

Jamaica Money Market Brokers Limited (JMMB)

All figures quoted in Jamaican Dollars unless otherwise stated

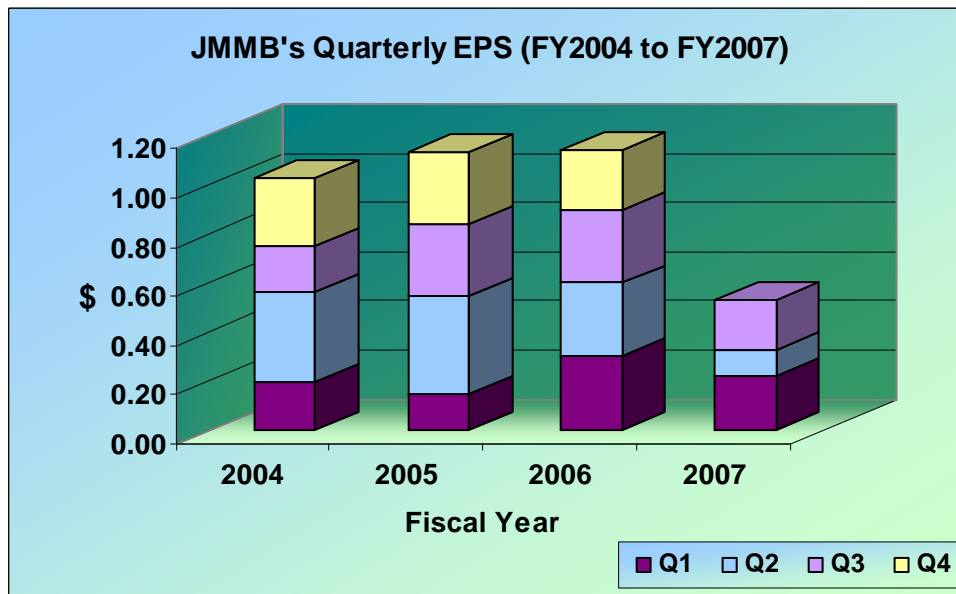
	JMMB
RECOMMENDATION	SELL
Current Price	TT\$1.13
Running EPS	\$0.77
Projected EPS	TT\$0.07
P/E at Projected EPS	16.14 times
Dividend Yield	1.33%
Return on Assets	1.26%
Return on Equity	14.63%

Results for the Nine Months Ended December 31, 2006

Earnings Per Share

For the Nine Months Ended December 31, 2006, Jamaica Money Market Brokers Limited (JMMB) reported Earnings Per Share (EPS) of 52 cents, which was 42.22 per cent or 38 cents lower than the EPS of 90 cents in the comparable period in 2005. Q3-FY2007 on Q3-FY2006, EPS was down by 33.33 per cent or 10 cents from 30 cents in 2005 to 20 cents in 2006. The Directors have stated in their report that the fall in Profits and consequently EPS was mainly due to the decline in Share of Profits from Associated Companies. However, it is interesting to note that this is the lowest Nine Months EPS that JMMB has seen over the last four fiscal years. (See Graph 1)

Graph 1





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Financials

Interest Income for the period under review amounted to \$6.40 billion, up by a minimal 5.34 per cent or \$324.31 million on the corresponding nine months in FY 2006. While Interest Expense was up by a higher margin of 15.19 per cent to end the period at \$5.30 billion. Thus, Net Interest Income was down by a considerable 25.43 per cent or \$374.83 million to close the nine month period at \$1.10 billion. Q3-FY2007 on Q3-FY2006, Net Interest Income was down by 17.36 per cent or \$73.59 million.

For the Nine Month period, JMMB's Gains on Securities Trading amounted to \$669.57 million and was up by 36.61 per cent on the corresponding Nine Month period in 2005. However, Q3-FY2007 on Q3-FY2006, this figure was down by 17.97 per cent from \$269.05 million in 2005 to \$220.69 million in 2006. Fees and Commissions for the Nine Months showed positive growth moving from \$73.49 million (FY2006) to \$111.00 million (FY2007), which was a substantial increase of 51.05 per cent. Q3-FY2007 on Q3-FY2006, the Company also saw an improvement in Fees and Commissions of 114.30 per cent or \$23.84 million. However, Foreign Exchange Margins from Cambio Trading was down by 23.19 per cent or \$13.31 million, Nine Months on Nine Months.

Operating Revenue net of Interest Expense amounted to \$1.92 billion for the Nine Months, this represented a fall of 8.17 per cent when compared to the corresponding period in 2005. As mentioned earlier, Share of Profits from Associated Companies was down by 75.83 per cent, Nine Months on Nine Months, and ended the period at \$129.47 million. Administrative Expenses rose by 8.40 per cent from \$1.10 billion (nine months 2005) to \$1.20 billion (nine months 2006), also contributing to the negative performance of JMMB.

Profit Before Income Tax for the period under review stood at \$859.42 million, representing a fall of 43.87 per cent on the corresponding figure for FY2006. The Effective Tax Rate for the Nine Month period ended December 31, 2006 was 11.05 per cent compared to 13.70 per cent for the comparable period ended December 31, 2005. Thus, Profit After Taxation stood at \$764.44 million down by 42.15 per cent on the nine months.

Table 1 shows a Comparison of JMMB's Third Quarter Results (FY2007 on FY 2006) and Q3 FY2007 on Q2 FY2007.

Table 1

JMMB - Third Quarter Comparison (FY 2006- FY 2007) & Q3 FY2007 on Q2 FY2007					
	Q3 2007 JM\$'000	Change Q3 2007- Q3 2006	Q3 2006 JM\$'000	Change Q3 2007- Q2 2007	Q2 2007 JM\$'000
Interest Income	2,173,986	5.33%	2,063,975	-1.38%	2,204,323
Interest Expense	-1,823,737	11.19%	-1,640,140	0.65%	-1,811,996
Net Interest Income	350,249	-17.36%	423,835	-10.73%	392,326
Gains on securities trading, net	220,690	-17.97%	269,050	27.01%	173,759
Fees and commissions	44,698	114.30%	20,858	19.95%	37,263
Foreign exchange margins from cambio trading	13,890	-37.64%	22,274	3.47%	13,424
Operating revenue net of interest expense	629,527	-14.47%	736,017	2.07%	616,773
Share of profits of associated companies	98,370	-50.77%	199,834	-1045.32%	-10,406
Other	-898	-122.33%	4,021	-195.94%	936
Administrative expenses	-407,470	2.64%	-396,981	-5.03%	-429,046
Profit before income tax	319,529	-41.14%	542,891	79.25%	178,256
Profit after tax	286,816	-33.92%	434,026	85.98%	154,218
EPS	0.20	-33.33%	0.30	81.82%	0.11



Table 2 shows a Comparison of JMMB's Nine Months Results (FY2005 – FY 2007)

Table 2

JMMB -Nine Months Results (FY 2005-FY 2007)					
	NM 2007 JM\$'000	Change NM 2007- NM 2006	NM 2006 JM\$'000	Change NM 2006- NM 2005	NM 2005 JM\$'000
Interest Income	6,400,194	5.34%	6,075,887	-6.17%	6,475,649
Interest Expense	-5,300,923	15.19%	-4,601,786	-7.89%	-4,995,942
Net Interest Income	1,099,271	-25.43%	1,474,101	-0.38%	1,479,707
Gains on securities trading, net	669,573	36.61%	490,144	34.87%	363,407
Fees and commissions	111,003	51.05%	73,488	51.19%	48,607
Foreign exchange margins from cambio trading	44,076	-23.19%	57,386	201.27%	19,048
Operating revenue net of interest expense	1,923,923	-8.17%	2,095,119	9.65%	1,910,769
Share of profits of associated companies	129,470	-75.83%	535,714	84.67%	290,090
Other	2,231	-40.82%	3,770	-26.88%	5,156
Administrative expenses	-1,196,207	8.40%	-1,103,489	24.38%	-887,186
Profit before income tax	859,417	-43.87%	1,531,114	16.21%	1,317,583
Profit after tax	764,439	-42.15%	1,321,309	7.47%	1,229,411
EPS	0.52	-42.22%	0.90	7.14%	0.84

Table 3 shows a Comparison of JMMB's Audited Year End Results (FY2004 – FY 2006)

Table 3

JMMB - Audited Year End Financials (FY 2004 - FY 2006)					
	YE 2006	% Change '05-'06	YE 2005	% Change '05-'04	YE 2004
Net Interest Income	1,970,238	3.07%	1,911,519	32.84%	1,438,935
Operating Revenue Net of Interest Expense	2,845,131	10.84%	2,566,810	28.95%	1,990,529
Profit before income tax	1,931,667	9.44%	1,765,117	16.23%	1,518,604
Profit After Tax	1,667,528	0.96%	1,651,673	9.73%	1,505,213
EPS	1.14	0.88%	1.13	9.71%	1.03
Market Price @ Financial Year End (TT\$)	\$1.50	-3.23%	\$1.55	-3.13%	\$1.60
P/E Ratio @ Financial Year End	13.59		13.72		15.53
Dividend	18	0.00%	18	12.50%	16
Dividend Payout Ratio (%)	15.79%		15.93%		15.53%
Dividend Yield (%)	1.16%		1.16%		1.00%
Net Asset Value	\$4.95	24.69%	\$3.97	44.89%	\$2.74
Market to Book Ratio	3.13		3.90		5.84
Return on Equity (%)	25.56		35.25		52.68
Return on Assets (%)	2.29		2.65		2.81
Shares Outstanding	1,463,386,752		1,463,386,752		1,463,386,752



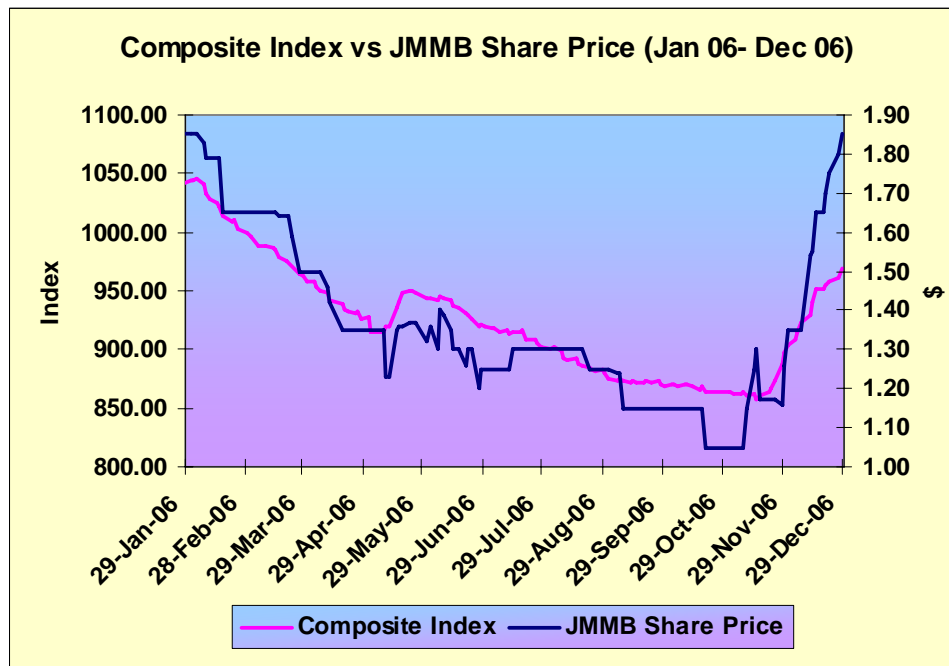
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Share Price

JMMB started and ended 2006 at a price of TT\$1.85. However, from the start 2006 this price was on a continuous and steady decline from its high of TT\$1.85, reaching as low as TT\$1.05 on October 20, 2006. This fall in price is no doubt due to the challenges faced by JMMB during fiscal 2007, however in the last two months of the year there was increased demand for the share which led to its price appreciation from TT\$1.05 to its peak of TT\$1.85. This demand was due mostly to speculation rather than the fundamental value of the Company. (See Graph 2)

Graph 2



Directors' Statement

The Directors have stated that going forward: JMMB will continue to execute the strategy which includes the launch of several new products, such as the Managed Global Bond Portfolio (MGBP), the Trinidad and Tobago Select Index Fund (TTSIF), Corporate Finance and General Insurance Services.

Recommendation

The shares of JMMB are currently trading at a price of TT\$1.13. In light of the current results, we are maintaining our Forecasted EPS of TT\$0.07. At the current price and Forecasted EPS, these shares are trading at a price to earnings multiple of 16.14 times. This is high for this Company and as such we continue to recommend a **SELL** on this share.

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