would allow the company to grow its presence in this space while delivering value to its clients.

The LAB is the first of its kind to list on the Jamaica Stock Exchange (JSE) and the decision to list will result in it benefiting from a first-mover advantage towards building brand equity. The listing should also increase its brand visibility and bring greater business volume.

Financial Analysis

Financial Highlights	2013	2014	2015	2016	2017	2018	CAGR	LTM to Jan-19
Financial Performance (in '\$000)								
Operating Revenue	73,215.48	111,750.48	360,567.34	363,058.09	291,073.16	483,190.19	45.8%	548,105.00
Gross Profit	20,945.08	43,120.77	85,191.08	120,938.46	109,276.12	162,681.37	50.7%	173,403.07
Administrative Expenses	17,912.95	29,762.72	57,723.61	92,204.75	107,454.32	82,528.12	35.7%	85,633.29
PBT	3,908.08	13,030.00	28,102.15	29,143.98	2,020.81	76,533.94	81.3%	82,302.71
Net Profit	3,108.25	9,656.43	23,411.25	22,759.19	(3,182.02)	62,313.86	82.1%	64,864.83
Financial Position (in '\$000)								
Non-Current Assets	5,185.37	8,214.80	19,539.57	24,170.05	31,923.37	91,580.15	77.6%	95,393.94
Current Assets	10,640.74	35,431.98	60,709.31	75,074.28	71,028.96	151,568.85	70.1%	209,051.34
Current Liabilities	6,001.75	25,305.59	38,256.90	34,885.03	31,599.03	70,573.84	63.7%	140,970.15
Non-Current Liabilities	1,961.66	822.05	1,061.59	669.71	10,845.74	49,753.73	90.9%	48,093.04
Equity	7,862.71	17,519.14	40,930.39	63,689.69	60,507.56	122,821.42	73.3%	115,382.10
Key Financial Ratios								
Profitability								
Gross Profit Margin	28.6%	38.6%	23.6%	33.3%	37.5%	33.7%	N/A	31.6%
PBT Margin	5.3%	11.7%	7.8%	8.0%	0.7%	15.8%	N/A	15.0%
Net Profit Margin	4.2%	8.6%	6.5%	6.3%	-1.1%	12.9%	N/A	11.8%
Return on Equity	24.6%	76.1%	80.1%	43.5%	-5.1%	68.0%	N/A	56.2%
Admin Expense % of Revenue	24.5%	26.6%	16.0%	25.4%	36.9%	17.1%	N/A	15.6%
Liquidity								
Current Ratio (x)	1.77	1.40	1.59	2.15	2.25	2.15	N/A	1.48
Solvency								
Debt to Equity Ratio (%)	21.9%	2.5%	1.1%	0.0%	16.5%	41.3%	N/A	57.8%

Figure 6: Financial Analysis

Consistent Revenue Growth over the Last 6 Years with the Exception of 2017 due to Investments in Talent Development & Restructuring

Over the last 6 years (FY2013 & FY2018), The LAB's revenue grew from \$73.21Mn to \$483.19Mn, representing a compound annual growth rate of (CAGR) of 45.8%. Revenue growth was consistent from 2013 to 2016, until 2017 when there was a steep decline. **The 19.8% contraction in revenue in 2017 was due to the company's decision to focus on team development and training, as well as reworking its structure with the objective of increasing efficiency and service delivery.** These investments paid dividends, as revenues rebounded in 2018 with a sharp increase of 66.0% to close the year at \$483.19Mn. Most of the revenue in 2018 came from the media segment (49.0%), followed by production with 32.0% and agency at 19.0%.

Direct Expenses Well Contained over the Last 6 Years

The LAB's gross profit has averaged a growth rate of 50.7% since 2013, moving from \$20.94Mn to \$162.68Mn in 2018. **The upward trend in the gross profit margin (28.6% to 33.8%) is indicative of the company's success at managing its direct costs efficiently as its business has grown over the last 6 years.** This is further demonstrated by the average growth rate of 45.8% in operating revenue that has outpaced the 43.7% growth in direct costs over the period.

Growth in Admin Expenses Coincides With Revenue Growth

Administrative expenses have grown from \$17.91Mn in 2013 to \$82.52Mn in 2018 at a compound annual rate of 35.7%. **This rate of growth in expenses is normal, as it coincides with the growth in the company's operations based on the movement in operating revenue that has grown by 45.8% over the same period.** Furthermore, the pace of growth in administrative expenses has been well contained over the review period with expenses as a percentage of revenue trending down from 24.5% in 2013 to 17.1% in 2018. The year 2017 saw a spike in admin expenses which grew by 16.5% from \$92.20Mn in 2016 to \$107.45Mn. **This was due to an increase in costs associated with staff training and the build out of new office facilities during that year.** In 2018, the general year over year growth in administrative expense that was seen in the prior year was reversed and **there was a 23.2% fall primarily due to efficiency gains as a result of reductions in sub-contractor costs and overall improvements in cost management.**

Profitability above its Listed Peers

Net profit has grown from \$3.11Mn in 2013 to \$62.31Mn in 2018 which translates to a compound annual growth rate (CAGR) of 82.1%. The LAB has achieved profitability YoY since 2013 with the exception of 2017 when it recorded a loss of \$3.18Mn. **A reduction in revenues and increased administrative cost led to the contraction in 2017 as a result of the company's strategic reorganization and retooling of its team. Nevertheless, the changes reaped positive results in 2018 based on the jump in net profits to a record high of \$62.31Mn.** The net profit margin also improved in 2018 to 12.9% relative to the prior 5 years (2013-2017) historic average of 4.9%. **The margin of 12.9% in 2018 compares favorably to Main Events Entertainment Group that recorded a net profit margin of 6.8% in the same year. Other listed companies in the creative media and entertainment sector, such as iCreate Institute and Kingston Live Entertainment (KLE), recorded net losses for the period.**

Liquidity and Solvency Levels Decline but still Adequate

The LAB has managed its liquidity efficiently over the years based on the trend in its current ratio that has consistently been above 1.40x over the last 6 years (2013-2018). Increases in cash and cash equivalents and accounts receivable resulted in the current ratio trending upwards to above 2.00x since 2016. **However, it has fallen off as of January 2019 to 1.48x and is due to increases in accounts payable**

& accrued charges (+121.8%), current maturity of long-term loans (+150.9%), and taxation payable (+906.2%). There has also been a noticeable increase in debt in the composition of the company's capital structure. **Total debt to equity trended down from 21.9% to 16.5% between 2013 and 2017, but increased sharply to 57.8% as of January 2019 due to the growth in long term loans. This was due to a \$50.00Mn loan taken on by the company and used to purchase office space in 2018.** Nevertheless, once the issue is successful, the injection of capital into the company through equity financing from the IPO will reduce the portion of debt in its capital structure. **Moreover, it also stated that it plans to enter into a sale and lease back agreement with a related party for the property.** Its current debt/equity ratio of 57.8 % compares favorably to KLE Group with 69.2% but is higher than Main Events ratio of 45.8%.

Valuation and Recommendation

Using a free cash flow model, we obtained a fair value estimate of \$1.17, which translates to a 17.0% premium over the IPO price of \$1.00 per share⁶. This fair price implies a P/E of 13.44x earnings and is significantly below the junior market average of 24.04x earnings. It is also below its closest listed peer - Main Events Entertainment Group's, which has a P/E of 18.31x earnings.

Considering this we are recommending that investors **PARTICIPATE** in this IPO as the offer price of \$1.00 is below the fair value estimate of \$1.17, which provides an opportunity for a 17.0% gain on their investments. Our recommendation is also based on **The LAB's success at growing its profit significantly over the last 6 years, its robust cash flow generation over the period, plans for expansion to new markets and into digital marketing and the high growth prospects for its film production business.**

Outlook and Risks

The positive outlook for the local economy against the backdrop of the progress made under the IMF programme along with accommodative fiscal and monetary policies is fueling increased spending in the economy and driving business expansion. This along with new products and services development by new and existing businesses bode **well for the local advertising and marketing industry. We anticipate increased expenditure on marketing and advertising as companies seek to promote their businesses, and product/service offerings.**

Growth opportunities also exist for the production segment of the business as the global film industry is projected to increase from about US\$38.00Bn in 2016 to US\$50.00Bn in 2020. JAMPRO is doing its part to ensure that the island attracts a share of the projected growth in the industry. **We believe The LAB has positioned itself to benefit from the anticipated growth in the local industry based on its track record of being involved with world class productions done in the island such as Rihanna's "Man**

⁶ In arriving at our fair value estimate, we assumed that the company will grow at a constant rate of 5.0% per annum, which is a combination of the projected 2.0% GDP growth rate inclusive of a 3.0% projection for inflation which falls in the middle of the Bank of Jamaica's target rate. Our assumptions also took into account its CAPEX schedule plus the company's planned \$50.00Mn dollar acquisition

Down” music video, Drake’s “Find Your Love”, and Nick Cannon’s *King of the Dancehall* movie. The injection of capital from the IPO and the improvement in brand recognition should further strengthen its ability to undertake additional projects of similar and larger magnitude. Increased competition among firms should also fuel greater spending on video ads, which is also a part of The LAB’s production services. The LAB also stands to benefit from its equipment rental services.

The LAB also has plans to expand its operations across the region as well as to undertake an acquisition in the digital marketing space. It has already identified a target company to expand its digital service offerings in the short term. The owners of the company have already indicated that they are amenable to the sale of the business and assets to the LAB. **It also plans to enter the regional markets this year**, given immediate opportunities that have been identified for exploitation. **Meanwhile entrance into the U.S market is expected to be achieved by 2021.** Management expects that this move will give the company a cost and labour arbitrage as well as “nearshore” advantage to American clients who outsource their production based on geographic proximity.

Risks

Nevertheless, a **key risk to the operations of the company includes the possibility of losing large clients that form a significant portion of its portfolio.**

There is also the risk of a downturn in the economy stemming from ongoing global trade conflicts. Any softening of the economy would adversely impact expenditure on marketing and advertising.

The company’s growth strategy is also subject to execution risk. Failure to execute on the planned growth strategy could result in slower than projected growth in earnings or even a contraction.

Disclosure

Company Identification:

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokers. The Company became a part of the NCB Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J\$ and US\$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

Important Disclosures

The views expressed in this report are the views of NCB Capital Markets Ltd at the date of this report.

Disclaimer:

This report is for distribution to the clients of NCB Capital Markets Ltd. It does not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. It is published only for informational purposes. No guarantee is provided in relation to the accuracy and completeness of the information contained herein, nor is it intended to be a complete statement or summary of securities, markets or developments referred to in this report. The report should not be regarded by recipients as a substitute for the exercise of their own judgment.

In accordance with Section 39 (I) of the Securities Act of 1993, NCB Capital Markets Limited hereby states that it is a subsidiary of the NCB Jamaica Ltd. and to that extent may be regarded as interested in the acquisition or disposal of the shares of NCB Jamaica Ltd. However, the Company acts in a proper and professional manner in making any recommendations regarding shares listed on the Jamaica Stock Exchange. Share prices may fluctuate and past performance is not necessarily a guarantee of future returns.

Ratings Definitions:

BUY: We believe the stock is attractively valued. The Company has sound or improving fundamentals that should allow it to outperform the broader market. We anticipate the stock will outperform the market over the next 12 months. The risk factors to achieving price targets are minimal.

HOLD: We believe the stock is fairly valued at the current price. The Company may have issues affecting fundamentals that could take some time to resolve. Alternatively, Company fundamentals may be sound, but this is fully reflected in the current stock price. The risk factors to achieving price targets are moderate. Some volatility is expected. Do not accumulate additional shares.

SELL: (1.) We believe the stock is overpriced relative to the soundness of the Company's fundamentals and long-term prospects. The Company has significantly weak fundamentals or a flawed business model. (2.) The stock is fully priced at current market price; investors should seek to take profits at this time.