

EPPLEY LIMITED

THIRD QUARTER 2020



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

November 13, 2020

Fellow Shareholders,

Eppley produced earnings per share of \$0.86 in the first nine months of 2020, a 27% return for shareholders so far this year.¹ At the end of the quarter, our net asset value was \$4.71 per share.

Proprietary Investment Portfolio

At the end of the quarter we owned a \$3.8 billion investment portfolio consisting of cash, 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 approximately US\$78 million of capital for investors at the end of the second quarter mainly through the Eppley Caribbean Property Fund and the Caribbean Mezzanine Fund.

Capitalization and Liquidity

Our leverage was 3.2x our capital at the end of the quarter and our average cost of debt was 6%. We ended the quarter with \$490 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 \$165 million in the first nine months of 2020, 50% above the \$110 million we earned in the same period last year.

Our profits grew significantly despite a reduction in interest income. Interest income decreased mainly due to the termination of a few large factoring arrangements recorded in 2019 that expired this year as well as a shift in the composition of our investment portfolio.

Profitability growth was driven primarily by the expansion of our asset management business. Asset management fees and the dividends we receive from our subsidiaries and affiliates are reflected in our financial statements as other operating income. These income streams are stable and recurring and enhance the quality of Eppley's earnings and the resiliency of our business.

Dividend

Today the Board of Directors approved a dividend of 3.72 cents per share payable on December 15 to ordinary shareholders on record as of November 30th.

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

Covid 19

Eppley remains well capitalized. Our proprietary portfolio is diversified, carefully underwritten and continues to perform. Our asset management business adds earnings largely insulated from credit or market risks.

We expect to spend the remainder of 2020 carefully deploying our excess liquidity and continuing to grow our asset management business.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Managing Director

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

	Unaudited 9 months ended Sep. 2020	Unaudited 9 months ended Sep. 2019	Unaudited 3 months ended Sep. 2020	Unaudited 3 months ended Sep. 2019	Audited 12 months ended Dec. 2019
Net Investment Income					
Interest Income	247,671	269,518	78,694	89,847	350,220
Interest expense	<u>(153,928)</u>	<u>(146,693)</u>	<u>(52,498)</u>	<u>(51,558)</u>	<u>(197,004)</u>
Net interest income	93,743	122,825	26,196	38,289	153,216
Other operating income	192,067	102,841	63,959	28,708	161,651
Administrative expenses	(130,711)	(125,010)	(44,140)	(40,589)	(163,958)
Net impairment of financial and contract assets	(27)	-	2	-	(1,169)
Share of net profit from joint venture	<u>11,010</u>	<u>10,551</u>	<u>11,010</u>	<u>7,100</u>	<u>10,551</u>
Profit before Taxation	166,082	111,207	57,027	33,508	160,291
Taxation	<u>(1,427)</u>	<u>(1,689)</u>	<u>579</u>	<u>(419)</u>	<u>3,233</u>
Net profit for the period	<u>164,655</u>	<u>109,518</u>	<u>57,606</u>	<u>33,089</u>	<u>163,524</u>
Other comprehensive income:					
<i>Items that will not be reclassified</i>					
Exchange differences on translation of foreign operations	2,575	537	(239)	(159)	26
Changes in fair value of equity investments at fair value through other comprehensive income	<u>19</u>	<u>(16,717)</u>	<u>3,854</u>	<u>(16,717)</u>	<u>16,765</u>
Other comprehensive (loss)/income for the period, net of taxes	<u>2,594</u>	<u>(16,180)</u>	<u>3,615</u>	<u>(16,876)</u>	<u>16,791</u>
Total comprehensive income for the period, net of taxes	<u><u>167,249</u></u>	<u><u>93,338</u></u>	<u><u>61,221</u></u>	<u><u>16,213</u></u>	<u><u>180,315</u></u>
EARNINGS PER SHARE (3)	\$0.86	\$0.57	\$0.30	\$0.17	\$0.85

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

	Unaudited Sep. 2020	Unaudited Sep. 2019	Audited Dec. 2019
ASSETS			
Cash and deposits	489,823	484,439	550,136
Taxation recoverable	13,859	11,057	12,286
Other receivables	148,696	122,811	127,084
Insurance premium financing receivables	87,241	414,087	156,393
Loans receivable	1,597,786	1,639,545	1,530,972
Lease receivables	578,167	498,049	500,774
Investment securities	943,690	527,933	880,649
Investment in joint ventures	58,524	47,513	47,513
Deferred tax asset	10,037	4,203	10,037
Right-of-use-asset	979	4,622	3,605
Property, plant and equipment	19,197	14,615	11,935
	<u>3,947,999</u>	<u>3,768,874</u>	<u>3,831,384</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	1,271	1,681	2,578
Deferred tax liability	146	146	146
Borrowings	2,927,597	2,810,948	2,784,395
Lease liability	1,079	5,093	4,028
Other liabilities	109,123	163,757	174,676
	<u>3,040,869</u>	<u>2,983,278</u>	<u>2,967,476</u>
SHAREHOLDERS' EQUITY			
Share capital	492,343	492,343	492,343
Other reserves	1,878	(186)	(697)
Fair value reserves	16,784	(16,717)	16,765
Retained earnings	396,125	310,156	355,497
	<u>907,130</u>	<u>785,596</u>	<u>863,908</u>
	<u>3,947,999</u>	<u>3,768,874</u>	<u>3,831,384</u>

Approved by the Board of Directors on November 13, 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	-	-	-	109,518	109,518
Other comprehensive income for the period	-	(16,717)	537	-	(16,180)
Total comprehensive income for the period	-	(16,717)	537	109,518	93,338
Dividends	-	-	-	(82,103)	(82,103)
Balance as at 30 September 2019	492,343	(16,717)	(186)	310,156	785,596
Balance as at 1 January 2020	492,343	16,765	(697)	355,497	863,908
Net Profit for the period	-	-	-	164,655	164,655
Other comprehensive income for the period	-	19	2,575	-	2,594
Total comprehensive income for the period	-	19	2,575	164,655	167,249
Dividends	-	-	-	(124,027)	(124,027)
Balance as at 30 September 2020	492,343	16,784	1,878	396,125	907,130

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

	Unaudited 9 months ended Sep. 2020	Unaudited 9 months ended Sep. 2019	Audited 12 months ended Dec. 2019
Cash Flows from Operating Activities			
Net profit	164,655	109,518	163,524
Adjustments for items not affecting cash:			
Depreciation	5,776	27,341	9,737
Amortisation	2,953	-	3,696
Interest income	(247,671)	(269,518)	(350,220)
Dividend income	(104)	-	(96)
Interest expense	153,928	146,693	197,004
Unrealised gain on investment securities	2,979	-	(20,572)
Lease liability adjustment	-	(523)	-
Expected credit loss	27	-	1,169
Gain on disposal of property, plant and equipment	(1,373)	-	-
Exchange gains on foreign currency denominated balances	(48,950)	(15,118)	1,015
Share of profits from joint venture	(11,011)	(10,551)	(10,551)
Taxation	1,427	1,689	(3,233)
	22,636	(10,469)	(8,527)
Changes in non-cash working capital components:			
Other receivables	(9,874)	7,098	12,447
Insurance premium financing receivables	71,974	(72,813)	187,053
Loans receivable	(950)	(112,532)	(35,500)
Lease receivables	(74,974)	83,670	82,031
Interest received	245,041	268,995	343,591
Dividend received	104	-	96
Lease liability	-	5,093	-
Other liabilities	(65,082)	15,744	27,274
	188,875	184,786	608,465
Tax withheld at source	(1,573)	(968)	(2,197)
Tax paid	(2,734)	-	(5,789)
Interest paid	(144,789)	(147,753)	(197,431)
Net cash provided by operating activities	39,779	36,065	403,048

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

	Unaudited 9 months ended Sep. 2020	Unaudited 9 months ended Sep. 2019	Audited 12 months ended Dec. 2019
Cash Flows from Investing Activities			
Acquisition of investments	-	(129,865)	(444,891)
Proceeds from sale of investments	28,161	-	-
Additions to property, plant and equipment	(13,038)	(4,829)	(5,927)
Proceeds from sale of property, plant and equipment	1,373	-	-
Net cash provided by/(used) in investing activities	16,496	(194,205)	(450,818)
Cash Flows from Financing Activities			
Dividends paid	(124,027)	(82,103)	(90,768)
Right-of-use-asset	-	(4,952)	-
Lease liability repaid	(3,227)	(2,748)	(3,887)
Loans received	572,484	707,229	711,751
Loans repaid	(533,551)	(357,810)	(336,428)
Net cash (used) in/provided by financing activities	(88,321)	259,616	280,668
(Decrease)/Increase in net cash balance	(32,046)	101,476	232,898
Effects of foreign exchange rates changes on cash and cash equivalents	(106)	11,731	(4,533)
Cash and cash equivalents at beginning of year	463,337	234,972	234,972
CASH AND CASH EQUIVALENTS AT END OF PERIOD	431,185	348,178	463,337

Ten Largest Shareholders

(at September 30, 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 September 30, 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	868,074	2,155,208

Shareholdings of Executives

(at September 30, 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 9 months Sep. 2020	Unaudited 9 months Sep. 2019	Audited 12 months Dec. 2019
Net profit attributable to shareholders (\$'000)	164,655	109,518	163,524
Weighted average number of shares outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per share (\$)	0.86	0.57	0.85

4. Cash and Cash Equivalents

	Unaudited 9 months Sep. 2020	Unaudited 9 months Sep. 2019	Audited 12 months Dec. 2019
Cash and bank balances	297,871	348,179	334,420
Term deposits	191,952	136,260	215,716
	<u>489,823</u>	<u>484,439</u>	<u>550,136</u>
Less: term deposits with maturity period in excess of ninety days	(57,466)	(133,652)	(84,443)
Less: interest receivable	(1,172)	(2,609)	(2,356)
	<u>431,185</u>	<u>348,178</u>	<u>463,337</u>