

EPPLEY LIMITED

FIRST QUARTER 2020



58 HALF WAY TREE ROAD
KINGSTON 10, JAMAICA, W.I.
P:(876) 929-8451/4 F:(876) 920-1458

May 13, 2020

Fellow Shareholders,

Eppley produced earnings per share of \$0.21 in the first quarter of 2020, a 6.5% return for shareholders.¹ At the end of the quarter, our net asset value was \$4.08 per share.

Proprietary Investment Portfolio

At the end of the quarter we owned a \$3.9 billion investment portfolio consisting of loans, leases, receivables and investments in our mezzanine, real estate, infrastructure and asset management joint ventures and subsidiaries. The average income yield of our portfolio was 12%.

Asset Management Business

We also managed the equivalent of US\$70 million of committed capital for investors at the end of the first quarter through the Caribbean Mezzanine Fund and the Eppley Caribbean Property Fund.

Capitalization and Liquidity

Our leverage was 3.9x of our capital at the end of the quarter and our average cost of debt was 6%. We ended the quarter with \$615 million of cash.

¹ Based on a cost basis of \$3.21 per share which assumes an investor subscribed in the IPO and fully participated in our rights issue.

Financial Performance

Our profit after tax was \$40 million in the first quarter of 2020, significantly above the \$6 million we earned in the same period last year. Growth was driven primarily by the expansion of our asset management business underscoring the continued improvement in the quality of Eppley's earnings.

Dividend

Today the Board of Directors approved a dividend of 3.72 cents per share payable on June 12 to ordinary shareholders on record as of May 29.

Subject to the discretion of the Board of Directors, we expect to maintain our dividend policy in future periods.

Covid 19

Like all businesses Eppley will confront a new investment landscape created by Covid 19. Fortunately, our business is strong having experienced record profits last year and steady and stable growth over the past five years.

Eppley's business is also resilient. We are well capitalized and have access to liquidity. Our portfolio is diversified and has been carefully underwritten. Finally, our asset management business provides a stable stream of recurring earnings largely insulated from credit or market risks.

Eppley's culture, investment philosophy and business model were developed to thrive in challenging market conditions. With considerable *dry powder* in our funds and on our balance sheet we expect to put significant capital to work as we react to the current environment.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Managing Director

Eppley Limited
Consolidated Statement of Comprehensive Income
(Jamaican dollars in thousands)

	Unaudited 3 months ended Mar. 2020	Unaudited 3 months ended Mar. 2019	Audited 12 months ended Dec. 2019
Net Investment Income			
Interest Income	91,287	91,831	350,220
Interest expense	<u>(50,029)</u>	<u>(45,302)</u>	<u>(197,004)</u>
Net interest income	41,258	46,529	153,216
Other operating income/(loss)	41,499	(2,236)	161,651
Administrative expenses	(41,212)	(37,470)	(163,958)
Net impairment of financial and contract assets	(67)	-	(1,169)
Share of net profit from joint venture	<u>-</u>	<u>2,387</u>	<u>10,551</u>
Profit before Taxation	41,478	9,210	160,291
Taxation	<u>(1,067)</u>	<u>(2,945)</u>	<u>3,233</u>
Net profit for the period	<u>40,411</u>	<u>6,265</u>	<u>163,524</u>
Other comprehensive income:			
<i>Items that will not be reclassified</i>			
Exchange differences on translation of foreign operations	885	490	26
Changes in fair value of equity investments at fair value through other comprehensive income	<u>(9,528)</u>	<u>-</u>	<u>16,765</u>
Other comprehensive (loss)/income for the period, net of taxes	<u>(8,643)</u>	<u>490</u>	<u>16,791</u>
Total comprehensive income for the period, net of taxes	<u>31,768</u>	<u>6,755</u>	<u>180,315</u>
EARNINGS PER SHARE (3)	\$0.21	\$0.03	\$0.85

Eppley Limited
Consolidated Statement of Financial Position
(Jamaican dollars in thousands)

	Unaudited Mar. 2020	Unaudited Mar. 2019	Audited Dec. 2019
ASSETS			
Cash and deposits	615,393	446,642	550,136
Taxation recoverable	12,298	10,122	12,286
Other receivables	144,578	133,364	127,084
Insurance premium financing receivables	141,849	512,573	156,393
Loans receivable	1,632,282	1,411,453	1,530,972
Lease receivables	518,878	581,188	500,774
Investment securities	883,374	357,401	880,649
Investment in joint ventures	47,513	129,270	47,513
Deferred tax asset	10,037	4,203	10,037
Right-of-use-asset	2,761	6,273	3,605
Property, plant and equipment	17,566	13,343	11,935
	<u>4,026,529</u>	<u>3,605,832</u>	<u>3,831,384</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	1,829	2,899	2,578
Deferred tax liability	146	146	146
Borrowings	2,946,306	2,713,178	2,784,395
Lease liability	3,044	6,749	4,028
Other liabilities	287,582	167,874	174,676
	<u>3,240,560</u>	<u>2,892,499</u>	<u>2,967,476</u>
SHAREHOLDERS' EQUITY			
Share capital	492,343	492,343	492,343
Other reserves	188	(233)	(697)
Fair value reserves	7,237	-	16,765
Retained earnings	286,201	221,223	355,497
	<u>785,969</u>	<u>713,333</u>	<u>863,908</u>
	<u>4,026,529</u>	<u>3,605,832</u>	<u>3,831,384</u>

Approved by the Board of Directors on May 14, 2020 and signed on its behalf by:

Paul. B. Scott
Chairman

Nicholas A. Scott
Managing Director

Eppley Limited
Consolidated Statement of Changes in Equity
(Jamaican dollars in thousands)

	Share Capital	Fair value Reserves	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2019 as restated	492,343	-	(723)	282,741	774,361
Net Profit for the period	-	-	-	6,265	6,265
Other comprehensive income for the period	-	-	490	-	490
Total comprehensive income for the period	492,343	-	(233)	289,006	781,116
Dividends	-	-	-	(67,783)	(67,783)
Balance as at 31 March 2019	492,343	-	(233)	221,223	713,333
Balance as at 31 December 2019 as originally presented	492,343	16,765	(697)	355,497	863,908
Net Profit for the period	-	-	-	40,411	40,411
Other comprehensive income for the period	-	(9,528)	885	-	(8,643)
Total comprehensive income for the period	-	(9,528)	885	40,411	31,768
Dividends	-	-	-	(109,707)	(109,707)
Balance as at 31 March 2020	492,343	7,237	188	286,201	785,969

Eppley Limited
Consolidated Statement of Cash Flows
(Jamaican dollars in thousands)

	Unaudited 3 months ended Mar. 2020	Unaudited 3 months ended Mar. 2019	Audited 12 months ended Dec. 2019
Cash Flows from Operating Activities			
Net profit	40,411	6,265	163,524
Adjustments for items not affecting cash:			
Depreciation	2,226	3,314	9,737
Amortisation	4,765	-	3,696
Interest income	(91,287)	(91,831)	(350,220)
Dividend income	(104)	-	(96)
Interest expense	50,029	45,302	197,004
Unrealised gain on investment securities	-	(5,699)	(20,572)
Expected credit loss	67	-	1,169
Gain on disposal of property, plant and equipment	(1,373)	-	-
Exchange gains on foreign currency denominated balances	(1,191)	26,856	1,015
Share of profits from joint venture	-	(2,386)	(10,551)
Taxation	1,067	2,945	(3,233)
	<u>4,610</u>	<u>(15,234)</u>	<u>(8,527)</u>
Changes in non-cash working capital components:			
Other receivables	(14,743)	(6,024)	12,447
Insurance premium financing receivables	15,930	(192,305)	187,053
Loans receivable	(90,160)	40,772	(35,500)
Lease receivables	(17,142)	(1,835)	82,031
Interest received	92,272	91,571	343,591
Dividend received	104	-	96
Lease liability	-	6,749	-
Other liabilities	112,365	11,087	27,274
	<u>103,236</u>	<u>(65,219)</u>	<u>608,465</u>
Tax withheld at source	(12)	(33)	(2,197)
Tax paid	(1,816)	-	(5,789)
Interest paid	(50,094)	(45,159)	(197,431)
Net cash provided by/(used in) operating activities	<u>51,314</u>	<u>(110,411)</u>	<u>403,048</u>

Eppley Limited
Consolidated Statement of Cash Flows (Cont'd)
(Jamaican dollars in thousands)

	Unaudited 3 months ended Mar. 2020	Unaudited 3 months ended Mar. 2019	Audited 12 months ended Dec. 2019
Cash Flows from Investing Activities			
Acquisition of investments	-	-	(444,891)
Additions to property, plant and equipment	(7,857)	-	(5,927)
Proceeds from sale of property, plant and equipment	1,373	-	-
Net cash (used) in investing activities	(6,484)	-	(450,818)
Cash Flows from Financing Activities			
Dividend paid	(109,707)	(67,783)	(90,768)
Right-of-use-asset	-	(7,184)	-
Lease liability repaid	(1,081)	(293)	(3,887)
Loans received	523,933	379,400	711,751
Loans repaid	(389,056)	-	(336,428)
Net cash provided by financing activities	24,089	304,140	280,668
Increase in net cash balance	68,919	193,729	232,898
Effects of foreign exchange rates changes on cash and cash equivalents	(4,632)	(10,662)	(4,533)
Cash and cash equivalents at beginning of year	463,337	234,972	234,972
CASH AND CASH EQUIVALENTS AT END OF PERIOD	527,624	418,039	463,337

Ten Largest Shareholders

(at March 31, 2020)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd.	38,428,635
Caribprop Limited	27,500,000
Perseverance Limited	23,753,134
Coldharbour Partners Inc.	14,744,350
Curmudgeon Limited	8,283,000
Michael Subratie	8,243,606
Ravers Limited	5,348,700
Caona Investments Limited	3,000,000
FirstCaribbean Int'l Sec. Ltd A/C B.U.T	1,130,307

Shareholdings of Directors

(at March 31, 2020)

	Direct	Connected *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	24,186,884
Keith Collister	-	38,428,635
Maxim Rochester	956,850	-
Melanie Subratie	-	60,628,540
Nicholas Scott	-	24,314,484
P.B. Scott	-	100,638,068
Sharon Donaldson	818,074	2,105,208

Shareholdings of Executives

(at March 31, 2020)

	Direct	Connected *
Jacquelin Watson	1,024,650	-
Justin Nam	851,420	-

* Includes connections by virtue of directorships and other affiliations in addition to indirect shareholdings.

1. Identification and Activities

Eppley Limited is a limited liability company incorporated and domiciled in Jamaica. The company is listed on the Main Market of the Jamaica Stock Exchange. The registered office of the company is located at 58 Half Way Tree Road, Kingston 10.

The principal activity of the company is investing in credit products including insurance premium financing, lease and loan financing.

2. Statement of Compliance and Basis of Preparation

These unaudited interim financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and the relevant provisions of the Companies Act.

The interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets carried at fair value.

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2019. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

3. Earnings Per Share

	Unaudited 3 months Mar. 2020	Unaudited 3 months Mar. 2019	Audited 12 months Dec. 2019
Net profit attributable to shareholders (\$'000)	40,411	6,265	163,524
Weighted average number of shares outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per share (\$)	0.21	0.03	0.85

4. Cash and Cash Equivalents

	Unaudited 3 months Mar. 2020	Unaudited 3 months Mar. 2019	Audited 12 months Dec. 2019
Cash and bank balances	415,982	418,039	334,420
Term deposits	199,411	28,603	215,716
	<u>615,393</u>	<u>446,642</u>	<u>550,136</u>
Less: term deposits with maturity period in excess of ninety days	(84,443)	(28,126)	(84,443)
Less: interest receivable	(3,326)	(477)	(2,356)
	<u>527,624</u>	<u>418,039</u>	<u>463,337</u>