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R.A. Williams Limited

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Executive Summary

R.A. Williams Distributors Ltd. (“RAW”, “R.A. Williams: or “the Company”) is raising \$400 million in equity financing by listing on the junior market at \$1.00 per share and selling 400.0 million shares.

Use of Proceeds (\$M)	
Debt Elimination	304.6
General Working Capital and Investments	46.4
Expenses of the Invitation	49.0
Total Proceeds	400.0

The Company plans to allocate the proceeds from the successful Invitation to eliminate related party loans (\$113,721,658) and short-term loans (\$190,928,205), cover invitation expenses (not exceeding

\$49,000,000) which include professional advisor fees, JSE and JCSD fees, auditing, tax, legal, accounting, registrar, listing, and marketing fees, and use the remaining \$46,350,137 for general working capital and solar equipment installation in the new building.

The company offers a diverse range of over-the-counter (OTC) and prescription products across various therapeutic areas, including vision care, cardiovascular, central nervous system, respiratory, gastroenterology, dermatology, and more. Operating through a robust distribution network, R.A. Williams serves over 700 customers, including pharmacies, medical practitioners, and hospitals.

Jamaica’s ageing population and the increasing prevalence of non-communicable diseases (NCDs) present significant growth opportunities for R.A. Williams. The company’s extensive product portfolio and strategic partnerships position it well to capitalise on these growing healthcare needs. Additionally, the company will expand its product portfolio to include brand-name products, further diversifying its offerings and enhancing market competitiveness.

Recommendation

R.A. Williams Distributors Ltd.	
Shares for Sale	400,000,000
IPO Price	1.00
Target Price	1.34
Potential Upside	34.0%
Recommendation	BUY

Based on our analysis, we recommend a **BUY** for R.A. Williams Distributors Ltd. at a fair value of \$1.34, presenting an opportunity to achieve a 34 per cent return on the initial investment. The company’s strong financial performance, strategic initiatives, and robust market positioning provide a solid foundation for future growth and profitability. With

consistent revenue growth, effective cost management, and strategic partnerships, R.A. Williams presents a compelling investment opportunity.

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R.A. Williams Limited

Company Overview

R.A. Williams seeks to become a leading pharmaceutical distribution company in Jamaica by representing some of the most prestigious international pharmaceutical manufacturers. The company offers an extensive range of over-the-counter (OTC) and prescription products across various therapeutic areas critical to the Jamaican population, including vision care, cardiovascular, central nervous system, respiratory, gastroenterology, dermatology, cough, cold & allergies, anti-infectives, oral care, intravenous solutions, parenteral nutrition, vitamins & minerals, and first aid.

The company imports, markets, and distributes prescription and OTC pharmaceutical products on behalf of third-party suppliers. R.A. Williams operates primarily through a robust distribution network that spans registered pharmacies and medical practitioners throughout Jamaica. The company's business model hinges on providing strong local representation for international drug manufacturing entities, encompassing wide distribution, marketing assistance, and a formidable sales presence. This strategy has proven essential in diversifying the company's product supply base, thereby reducing risk and minimising potential disruptions from supplier-related incidents.

Currently, R.A. Williams focuses on generic products but is in preliminary discussions with potential new suppliers to introduce brand-name categories to its portfolio. While these discussions are not yet binding, the company's strong market reputation, extensive customer network, and negotiation capabilities provide a promising outlook for expansion.

The Jamaican pharmaceutical distribution industry is highly competitive, with market dominance exerted by a few large players who utilise similar distribution channels and target the same customer base. Despite its relatively smaller size, R.A. Williams leverages its agility, innovation, and customer-centric approach to gain market share. As of January 31, 2024, the company's customer base includes 33.2 percent doctors, 59.4 percent pharmacies, and 7.4 percent hospitals/medical centres/others, totalling over 700 customers. The company has maintained an annual net attrition rate of 6.0 percent for customer relationships, excluding doctors and medical practitioners, from 2020 to January 2024. The number of doctor and medical practitioner relationships has increased from 183 in 2019 to 235 by January 2024, with average annual sales per customer ranging from \$200k to \$330k.

Key suppliers contributing 10.0 percent or more of total sales for the nine months ended January 31, 2024, include:

- Aristopharma: A private company exporting to 31 countries with over 200 brands. R.A. Williams serves as the exclusive distributor for Aristopharma products in Jamaica.
- Indus Life Sciences: Based in India, it has a global presence in Africa, the CIS, and Asia. R.A. Williams is a co-distributor of its products in Jamaica.

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- **IPCA Labs:** A public company from Mumbai, India, providing pharmaceutical products to over 120 countries. R.A. Williams co-distributes their products in Jamaica.
- **Square Pharmaceuticals:** The leading pharmaceutical company in Bangladesh, listed on the Dhaka Stock Exchange for over 25 years, exporting to 36 countries. R.A. Williams is the exclusive distributor for Square Pharmaceuticals in Jamaica.
- **MSN Labs:** This Indian pharmaceutical company has a strong presence in the US, Latin America, Africa, Trinidad and Barbados and an annual turnover exceeding US\$200 million. R.A. Williams co-distributes its products in Jamaica.

R.A. Williams' portfolio includes over 130 prescription and OTC products, with a significant skew towards prescription drugs, which comprise 87.8 percent of the portfolio. OTC drugs account for 8.8 percent, and handwash and sanitisers make up 3.4 percent. For the 2023 financial year, sales from the top five therapeutic areas—bacterial infections (24.9 percent), eye treatment (20.4 percent), hypertension and diabetes (10.0 percent), pain management (9.6 percent), and allergies (7.9 percent)—constituted approximately 73 percent of the company's revenue.

R.A. Williams has effectively positioned itself as a critical player in Jamaica's pharmaceutical distribution industry, meeting the population's healthcare needs with a diverse and expanding product portfolio. The company's strategic initiatives and strong market presence indicate a robust potential for growth and continued success in the competitive pharmaceutical landscape.

Major competitors include Cari-med, Facey Commodity, Indies Pharma, Lasco Distributors, Massy Distributors, Medimpex and Medical Disposables and Supplies.

Corporate Governance

Board of Directors

John R. Bailey	Chairman
Evelyn Williams	Chief Quality Officer and Co-Founder
Audley Reid	Chief Executive Officer and Co-Founder
Jewel Reid	Chief Operating Officer and Co-Founder
Dr. Tonoya Borrows	Non-Executive Director
Dr. Marjorie Fyffe-Campbell	Non-Executive Director
Douglas Lindo	Non-Executive Director
Richard Nevers	Company Secretary

John R. Bailey, Chairman of R.A. Williams Distributors Ltd. since 2015, has over three decades of business experience and holds a degree in Business Administration from the University of South Florida. He owns several businesses and serves on various boards, including

National Commercial Bank Jamaica Limited.

Evelyn Williams, co-founder and registered pharmacist, holds a Bachelor of Pharmacy from the University of Technology and has over two decades of experience in the pharmaceutical sector, specialising in oncology.

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Audley Reid, CEO and Executive Director, has over 12 years in the pharmaceutical industry, holding a Bachelor's Degree in Pharmacy from the University of Technology, Jamaica. He also leads Business Development and Marketing.

Jewel Reid, COO and Executive Director, co-founder with over 12 years of experience in drug registration and inventory management, holds a Bachelor's Degree in Pharmacy from the University of Technology, Jamaica.

Dr. Tonoya Borrows, Independent Non-Executive Director, brings nearly two decades of pharmaceutical experience, is CEO/founder of LiveWell Pharmacy, and holds a Doctor of Pharmacy from the University of Florida.

Dr. Marjorie Fyffe-Campbell, Independent Non-Executive Director, with a Doctorate in Business Administration and M.Sc. in Accounting from the University of the West Indies, Mona, has expertise in Finance, Accounting, and Corporate Governance.

Douglas Lindo, Independent Non-Executive Director, co-owner of Bellindo Ltd., lectures on New Ventures and Entrepreneurship at the University of the West Indies, and serves on several boards.

Mr. Richard Nevers, Company Secretary and attorney-at-law, has 16 years of experience in commercial, conveyancing, corporate, and estate matters

Details of Shareholdings

Name of Shareholder	Shares Prior Listing	% Prior	Shares After Listing	% After
Ravers Limited	394,996,708	24.7%	394,996,708	19.7%
Jorden Investments Limited	394,996,708	24.7%	394,996,708	19.7%
Ranwill International Holdings Limited	789,993,417	49.4%	789,993,417	39.5%
Tonoya Toyloy-Borrows	2,106,649	0.1%	2,106,649	0.1%
Douglas Lindo	2,106,649	0.1%	2,106,649	0.1%
Marjorie Fyffe-Campbell	2,106,649	0.1%	2,106,649	0.1%
Kimroy Williamson	2,106,649	0.1%	2,106,649	0.1%
Deidra Virgo	2,106,649	0.1%	2,106,649	0.1%
Kimberley Johnson-Dockery	2,106,649	0.1%	2,106,649	0.1%
Karlene Gregg	2,106,649	0.1%	2,106,649	0.1%
Suzette Byrue	2,106,649	0.1%	2,106,649	0.1%
Richard Nevers	1,053,325	0.1%	1,053,325	0.1%
Elaine Gordon	1,053,325	0.1%	1,053,325	0.1%
Tamara Melville-Scott	1,053,325	0.1%	1,053,325	0.1%
Company Applicants	-	-	30,000,000	1.5%
Key Strategic Partners	-	-	160,000,000	8.0%
General Public	-	-	210,000,000	10.5%
Total Issued Share Capital	1,600,000,000	100.0%	2,000,000,000	100.0%

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Financial Performance Review

Profit and Loss Review

RA Williams	Historical				
Income Statement (\$M)	FY19	FY20	FY21	FY22	FY23
Revenue	421.9	501.8	647.0	994.0	1,407.9
Cost of sales	(236.9)	(288.9)	(346.1)	(574.4)	(814.9)
Gross profit	185.0	212.9	300.9	419.6	593.0
Operating expenses	(135.3)	(181.8)	(231.5)	(320.5)	(431.7)
Operating profit	49.7	31.2	69.5	99.0	161.2
Other income	0.0	0.0	0.0	0.2	0.1
Finance costs	(5.2)	(7.5)	(19.7)	(31.4)	(38.2)
Profit before taxation	44.5	23.7	49.8	67.8	123.1
Taxation	(8.0)	(5.9)	(8.2)	(15.4)	(24.6)
Net profit	36.5	17.8	41.6	52.4	98.5

The company's profit and loss statement reveals significant revenue growth over the past five years, primarily driven by strategic initiatives. The revenue figures reflect a solid upward trajectory, starting at \$421.9 million in 2019 and reaching \$1.4 billion in 2023 (2022: \$994.0 million). This represents a year-on-year increase of 41.6

percent from 2022 to 2023. The five-year compound annual growth rate ("CAGR") for revenue is approximately 31.4 percent, indicating robust and sustained growth in the company's sales performance.

This remarkable growth can be attributed to expanding the product portfolio and securing new distribution agreements. These efforts increased the customer base from 617 customers in 2019 to 797 customers in the financial year 2023, with the average sale per customer also rising from \$0.7 million in 2019 to \$1.8 million by the end of the financial year in 2023.

Additionally, the company strategically diversified its supplier base to reduce reliance on a few suppliers. By the end of the financial year 2023, five suppliers accounted for over 80 percent of sales, compared to four in 2019. The product portfolio expanded from 97 items in the financial year 2019 to 148 for the financial year 2023, further supporting the company's revenue growth.

The cost of sales also followed a similar trend, increasing from \$236.9 million in 2019 to \$814.9 million in 2023. The most recent year-on-year change shows a 41.9 percent increase from \$574.4 million in 2022 to \$814.9 million in 2023. The five-year CAGR for the cost of sales is approximately 36.2 percent, suggesting that the company's cost of production has risen in tandem with its revenue, maintaining a stable gross profit margin.

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Margins	FY19	FY20	FY21	FY22	FY23
Return on revenues					
Gross Profit Margin	43.9%	42.4%	46.5%	42.2%	42.1%
Operating Margin	11.8%	6.2%	10.7%	10.0%	11.5%
Pre-tax Profit Margin	10.5%	4.7%	7.7%	6.8%	8.7%
Net Profit Margin	8.6%	3.5%	6.4%	5.3%	7.0%

Gross profit increased from \$185.0 million in 2019 to \$593.0 million in 2023, representing a CAGR of 33.8 percent. This consistent increase in gross profit reflects the company's practical strategies and operational efficiency. Over the period, the gross profit margin remained relatively stable, ranging between 42.1 percent and 43.9 percent, except for a peak at 46.5 percent in 2021. The decline from this peak was due to a strategic decision by management to alter the product mix to include a higher proportion of fast-moving, low-margin products.

The company's ability to maintain consistent pricing and cost control strategies demonstrates robust management practices while adjusting the product mix. The most recent year-on-year change in gross profit margin was immaterial, reinforcing the company's effective management of production costs relative to revenue growth. The company anticipates maintaining an average gross profit margin between 43.0 percent and 44.0 percent in the short term, with the potential for further enhancement in specific therapeutic areas.

Operating expenses, which include selling, general, administrative, and non-cash charges, have increased to keep pace with the revenue growth. In 2019, these expenses were \$135.3 million, rising to \$431.7 million in 2023 (2022: \$320.5 million). The year-on-year change from 2022 to 2023 was a 34.7 percent increase, while the five-year CAGR for operating expenses is approximately 33.6 percent. This growth rate is slightly lower than the revenue growth, suggesting improved operational efficiency. Year-on-year, the difference in growth is significant, with revenue growing by 41.6 percent compared to operating expenses increasing by 34.7 percent.

The main contributors to the increase in operating expenses were staff, selling, and marketing expenses. During the years 2020 and 2021, the operating expenses to revenue ratio increased due to the business disruption caused by factors associated with the COVID-19 pandemic, adversely affecting operations. However, in 2022, the company undertook strategic initiatives to grow the business, including strengthening its human capital capacity and aligning the compensation and benefits of its Sales and Marketing teams with industry standards and best practices. These measures have helped the company manage its operating expenses effectively while continuing to support revenue growth.

Operating profit has grown substantially from \$49.7 million in 2019 to \$161.2 million in 2023, a CAGR of 34.2 percent. The operating margin has improved over the years, with the most recent

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year-on-year change showing a significant increase of 62.8 percent over the \$99.0 million reported in 2022.

Once other income is considered, pre-tax profit increased from \$44.5 million in 2019 to \$123.1 million in 2023. This growth represents a five-year CAGR of 29.0 percent. The most recent year-on-year change showed a substantial increase of 81.5 percent, indicating effective control over operating expenses that improved overall profitability.

The profit before tax increased successively each year, except for the financial year 2020, when profit before taxes declined to \$23.7 million due to the adverse impact of the COVID-19 pandemic. The decline was mainly attributable to lower-than-expected sales in the last quarter and higher-than-normal operational expenses, many of which were fixed. Despite this setback, the company recovered and improved its pre-tax profit margin from 4.7 percent in the financial year 2020 to 8.7 percent in 2023. This improvement reflects management's ability to navigate the changing business environment and implement strategies that return the business to normalcy and enhance profitability.

Net income increased from \$36.5 million in 2019 to \$98.5 million in 2023. The net profit margin followed a similar trend to the pre-tax margin, showing an overall increase. The most recent year-on-year change showed a significant rise, indicating improved profitability and financial health. The five-year CAGR for net income is approximately 28.2 percent, highlighting the company's strong bottom-line growth.

The income statement demonstrates that the company has experienced significant revenue growth, maintained gross profit margins, and improved operational efficiency over the past five years. The substantial increases in operating income, pre-tax profit, and net income reflect the company's effective cost management and strategic financial planning.

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Balance Sheet Review

RA Williams	Historical				
Balance Sheet (\$M)	FY19	FY20	FY21	FY22	FY23
Assets					
Property, plant and equipment	12.3	32.9	40.1	33.8	36.7
Right-of-use assets	0.0	10.3	7.5	2.5	0.0
Total Non-current Assets	12.3	43.2	47.6	36.2	36.7
Inventories	57.4	69.1	234.9	412.8	418.8
Trade and other receivables	60.2	68.4	116.0	176.5	217.8
Other current assets	34.7	79.6	174.5	158.3	171.3
Total Current Assets	152.3	217.1	525.4	747.6	807.9
Total Assets	164.6	260.3	573.0	783.8	844.6
Liabilities and Equity					
Total Equity	90.6	108.4	150.0	202.4	300.9
Long-term loans	19.0	24.9	21.3	88.1	10.1
Lease liabilities	0.0	5.5	2.6	0.0	0.0
Other non-current liabilities	0.2	2.2	0.0	1.2	1.8
Total Non-Current Liabilities	19.3	32.6	23.9	89.2	11.9
Trade payables	35.9	48.6	146.9	249.2	118.1
Short term and current portion of long term loans	8.8	51.6	114.3	108.1	252.6
Related party loans	0.0	7.7	113.9	113.5	112.3
Lease liabilities	0.0	4.9	5.1	2.6	0.0
Other current liabilities	10.1	6.5	18.9	18.8	48.8
Total Current Liabilities	54.8	119.4	399.1	492.2	531.8
Total Liabilities	74.0	152.0	423.0	581.4	543.7
Total Liabilities and Equity	164.6	260.3	573.0	783.8	844.6

Starting with assets, property, plant, and equipment value increased from \$33.8 million in 2022 to \$36.7 million in 2023, reflecting year-on-year growth of 8.7 percent. This category mainly comprises motor vehicles, equipment, furniture, and fixtures. The net book value of \$36.7 million at the end of 2023 is primarily attributed to motor vehicles acquired in 2020 and 2023, amounting to \$24.7 million and \$9.9 million, respectively. These vehicles were acquired to enhance the fleet supporting the distribution network. Over the past five years, property, plant, and equipment have shown a CAGR of 31.5 percent, indicating substantial long-term investment in physical assets.



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Right-of-use assets, pertaining to commercial spaces leased for the company's operations, experienced a complete decline, dropping from \$2.5 million in 2022 to zero in 2023, resulting in a year-on-year decrease of 100.0 percent. The leases included office and warehouse spaces in Block C, New Brunswick Village, with an initial lease period of eight years and options for renewal. The company aimed to secure lease renewals to maintain operational stability but eliminated these assets from the balance sheet, reflecting a strategic move to optimise costs.

Inventories saw a marginal rise, increasing from \$412.8 million in 2022 to \$418.8 million in 2023, resulting in a year-on-year growth rate of 1.5 percent. This growth has been significant over the past five years, with inventories experiencing a CAGR of 64.3 percent. The considerable increase in inventory is due to strategic investments starting in 2021, making inventory the company's largest single asset. Management increased the holding period of products beyond the usual 90 days to mitigate supply chain disruptions caused by the COVID-19 pandemic and other factors, such as restricted vessel traffic through the Panama Canal. Despite these challenges, the provision for obsolescence as a percentage of gross inventory decreased from 7.9 percent in 2019 to 3.0 percent in 2023, indicating improved inventory management and product longevity.

Trade receivables also showed significant growth, rising from \$176.5 million in 2022 to \$217.8 million in 2023, corresponding to a robust year-on-year increase of 23.4 percent and a five-year CAGR of 37.9 percent. This increase indicates improved sales and the ability to extend more credit to customers. Most trade receivables are within the current period, demonstrating effective credit management. Provisions for expected credit losses have remained conservative, with the provision percentage decreasing from 11.2 percent in 2020 to 5.4 percent in 2023.

Total current assets increased from \$747.6 million in 2022 to \$807.9 million in 2023, showing a year-on-year growth of 8.1 percent. Over the five years, total current assets grew at a CAGR of 51.8 percent. Total assets rose from \$783.8 million in 2022 to \$844.6 million in 2023, indicating a year-on-year growth of 7.7 percent and a five-year CAGR of 42.5 percent, highlighting the company's expanding asset base.

Regarding liabilities, lease liabilities were eliminated by 2023, decreasing from \$2.6 million in 2022 to zero, showcasing a strategic move to reduce lease obligations. Total current liabilities increased from \$492.2 million in 2022 to \$531.8 million in 2023, reflecting a year-on-year growth of 8.0 percent and a five-year CAGR of 84.7 percent, indicating growing short-term obligations. Trade payables grew from \$35.9 million in 2019 to \$118.1 million in 2023, driven by increased sales and favourable supplier credit terms. The company transitioned from cash-based inventory acquisitions to benefiting from credit terms as its business and reputation grew.

Other current liabilities, specifically taxation payable, increased from \$6.9 million in 2019 to \$21.3 million in 2023, correlating with higher profits. Despite the overall increase in current liabilities,

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total liabilities showed a slight decrease from \$581.4 million in 2022 to \$543.7 million in 2023, marking a year-on-year decline of 6.5 percent. Over the five years, total liabilities have grown at a CAGR of 64.6 percent.

Equity also exhibited strong growth. Total equity increased significantly from \$202.4 million in 2022 to \$300.9 million in 2023, representing a substantial year-on-year growth of 48.7 percent. Over the past five years, total equity has grown at a CAGR of 37.6 percent, reflecting the company's strengthening financial foundation and ability to generate and retain earnings. This growth in equity is attributed to retained net profits, as the company has not paid dividends during this period.

The balance sheet shows a company with substantial asset growth, particularly in inventories and receivables, indicating strong operational expansion. While liabilities have increased significantly over the five years, they have decreased in the most recent year, suggesting improved financial management. Equity has shown robust growth, highlighting the company's strengthening financial foundation and potential for continued success.

Cash Flow Statement Review

RA Williams Cash Flow Statements (\$M)	Historical				
	FY19	FY20	FY21	FY22	FY23
Net cash provided by / (used in) operating activities	17.2	2.9	(142.3)	9.8	34.2
Net cash used in investing activities	(0.5)	(25.9)	(12.4)	(2.3)	(12.0)
Net cash provided by / (used in) financing activities	(17.1)	48.3	136.6	30.0	29.5
Net (Decrease) / Increase in cash and bank balances	(0.4)	25.2	(18.0)	37.6	51.8
Opening Cash and Bank Balances	11.9	11.8	37.4	19.6	54.9
Effects on movements on foreign currency balances	0.3	0.3	0.3	(2.3)	(0.9)
Closing Cash and Bank Balances	11.8	37.4	19.6	54.9	105.8

The company generally generated positive cash flows from operations, except in FY21, due to post-pandemic adjustments, including higher inventory levels to mitigate supply chain disruptions. Despite this, net cash from operating activities rose from \$17.2 million in 2019 to \$34.2 million in 2023, driven by increased net income and efficient working capital management.

Cash used in investing activities increased from \$0.5 million in 2019 to \$12.0 million in 2023, reflecting investments in motor vehicles, equipment, and new facilities to support growth and operational efficiency.

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Financing activities varied, with a net cash outflow of \$17.1 million in 2019 transitioning to an inflow of \$29.5 million in 2023. This shift was due to strategic debt management, which balanced growth and financial stability.

The company's cash position improved significantly, with cash and bank balances increasing from \$11.8 million in 2019 to \$105.8 million in 2023. This reflects strong operational performance and strategic financial management.

Unaudited Results

RA Williams Income Statement (\$M)	Historical	
	FY23	FY24
Revenue	1,407.9	1,496.9
Cost of sales	(814.9)	(803.7)
Gross profit	593.0	693.1
Operating expenses	(431.7)	(559.6)
Operating profit	161.2	133.51
Other income	0.1	0.2
Finance costs	(38.2)	(36.1)
Profit before taxation	123.1	97.6
Taxation	(24.6)	(12.9)
Net profit	98.5	84.7

According to the 2024 unaudited results, revenues have risen marginally by 6.3 percent to \$1.5 billion, while the cost of sales has declined by 1.4 percent to \$803.7 million. This resulted in a 16.9 percent increase in gross profit, reaching \$693.1 million, a \$100.1 million increase.

The increase in sales can be attributed to two main factors: the company's expanded market penetration, making products more widely available across the island, and price increases in key lines such as Aristopharma and Square Pharma, which together accounted for approximately 40 percent of total sales for the interim period ended 31 January 2024.

The company reported a 29.6 percent increase in operating expenses, totalling \$559.6 million, which resulted in an operating profit of \$133.5 million for 2024, a 17.2 percent decrease from the previous year. The three main factors contributing to the increase in operating expenses were additional professional fees related to IPO preparations, hiring two new management positions in sales, and inflationary adjustments for the general staff.

After considering finance costs, taxes, and other income, net profit amounted to \$84.7 million relative to \$98.5 million the prior year, representing a 14.1 percent decline. The taxes charged were 47.4 percent lower as the company produced fewer profits before taxes of \$97.6 million (2023: \$123.1 million). Finance costs were relatively unchanged, and other income was immaterial to profitability.

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RA Williams Balance Sheet (\$M)	Historical	
	FY23	FY24
Assets		

Total Non-current Assets	36.7	391.3
Total Current Assets	807.9	962.2
Total Assets	844.6	1,353.5

Liabilities and Equity		
Total Equity	300.9	385.5
Total Non-Current Liabilities	11.9	330.5
Total Current Liabilities	531.8	637.5
Total Liabilities	543.7	967.9
Total Liabilities and Equity	844.6	1,353.5

Year over year, total assets have grown by 60.3 percent, from \$844.6 million in 2023 to \$1.4 billion in 2024. The increase is primarily attributable to the 966.5 percent increase in total non-current assets. Specifically, the \$329.7 million allocated to the right-of-use assets line item in 2024 was nil in 2023. This line item relates to the lease agreement for office and warehouse space at the New Brunswick Village with Brunswick Holdings Limited.

On the liabilities side, total liabilities increased to \$967.9 million at the end of 2024 compared to \$543.7 million at the end of 2023, marking a 78.0 percent increase. This rise was primarily due to a newly

recorded lease liability of \$316.6 million, which was nil in the previous year. Additional factors contributing to the increase include a \$203.7 million rise in trade and other payables, mainly due to accrued invoices for goods-in-transit, partially offset by a net decrease in loans of \$106.1 million.

RA Williams Cash Flow Statements (\$M)	Historical	
	FY23	FY24
Net cash provided by / (used in) operating activities	34.2	180.7
Net cash used in investing activities	(12.0)	(33.6)
Net cash provided by / (used in) financing activities	29.5	(132.1)
Net (Decrease) / Increase in cash and bank balances	51.8	15.0
Opening Cash and Bank Balances	54.9	105.8
Effects on movements on foreign currency balances	(0.9)	(0.3)
Closing Cash and Bank Balances	105.8	120.5

The net increase in cash and bank balances declined by 71.1 percent to \$15 million. While the company produced significantly more cash flow from operations of \$180.7 million, it used \$132.1 million to repay loans and \$33.6 million to acquire property, plant and equipment.

R.A. Williams Limited

Financial Statement Analysis

Activity

Activity	FY20	FY21	FY22	FY23
Inventory turnover	4.6 x	2.3 x	1.8 x	2.0 x
Days of inventory on hands	80	160	206	186
Receivables turnover	7.8 x	7.0 x	6.8 x	7.1 x
Days of sales outstanding	47	52	54	51
Payable turnover	6.8 x	3.5 x	2.9 x	4.4 x
Number of days payables	53	103	126	82
Working capital turnover	5.9 x	4.4 x	3.7 x	3.3 x
Fixed assets turnover	22.2 x	17.7 x	26.9 x	40.0 x
Total assets turnover	2.4 x	1.6 x	1.5 x	1.7 x

Over the years, inventory turnover has declined to about 2.0x since 2020. This is because the company took on inventory as a strategic measure in anticipation of supply chain distribution during the COVID-19 pandemic and increasing the number of

products being distributed due to acquiring new suppliers. Receivables turnover has been relatively stable at about 7.0x, while payable turnover declined to its lowest point in 2021 but has slowly increased. The increasing payables turnover trend was mainly attributable to the extended credit from suppliers to facilitate the increased level of inventory being purchased. However, for 2023, the payables turnover increased to 4.4 times, mainly due to paying down balances.

Working capital turnover has declined since 2020. As highlighted earlier, this directly results from investing in more inventory due to the pandemic and supplier requirements. Fixed assets turnover increased significantly by the end of the period as the company requires limited fixed assets to earn revenues. Total assets turnover, which better measures asset utilisation for this company, remains stable. The fall in the ratio from 2021 onward is due to reasons highlighted earlier.

Solvency

Solvency	FY19	FY20	FY21	FY22	FY23
Liquidity					
Current Ratio	2.8 x	1.8 x	1.3 x	1.5 x	1.5 x
Quick Ratio	1.3 x	0.9 x	0.3 x	0.5 x	0.6 x
Leverage					
Debt-to-assets	16.9%	36.4%	44.9%	39.8%	44.4%
Debt-to-capital	23.5%	46.6%	63.2%	60.7%	55.5%
Debt-to-equity	30.7%	87.3%	171.5%	154.3%	124.6%
Financial leverage		2.1 x	3.2 x	3.9 x	3.2 x

The current ratio has declined from 2.8x at the end of 2019 to 1.5x at the end of 2023. There was a low of 1.3x in 2021 due to increased credit from suppliers and short-term funding to support liquidity amidst higher trade receivables and

inventory levels. Management has since improved working capital management, resulting in a current ratio by the end of 2023. The quick ratio, which excludes inventories from current assets,

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highlights the significant role of inventories in the company's asset base, reflecting a robust investment in inventory for preparedness and market responsiveness. Since 2021, management has enhanced liquidity by managing customer credit terms and building cash reserves.

The debt-to-total assets ratio increased from 16.9 percent in 2019 to 44.4 percent in 2023 due to additional borrowings primarily to finance higher inventory levels. In 2022, the ratio improved to 39.8 percent as the growth in total assets outpaced the net new loans. However, by the end of 2023, total assets grew slower than the debt growth, resulting in the debt-to-total assets ratio rising to 44.4 percent. The new loans were obtained to support the company's growing working capital needs.

Debt-to-capital and debt-to-equity continue to improve as the company equity base improves due to improved profitability and increased retained earnings.

Profitability

Profitability	FY20	FY21	FY22	FY23
Return on investments				
Operating Return on Average Assets	14.7%	16.7%	14.6%	19.8%
Return on Average Assets	8.4%	10.0%	7.7%	12.1%
Return on Total Capital	11.1%	13.6%	11.4%	16.5%
Return on Average Equity	17.9%	32.2%	29.7%	39.1%

All profitability metrics have increased over the past four years despite a dip in the 2022 financial year. This dip was

due to strategic initiatives that temporarily lowered pre-tax and net profit margins, impacting the return on investment ratios. These initiatives included reorganising the company and investing in human capital development. Additionally, management decided to boost sales by increasing the proportion of fast-moving, low-margin products, resulting in a lower average gross profit margin for the year.

ROAE DuPont Analysis	FY20	FY21	FY22	FY23
Net Profit Margin	3.5%	6.4%	5.3%	7.0%
Asset Turnover	2.4 x	1.6 x	1.5 x	1.7 x
Return on Average Assets	8.4%	10.0%	7.7%	12.1%
Financial Leverage	2.1 x	3.2 x	3.9 x	3.2 x
Return on Average Equity	17.9%	32.2%	29.7%	39.1%

Expanding the ROAE, the DuPont analysis reveals that the increase in ROAE over the years can be attributed to three factors. Firstly, an improvement in net profit margin indicates

the company's enhanced efficiency in converting revenue into profit, reflecting better cost management and pricing strategies, leading to higher profitability. Secondly, despite a dip in asset turnover in 2021, the company has effectively used its assets to generate revenue, with the higher net profit margins compensating for the fluctuation and maintaining operational efficiency. Lastly, consistent financial leverage since its increase in 2021 shows the company's

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efficient and sustainable use of debt to generate profit, contributing to the increased return on average equity. This stability in leverage underscores prudent financial management and effective use of leverage to enhance shareholder returns.

Cash Efficiency

Cash Flow Analysis	FY19	FY20	FY21	FY22	FY23
CFO to Revenue	4.1%	0.6%	-22.0%	1.0%	2.4%
CFO to Operating Profit	34.6%	9.2%	-204.9%	9.9%	21.2%
Cash Conversion Cycle		73	109	134	155

The company can effectively convert revenues into cash flows from operations. Due to the nature of the business, cash from operations to revenue will be low. However, cash flows to operating profit were over 30 percent in 2019, declined in 2020 and 2021, and recovered for 2022 and 2023. As highlighted earlier, the company had to invest in inventories to strategically mitigate potential logistic issues from the COVID-19 pandemic and fulfil inventory requirements from new suppliers. It is noteworthy to highlight that in 2023, the company paid down payables and was still able to maintain a cash flow from operations to an operating profit of 21.2 percent.

The cash conversion cycle has increased over the years mainly due to the company acquiring more inventories for reasons highlighted previously. It is noteworthy to highlight that the company collects outstanding receivables faster than it pays its suppliers.

2024 Unaudited Ratios

Key Unaudited Ratios					
Return on revenues	Liquidity		Activity		
Gross Profit Margin	46.3%	Current Ratio	1.5 x	Inventory turnover	1.6 x
Operating Margin	8.9%	Quick Ratio	0.5 x	Receivables turnover	7.1 x
Pre-tax Profit Margin	6.5%			Payable turnover	3.6 x
Net Profit Margin	5.7%			Total assets turnover	1.4 x
Return on investments	Leverage		Cash Flow Efficiency		
Operating Return on Average Assets	12.1%	Debt-to-assets	44.6%	CFO to Revenue	12.1%
Return on Average Assets	7.7%	Debt-to-capital	61.0%	CFO to Operating Profit	135.3%
Return on Total Capital	10.2%	Debt-to-equity	156.4%	Cash Conversion Cycle	174
Return on Average Equity	24.7%	Financial leverage	3.2 x		

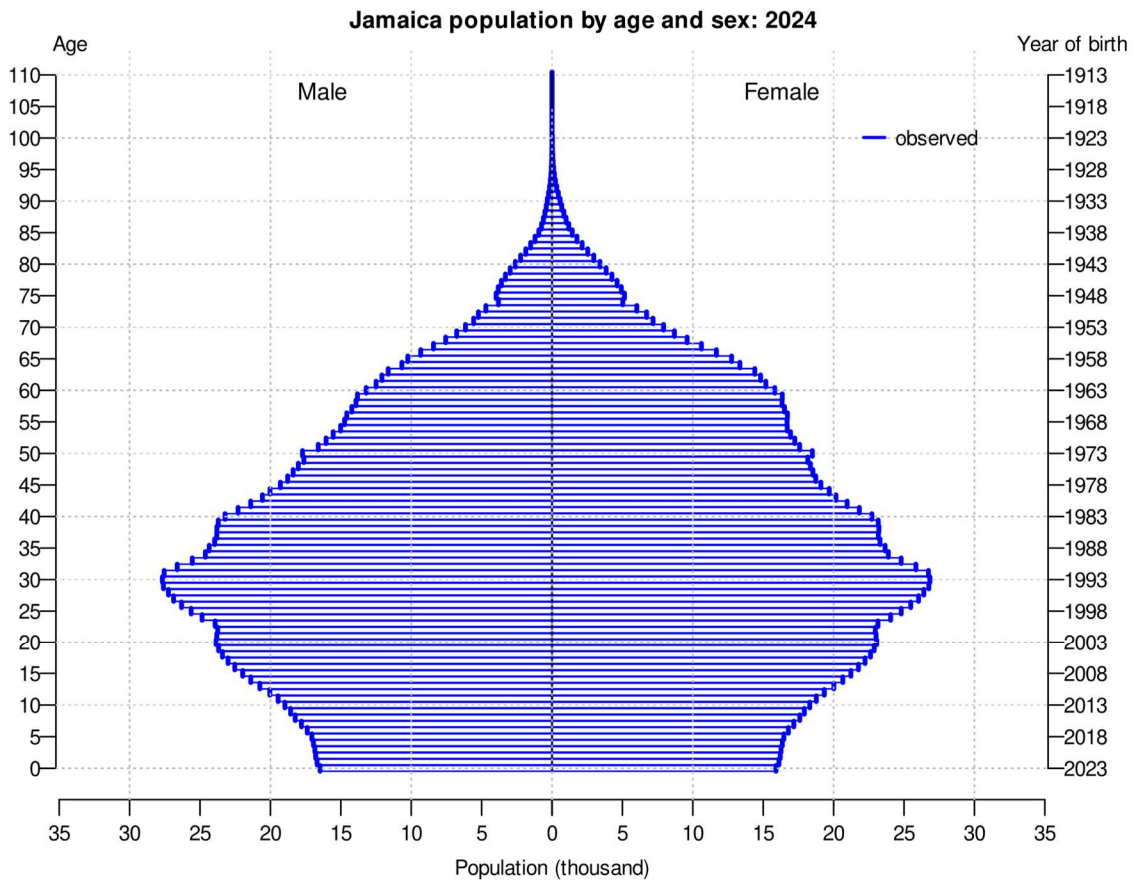
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Outlook

The outlook for the company is positive, as it has proven itself over the years and given the nature of the pharmaceutical industry. The pharmaceutical industry is an example of a non-cyclical sector because there is a demand for pharmaceuticals (an essential good), whether the economy is expanding or contracting.

Customer Market

The Jamaican population is ageing and living long. With that comes an assortment of maladies which require medication that the company will benefit from providing. The Jamaican population suffers tremendously from non-communicable diseases (or lifestyle diseases) which are the leading causes of death in the country’s population.



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The population pyramid above shows the current population age. According to the World Health Organization, the leading NCDs in Jamaica per 100,000 population as of 2019 include stroke (81.90), diabetes mellitus (70.45), ischaemic heart disease (58.54), and prostate cancer (29.96),

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among others. These findings are corroborated by the Jamaica Survey of Living Conditions 2019 (JSLC), which identified hypertension and diabetes as the two largest reported chronic illnesses.

We are currently at the starting point of the largest age group on the island: those born between 1983 and 2003, who are currently between 21 and 41 years old. It is anticipated that over the next 30 years, in 2054, this cohort will account for the largest age group in Jamaica and be between 51 and 71 years old. The prevalence of the two largest reported chronic illnesses highlighted above rises significantly from age 40 and continues to increase substantially in those aged 65 and older.

The company offers a wide range of products that address the treatment needs associated with leading NCDs and critical illnesses. Specifically, 57% of its MSN Labs and 43% of its Ipca Labs portfolios consist of medications used to treat the top three NCDs in Jamaica. Additionally, ophthalmic drops for the treatment of glaucoma, which can develop secondary to hypertension and diabetes, account for 20% of the Aristopharma portfolio and 10% of the Indus Life Sciences portfolio. Treatments for asthma, allergies, and chronic obstructive pulmonary disease make up another 20% of the Aristopharma and 13% of the MSN Labs portfolios. This strategic product positioning enables the company to capitalize on sales opportunities in key therapeutic areas.

Distribution Market

In Jamaica, a doctor of medicine or doctor of osteopathic medicine can write prescriptions. Data compiled by the WHO suggests that there are over 3,000 physicians in Jamaica (that is, medical doctors, general practitioners, and specialist practitioners) when last compiled in 2018. According to the Registrar, Pharmacy Council of Jamaica, there are currently 584 registered pharmacies in the island. The Company views doctors and pharmacies as key partners in the promotion and growth of its products. The company currently serves 710 customers, including 447 pharmacies, 31 hospitals and medical centres and 232 medical practitioners island-wide.

Government Support

A substantial part of the government's support for medications is provided through the National Health Fund ("NHF"). The NHF covers 22 conditions under the NHF Card Programme and offers pharmacy services through its 106 Drug-Serv locations across the island. NHF cardholders benefit from subsidies for prescription products related to these conditions, significantly improving access to pharmaceuticals at private pharmacies. Management has observed that the demographic profile of NHF beneficiaries mirrors the leading causes of death in Jamaica, with conditions such as hypertension, diabetes, vascular disease, and high cholesterol closely linked to primary causes of death like stroke, diabetes mellitus, and ischemic heart disease.

According to the Jamaica Information Service (JIS), the NHF awarded 61 contracts worth \$27 billion for essential drugs under the 2023-2026 Pharmaceutical Awards Programme. This

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programme supplies products from the Ministry of Health and Wellness's ("MOHW") list of Vital Essential & Necessary ("VEN") drugs, distributed through public hospitals and health centres.

R.A. Williams has a strong history of winning NHF tenders and securing significant business from the last two awards. These contracts boost revenue and offer opportunities to exceed awarded values by maintaining adequate inventories. Focusing on the pharmaceutical tender business with the NHF and other government institutions, R.A. Williams aims to secure guaranteed income, which, if managed well, can positively impact profitability.

Comparative Analysis & Valuation

Comparative Analysis¹

Net Profit Margin	FY21	FY22	FY23	FY24
Indies Pharma Jamaica Limited	19.8%	23.6%	20.2%	24.3%
Medical Disposables & Supplies Limited		3.1%	2.1%	-8.5%
RA Williams Limited	6.4%	5.3%	7.0%	5.7%

Indies Pharma Jamaica Limited has consistently higher net profit margins over the observed period compared to R.A. Williams Distributors Limited and Medical Disposables & Supplies Limited, which both maintain single-digit net profit margins. This disparity can be attributed to the distinct niches each company occupies within the medical space.

Medical Disposables & Supplies Limited (MDS) diversifies its product offerings by selling medical equipment and other low-margin, fast-moving consumer goods, which results in lower overall profit margins. On the other hand, Indies Pharma and R.A. Williams primarily focus on pharmaceuticals, a sector that typically commands higher margins due to the specialised nature and higher value of the products involved.

Total Asset Turnover	FY21	FY22	FY23	FY24
Indies Pharma Jamaica Limited	0.4 x	0.5 x	0.5 x	
Medical Disposables & Supplies Limited		1.4 x	1.3 x	1.3 x
RA Williams Limited	1.6 x	1.5 x	1.7 x	1.4 x

Both MDS and RAW has higher asset turnover when compared to Indies and suggests the company is more efficient in generating revenue from its asset base. This efficiency reflects their ability to maximise revenue through effective utilisation of their assets, particularly in the context of selling fast-moving and varied product lines.

¹ The financial year end for the companies are as follows: Indies Pharma—October 31, Medical Disposables & Supplies—March 31, and RA Williams—April 30.

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Financial Leverage	FY21	FY22	FY23	FY24
Indies Pharma Jamaica Limited	2.0 x	1.8 x	1.8 x	
Medical Disposables & Supplies Limited		2.3 x	2.4 x	2.8 x
RA Williams Limited	3.2 x	3.9 x	3.2 x	3.2 x

R.A. Williams is more leveraged relative to Indies Pharma and MDS, as the company has a lower equity base. This higher leverage indicates that R.A. Williams relies more on debt financing. MDS experienced increased leverage in 2024 due to making a loss, which eroded its retained earnings, thereby reducing its equity base and increasing its reliance on debt.

Return on Average Assets	FY21	FY22	FY23	FY24
Indies Pharma Jamaica Limited	8.8%	10.8%	9.9%	
Medical Disposables & Supplies Limited		4.2%	2.8%	-10.9%
RA Williams Limited	10.0%	7.7%	12.1%	7.7%

Return on Average Equity	FY21	FY22	FY23	FY24
Indies Pharma Jamaica Limited	18.0%	19.7%	17.9%	
Medical Disposables & Supplies Limited		9.6%	6.8%	-30.3%
RA Williams Limited	32.2%	29.7%	39.1%	24.7%

Despite having the second-lowest net profit margin, R.A. Williams is the most profitable company among the three due to its higher total asset turnover and financial leverage. This suggests that R.A. Williams makes efficient use of its assets to generate revenues and effectively utilises debt to generate profit for shareholders relative to its peers.

Valuation

RA Williams	Historial			Projected		
Revenue Growth Drivers	FY20	FY21	FY22	FY23	FY24	FY25
Total Customers	640	678	765	797	710	720
YoY Change	23	38	87	32	-87	10
% Growth	3.7%	5.9%	12.8%	4.2%	-10.9%	1.4%
Revenue per Customer (\$M)	0.78	0.95	1.30	1.77	2.11	2.53
YoY Change	0.10	0.17	0.35	0.47	0.34	0.42
% Growth	14.7%	21.7%	36.2%	36.0%	19.4%	20.0%

Assuming the acquisition of 10 new customers and a 20 per cent increase in revenue per customer, the revenue forecast for the end of the 2025 financial year is projected to reach \$1.8 billion. This projection is feasible given the anticipated distribution of new products from Fourrts (India) Laboratories and Mankind Pharma, which is expected to boost revenue. This assumption envisions a year-on-year revenue growth of 21.1 per cent, which appears achievable, resulting in a CAGR of 29.5 per cent from the \$647 million reported in 2021 (with a CAGR of 31.4 per cent from 2020 to 2024, and a CAGR of 35 per cent from 2019 to 2023).

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With appropriate margins applied, the company is expected to achieve an earnings per share of \$0.10 and a book value per share of \$0.49.

Valuation Multiples	Price to Earnings	Price to Book
Indies Pharma Jamaica Limited	13.1 x	2.7 x
Medical Disposables & Supplies Limited		0.7 x
Lasco Distributors Limited	10.3 x	1.6 x
Average	11.7 x	1.7 x

Applying a price-to-earnings (P/E) ratio of 13.5 times and a price-to-book (P/B) ratio of 2.8 times results in a share price of \$1.30 and \$1.37, respectively.

These multiples are appropriate as the company is more profitable and efficient than its direct competitors and peer group company, Lasco Distributors Limited. Consequently, the company should be trading at higher multiples. Averaging the results yields a share price of \$1.34.

Recommendation

Based on our comprehensive analysis, we recommend a **BUY** for R.A. Williams Distributors Ltd. at a fair value of \$1.34, presenting an opportunity to achieve a 34 per cent return on the initial investment. This recommendation is grounded in several key factors that underscore the company's strong performance and promising outlook.

R.A. Williams operates in a non-cyclical industry, ensuring persistent demand for medication regardless of economic conditions. This inherent stability is further bolstered by the company's demonstrated superior efficiency, profitability, and capital deployment compared to its peers. The management team has adeptly navigated the challenges posed by the pandemic, showcasing their ability to adapt quickly to changing environments. This adaptability ensures the company's long-term viability, as evidenced by their strategic initiatives and sustained revenue growth.

The company has experienced significant revenue growth over the past five years, driven by expanding its product portfolio and securing new distribution agreements. Revenue increased from \$421.9 million in 2019 to \$1.4 billion in 2023, representing a compound annual growth rate ("CAGR") of 31.4 per cent. The customer base has grown from 617 in 2019 to 797 in 2023, with average sales per customer rising from \$0.7 million to \$1.8 million. This growth reflects the company's successful efforts to diversify its supplier base and reduce reliance on a few key suppliers, thereby mitigating risks and ensuring a steady supply of products.

R.A. Williams has secured lucrative contracts to distribute government-subsidised medications through the National Health Fund ("NHF"), providing a continuous income stream. This is particularly significant given Jamaica's ageing population and the increasing medical needs of the largest cohort, currently aged 21 to 41, who will require more medical care in the coming years.

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The company's product portfolio is strategically positioned to address the treatment needs associated with leading non-communicable diseases (NCDs) such as hypertension, diabetes, and cardiovascular diseases. This focus aligns with the prevalent health issues in Jamaica, ensuring sustained demand for the company's products.

Additionally, the company has demonstrated effective cost management, maintaining stable gross profit margins despite rising costs. Gross profit increased from \$185.0 million in 2019 to \$593.0 million in 2023, with the gross profit margin ranging between 42.1 per cent and 43.9 per cent. This consistency reflects R.A. Williams' robust management practices and operational efficiency. The operating profit has also grown substantially, from \$49.7 million in 2019 to \$161.2 million in 2023, a CAGR of 34.2 per cent. The company's ability to manage operating expenses, which increased at a slightly lower rate than revenue, indicates improved operational efficiency and profitability.

The balance sheet reveals a strong financial foundation, with substantial growth in assets and equity. Total assets increased from \$783.8 million in 2022 to \$844.6 million in 2023, highlighting the company's expanding asset base. Equity also exhibited significant growth, rising from \$202.4 million in 2022 to \$300.9 million in 2023, reflecting the company's ability to generate and retain earnings. This financial strength is further supported by the company's effective cash flow management, with positive cash flows from operations driven by increased net income and efficient working capital management.

However, it is essential to consider the risks associated with the company's tight margins. Any disruption in the supply chain or market conditions could impact profitability. Additionally, the highly competitive nature of the industry poses a challenge. While direct competitors have not posted revenues exceeding \$5.0 billion, and companies like Lasco Distribution have seen declining revenues in their pharmaceuticals division, R.A. Williams must continue to innovate and expand to maintain its competitive edge. Indies Pharma's expansion into the United States highlights the competitive pressures and the need for smaller firms like R.A. Williams to continuously explore growth opportunities to be viable long-term businesses.

Despite these challenges, R.A. Williams' strong financial performance, strategic initiatives, and robust market positioning justify a **BUY / OUTPERFORM / OVERWEIGHT** recommendation. The company's ability to maintain consistent revenue growth, effective cost management, and strategic partnerships provide a solid foundation for future growth and profitability. With a fair value of \$1.34 and the potential for significant returns, R.A. Williams presents a compelling investment opportunity.

Source: <http://www.Jamstockex.com>, JMMB Investment & Research, Bloomberg, Company Financials, Offering Term Sheet, Statistical Institute of Jamaica, Bank of Jamaica

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APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

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MARKETPERFORM/HOLD/MARKETWEIGHT—EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5 PERCENT OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

UNDERPERFORM/UNDERWEIGHT— ADJUST EXPOSURE IN YOUR PORTFOLIO HELD AT JMMB TO BETWEEN 2.5 PERCENT AND 4.9 PERCENT FOR THIS PARTICULAR ASSET

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