

RATING RELEASE

June 27, 2022

CariCRIS reaffirms 'good creditworthiness' ratings for Seprod Limited

Caribbean Information and Credit Rating Services Limited (CariCRIS), has reaffirmed the assigned corporate credit ratings of *CariA-* (Local Currency Rating) on the regional rating scale, and *jmAA-* (Local Currency Rating) and *jmA+* (Foreign Currency Rating) on the Jamaica national scale to Seprod Limited (Seprod or the Group). The local currency regional scale rating indicates that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **good**. The local currency national scale rating indicates that the level of creditworthiness of this obligor, adjudged in relation to other obligors in Jamaica is **high**. The foreign currency national scale rating indicates that the level of creditworthiness of this obligor, adjudged in relation to other obligors in Jamaica is **good**.

The ratings of Seprod reflect the Group's strong market position and good financial performance, notwithstanding a deterioration in its debt protection metrics in 2021. Seprod's integrated business and quality management practices, which continue to drive sustainability, and its good governance practices supported by a competent management team, further support the ratings. Tempering the ratings are the global economic uncertainty along with a slow rebound in countries in which Seprod operates which can present downside risks to the Group's earnings and profitability levels.

CariCRIS has maintained a **stable** outlook on the ratings. The stable outlook is premised on our expectation that the Group's financial performance will continue to be good over the next 12-15 months, buttressed by the recent acquisition of A.S. Bryden & Sons Holdings Limited, increased export sales and new products, which could all serve to increase its profitability and expand its market presence in the Caribbean. In addition, we expect improving economic activity in Jamaica together with the ongoing facility upgrades by the Company to underpin continued growth and improved operating efficiencies over the period. We also expect the Group's debt servicing metrics to show some improvement following the deterioration reported in 2021.

Rating Sensitivity Factors

Factors that could, individually or collectively, lead to an improvement of the rating and/or outlook:

- An improvement in the GOJ's credit rating over the next 12-15 months
- Sustained improvement in Group PAT by over 15% or more annually for the next 2 years
- An improvement in interest cover and effective DSCR to above 4 times and 1.5 times respectively for the next 2 years

Factors that could, individually or collectively, lead to a lowering of the rating and/or outlook:

- A deterioration in the GOJ's credit rating over the next 12-15 months
- A fall in the Group's interest cover and effective DSCR to below 2.5 times and 1.5 times respectively, sustained for 2 years

About the company:

Seprod and its subsidiaries (Seprod or the Group) is a food manufacturing and distribution entity, whose origination dates back to 1930 with the formation of the Jamaica Coconut Producers Association which was subsequently incorporated in 1940. In 1944, the Jamaica Coconut Producers Association acquired Soap and Edible Products Limited, which was renamed Seprod Limited in 1956. Throughout its history, Seprod has grown its business and solidified its footprint in Jamaica via mergers and acquisitions in various consumer goods segments.

Seprod has grown to be one of the largest food companies in the English-speaking Caribbean, employing over 1,750 people, with its brands represented in 21 territories around the globe. The Group's holding Company was publicly listed on the Jamaica Stock Exchange (JSE) in 1985. Seprod's operations include 7 wholly owned subsidiaries and 1 joint venture which are located in Jamaica, St. Lucia, Barbados, Trinidad and Tobago (T&T) and the Dominican Republic. As at March 2022, Seprod's single largest shareholder was Musson (Jamaica) Limited, owning around 48.94% of the Company's outstanding shares through a combination of its direct 31.87% holding as well as the 17.07% held by its wholly owned subsidiary, Facey Group Limited.

The Group is organised into 2 main business segments: 1) Manufacturing – which includes the operations for the manufacturing and sale of oils and fats, corn and wheat products, cereals, milk products, juices, and biscuits 2) Distribution- which involves the merchandising of consumer goods. Seprod’s portfolio of products spans 12 categories ranging across consumer food and household items under brands such as Betty, Chiffon, Pronto, Gold Seal, Butterkist, Serge, Golden Grove, Miracle, Brunswick, Supligen and Swizzle, among others. As at December 2021¹, the Group’s total assets stood at J \$31.3 billion and total operating revenue was J \$43.9 billion.

For more information on the ratings of Seprod Limited, please visit www.caricris.com or contact:

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¹ Financial year runs from January 1 to December 31.