

Local Equity Performance Report: Top 10 Stock Picks 2024

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Top 10 Stock Picks for 2024				
Company Name	Ticker	Price December 31, 2023	Price December 31, 2024	Capital Appreciation
TransJamaican Highway	TJH	2.71	4.63	70.85%
Wigton WindFarms	WIG	0.79	1.39	75.95%
Fontana Pharmacy	FTNA	10.01	8.11	-18.98%
Regency Petroleum	RPL	2.42	3.3	36.36%
Seprod	SEP	79.69	87.17	9.39%
Jamaica Producers Group	JP	22.00	24.74	12.45%
Wisynco	WISYNCO	21.50	21.44	-0.28%
Carreras	CAR	8.25	13.05	58.18%
Supreme Ventures Limited	SVL	27.10	24.73	-8.75%
National Commercial Bank Financial Group	NCBFG	66.18	50.82	-23.21%
			Portfolio Yield	21.20%

Top 10 Stock Picks Performance Rationale

TransJamaican Highway (TJH)

- **New Concession Award:** In mid-2024, TJH was awarded the concession to operate phase 1C of Highway 2000, which is expected to further enhance its revenue-generating capabilities and expand its operational footprint.
- **Removal from FATF Grey List:** Jamaica's removal from the Financial Action Task Force's grey list has opened new opportunities for businesses, including TJH, potentially leading to increased investment and operational growth in the infrastructure sector.
- **Acquisition of Jamaica Infrastructure Operators (JIO):** The strategic acquisition of JIO in late 2022 has led to significant operational efficiencies. In 2024, it was reported that fees paid to JIO decreased by **54%**, contributing to a substantial reduction in overall operating expenses.
- **Credit Rating Upgrades:** Positive developments in Jamaica's sovereign ratings have influenced TJH's credit ratings as well. In March 2024, Fitch upgraded TJH's rating from 'BB-' to 'BB', while S&P Global Ratings revised its outlook to positive in September 2024. These upgrades are anticipated to improve investor confidence and attract further investments.

Wigton Energy Limited (Formerly Wigton Windfarm Limited) (WIG)

- **Repowering Initiative:** Wigton planned to commence the replacement of its aged wind turbines by March 2024, aiming to enhance efficiency and output.
- **100MW Bid Win:** In November 2024, the company, in partnership with SunTerra, secured a bid to develop 100MW of renewable energy projects, potentially expanding its capacity and market presence.
- **Diversification Efforts:** Despite the challenges faced in wind energy production, Wigton has been actively pursuing income diversification strategies. A notable initiative includes a partnership for a solar installation project at Sangster International Airport, valued at approximately \$7.78 million, which is expected to bolster non-core income.

Fontana Pharmacy Limited (FTNA)

- **Record-Breaking Revenues:** For the financial year ending June 30, 2024, Fontana reported record revenues of \$8.1 billion, an increase of 11% from the previous year. The opening of a new store in Portmore was a key factor in this growth, alongside increased customer counts and transaction sizes across all product lines.
- **Increased Opex and Reduced Profitability:** Despite revenue growth, operating expenses rose by 25.5% to \$2.4 billion, largely due to costs associated with the new Portmore location and the anniversary celebrations. This increase in expenses led to a decline in operating profit by 6.6%, reflecting the challenges of managing costs amid expansion efforts.

Regency Petroleum Company Limited (RPL)

- **Expansion of Service Stations:** RPL opened new service stations in Negril and Paradise in 2024, contributing to a 121% increase in sales during Q1 compared to the previous year, reaching approximately \$404.68 million. The company also announced plans for its first service station in Kingston, which is expected to further boost revenue streams.
- **Expansion of Service Stations:** RPL opened new service stations in Negril and Paradise in early 2024, contributing to a 121% increase in sales during Q1 compared to the previous year, reaching approximately \$404.68 million. The company also announced plans for its first service station in Kingston, set to open in September 2024, which is expected to further boost revenue streams.
- **Strong Market Demand:** During Q2 2024, RPL's sales increased by 168%, indicating strong market demand and effective execution of its growth strategy.
- **Franchising Initiative:** RPL initiated a franchising model for its LPG business, which could enhance its distribution capabilities and market reach. This move is part of a broader strategy to diversify revenue streams while managing capital expenditures carefully

Seprod (SEP)

- **Financial Performance:** In the third quarter ending September 30, 2024, Seprod reported sales of J\$36.5 billion, contributing to total sales of J\$108.5 billion for the nine months. Net profit for the quarter was J\$1.8 billion, with a cumulative net profit of J\$5.4 billion for the nine-month period.
- **Dividend Declaration:** On November 27, 2024, Seprod's Board of Directors declared a dividend payment of sixty and a half cents (J\$0.605) per share, reflecting the company's commitment to delivering value to its shareholders.

Jamaica Producers Group (JP)

- **Hurricane Beryl:** The most critical event was the impact of Hurricane Beryl, which caused a contraction of 2.8% in Jamaica's economy during the July to September quarter. This hurricane severely affected the Goods Producing Industry, particularly agriculture, which saw a decline of 13.5% due to adverse weather conditions. The overall economic downturn led to reduced demand and weakened business confidence, negatively affecting JP's operations.
- **Travel Advisory:** In July 2024, the US State Department issued a Level 3 Travel Advisory for Jamaica, advising travelers to reconsider travel to the country. This advisory significantly impacted tourism, which is vital for JP's business as it relies on a healthy tourism sector for its food and beverage sales.
- **Diversification into Alternative Energy and Real Estate:** JP announced plans to invest in alternative energy and expand its real estate developments, aiming to create new revenue streams and enhance its market presence. This diversification strategy is expected to mitigate risks associated with traditional sectors impacted by economic fluctuations

Wisynco (WISYNCO)

- **Doubling Production Capacity:** Wisynco announced plans to nearly double its production capacity by June 2024. This involved the installation of new production lines aimed at meeting the increasing demand for its products. By February 2024, the company had already introduced new machinery that boosted beverage



Carreras (CAR)

- **Dividends:** The company maintained its commitment to shareholder returns by declaring interim dividends throughout the year. Notably, a dividend of J\$0.36 per stock unit was declared on November 13, 2024, payable on December 19, 2024.
- **Revenue and Profit:** For the first quarter ending March 31, 2024, Carreras reported operating revenue of J\$2.7 billion, down from J\$3.7 billion in the same quarter of 2023. Net profit for this period was J\$568.5 million, compared to J\$895 million in the corresponding quarter of the previous year. The gross margin for the quarter was 51.7%, an improvement from 47.4% in the same quarter of 2023.

Supreme Ventures Limited (SVL)

- **New Gaming Features and Promotions:** SVL launched innovative features such as the jackpot promotion for the Money Time game and refreshed its sports betting brand, JustBet, enhancing customer engagement and experience.
- **Expansion into Fintech:** The company ventured into remittance and bill payment services through its fintech subsidiary, partnering with Ria Money Transfer to launch Evolve Money Transfer in February 2024. This move aims to tap into new revenue streams and better serve underserved populations.
- **International Growth Plans:** SVL is planning to expand its gaming services internationally, notably in Ghana through a partnership with Game Park Limited. This strategy aims to leverage its technology platform for broader market reach.
- **Q2 Profit Decline:** SVL reported a net profit of \$475.28 million for the second quarter of 2024, marking a 52.73% decline compared to the same quarter in 2023. This decrease was attributed to higher direct costs and administrative expenses, despite recognizing unrealized gains from equity investments totaling \$51.45 million and earning \$12.75 million in dividends

National Commercial Bank Financial Group (NCBFG)

- **Strong Financial Results:** NCBFG reported a 174% increase in net profit for the FY ending September 30, 2024, showcasing significant operational and financial improvements. However, this positive performance was overshadowed by other challenges that eroded investor confidence and affected market perception.
- **APO Undersubscription:** The Additional Public Offering (APO) raised only \$2.5 billion, half of the \$5 billion target, despite an extended offer deadline. Investors were discouraged by the APO price being higher than the market price, signaling misalignment with market expectations.
- **Poor Investor Sentiment:** Investor confidence was damaged by fraud scandals, including operational challenges related to Visa Debit card fraud incidents and Uber transaction discrepancies, which led to temporary account freezes and customer dissatisfaction. Although NCBFG reported a 70% reduction in fraud losses and efforts to clear investigation backlogs, these incidents highlighted vulnerabilities in governance and operational systems, fueling negative sentiment.
- **Stock Performance Impact:** Despite strong profitability, NCBFG's stock performance suffered due to weak market confidence and reputational concerns. The disconnect between financial results and market sentiment underscores the importance of addressing governance, operational risks, and customer trust to rebuild investor confidence.