



JMMB Investments (T&T) LIMITED
 169 Tragarete Road
 Port Of Spain
 Tel: 1 (868) 224-5662, 224-5663, 224-5664, 627-1155
 Fax:1 (868) 224-5666

A MEMBER OF THE JMMB GROUP

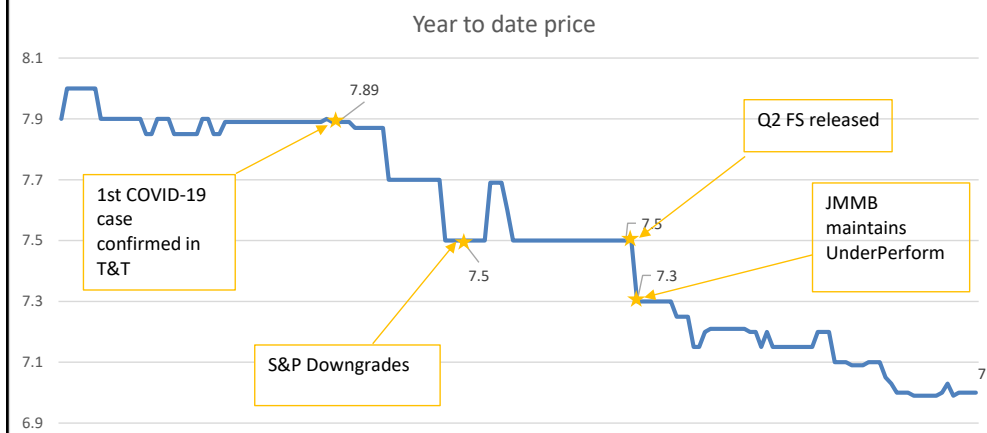
Email: jmmbinvestmentsttresearch@jmmmb.com

August 2020
 David Paul
 Investment Analyst
 David_Paul@jmmmb.com

FirstCaribbean International Bank (FCI) to pay regular dividend despite declining profits.

FCI's Financial Summary	Quarter Ended 31-Jul-20	Quarter Ended 31-Jul-19	\$ change	% change
Income Statement Extract				
	US\$'000	US\$'000	US\$'000	
Profit after Tax	(43,049)	122,219	(165,268)	↓ -135.2%
Earnings per share (Expressed in cents)	(2.80)	7.50	(10.30)	↓ -137.3%
Total Revenue	\$ 436,844	\$ 459,837	(22,993)	↓ -5.0%
Balance Sheet Extract				
Total Assets	12,113,622	11,522,800	590,822	↑ 5.1%
Total Liabilities	10,995,025	10,312,476	682,549	↑ 6.6%
Shareholder's Equity	1,118,597	1,210,324	(91,727)	↓ -7.6%
Cash Flows Extract				
Net cash from operating activities	559,490	381,625	177,865	↑ 46.6%
Net cash used in investing activities	(436,239)	(92,116)	(344,123)	↓ -373.6%
Net cash used in financing activities	(129,213)	(89,621)	(39,592)	↓ -44.2%
Cash and cash equivalents	1,877,901	1,878,997	(1,096)	↓ -0.1%
Metrics				
Book Value Per Share (in TT\$)	4.80	5.19	-0.39	↓ -7.6%
Market Price (in TT\$)	7.10	8.34	-1.24	↓ -14.9%
Market to Book Ratio	1.48	1.61	-0.13	↓ -8%

Note: Green arrows indicate growth while red indicate contractions



Quarterly Update



Valuation	
Current Price	TT\$7.00
Trailing P/E Multiple	517.04x
Market to Book Value	1.46x
JMMB Target Price	TT\$5.30
Dividend Yield	6.8%

For the nine months ended July 31st, 2020 (Q3-2020), FirstCaribbean International Bank (FCI) realized a loss attributable to equity holders of US\$43.1 million, a decrease of 135.2% when compared to Q3-2019. This translates into a basic EPS of US\$ -0.028 at the end of the period. The decrease in profit was as a result of US\$127 million provision for credit losses and a non-cash goodwill impairment charge of US\$51 million. The increase in provisions and the impairment of goodwill was as a result of the deteriorating economic conditions in the regional and global economy due to the impact of COVID-19. Revenue in Q3-2020 decreased by 5% to US\$436.8 million (Q3-2019 - US\$459.8 million). Total assets stood at US\$12.1 billion as at Q3-2020, an increase of 5.1% over Q3-2019. FCI's Tier 1 and Total Capital ratios remained strong at 12.6% and 14.4% respectively. The Board has approved a quarterly dividend of US\$0.0125 per ordinary share, possibly signaling their belief in an eventual recovery. The dividend will be paid on October 9, 2020 to shareholders of record on September 10, 2020.

Outlook:

JMMB research department on June 1st, 2020, maintained an UNDERPERFORM rating on FCI with a price target of \$5.77. The price of FCI at that date was \$7.30, which was above our fair value range. FCI's share price has declined since that rating but never below our fair value range.

Year to date, there were a few material changes to the local, regional and global economy. These changes include: 1. The IMF has revised GDP growth projection for Barbados, Bahamas and T&T to -7.6%, -8.3% & -4.5% respectively, 2. A downgrade of T&T's credit rating by S&P to 'BBB-' from 'BBB' and Moody's revised their outlook from stable to negative, 3. A downgrade of Bahamas credit rating by S&P to 'BB' from 'BB+', and 4. COVID-19 prevention measures have brought the local, regional and global economies to their knees. As stated in our past releases, we expect NPL's for FCI to spike, especially in Barbados & Bahamas given their high dependence on tourism. This is now reflected in FCI's financials through the increase in provision for credit losses.

We maintain our rating on FCI at **UNDERPERFORM** and revise our target price to \$5.30 (representing a 24% downside from current price). FCI's EPS for the period was significantly below our EPS forecast for Q3-2020. JMMB forecasts that EPS for 3 month ending October 31st, 2020 will be US\$0.01 and our EPS forecast for year ending October 2020 is US\$ -0.018.