

# SPSE LISTED COMPANIES – FINANCIAL YEAR REVIEW

## “Q&A” WITH PLEASS GLOBAL LIMITED & PARADISE BEVERAGES (FIJI) LIMITED

On the 30<sup>th</sup> April, 2016 six (6) companies listed on the South Pacific Stock Exchange (SPSE) released their Annual Reports for the financial year ended 31<sup>st</sup> December, 2015. Founded on the corporate governance principle of timely and balanced disclosures to shareholders, the Reports provide great insight for both current and potential investors and strategic partners.

The SPSE recently caught up with **Ms. Cate Pleass, Marketing Director, of Pleass Global Limited** and **Mr. Tony Scanlan, Director and General Manager Pacific Operations, of Paradise Beverages (Fiji) Limited**; two of those 6 companies, to discuss key highlights of their 2015 financial year. This was also an ideal opportunity to enquire of future plans that their Management Team and respective Boards have in the pipeline as a means of maintaining the current growth trajectory and enhancing shareholder value.

### *PLEASS GLOBAL LIMITED (SPSE Code: PBP)*

**SPSE:** **Performance:** 2015 has been a strong financial year for PBP relative to previous years. What were PBP's Key Financial Highlights for 2015 and what were the major factors driving the strong level of growth in 2015?

PNG and Vanuatu were part of our success. The company was very pleased with the results in 2015. The key financial highlights were revenue growth of 16% and 20% higher profit after tax which increased earnings per share and returns to shareholders equity. Exports were a major contributor to both the increased revenue and taxes. One of our water brands, AquaSafe Natural Artesian Water performed very strongly both domestically and regionally. It was also a major contributor to the outstanding results last year.

	Dec-13	Dec-14	Dec15
	FJD(000)	FJD(000)	FJD(000)
Operating Revenue	6,656	7,917	9,162
Gross Profit	3,851	4,726	5,562
Net Profit After Tax	917	688	826

**SPSE:** **Shareholder Value:** 2015 has also been a growth year in terms of shareholder value with both capital gain noted on the PBP Share Price and an increase in the Dividend Yield to 4% from 2% in 2014. Do you expect to maintain the same dividend yield moving forward or is there a commitment if not expectation internally (Management & Board) of a yield increase?

Last year the company adopted a new dividend policy which includes a dividend recommendation of 30% of profit after tax. For a cash hungry company, growing as fast as we are investing in our future as much as we are this was a major shift in thinking by the Board. It recognizes the expectations of the market for revenue over capital growth.

	Dec-13	Dec-14	Dec-15
Dividend Per Share (cents)	2.00	2.00	5.00

Capital Growth (%)	4.71	12.36	25.00
Earnings Per Share (cents)	15.28	11.47	13.77
Price/Earnings (Times)	5.83	8.72	9.08

**SPSE:** **Board Diversity:** We note with interest that the PBP Board has an equal proportion of male and female Board members. Was this an intentional move? What additional value has the company (and shareholders) gained from embracing gender diversity on the Board?

Of course it's great to achieve gender diversity and balance. But it's not something we think is worth shouting about. The females in our management team and on our board are there because of their qualifications, experience and service to the company, not because of their gender. Having said that it appears a balanced board is something of a first in the region and we are proud of that and proud of our female board members.

**SPSE:** How has the new PBP product VaiWai Natural Artesian water performed in 2015 particularly in terms of revenue growth?

VaiWai has done exceptionally well but it was not unexpected. A lot of customers compliment us by saying things like it is the best looking bottle of water they've ever seen. It's certainly a beautiful looking product and appeals to most segments of every market we have introduced the product. The company has invested a lot of money in product design and technology so we're confident the product will earn its rightful place as a successful product on the global stage. So far that looks likely.

**SPSE:** **New Products:** Are there any new products being developed internally? If so, will these products be made available in Melanesian countries?

The company is always working on new products and we would absolutely introduce those new products in Melanesia. Example is the new 10L AquaSafe product in "bag-in-box" packaging. This product was especially designed for islands where return transport is difficult and where need for safe bulk water is high. The bag and tap can be re-used to store water or for a flotation device for fishing or recreation and of course the box can be burnt as fuel.

	Dec-13	Dec-14	Dec-15
	(%)	(%)	(%)
Return on Equity	19.80	13.21	14.35
Return on Assets	16.66	8.83	6.96
EBIT Margin	17.91	10.10	10.50
Net Profit Margin	13.77	8.70	9.02

**SPSE:** **Business Expansion:** Along with strong growth levels comes the consideration of expanding factory space, etc. Can you please provide an update on the plans, status and purpose of PBP's new factory and distribution office?

Yes our new development including factory and corporate offices is nearing completion and will give the company much needed additional production capacity and allow us to introduce even more new products. It will effectively quadruple our production capacity overnight. Our export order books are full so this will be very welcome relief to the company.

**SPSE:** **Regional Expansion:** Are there plans to expand PBP's regional footprint?

Like Fiji, our company feels a strong connection to Melanesian countries and has long-term plans to build our partnerships in the region with local distributors who can work with us in true partnerships for mutual benefit.

**SPSE:** **Future Outlook:** What can investors expect in FY2016?

We are already well into 2016 and sales continue to grow. We look forward to welcoming new customers to the Pleass family and building partnerships with our distributors in the region and across the world. The global economy has slowed but the market for high end bottled water remains strong. We hope our connections and relationships in Melanesia continue to strengthen and build value for all the stakeholders. And we especially want to grow the market acceptance of our bottled waters in the region.

***Company Profile:** PBP is a diverse and growing corporation principally engaged in the production and marketing of bottled water plus single use daily items. PBP concurrently operates adventure eco-tourism services and is in the establishment phase of organic farming and property development.*

**Investor Information:**

✚ **Market Capitalisation (as at 30<sup>th</sup> April, 2016):** \$7,500,000 (0.62% of the overall market value)

✚ **Current Share Price (as at 30<sup>th</sup> April, 2016):** \$1.25

✚ **Current Bid (as at 24<sup>th</sup> May, 2016):** \$1.25      **Current Offer (as at 24<sup>th</sup> May, 2016):** \$1.35

✚ **Top five shareholders:**

- Warwick Pleass -58.50%
- Fiji National Provident Fund – 22.50%
- FHL Trustees Limited ATF Fijian Holdings Unit Trust – 7.40%
- Kontiki Growth Fund Limited – 4.00%
- FijiCare Insurance Limited – 1.00%

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**PARADISE BEVERAGES (FIJI) LIMITED (SPSE Code: PBF)**

**SPSE:** **Performance:** What in your view were the Group's key financial highlights for 2015?

The company's growth in 2015 was driven primarily by volume increase of around 3% and favorable intra-brand mix delivering higher net sales revenue for the company. Our key financial highlights would be:

- Profit before income tax of \$13.6m, which was a 26% increase from the 2014 financial year.
- Net Profit after tax was \$12.4m, up 25% from the \$9.9m recorded in 2014;
- Return on equity for 2015 was 11.4%, reflecting a 1% increase from 2014; and
- Earnings per share in 2015 was \$1.19 while the previous year was \$0.95.

The Investment and upgrade that were made to plant and equipment also delivered efficiencies resulting in lower cost of production and good cost leadership also assisted in reducing overhead costs.

	Dec-13*	Dec-14	Dec15
	FJD(000)	FJD(000)	FJD(000)
<b>Operating Revenue</b>	42,719	29,975	33,788
<b>Return on Assets</b>	13.03	9.05	10.68

EBIT Margin (%)	10.77	12.71	14.10
Net Profit Margin (%)	8.26	11.37	13.26

*\*18 month results*

**SPSE:** **Business Expansion:** Would you be able to provide comments on the impact new capital investment projects have had on efficiencies, company performance and ultimately shareholder value?

**Project Bula Vou** was the replacement of the brewing side at our Suva Brewery – basically a new brew house and filter line. The project took 18 months and commissioning was completed in December 2015. By the end of 2016, we will be in a better position to quantify the benefits to the company.

However, some benefits that we’re just starting to realise include a 6% saving in malted barley usage and significant energy savings, particularly in the diesel usage for steam production. We’ve also noted an improvement in product quality consistency.

In 2016, we have a detailed capital investment plan with significant projects. This will include upgrades to the packaging line at the Suva Brewery which will increase efficiencies by 20%, the introduction of high gravity brewing at Suva providing a cost-effective 30% capacity increase which is required to meet forecasted export sales volumes, a bottle line for the Distillery, and some new barrel warehouses in which to age our rum.

**SPSE:** **Product Expansion:** What about new products?

We also have a very exciting year in new product development with new ready-to-drink products, a new beer, some new spirits and the introduction of Bounty & Cola on tap.

	Dec-13	Dec-14	Dec-15
Dividend Per Share (cents)	13.00	0.00	5.00
Dividend Yield (%)	1.09	0.00	0.45
Capital Growth (%)	(9.13)	(16.16)	11.69
Price/Earnings (Times)	11.71	10.56	9.41

**SPSE:** **Subsidiary Performance:** The Samoa-based arm of the company has recorded two consistent years of losses, what are the key challenges there? Should the market expect any changes to your current modus-operandi in Samoa or will the status-quo remain with expectations of improvements from 2016?

The Samoa market has its own challenges, key ones being:

- Lack of investment in the economy to provide employment and growth;
- Whilst there is tourism infrastructure, there is visible lack of bona fide foreign tourists to Samoa, due partly to high cost of airline travel;
- Serious issue of employee fidelity; and
- Government protection of the local industry, i.e. more stringent border protection for imports.

However, we are investing in increasing efficiencies, export beer growth as well as New Product Development initiatives there which will provide growth opportunities both locally and overseas for our products and return the business to profitability.

**SPSE:**

**Corporate Social Responsibility:** PBF is somewhat of a leader amongst listed companies in the area of Corporate Social Responsibility, assisting community-level initiatives, particularly those related to Sports. Can you share with some of those initiatives?

We sponsor sports at national, district but more so at community level across Fiji and Samoa. Funds from our sports sponsorships are used by recipients to address community development projects in villages and provinces. These include upgrading churches, walkways and sanitation. All our sponsorship events involve mass participation from the community and is a direct form of entertainment that also promotes healthy living and wellbeing.

We also take part and support the growing Fijian music industry through the Fiji Performing Rights Association Music Awards and the Corona Uprising Music festival that is a platform to support new entertainers in the country. We also support the Mamanuca Environment Society with specific contribution to the turtle conservation programs that they run in the country.

In 2016, the company also donated \$150,000 to the Prime Ministers Disaster Relief Fund for assistance to the wider community who were impacted by cyclone Winston.

**SPSE:**

**Future Outlook:** What can investors expect in FY2016?

Whilst protecting the core domestic market volumes, the main focus of the company for growth in 2016 and beyond will be to unlock the potential of export markets for beer, especially our Vonu branded products and rum under our Bounty and Rum Co. of Fiji brands.

The company will also continue to drive our capital investment program that will provide the essential plant & equipment upgrades needed to improve our business efficiencies and capability, particularly in relation to our export market potential. All this will add to elevating shareholder-value.

Our goals remain to provide our customers with the best service and our consumers with the best quality fresh beer and world class rums and spirits.

**Company Profile:** *The principal activities of the PBF Group are the manufacture and sale of beer, ready-to-drink alcoholic beverages and soft-drinks, as well as the distillation and sale of portable and industrial alcohol.*

**Investor Information:**

✚ **Market Capitalisation (as at 30th April 2016): \$128,436,263 (10.64% of the overall market value)**

✚ **Current Share Price (as at 30th April 2016): \$12.34**

✚ **Current Bid (as at 24<sup>th</sup> May 2016): \$12.34**      **Current Offer (as at 24<sup>th</sup> May 2016): \$15.00**

✚ **Top five shareholders**

- Coca Cola Amatil (Fiji) Limited -89.59%
- Fiji National Provident Fund – 1.73%
- Unit Trust of Fiji (Trustee) Co Limited – 0.96%
- Raojibhai Holdings (Fiji) Limited – 0.32%
- Graham R Eden – 0.24%

*For further information including those relating listing on the Exchange, listed company performance and/or investing in SPSE listed companies, please feel free to contact us.*

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