

Pulse Nets \$170m, Cash Income up 52%

For financial year ended June 30, 2010, Pulse investments Ltd netted profits of \$170.4M on revenues of \$1.59B. Profits were down by 23.4% (\$52.2M) compared to 2009 (\$223.2M). The reduction in profit was mainly due to a steep reduction in advertising entitlements income, earned from the provision of TV programming to regional and international broadcasters, in the last quarter of the financial year.

However, crucially for Pulse, the cash component of its revenues was up by 52% over prior year, increasing by \$51.9M to \$150.3M. With the exception of its model agency commissions, which were down by 18.5%, mainly due to the continuing effects of the global recession on that industry, all cash components of its revenues were up (show ticket sales, cash sponsorships, advertising sales, rent and "other" income). The audited results were filed with the Jamaica Stock Exchange last week.

Pulse attributes the improvement in its cash income to a much greater focus by the company on this critical aspect of its operations. Pulse is pleased that it has been able to accomplish this result, despite what it believes has been one of its most challenging years. The continuing effects of the global recession have had a negative impact on advertising sales, overall sponsorships, the modeling industry and business generally. The local aspect of its operations has been further impacted by the increased costs of utilities, the reduction in disposable income available to individuals and businesses, as well as other challenges peculiar to the Jamaican economy. However, having foreseen these looming challenges in 2009, the company worked much harder in 2010 to meet them.

Further good news for Pulse is the commencement of operations in the first Phase of the Villa Ronai project, which features 3 restaurants, a spa, lounge, yoga studio and shops. The yoga Studio opens to the public on December 4. Two of the restaurants will open in January. These facilities are all leased to independent operators. Pulse will therefore benefit from rental income estimated at \$2M per month, when all the units are leased. Additionally, 7 of the 50 suites which will underpin the planned destination spa at Villa Ronai, are essentially complete. The destination spa and suites, constitute Villa Ronai's second phase, which has been pushed back to 2012-13, given the lingering effects of the recession on the travel trade.

All of this has been accomplished despite a reduction in the company's bank borrowings. Loans outstanding / bank overdraft were reduced by \$4.4M (total \$30.8M in 2010 down from \$35.2M in 2009), as the company repaid a number of facilities in 2009 -1010 and consolidated most short term facilities into a 5 year loan, thereby reducing monthly debt servicing costs. The result has been a reduction of \$7.2m in short term loans, down from \$14.7M in 2009 to \$7.5M in 2010. Also, the company's bank overdraft has been reduced by \$9.6M, down from \$12.4m in 2009 to \$2.8m in 2010.

2010 has been a difficult year for businesses in Jamaica, the Caribbean and indeed for much of the world. The Pulse Board and Management fully accepts that the new year will present its own share of challenges, but remains intent on its drive to improve the cash component of the company's earnings, and will be focusing on several new initiatives to achieve this, hopefully against a backdrop of gradual improvement in the global economies.