

CFC

CFC Project – Jordanian Duty Free

Musab Salameh

Aug 2018

Content

- Investment Summary.....
- Industry analysis.....
- Company overview.....
- Strategic breakdown.....
- Financial Performance & Ratio Analysis.....
- Global markets indicates Amman.....
- Ratio analysis
- Assumptions & Valuation.....
- Appendix.....
- References.....

1- Investment Summary

Jordan Duty Free was founded in 1997, with the opening of the first shop in Jordan's capital of Amman. Evolving from a locally focused outlet into one of Jordan's top public shareholding companies, JDF grew to operate sixteen duty free shops in Jordan. JDF shops are strategically located at the kingdom's land and sea borders, to serve both arriving and departing travelers; focused on meeting customers' retail shopping needs. From a modest beginning, Jordan Duty Free acquired immaculate growth momentum through strategic planning and development. Now, JDF offers a comprehensive and exciting range of products including the best in fragrances, cosmetics, accessories, confectionary, liquors, cigarettes and tobacco. Committed to provide an extensive shopping experience, Jordan Duty Free serves diplomats, non-residential foreigners, and passengers ranging from tourists, businessmen to pilgrims. After stepping on the Jordanian land, JDF welcomes you with a smile to explore a multitude of destinations. With the significant growth and business position JDF achieved, the Jordanian government supportively contributed strategic spaces for JDF shops at all borders. Consequently, JDF has built a prominent and respectable reputation and name for itself in the market and among its loyal customers.

Located at the heart of the Middle East, Jordan is in the center of the communication roads between five countries and four continents. With the advantage of political and economic stability, Jordan made its mark as a favored tourist and investment hub; ultimately presenting JDF with the tremendous opportunity for trade and development.

Over the years, JDF has observed an increase in footfall with 14,423,329 visitors in 2009 leading to a total of \$57,389,290 in sales revenue. With a perfect balance of inviting deals, remarkable product offerings and quality service JDF is determined to set a new benchmark of performance.

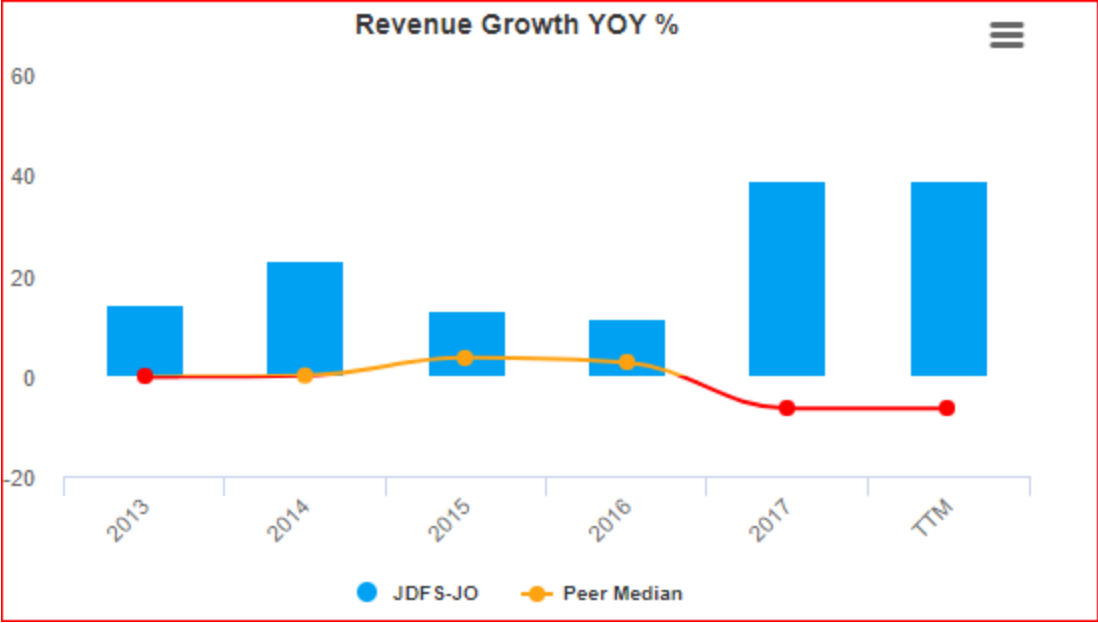
2- Industry analysis

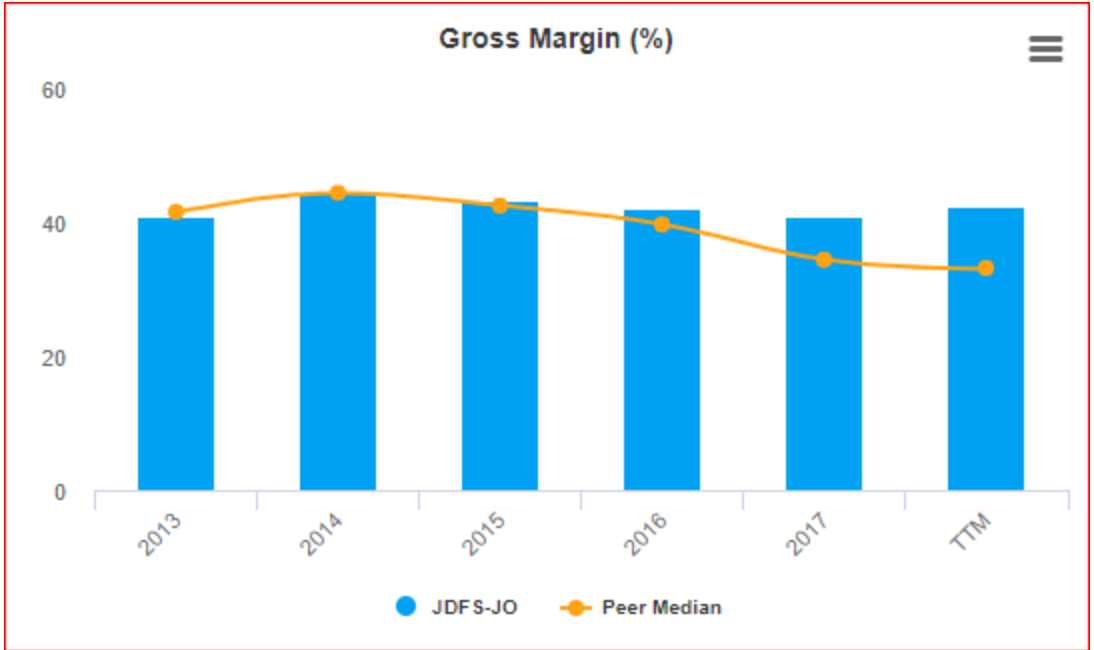
A- Intrudction

Jordanian Duty Free Shops PSC (JDF) is a Jordan-based public shareholding company engaged in investing, establishing, owning, managing and operating of duty-free shops mainly at marine and land borders of the Jordanian Kingdom. The Company, through its established duty-free outlets, undertakes retail sale of both local and imported goods, in different international currencies, such as perfumes, cosmetics, alcohol, tobacco, confectionery, electronics, toys and accessories, among others, for diplomats, non-residential foreigners, and passengers ranging from tourists, businessmen to pilgrims. JDF operates a number of duty-free shops, namely Amman shop, King Hussein Bridge Shop, Sheik Hussein Shop, Wade Araba Shop, Al-Ramtha Shop, Jaber Shop and Al-Karamah Shop, among others. The Company wholly owns Jordan International Free Shops Ltd and Fist Markets Ltd.

B- Market Overview

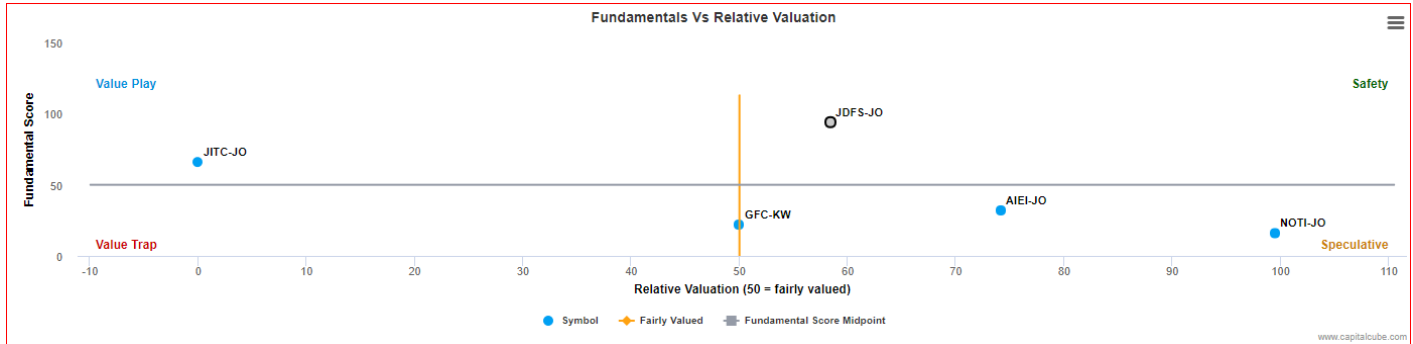
It currently trades at a Price/Book ratio of (5.33).JDFS-JO's operating performance is relatively good, compared to its peers. The market currently does not expect high earnings growth relative to its peers but seems to expect the company to maintain its relatively high rates of return. JDFS-JO has a successful operating model with relatively high net profit margins and capital turns. The company's year-on-year change in revenues and earnings are better than the median among its peer group. JDFS-JO's return on equity currently and over the past five years suggest that its relatively high operating returns are sustainable. The company's relatively high gross and pre-tax margins suggest a differentiated product portfolio and tight control on operating costs relative to peers. While JDFS-JO's revenues in recent years have grown faster than the peer median, the market gives the stock a P/E ratio that is around peer median suggesting that the market has some questions about the company's long-term strategy. The company's level of equity capital investment seems appropriate to support the company's growth.





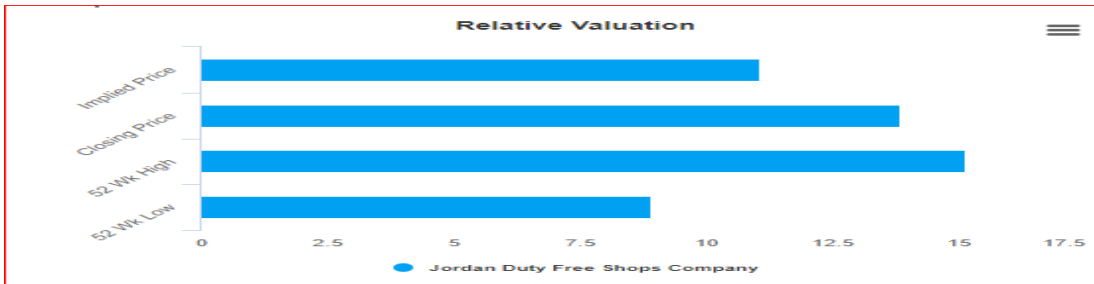
C- Investment Outlook

Jordan Duty Free Shops Company has a fundamental score of 94 and has a relative valuation of NEUTRAL. Jordan Duty Free Shops Company's price is very close to its implied price, thus not allowing for a specific classification into the Value - Price Matrix.



D- Relative Valuation

Jordan Duty Free Shops Company is currently neutrally valued, as its previous close of JOD 13.85 lies within the Capital Cube estimate range of JOD 4.53 to JOD 17.60. Over the last 52-week period, Jordan Duty Free Shops Company has fluctuated between JOD 8.92 and JOD 15.15.



E- Major advantage and disadvantage of duty free markets

A free market economy is driven by individual innovation and the notion that hard work and ingenuity will be rewarded by success. All businesses exist to make a profit. Therefore, in the free market system, a successful business makes a consistent profit in a field of competitors. The concept of competition is an important component of a free market system.

Competition in the marketplace provides the best possible product to the customer at the best price. When a new product is invented, it usually starts out at a high price, once it is in the market for a period of time, and other companies begin to copy it, the price goes down as new, similar products emerge. In a competitive market, the poor versions of the product or the overpriced will be pushed out of the market because consumers will reject them.

The free market system determines the winners and losers in each industry based on the demands of the customer, whether industrial, business customers, or consumers, people who buy for personal use.

In a free market system, the entrepreneur takes a great risk to launch a business, putting up capital, with the hope that the product or service will succeed. If the risk is considered a disadvantage, when the business succeeds, the profit and control of the businesses future is determined by the owner, not the government.

3- Company overview

JORDAN DUTY FREE SHOPS – PROFILE

Jordanian Duty Free Shops engages in the establishment, development and operation of duty free shops. It offers perfumes, cosmetics, alcohol, tobacco, confectionery, electronics, toys, accessories and other local products. The company was founded on September 28, 1996 and is headquartered in Amman, Jordan.

SHAREHOLDER

Owner	in %
-------	------

Social Security Corp.	56.49
-----------------------	-------

JORDANIAN CO FOR JOINT INVESTMENT	13.84
-----------------------------------	-------

Invest Bank (Jordan)	9.40
----------------------	------

Jordan Enterprise Development Corp.	3.09
-------------------------------------	------

Saad Abu Jaber & Sons Co.	0.36
---------------------------	------

4- Strategic breakdown

PESTLE Analysis PESTLE analysis is one of the most commonly and frequently used concept pertaining to the principles of marketing.

Various companies to examine the environment within which they operate use it as the primary tool, Especially in the circumstances where the management is planning to introduce a new service, product, or project. PESTLE analysis of the Jordanian Duty free is presented as below

POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL
<ul style="list-style-type: none"> ● ecological/environmental issues ● current legislation home market ● future legislation ● international legislation ● regulatory bodies and processes ● government policies ● government term and change ● trading policies ● funding, grants and initiatives ● home market lobbying/pressure groups ● international pressure groups ● wars and conflicts 	<ul style="list-style-type: none"> ● home economy situation ● home economy trends ● overseas economies and trends ● general taxation issues ● taxation specific to product/services ● seasonality/weather issues ● market and trade cycles ● specific industry factors ● market routes and distribution trends ● customer/end-user drivers ● interest and exchange rates ● international trade/monetary issues 	<ul style="list-style-type: none"> ● lifestyle trends ● demographics ● consumer attitudes and opinions ● media views ● law changes affecting social factors ● brand, company, technology image ● consumer buying patterns ● fashion and role models ● major events and influences ● buying access and trends ● ethnic/religious factors ● advertising and publicity ● ethical issues 	<ul style="list-style-type: none"> ● technological ● competing technology development ● research funding ● associated/dependent technologies ● replacement technology/solutions ● maturity of technology ● manufacturing maturity and capacity ● information and communications ● consumer buying mechanisms/technology ● technology legislation ● innovation potential ● technology access, licensing, patents ● intellectual property issues ● global communications

SWOT Analysis

SWOT analysis is one of the most common, yet one of the most powerful and significant Techniques used to ascertain the strengths, weaknesses, opportunities, and threats in Respect to a business organization. A SWOT analysis for Jordanian duty-free

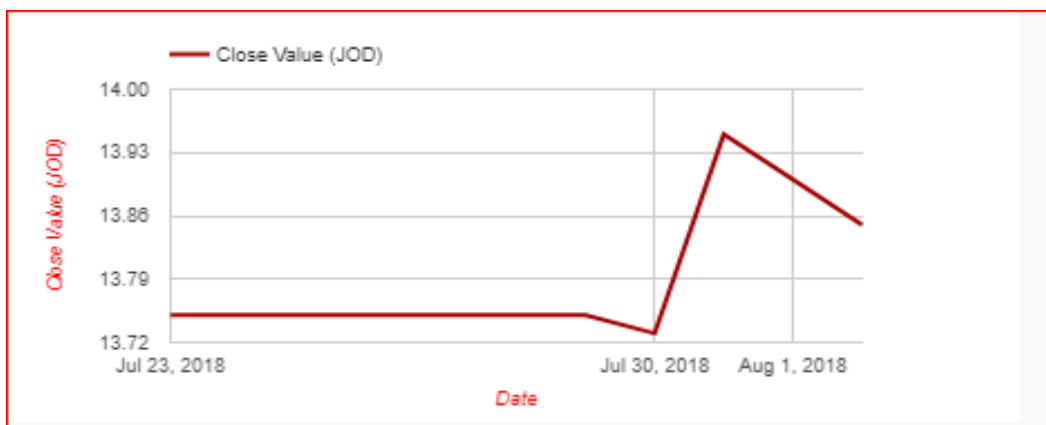
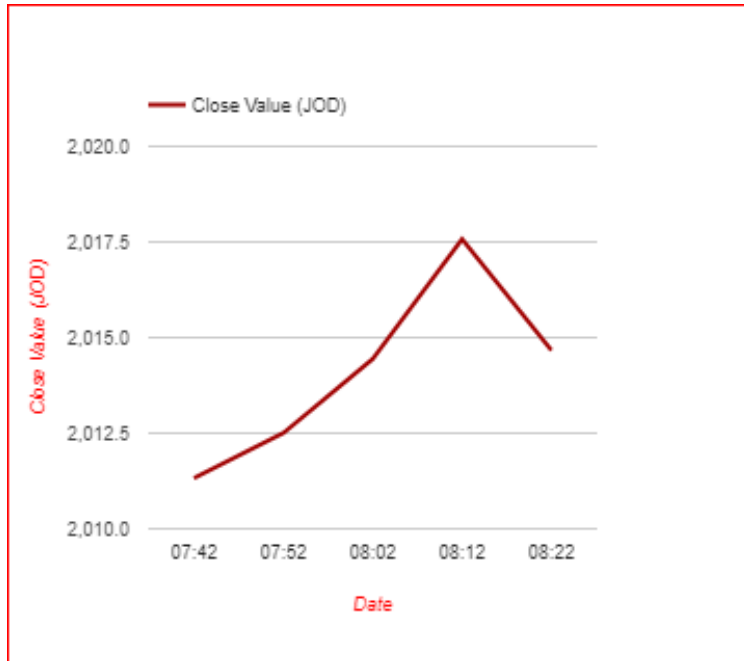
Strengths	Weaknesses
<ul style="list-style-type: none">• Low purchase and maintenance price• Big production capacity• Internal R&D centres• Large distribution network• Big supplier network• Good image• Automated manufacturing line	<ul style="list-style-type: none">• Supplier fragmentation• Production cost
Opportunities	Threats
<ul style="list-style-type: none">• The “Car Scrap” programmes• Government policies and regulations• Growth potential in development markets• Low labour cost	<ul style="list-style-type: none">• The entrance of similar players on the market• decrease in price for the imported models• The union’s power• EU and Romanian standards• Alternative power initiatives

5- Financial Performance & Ratio Analysis

Jordanian duty has been performing financially well in the last couple of years with a solid balance sheet which is reflected to its income statement although there has been a slight decrease in the numbers over the last 3 years.

And below shows this effect in its financial statement and its performance

- Regional markets indicates Amman



- **Global markets indicates Amman**



- **Company performance**

Company Performance		Last Update: 2018-08-02						
Last price	Opening price	High price	Low price	Value Traded	Volume	Change%	52 Week High	52 Week Low
13.85	13.9	13.9	13.75	3872	280	0.36	35.5	11.7

- **The Beta Value for the Jordanian Duty free**

Beta

Beta (β or beta coefficient) is a measurement that indicates whether the company situation is more or less volatile than the market. If beta value is less than 1 this indicates that the company is less volatile than the market, while a beta is more than 1 this indicates that the company situation is more volatile than the market

From To

Beta value of Company "Jordanian Duty Free Shops" is : 0.0026

- **Trading information**





The below data show the current trading information for the company

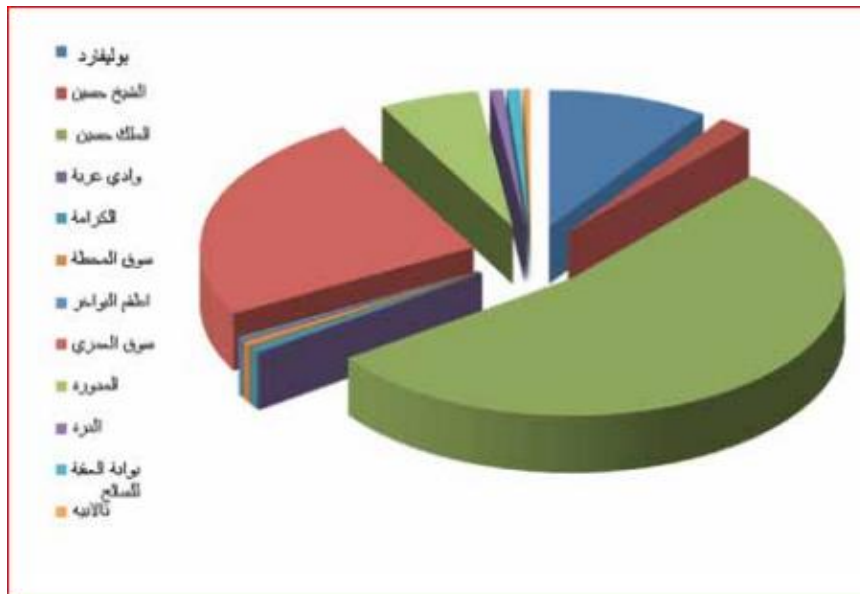
Trading Information						
Date	Open	Close	High	Low	Traded Volume	Traded Value
2018-08-02	13.9000	13.8500	13.9	13.75	280	3872
2018-08-01	13.9000	13.9000	13.9	13.86	704	9773
2018-07-31	13.7500	13.9500	13.95	13.75	3643	50242
2018-07-30	13.7500	13.7300	13.75	13.69	470	6445
2018-07-29	13.6500	13.7500	13.75	13.6	1980	27125

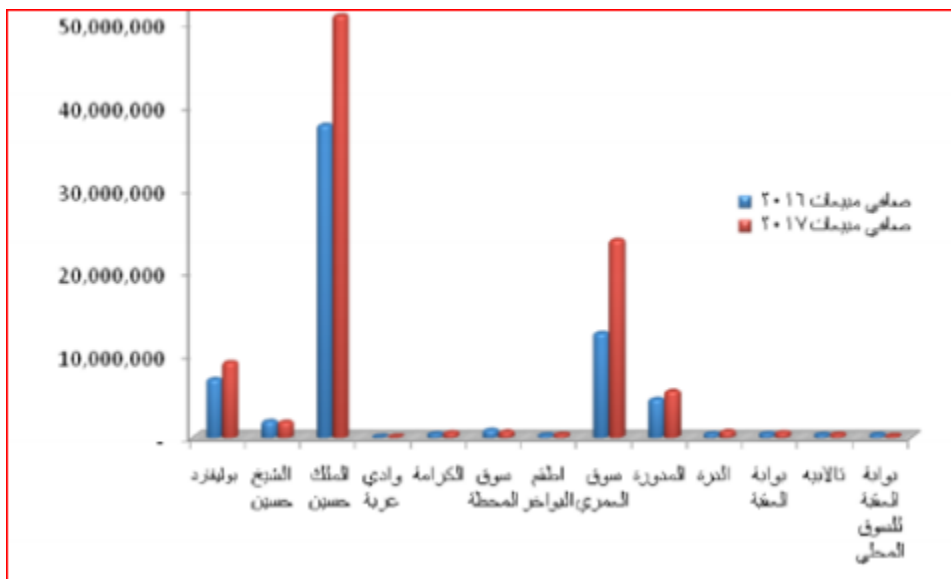
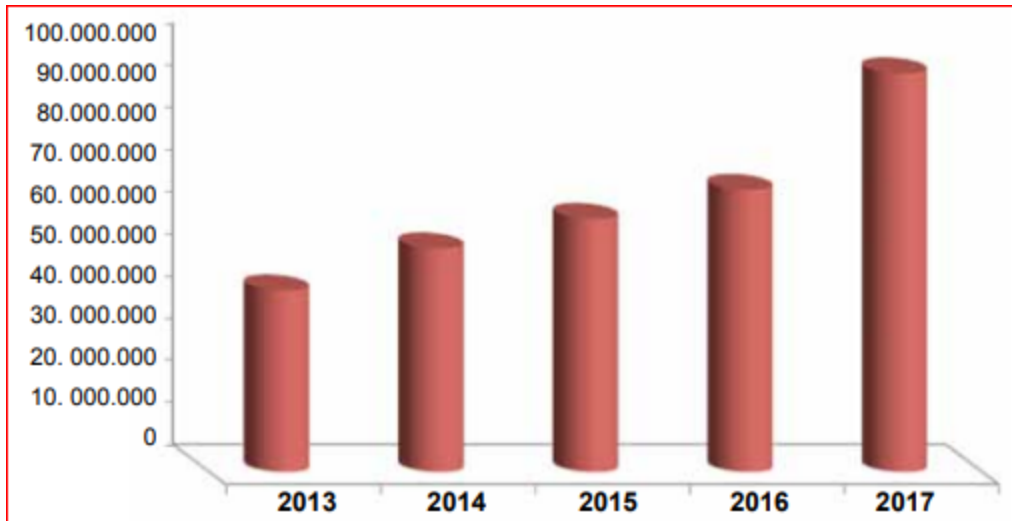
- Ratio analysis

The below data show the annual ratio analysis for the Jordanian duty free

Ratio Analysis		2016	2015	2014	2013	2012	
Book value per share	6.929	6.332	5.681	4.659	4.371		
Market price	20.900	NA	NA	NA	10.980		
Net Change In Cash & Cash Equivalents	-1.000	-3.000	3.000	2.000	3.000		
Return on Investment	0.309	0.314	0.314	0.246	0.210		
Return on Equity	0.339	0.340	0.356	0.277	0.245		
Dept Ratio	0.087	0.075	0.117	0.111	0.142		
Dividends per share	2.200	1.750	1.500	1.000	1.000		
Earnings per share	2.347	2.151	2.022	1.288	1.071		
Dividends payout ratio	0.937	0.814	0.742	0.776	0.933		
Yield per share	0.105	NA	NA	NA	0.091		
Market value to book value ratio	3.016	NA	NA	NA	2.512		
Price earning ratio	8.906	NA	NA	NA	10.248		
market value	156.000	NA	NA	NA	82.000		
Net profit	17.000	16.000	15.000	9.000	8.000		
Revenue	16.000	15.000	13.000	9.000	10.000		

TOTAL assets growth %	10.929	6.435	22.736	2.800	NA	
NET profit growth %	9.098	6.375	56.983	20.230	NA	
TOTAL REVENUE growth %	7.021	12.410	49.517	-11.651	NA	
PRICE EARNING RATIO GROWTH %	NA	NA	NA	-100.000	NA	

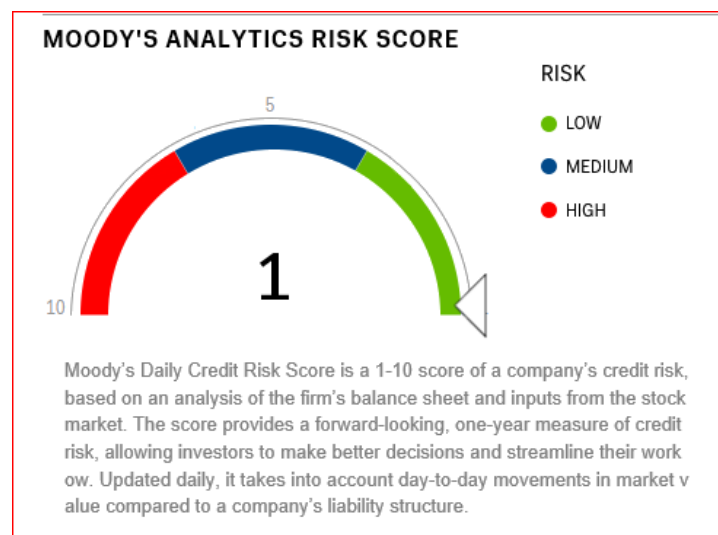




6- Assumptions & Valuation

This chapter shows the major assumptions and approach used in this study to compute Duty free Fair Value. Moody's analytics Risk score were used in this study in order to obtain duty free Cost of Equity. - The tables below show the assumptions that have been used along with the

JORDAN DUTY FREE SHOPS STOCK KEY FIGURES	
Market Cap (USD)	Book Value per Share
Free Float in %	Cash Flow per Share
Number of Shares (in MM)	7.50 P/B Ratio



7- Appendix

This part will show all financial statements from 2012 unit 2016

Income statement					
	2016	2015	2014	2013	2012
No of subscribed shares	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Total Income	61,069,527	23	21	16	NA
Total Expenses	35,261,141	NA	NA	NA	NA
Net Income	17,601,120	16,133,360	15,166,546	9,661,284	8,035,666

Balance sheet					
	2016	2015	2014	2013	2012
Total Assets	56,939,162	51,329,568	48,226,237	39,292,746	38,222,354
Total Liabilities	4,974,109	3,840,635	5,620,664	4,352,969	5,443,111
Shareholder Equity	51,965,053	47,488,933	42,605,573	34,939,777	32,779,243

Cash flow					
	2016	2015	2014	2013	2012
Cash Balance Beginning	6,817,374	10,297,303	6,963,883	4,560,022	16,266,598
Net Cash Flow From Used in Operating Activities	16,493,719	15,411,700	13,710,293	9,169,727	10,378,933
Net Cash Flow From Used in Financing Activities	-13,125,000	-11,250,000	-7,500,000	-7,500,000	-7,500,000
Cash Balance Ending	5,016,714	6,817,374	10,297,303	6,963,883	19,560,018
Net Change in cash and Cash Equivalents	-1,800,660	-3,479,929	3,333,420	2,403,861	3,293,420

Dividends					
	2016	2015	2014	2013	2012
Total Cash Dividends	16,500,000	13,125,000	11,250,000	7,500,000	7,500,000
Cash Dividend Per Share	2.2	1.75	1.5	1	NA
Stock Dividend	NA	NA	NA	NA	NA

8- References

-<http://www.aldarshares.com/en/company/show/74/JDFS?tab=financial-statement>

- <http://www.mahfaza.com.jo/index.php?q=research-tool/JDFS/profile>

- <http://jdfshops.com/>

- <https://www.ase.com.jo/>