



**Jamaica Stock Exchange (JSE)
Market Research Competition
4th Quarter (2021/2022)**

Prepared by: Ojae O. Henry



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Nature of the Business

Lumber Depot Limited (Lumber Depot, Lumber or the “Company”) operates a retail hardware store supporting the booming construction industry in Jamaica for over 2 decades. Lumber Depot’s clientele includes large and small building contractors and individuals pursuing “Do It Yourself-DIY” home projects, renovations and repairs. Lumber Depot operates from its single store in Papine, Jamaica but has been pursuing expansion strategies to better serve the needs of its customers, this will be discussed later in the Organizational Strategy. The company supplies a variety of retail hardware products to include construction materials, hardware, plumbing and electrical fittings.



Though Lumber Depot Limited was newly incorporated on the 30th of July 2019, the hardware business it now operates has been in that line of business since 1998 functioning as a division of Blue Power Group Limited. Two days later on August 1, 2019 both companies entered into an Intragroup Reconstruction Agreement that saw Lumber Depot acquiring the hardware business while the management team remained the same. Lumber Depot shortly afterwards listed on the Junior Market of the Jamaica Stock Exchange with 141.247 million units on December 16, 2019.¹

¹ Michael Johnson, “Lumber Depot 41st Company To Be Listed On The JSE’s Junior Market,” Jamaica Stock Exchange, December 16, 2019, <https://www.jamstockex.com/lumber-depot-41st-company-to-be-listed-on-the-jses-junior-market/> (accessed April 17, 2022).

Lumber Depot's IPO was 950% oversubscribed and closed one minute after its IPO opening signaling the copious demand for the Lumber shares.²



Source: Jamaica Stock Exchange Twitter Post

² Jamaica Stock Exchange [@jastockex], Twitter post, November 22, 2019 (9:13 am), <https://twitter.com/jastockex/status/1197895962846474240>

Economic Environment and Outlook:

The economic domain that Lumber Depot Limited operates in, both global and domestic, plays an important role in the business decisions it undertakes to earn maximum value. A few important developments are highlighted below.

Global

Worldwide supply of goods and services continue to be thwarted by the effects of emerging variants of the Covid-19 pandemic. In the trough of the 2nd quarter of 2020, global trade in commodities declined by 12.2% and services trade fell by 21.4% compared to 2019 4th quarter.³ Notwithstanding that decline in world trade, demand for goods and services have been recovering strongly up to the last quarter of 2021, however, supply side challenges have resulted in unmet demand resulting in record highs in inflation.

Since November 2021, the USA has been recording record inflation rates moving from a 39-year high of 6.8% in November 2021⁴ to a new record 40-year high of 8.5% in March 2022.⁵ A 25% increase in its general price level in less than 6 months. Other than the persistent global logistical supply issues being experienced, the Russian invasion of Ukraine on the 24th of February 2022 has contributed significantly to the 25% increase in US inflation rate.

The Russian-Ukraine geopolitical crisis has led to widespread uncertainty in the prices of oil and natural gas. Russia is one of the largest suppliers of oil and natural gas in the world, however, countries have been imposing economic sanctions on them because of their invasion of Ukraine. Notwithstanding the sanctions, oil and natural gas remains an essential input in the production of a plethora of goods and services. Neglecting Russian oil means there effectively is “less” supply of oil to meet an inelastic demand for the product. This “shortage” has put an upward pressure on

³ Adil Mohommad et al., “Global Trade and Value Chains During the Pandemic,” International Monetary Fund (April 2022)

⁴ Jeffry Bartash, “U.S. inflation rate swells to 39-year high of 6.8% as Americans pay higher prices for almost everything,” Market Watch, December 10, 2021, <https://www.marketwatch.com/story/coming-up-u-s-consumer-price-index-for-november-11639142278> (accessed April 17, 2022).

⁵ Dilara Zengin Okay, “War-driven energy price hikes fueling US inflation,” Anadolu Agency (AA), April 13, 2022, <https://www.aa.com.tr/en/americas/war-driven-energy-price-hikes-fueling-us-inflation/2562858> (accessed April 17, 2022).

the price of oil and influenced upwards the prices of other goods and services in the general economy.



Source: Dilara Zengin Okay, Anadolu Agency

Local

Inflation targeting in the range of 4%-6% per annum remains the monetary policy objective of the Bank of Jamaica. Notwithstanding this objective, the BOJ's Monetary Policy Press Release in March 2022 posited that Jamaica in February 2022 recorded an inflation rate of 10.7%.⁶ This inflation rate is 4.7% north of the Bank's inflation target range and a 10% increase in the inflation rate recorded in January 2022, 9.7%.

This bout of higher than targeted inflation rate can be attributed to the adverse exogenous economic shocks brought on by the prolonged presence of the COVID-19 pandemic and its emerging and mutating variants. Additionally, the 4th quarter of 2021 was rocked by a higher than normal local pass through of increases in international commodity prices and increases in shipping logistics costs to include freight and storage costs. This was further exacerbated by the Russian invasion of Ukraine in February 2022 that increased energy costs and its volatility.

The BOJ's continuous assessment of the economy led the Monetary Policy Committee (MPC) to execute on a contractionary monetary policy since September 2021. The policy rate was increased by 100bps to 1.5% per annum coming from 0.5% held constant since August 2019. Policy rate increases continued up to March 2022 where it now prevails at 4.5%, a 200% increase since the September 2021 policy rate change. This move was deliberately intended to decrease the available money supply in circulation, which augurs well for a decline in inflation rate consistent with the Bank's target, albeit increasing the cost of debt available in the market.

⁶ Bank of Jamaica, "Monetary Policy Press Release," March 29, 2022, <https://boj.org.jm/monetary-policy-press-release-29-march-2022/> (accessed April 18, 2022).

Corporate Governance

By nature of Lumber Depot Limited listing on the Jamaica Stock Exchange (JSE), the shareholders have a duty to elect a competent Board of Directors to represent their interests and provide oversight of the business undertakings of Lumber Depot. The composition of the Board spans Executive and Non-Executive members with expertise in the Company’s line of business

that can be leveraged to deliver maximum value for shareholders. As at the 2021 Financial Year, six members served on the Board of Directors, 2 Executive Directors inclusive of the Chairman, Mr. Jeffrey Hall, and 4 Non-Executive Directors.⁷

Two additional Directors, Mr. Paul B. Scott and Ms. Melanie Subratie both

executives of the Musson Group, were appointed to the Lumber Board on December 13, 2021, this after they acquired blocks of shares in Lumber Depot.

The Board is responsible for ensuring that all regulatory requirements for operating its business are adequately satisfied and information are readily available in full to investors and the regulators. Two committees were established by the Board, namely: Audit and Finance Committee and the Corporate Governance, Human Resources and Compensation (CG) Committee. Board and committee meetings are held frequently; 4 Board meetings, 5 Audit and Finance Committee meetings and 1 CG Committee were held in the last financial year ended April 2021.

	Strategy & Leadership	Finance	Legal	Corporate Governance	Human Resources	Construction
Board Expertise	100%	33%	33%	33%	33%	33%
Jeffrey Hall	✓		✓	✓		
Noel Dawes	✓					✓
Vikram Dhiman	✓	✓				
Lisa Kong-Lee	✓	✓				
Symone Mayhew	✓		✓	✓	✓	
George Overton	✓				✓	✓

⁷ Lumber Depot Limited, “Annual Report 2021.”

Organizational Strategy

The fortitude of Lumber Depot’s business strategies and the management prowess of its leaders in adapting to the unpredictable circumstances surrounding the global pandemic was no easy feat.

Lumber Depot’s Business Continuity Plan (BCP) was put to the test when Jamaica established Covid-19 containment measures enforceable under the Disaster Risk Management Act (DRMA). Business hours were curtailed and the usual people traffic allowed inside the Store was limited. The company’s backward and forward supply linkages got disrupted as a result, and this was reflected in the 4th quarter of the 2020 Financial Year.

While the local construction sector was not immune to the initial shocks of the pandemic, that sector was the quickest to recover outperforming all other sectors in Jamaica.⁸ Construction’s contribution to GDP fell by -14.5% in the 2nd quarter of 2020 but rebounded in the 3rd quarter with a 7% growth, see figure 1. Positive growth continued for all subsequent quarters while other industries lagged.

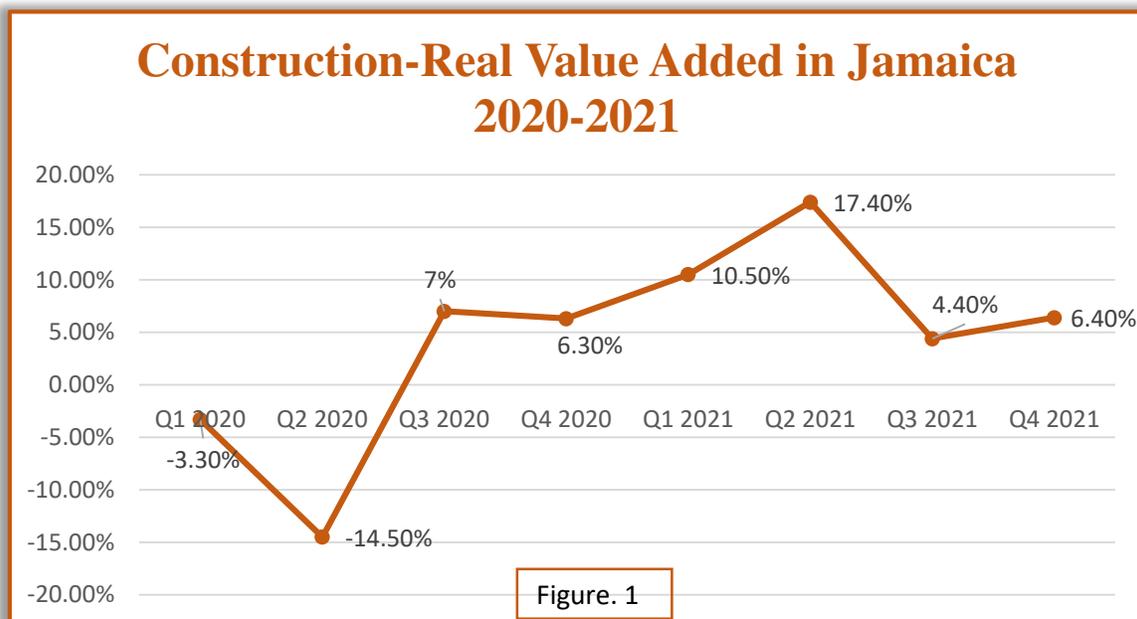
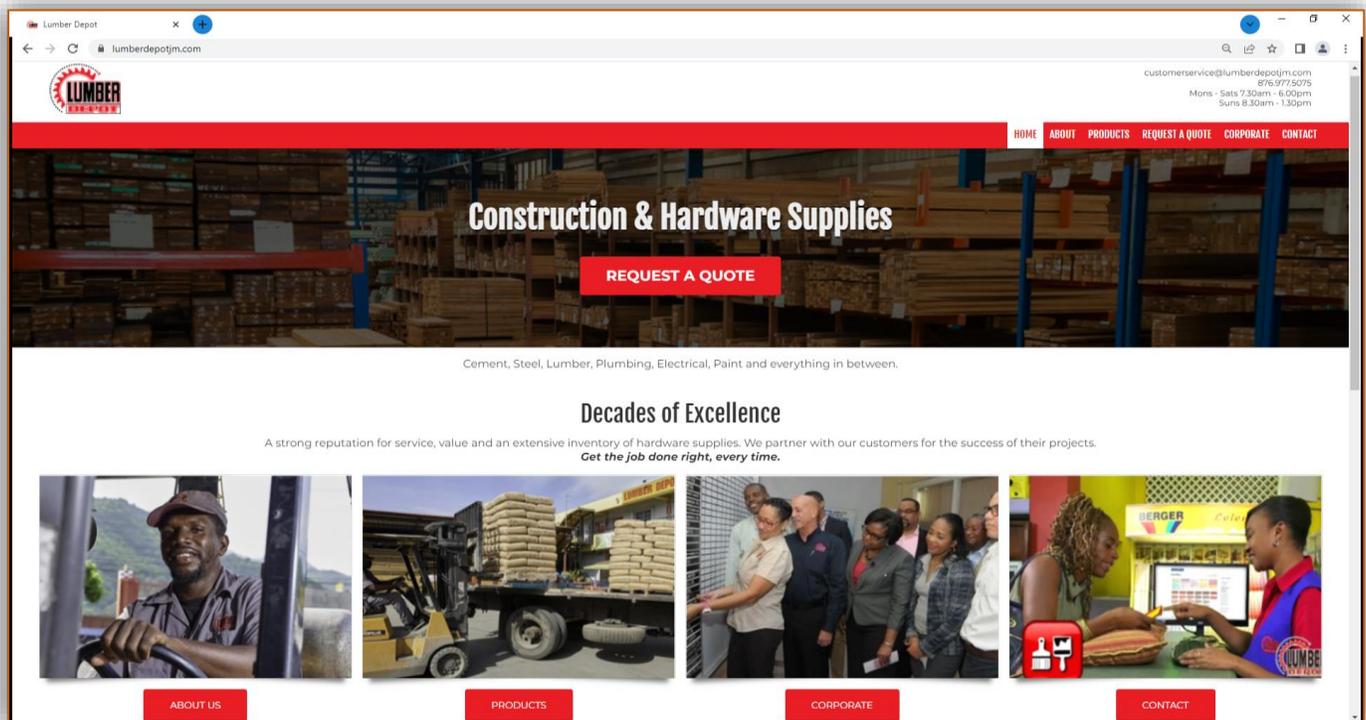


Figure. 1

⁸ Planning Institute of Jamaica, “Economic Update & Outlook-October-December 2021,” vol. 26, no.3 (2022).

With this booming demand for construction materials in Jamaica, Lumber's challenge was to adequately meet this excess demand. Management recognized the need to increase and maintain inventory levels, so the team reengaged its local and overseas suppliers to renegotiate timing and the volume of supplies. This renegotiation was possible because of the good relationships that Lumber has developed and maintained for over 2 decades with its suppliers and brokers. Higher inventory levels and holding period meant that Lumber needed additional warehousing space. In the 2021 Financial Year an off-site facility downtown was developed for this purpose. The leadership of Lumber Depot is also considering opening a second retail location to cater to the growing demand of a growing clientele.

Lumber has embraced the 21st century push towards e-commerce and so is able to capitalize on the digital traffic to its website, www.lumberdepotjm.com. Customers are able to check product



availability, preorder and request a quotation online. This ties in with the Company's strategic objective to improve its digital footprint for new and existing customers, expand the customer base and reduce people traffic in store.

Market and Industry Study

The dynamic environment in which Lumber does business plays an integral part in the Company’s success as a going concern. A study of the firm in the market and in the industry, using the PESTEL and the Porter’s Five Forces analyses framework respectively, assesses the Company’s competitive position.

PESTLE Framework

Political	<ul style="list-style-type: none"> ✓ Lumber is a supply link to the booming construction industry. It is in the best interest of any ruling government to facilitate an environment conducive for business through good policy initiatives.
Economic	<ul style="list-style-type: none"> ✓ The global and local markets are now experiencing a rise in inflation because governments around the world were trying to get productivity up to Pre-COVID levels through expansionary fiscal and monetary policies. More capital was in circulation, however, productivity remains sluggish. ✓ Inflation also driven by supply chain challenges and the war in Ukraine. ✓ The US foreign exchange rate is another price on the rise. The depreciating Jamaican dollar means that materials imported, quoted in the vehicle currency (USD), that are bought for resale in Lumber’s retail hardware business are now more expensive. ✓ The Bank of Jamaica is now operating independent of the Government of Jamaica. BOJ has been adjusting upwards its interest rate, cost of borrowing more expensive..
Social	<ul style="list-style-type: none"> ✓ The quality of construction materials being sold in Jamaica are guided by the building code and best practices to ensure the safety of the communities this industry serves. For example, cement blocks are only to be produced by those companies authorized to do so to ensure the robustness of the built environment in Jamaica. Lumber can only purchase this item from duly registered cement block makers. The revenue from the sale of cement blocks accounts for a material portion of Lumber’s business revenues.

<p>Technological</p>	<p>✓ The “new normal” living with the pandemic means “online” in most instances and investments in Information and Communication Technologies (ICTs) is a necessary spend to remain viable in the market. Ecommerce is one benefit of ICT and Lumber Depot has been utilizing its ecommerce website to satisfy the demands of customers.</p>
<p>Environmental</p>	<p>✓ Climate change has affected the frequency and impact natural disasters have on companies mainly operating in the Caribbean. Insurance premiums have to be recalculated to account for the extra risk of climate change.</p>
<p>Legal</p>	<p>✓ Jamaica under the Disaster Risk Management Act (DRMA) declared physical distancing requirements in public spaces to curb the transmission of COVID-19. This limits the number of customers and employees allowed inside the business at any one time. Breaches of the DRMA is a finable offence. The restrictions under DRMA are gradually being lifted.</p>

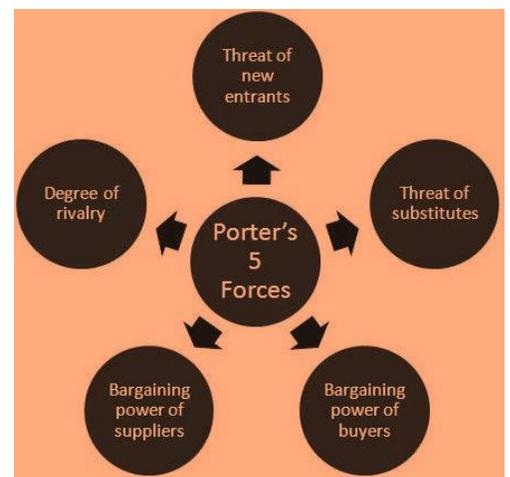
Porter’s Five Forces

Threat of New Entrants

- ✓ Labour intensive with a few specialized technologies/ equipment eg loading bay docks
- ✓ High setup and maintenance costs

Threat of Substitutes

- ✓ Many substitute hardware retail businesses selling the same products in the market. This will result in



increases in Cost of Goods Sold, eg. through promotions and branding to differentiate businesses.

- ✓ Strong brand loyalty from good customer relationships.

Bargaining Power of Suppliers

- ✓ Many suppliers, bargaining power is low

Bargaining Power of Buyers

- ✓ Many buyers and many sellers
- ✓ High bargaining power of buyers with low switching cost

Degree of Rivalry

- ✓ High degree of rivalry over market share
- ✓ Competing on price
- ✓ Close substitutes differentiated by branding

Financial Review

Lumber Depot has exhibited significant growth in majority of its key financial metrics over the three (3) financial years it has been operating, despite doing business in the Covid-19 pandemic. The company grew organically over this period specifically due to the growing demand for the products it supplies to the construction industry.

This financial analysis is presented using three (3) 9-months publicly available financial statements (financial years 2020-2022) to adequately compare the Company’s performance since its first Audited Financial Statements (AFS) that was for the 9-months period ended April 30, 2020.

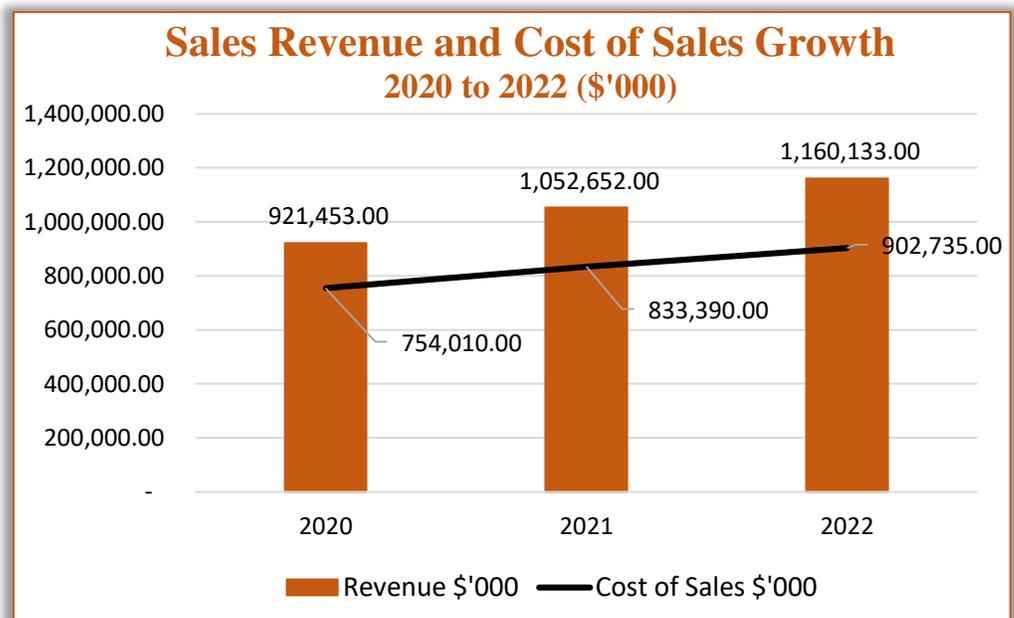
Revenue and Profitability

Lumber in its first year of operation recorded revenues of \$921M, this grew by a Compounded Annual Growth Rate (CAGR) of 12.23% to result in revenues of \$1.16B in 2022. Revenue expansion YoY was influenced by the inflationary environment locally and overseas. This along with the construction sector boom in Jamaica increased Lumber’s retail prices and sales volume respectively. Understandably, the cost of sales/revenue grew with revenue growth. Cost of Sales

grew by a CAGR of 9.44%, from \$754M in 2020 to \$903M in 2022.

Supply chain challenges in rising wharfage, freight and custom costs mainly accounted for this increase in cost of sales.

Lumber Depot was



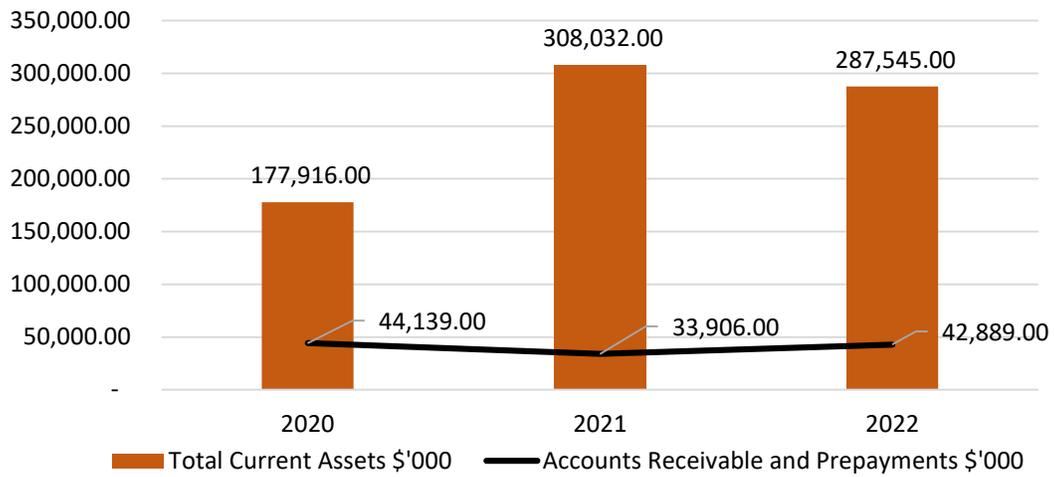
not able to fully capitalize on the economies of scale from larger imports because of the aforementioned costs.

There was 31% increase in gross profit YoY from 2020 to 2021, there was an even further increase in gross profit in 2022 by 17%. Strategies employed by management to continuously have products in stock contributed to this stellar performance for the years in review. As we peruse further down the statement we note that Net Profit for 2020 amounted to \$22M. By 2022 the company recorded Net Profit more than 6 times what was presented in 2020, Net Profit came in at \$143M. A contributing factor to this significant leap in Net Profit is the Income Tax Lumber Depot has forgone since listing on the Junior Market of the Jamaica Stock Exchange, a benefit it can access for up to 10 years on a tiered basis.

Financial Position

Lumber Depot, as at the 9-months period ended January 31, 2022, presented total assets of \$588.4M suggesting a CAGR of 25.43% since the 2020 9-months YE Financials. Included in this asset growth is the purchase of the land, property and equipment it occupied and operated from related party Cotrade Limited. The purchase resulted in \$182M being itemized on the 2022 Balance Sheet. The property was previously held under a lease agreement, correspondingly, itemized “Right of Use Assets” was brought down to zero. Lumber consistently maintains high liquidity to meet unexpected business events, this became particularly useful as they renegotiate for increased volumes from their suppliers to meet changing demands of the construction sector. This liquidity was also pivotal in financing the purchase of their operating location. Notably, inventory grew by 27.6% YoY from 2020 to 2021. Though this may reflect growth in the physical stock available for resale, it also is reflective of the inflationary pressures increasing the price of inventory items. Inventory growth continued into 2022 by a further 18.7%. The management of Lumber Depot have done well to contain accounts receivables YoY despite increases in sales and is a testament to the effectiveness of their in-house credit approval policy. Accounts receivable and prepayments in 2020 accounted for \$44M contributing 25% to total current assets. Accounts receivable and prepayments fell by (23%) in 2021 but grew in 2022 by 26% accounting for 15% of total current assets.

Total Current Assets and Receivables, Prepayments Growth 2020 to 2022 (\$'000)



Stock Price Movement

In December 2019 Lumber Depot listed on the Junior Market of the Jamaica Stock Exchange for \$1.20. From listing to Lumber’s 2020 Financial Year End (YE), the stock price declined by - 5.83% to end the trading day at \$1.13.⁹ This was influenced by the uncertainties the spread of the COVID-19 infection was having worldwide. Incidentally too, the first case of the infection in Jamaica was confirmed in Lumber’s 4th quarter of the 2020 Financial Year. Mention was made earlier of the demand spike for Lumber’s products in the advent of the booming construction sector in

Jamaica.

Earnings

increased and the demand for

LUMBER stock

also increased, the

stock ending the

2021 Financial

Year trading at

\$2.88, a 155%

increase YoY. Since

the Russian

invasion of Ukraine,

inflation across the world has catapulted to record levels. Investors are now shifting their

investment strategies to hold companies that trade in real assets or commodities as a natural

inflationary hedge. As a result, LUMBER is an even more attractive stock for investors and this

demand continue to drive the stock price upwards. Lumber traded at \$3.56 on April 22, 2022, a

24% increase almost YoY, just a week shy of its 2022 Financial Year End.

Market Statistics	Dec 2019 Initial List Price	April 2020 YE	April 2021 YE	April 22, 2022
LUMBER Stock Price	\$1.20	\$1.13	\$2.88	\$3.56



⁹ Jamaica Stock Exchange, “Instrument Summary Lumber Depot Limited,”

<https://www.jamstockex.com/trading/instruments/?instrument=lumber-jmd> (accessed April 24, 2022).

Valuation and Recommendation

As at the 22nd of April 2022 LUMBER stock closed the trading day at **\$3.56**. Earnings per share (EPS) of **\$0.20** was recorded in the Company's 9-months ended January 31, 2022 unaudited financials. Using a market-based valuation model, the **Price to Earnings (P/E) multiple**, comparable companies listed on the Junior Market of the JSE averaged P/E of **30.80x**. Taken together, the product of LUMBER's **EPS** and the **industry P/E average** resulted in the stock's fair value being **\$6.16** reflecting an **upside of 73% on the current stock price**.

The **Enterprise Value (EV)** approach as a tool for valuing the Lumber business was used because it ignores from the model the significant cash and cash equivalent holdings of the Company before arriving at the enterprise value. This technique resulted in a total enterprise value of **JMD 2.6B**. Computing the **EV per share holdings outstanding** came in at **\$3.65, an upside of 2.5% on current market price**.

Lumber's current market price, **\$3.56**, is trading below both fair value estimates, **\$6.16 and \$3.65**. The stock is trading at a discount to its intrinsic value. LUMBER is a recommended **BUY**; investors can benefit from the upside gains resulting from future market correction in market prices.

Analyst's Company Outlook

Lumber Depot shares are poised to benefit from an increase in trading volumes on the Jamaica Stock Exchange. Lumber Depot is among those companies on the Exchange whose core business is trading in tangible goods/commodities. Institutional investors are now investing in these companies as a natural hedge against the record level inflation felt worldwide. Proponents of the view that this bout of high inflation is transitory are slowly fading as uncertainty increases.

Jamaicans unenthusiastically learnt of the confirmation of the BA.2 sub-variant of the Omicron Covid-19 virus on April 21, 2022. The Ministry of Health & Wellness advised that this sub-variant has the potential to cause a spike in the infection rate and subsequently cause a strain on the resources of the health sector. The government has signaled repeatedly that there will be no further lockdowns and personal protection is paramount. Restrictions under the Disaster Risk

Management Act (DRMA) were also gradually lifted by the government. The aim is to facilitate an environment conducive for commerce with the expectation of achieving as close to full productivity levels in the shortest time. This augurs well for revenue growth of Lumber Depot.

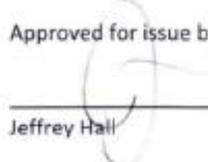
Lumber Depot proved its resilience and the ability to leverage relationships locally and abroad to satisfy the growing needs of clients throughout an unprecedented time. Though uncertainty still looms in global trade markets, it is expected that Lumber Depot given its financial health should be able adapt to the environment and serve in the communities it caters to.

Appendices

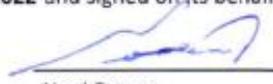
Lumber Depot Limited Statement of Financial Position As at January 31, 2022

	Unaudited 9 Mths Ended January 31, 2022	Unaudited 9 Mths Ended January 31, 2021	Audited April 30, 2021
ASSETS:			
Non-current assets			
Land	50,000,000	-	-
Property, plant and equipment	131,795,911	18,267,039	21,490,560
Right of Use Assets	-	72,506,724	70,374,173
Investments	119,050,117	101,770,191	117,466,351
	<u>300,846,028</u>	<u>192,543,954</u>	<u>209,331,084</u>
Current assets			
Cash and cash equivalents	84,280,745	140,559,907	142,661,918
Accounts receivable and prepayments	42,889,576	33,906,844	42,230,837
Inventories	158,491,221	133,565,604	131,598,689
Taxation recoverable	1,884,440	-	802,592
	<u>287,545,982</u>	<u>308,032,355</u>	<u>317,294,036</u>
Current liabilities			
Accounts payable	75,177,403	117,051,369	126,524,540
Other Payables [Cotrade]	73,600,000	-	-
Due to related company	1,820,632	5,990,774	4,393,739
Current Portion of Long Term Lease Liability	-	7,871,227	7,930,409
Dividend Payable	-	14,124,750	-
Taxation Payable	-	9,876,450	-
	<u>150,598,035</u>	<u>154,914,570</u>	<u>138,848,688</u>
Net Current Assets	<u>136,947,947</u>	<u>153,117,785</u>	<u>178,445,348</u>
Total assets less current liabilities	<u>437,793,975</u>	<u>345,661,739</u>	<u>387,776,432</u>
EQUITY			
Share capital	170,061,991	170,061,991	170,061,991
Retained earnings	267,731,984	108,923,764	153,043,390
	<u>437,793,975</u>	<u>278,985,755</u>	<u>323,105,381</u>
NON-CURRENT LIABILITIES			
Long Term Lease Liability	-	66,675,984	64,671,051
	<u>-</u>	<u>66,675,984</u>	<u>64,671,051</u>
Total equity and non-current liabilities	<u>437,793,975</u>	<u>345,661,739</u>	<u>387,776,432</u>

Approved for issue by the Board of Directors on March 10, 2022 and signed on its behalf by:



Jeffrey Hall Chariman



Noel Dawes Director

Lumber Depot Limited
Statement of Profit or loss and Other Comprehensive Income
Nine months ended January 31, 2022

	Unaudited 9 Mths Ended <u>January 31, 2022</u>	Unaudited 9 Mths Ended <u>January 31, 2021</u>	Unaudited 3 Mths Ended <u>January 31, 2022</u>	Unaudited 3 Mths Ended <u>January 31, 2021</u>	Audited <u>April 30, 2021</u>
Revenue	1,160,133,257	1,052,652,767	400,194,313	353,103,632	1,429,310,437
Cost of revenue	(902,735,538)	(833,390,994)	(318,301,685)	(271,246,229)	(1,135,860,850)
Gross profit	257,397,719	219,261,773	81,892,628	81,857,403	293,449,587
Impairment losses on trade receivables reversed/(recognised)	393,447	1,275,194	(705,204)	(550,012)	3,173,921
Impairment losses on investments reversed	119,520	-	7,286.35	-	1,957,028
Administrative and other expenses	(119,630,364)	(119,010,000)	(44,145,847)	(46,257,181)	(154,220,143)
	138,280,322	101,526,967	37,048,863	35,050,210	144,360,393
Other income	9,229,341	731,347	16,783	-	3,224,864
Profit before net finance costs and taxation	147,509,663	102,258,314	37,065,646	35,050,210	147,585,257
Finance income	2,254,600	5,125,307	651,746	1,343,829	6,528,356
Finance cost	(6,826,169)	(6,513,059)	(1,983,320)	(2,117,956)	(9,098,171)
Net financial income	(4,571,569)	(1,387,752)	(1,331,574)	(774,127)	(2,569,815)
Profit for the period	142,938,094	100,870,562	35,734,072	34,276,083	145,015,442
Taxation	-	-	-	-	(25,254)
Profit attributable to members, being total comprehensive income for the period	142,938,094	100,870,562	35,734,072	34,276,083	144,990,188
Earnings per stock unit	\$ 0.20	\$ 0.14	\$ 0.05	\$ 0.05	\$ 0.21



Lumber Depot Limited
Statement of Cash Flows
Nine months ended January 31, 2022

	<u>Unaudited January 31, 2022</u>	<u>Unaudited January 31, 2021</u>	<u>Audited April 30, 2021</u>
Cash Flows From Operating Activities			
Profit for the period	142,938,094	100,870,562	144,990,188
Adjustments for:			
Depreciation	8,433,689	9,625,971	12,909,821
Adjustment to property, plant and equipment	(3,985)	-	(449)
Gain on termination of Leased Property	(1,259,767)	-	-
Interest Income	(2,895,843)	(5,125,307)	(3,745,698)
Interest expense	1,064,497	6,513,059	2,872,431
Taxation	-	-	25,254
Cash generated before changes in working capital	148,276,685	111,884,285	157,051,547
Accounts receivables and prepayments	(658,739)	10,233,141	1,909,148
Inventories	(26,892,532)	(28,871,771)	(26,904,856)
Accounts payable	(51,347,137)	50,805,495	60,278,666
Other Payables [Cotrade]	73,600,000	-	-
Due to related party	(2,573,107)	5,640,218	4,043,183
Taxation recoverable	(1,081,848)	-	(695,975)
Cash provided by operations	139,323,322	149,691,368	195,681,713
Taxation Paid	-	-	(10,008,321)
Net cash provided by operating activities	139,323,322	149,691,368	185,673,392
Cash Flows From Investing Activity			
Purchase of property, plant and equipment	(165,767,072)	(1,563,016)	(8,537,835)
Purchase of Investments	(1,583,766)	(1,435,215)	(16,740,332)
Interest paid	(1,064,497)	(6,513,059)	(2,872,431)
Interest received	2,895,843	2,047,685	2,877,483
Net cash used by investing activity	(165,519,492)	(7,463,605)	(25,273,115)
Cash Flows From Financing Activities			
Issue of shares	-	-	-
Dividends paid	(28,249,500)	-	(14,124,750)
Long term loan	-	(25,000,000)	(25,000,000)
Lease liability, net	(3,935,503)	(5,750,566)	(7,696,319)
Net cash used by financing activities	(32,185,003)	(30,750,566)	(46,821,069)
Net increase in cash and cash equivalents	(58,381,173)	111,477,197	113,579,208
Cash and cash equivalents at beginning of the period	142,661,918	29,082,710	29,082,710
Cash and cash equivalents at end of period	84,280,745	140,559,907	142,661,918

LUMBER DEPOT LIMITED

Statement of Financial Position
April 30, 2020

	<u>Notes</u>	<u>2020</u>
NON-CURRENT ASSETS		
Property, plant and equipment	5	17,331,894
Right of use asset	14(a)	78,904,376
Investments	6	<u>99,857,804</u>
		<u>196,094,074</u>
CURRENT ASSETS		
Cash and cash equivalents	7	29,082,710
Accounts receivable and prepayments	8	44,139,985
Inventories	9	<u>104,693,833</u>
		<u>177,916,528</u>
CURRENT LIABILITIES		
Accounts payable	10	66,245,874
Due to related party	11(a)	350,556
Current portion of lease liability	14(b)	7,696,318
Current portion of long-term loan	13	15,000,000
Taxation payable		<u>9,876,450</u>
		<u>99,169,198</u>
NET CURRENT ASSETS		<u>78,747,330</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>\$274,841,404</u>
EQUITY		
Share capital	12	170,061,991
Retained earnings		<u>22,177,952</u>
		<u>192,239,943</u>
NON-CURRENT LIABILITIES		
Long-term loan	13	10,000,000
Lease liability	14(b)	<u>72,601,461</u>
		<u>82,601,461</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u>\$274,841,404</u>

The financial statements on pages 9 to 39 were approved for issue by the Board of Directors on July 14, 2020 and signed on its behalf by:


 _____ Director
 Lisa Kong Lee


 _____ Director
 Noel Dawes

The accompanying notes form an integral part of the financial statements.

LUMBER DEPOT LIMITED

Statement of Profit or Loss and Other Comprehensive Income
For the nine month period ended April 30, 2020

	<u>Notes</u>	<u>2020</u>
Revenue	15	921,453,856
Cost of revenue	16	<u>(754,010,475)</u>
Gross profit		167,443,381
Impairment losses on trade receivables	8	(20,284,625)
Impairment losses on investment		(3,023,774)
Administrative and other expenses	16	<u>(108,290,582)</u>
Other income		35,844,400
		<u>2,318,889</u>
Profit before net finance income and taxation		38,163,289
Finance income	17	993,398
Finance costs	17	<u>(7,102,285)</u>
Net finance costs	17	<u>(6,108,887)</u>
Profit before taxation		32,054,402
Taxation	18	<u>(9,876,450)</u>
Profit for the period attributable to members, being total comprehensive income		<u>\$ 22,177,952</u>
Earnings per stock unit	20	<u>\$ 0.03</u>

LUMBER DEPOT LIMITED

Statement of Cash Flow

For the nine month period ended April 30, 2020

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	<u>Notes</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period		22,177,952
Adjustments for:		
Depreciation	5,14	9,426,071
Interest income	17	(377,457)
Interest expense		2,881,167
Taxation	18	<u>9,876,450</u>
Cash generated before changes in working capital		43,984,183
Accounts receivable and prepayments		(44,139,985)
Inventories		(104,693,833)
Accounts payable		66,245,874
Due to related party		<u>(18,228,269)</u>
Net cash provided by operating activities		<u>(56,832,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	5	(1,216,497)
Purchase of investments		(99,611,000)
Interest paid		(2,881,167)
Interest received		<u>130,653</u>
Net cash used by investing activities		<u>(103,578,011)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	12	169,497,000
Long-term loan	13	25,000,000
Lease liability, net	14	<u>(5,004,249)</u>
Net cash provided by financing activities		<u>189,492,751</u>
Net increase in cash and cash equivalents		29,082,710
Cash and cash equivalents at beginning of period		<u>-</u>
Cash and cash equivalents at end of period		<u>\$ 29,082,710</u>

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