

Address to the JSE Stakeholders Engagement Session

Presented By

Chairman LASCO Affiliated Companies – **Hon Lascelles Chin OJ CD**

March 10, 2015 – Jamaica Pegasus Hotel

Salutations

Master of Ceremonies Mr. Robin Levy – General Manager, JCSD & Deputy
General Manager JSE

Mrs. Marlene Street Forrest – General Manager JSE

Miss Dian Black – Director JSE

Mr. Steven Gooden – Director JSE

Mr. Alvaro Casserly – Director JCSD

Other Members of the JSE Team

Mr. Wayne Beecher – MIF Senior Specialist

Miss Jaiwattie Anganu – IDB Financial Markets, Senior Specialist

Mr. Denis Chung – CEO PSOJ

Miss Lorna Green – President, Women Business Owner

Members of the media

Distinguished Ladies & Gentlemen

Good evening.

Madam General Manager of the Jamaican Stock Exchange, Mrs. Street Forest, you could not have chosen a more opportune time to host this session. There has been a sense of eager anticipation in the nation since year end 2015, when the performance of the Jamaican Stock Exchange grabbed the attention of the world and the nation. The JSE's number one ranking among 92 markets tracked by Bloomberg, has given the nation a sense of optimism underpinned with great expectancy and the hope that the Jamaican economy can at last take off.

As the songwriter says: **"this is the moment, this is the time"** and the JSE has grabbed it. It is now for SME's to take up the mantle and drive the economy.

As one of the leaders in the forefront of this historic national achievement, LASCO is very proud and honoured to have played a significant role in the success. Our contribution to world acclaim for the JSE goes back to 2011 when the historic listing of our three affiliated companies, all at the same time, contributed to the growth in the stock market across the world.

We are therefore deeply honoured by this invitation for LASCO to participate in this session under the theme **"Transformation through conversation."**

I accepted this kind invitation eagerly, because I am convinced that conversations sharing the experience of veteran business persons like myself, will boost the

Small and Medium-sized Enterprises (SME's), sector and ultimately the national economy.

LASCO's experience with financing through equity demonstrates that SME's will and must be the leaders in the local economy. Our employment numbers and contribution to revenue have increased and the investing public enjoys good returns on their investment.

An analysis of the JSE's world class achievement will show the significant contribution of the SME's to the success. This is where the much desired employment opportunities for our people must come from and this is where the revenue dollars to meet IMF targets will come from.

Note, the 23 companies now listed on the Junior Stock Market raised over \$3.4 billion in capital. Financial analysts see this as an indication that growth in the economy will be driven by SME's. They see the Jamaica Stock Exchange, both Main and Junior, as the best strategy to help drive this growth, led by SME's.

LASCO is an example of this success

You may have heard me say before that I am a firm believer in the view of John Quincy Adams that: "*if your actions inspire others to dream more, learn more, do more and become more, you are a leader.*" I believe in a life that inspires others by example, I repeat by example, to believe they can achieve. Therefore this evening I want to inspire emerging SME's to action from the example of LASCO's

amazing journey. It is my hope that you will be moved to explore the endless possibilities for success in the Junior Stock Exchange.

It was Warren Buffet who said that in the business world, the rearview mirror picture is always clearer than that seen through the front windshield.

This evening I am looking through my rear view mirror, not through the front windscreen. I can therefore see the phases of my over fifty years in business, clearly through the rear view lens of my business life. What are these phases?

Phase 1) Learning from my parents in their little shop serving their community in Balaclava. I learnt from an early age that putting the customer's needs first and making life affordable are critical for business success.

There was no Junior Stock Exchange for my parents then. However, I am sure they would have been among the first to get listed on the JSE as their son did back in October 2010.

Phase 2) My entry into business distributing one product, black pepper from the trunk of my car

Phase 3) Taking risks; venturing into a variety of business enterprises and using the lessons from the hard knocks of experience to learn that opportunity lies hidden in every set back. That period laid the foundation for the establishment of LASCO twenty nine years ago.

Phase 4) The birth of LASCO Distributors, LASCO Manufacturing Ltd. and LASCO Financial Services Ltd

Phase 5) The phase of listing , expansion and growth with a great partner, the JSE for equity financing.

This evening our conversation will focus on the 5th phase of my business journey.

I can say without a shadow of a doubt that it was the right decision to list the LASCO Affiliated Companies on the Junior Stock exchange for the capital to fund the expansion of the companies in particular the manufacturing plant.

The phenomenal expansion you see as you drive past our factory at White Marl can be attributed to the Junior Stock Exchange. That state of the art factory stands as a tribute to LASCO's listing on the JSE and the faith of the Jamaican people in LASCO.

This is what we looked like before producing and packaging only powdered milk and soy based products. Today, we have two separate state of the art plants. The Dry Plant which produces the powdered products; and the Liquid Plant, which produces our signature iCool line of beverages, and water.

What has listing on the JSE done for LASCO ?

We have experienced phenomenal growth since we made history in October 2010 by listing all three LASCO Affiliated companies on the same day - LASCO Manufacturing, Distribution and Financial Services.

I will share just a few of our achievements with you and you will understand that equity financing is the way for SME's to drive the economy

Revenue growth

LASCO Distributors experienced a 90 percent increase in revenue up from \$5.8 billion for the year ended March 31, 2010 to \$11.1 billion for the same period ended 2015.

Shares growth for Investors

The three LASCO Companies are among the top ten companies on the JSE for 2015 as follows:

- Lasco Financial Services Limited grew by 264.29%
- Lasco Distributors Limited grew by 245.52%

and

- Lasco Manufacturing Limited grew by 192.86%

In fact, market capitalization for the companies is now in excess of \$40B. Our value (market capitalization) went up to \$60B but with the stock market movement, this is now at \$40B. Of course, we expect it to increase. This has

placed LASCO in the top 4 companies on the Stock Market with the companies ahead us being National Commercial Bank, Scotia Group Limited & Sagicor Group Limited.

Another achievement - Pre Tax Profit Growth for LASCO Financials

The Company recorded pre-tax profit of \$14.96 million for the year ended 2010. This grew to \$191.07 million in 2015 - a whopping 1,273 per cent increase over the period 2010 to 2015.

LASCO Manufacturing also experienced pre tax profit growth

Notwithstanding the high cost of production in the local economy; the Profit before tax generated for 2015 was \$669.37M up from \$162.9M for 2010, a 311% increase.

LASCO Distributors

LDL too generated growth in pre tax profit of 459 % from the \$97.7M recorded in 2010 which moved up to \$ 546.7M for 2015.

These significant achievements underscore the fact that the benefits listed on the JSE's website are for real. This is how SME's boost the economy.

I want to draw your attention to the first benefit listed, in particular.

Access to non interest capital.

This speaks for itself.

The interest on loans for capital development can be daunting for SME business persons. With equity financing through listing on the Stock Exchange, you are free of the burden and uncertainty of interest rate fluctuations.

Let me quickly remind you of just a few of the significant benefits of listing on the Stock Exchange that LASCO has enjoyed:

- *Increased market visibility for your Company*
- *Exit and and /retirement strategy for the founders*
- *Use of capital raised to retire debt*
- *Exemption from transfer tax and stamp duty on transfer of shares.*

I encourage you to go to the website of the Stock Exchange and you will see the other amazing benefits which far outweigh your fear of losing complete ownership of your company that you have worked hard to build. I have not lost control of the LASCO Companies. I have gained incentives to ensure organizational objectives are achieved. I answer to a greater power, the investing public.

Now that I have convinced you of the real benefits of listing on the JSE, I will turn to your role as a SME seeking to list.

When LASCO took the decision to list, the Junior Exchange was new, and you know the hesitation, the wait and see attitudes related to what is “new”. The benefits were clear to us at LASCO from the start. Yes the tax incentive was appealing. However, we were able to take advantage of that relief early in its introduction because of the sound foundation laid in phase 4. We had the corporate governance and financial records requirements for listing in place.

We were able to capitalize on the JSE under a year after it was announced, because we already had the required structures in place.

I urge you to see the cost for having your audited financial statements as an investment not an expense. It’s the first critical step for getting listed and enjoying the benefits of the stock exchange. It’s the first step for a bank loan too.

Next is Governance

SMEs tend to be family-owned, close-knit businesses which often lack a strong corporate governance framework. No longer can you as the owner be CEO, HR, Operations, Systems, marketing – you name it. You will need to institute a Board of Directors, produce audited and timely financial statements while being under the constant scrutiny of the public and the financial media. Take it from my success, the expertise of your board of Directors will keep you focused on the goal, not interfere. Whether or not you decide to list on the JSE, you need to have these governance structures if you expect to succeed.

This improvement in corporate governance framework also helps to increase the attractiveness of your company to large investors who can provide additional capital. This in turn translates to expansion, improved profitability and employment opportunities. It is not a takeover of your company. It is growth, it is profit, and it is economic sense and foresight. It is driving the economy.

The acquisition of a stake in Dolphin Cove by Mexico-based Company is a good example of how the improved corporate governance structure increased the attractiveness of a company to outside investors. Dolphin Cove is a leader in the Tourism sector.

I am encouraging you to begin from now to identify persons of the highest integrity, with the required experience and track record in the key strategic organizational disciplines for your Board of Directors. They will engender confidence in your company allowing the investor to trust you with their hard earned funds.

There are **two** major outcomes from opening up LASCO to the investing public that I have left for last. I have done so deliberately because they are near and dear to my heart. They give a human face to the challenges of running a successful business.

They are the employee share ownership programme that we introduced at LASCO and the increase in the workforce size.

I am very proud to tell you that a large number of LASCO employees now have a stake in the companies. They are part owners. We offered them shares at preferential rates.

Our workforce can now watch their funds grow, as they work hard to achieve their targets. Yes, they experienced times when the values dipped for a short period; but they stayed with it because they are aware of the expansion plans and they understand the ups and downs of the market. They can smile now with an average 234 percent increase on their initial investment after their hard work

The Second Outcome - The increase in the workforce

I am proud that the LASCO workforce has increased from over 450 to its current approximately 850 full-time persons and countless others on contract. I support the view of Professor Densil Williams, Principal, Mona School of Business , that Firms that receive tax benefits from listing on the JSE should be required to generate a certain number of jobs. The tax benefits must be used for the national good and not the private benefits of individual investors.

Prospective SME's here this evening, I want to assure you that I have not lost my family owned company by going public. My family's future is safe guarded by the retirement and exit strategy of the Junior Stock Exchange.

Now more than ever I feel confident about the future of LASCO, under the watchful eyes of the investing public and the JSE. I repeat, we have the governance and organizational structures to safeguard the future of the Company.

I could not end this presentation without reference to the tax incentive benefit of listing. That is only one of many benefits, but it is the most attractive and most talked about. I am appealing to the policy makers to review this incentive.

The revenue is not lost. Let me explain. LASCO's 90 percent growth in revenue in the years following listing on the JSE, has led to higher non-corporation tax payments to the GOJ. The taxes from increased employment, production and sales makes up for that temporary loss. The tax is recovered.

There is much more that I could share with you on my experience with the JSE.

Time does not allow me to.

However, the conversation has begun.

I close with the challenge to SME's to follow the example of the 23 companies now listed on the Junior Stock Market which have raised over \$3.4 billion in capital. As I said before Financial Analysts see this as an indication that growth in the economy will be driven by SME's.

I find the future amazing and fantastic because I am going to make it amazing and fantastic. I love Jamaica and I want to give back to the people as much as possible, while doing all that is within my power to help to make this country a success.

I really do hope a lot more Jamaicans will benefit from my journey, because my mantra is to help to make more Jamaicans as successful as possible. LASCO is going to continue to grow at a tremendous rate. We have only just begun.

Again I must congratulate Mrs Street-Forrest and her hard working team on a job well done. I do hope that your legacy will be preserved for future generations to emulate.

The Stock Exchange is extremely relevant. It provides the platform for you to raise money and for ordinary Jamaicans to own a piece of the Jamaica economy. Take the bold move and give your business the vital push it needs to grow beyond your wildest dreams.

LASCO has done it, so can you.

Thank you and may God bless you all as you take up the challenge.