

EPPLEY

L I M I T E D

2023
FIRST QUARTER

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2023 First Quarter Financial Highlights

Net profit
\$67 million

Dividend Declared
\$0.052/share

Stockholders' Equity
\$954 million

Investment Portfolio
\$5.1 billion

Interest Income
\$108 million

Asset Management Income
\$69 million

Eppley is a growing, diverse Caribbean investment company that has a track record of producing high and consistent returns for our shareholders.

Our investment strategy is focused on private markets in credit, mezzanine, real estate and infrastructure.

Subsequent Event

The Group successfully closed a tender offer to acquire 45.04% cellular shares of Eppley Caribbean Property Fund Limited SCC- Development Fund in April 2023. The Group expects to recognize a gain on bargain purchase of approximately \$220 million in the second quarter.

Letter to Shareholders

May 12, 2023

Fellow Shareholders,

Eppley produced earnings per share of \$0.35 in the first quarter of 2023, an 11% return for shareholders.¹

Proprietary Investment Portfolio

At the end of March 2023, we owned a \$5.1 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 14% and 16% excluding our cash balances.

Asset Management Business

In addition to our proprietary portfolio, we also manage or administer the equivalent of over US\$120 million of capital primarily through the Eppley Caribbean Property Fund, Caribbean Mezzanine Fund and Capital Infrastructure Group.

Capitalization and Liquidity

Our leverage was 4.2x our capital at the end of the first quarter and our average cost of debt was 6%. We closed the quarter with \$747 million of cash.

Financial Performance

Our profit after tax for the first three months of 2023 was \$67 million when compared against \$92 million generated for the first quarter of last year.

The financial performance this quarter was affected by two timing related impacts.

Firstly, last year we received approximately \$19 million in dividends from our investment in NorthStar in the first quarter. This year we expect to receive that dividend in the second quarter.

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.

Letter to Shareholders (Cont'd)

Secondly, our first quarter results do not reflect the impact of the tender for 45.04% of the Eppley Caribbean Property Fund-Development Fund shares as the effective date of the transaction was on April 11, 2023 or just shortly after the end of the quarter. We expect the transaction to result in a gain on bargain of approximately \$220 million which will be reflected in the second quarter.

Had these two items been reflected in the first quarter our net profit after tax for the first quarter would have been over \$300 million or more than our earnings in all of 2022.

We are pleased to advise that our wholly owned subsidiary, Eppley Consumer Finance Limited, has now been granted approval by the Bank of Jamaica to operate as a Microcredit Institution which should lead to increased activity.

Dividend

Today the Board of Directors approved a dividend of 5.2 cents per share payable on June 12, 2023, to ordinary shareholders on record as of May 29, 2023.

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

Outlook

The outlook for the remainder of the year is positive as the impact of the Eppley Caribbean Property Fund – Development Fund tender offer and a number of large lease opportunities should be reflected beginning in the second quarter.

Sincerely,



P.B Scott
Chairman



Nicholas A. Scott
Vice Chairman

Shareholders

TEN LARGEST SHAREHOLDERS

(at March 31, 2023)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd	38,421,665
Caribprop Limited	27,500,000
Perseverance Limited	23,353,134
Coldharbour Partners Inc.	10,774,674
Curmudgeon Limited	8,284,000
Michael Subratie	8,243,606
Caona Investments Limited	6,076,923
Ravers Limited	5,348,70
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	1,171,558

SHAREHOLDINGS OF DIRECTORS

(at March 31, 2023)

	DIRECT	CONNECTED *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	23,786,884
Keith Collister	-	38,421,665
Maxim Rochester	956,850	-
Melanie Subratie	-	62,855,079
Nicholas Scott	-	19,495,424
P.B. Scott	-	99,387,684
Sharon Donaldson	868,074	436,750
Justin Nam	851,420	-

SHAREHOLDINGS OF EXECUTIVES

(at March 31, 2023)

	DIRECT	CONNECTED *
Jacquelin Watson	1,024,650	-
Adam Hugh	825,000	-

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

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

	Unaudited 3 months ended Mar. 31, 2023	Unaudited 3 months ended Mar. 31, 2022	Audited 12 months ended Dec. 31, 2022
Net Investment Income			
Interest Income	108,471	114,677	438,363
Interest expense	<u>(71,013)</u>	<u>(69,738)</u>	<u>(300,392)</u>
Net interest income	37,458	44,939	137,971
Asset management income	69,564	67,429	283,343
Other operating income	28,080	37,410	91,483
Administrative expenses	(61,948)	(56,729)	(243,004)
Net impairment of financial and contract assets	242	(165)	(2,895)
Share of net profit/(loss) from joint venture accounted for using the equity method	<u>-</u>	<u>-</u>	<u>2,944</u>
Profit before Taxation	73,396	92,884	269,842
Taxation	<u>(6,381)</u>	<u>(1,266)</u>	<u>(31,045)</u>
Net profit for the year	<u>67,015</u>	<u>91,618</u>	<u>238,797</u>
Other comprehensive income:			
<i>Items that will not be reclassified</i>			
Exchange differences on translation of foreign operations	(3,025)	(2,488)	(3,245)
Changes in fair value of equity investments at fair value through other comprehensive income	<u>(13,899)</u>	<u>652</u>	<u>4,980</u>
Other comprehensive income for the year, net of taxes	<u>(16,924)</u>	<u>(1,836)</u>	<u>1,735</u>
Total comprehensive income for the year, net of taxes	<u>50,091</u>	<u>89,782</u>	<u>240,532</u>
EARNINGS PER SHARE (3)	\$0.35	\$0.48	\$1.24

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

	Unaudited Mar. 31, 2023	Unaudited Mar. 31, 2022	Audited Dec. 31, 2022
ASSETS			
Cash and deposits	749,419	449,010	1,031,327
Taxation recoverable	21,072	17,874	19,136
Other receivables	516,365	525,161	477,084
Insurance premium financing receivables	70,149	84,755	16,389
Loans receivable	1,089,154	1,455,624	1,209,960
Lease receivables	1,681,491	1,669,894	1,698,775
Investment securities	1,121,132	1,037,132	1,041,057
Investment in joint ventures	82,860	79,917	82,860
Deferred tax asset	-	8,741	420
Right-of-use-asset	5,957	-	7,273
Property, plant and equipment	23,335	8,823	25,925
	<u>5,360,934</u>	<u>5,336,931</u>	<u>5,610,206</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	2,567	2,582	10,416
Deferred tax liability	18,448	4,188	15,419
Borrowings	4,043,207	4,071,201	4,111,658
Lease liability	5,998	-	7,374
Other liabilities	334,159	280,753	366,407
	<u>4,406,032</u>	<u>4,360,377</u>	<u>4,512,927</u>
SHAREHOLDERS' EQUITY			
Share capital	492,343	492,343	492,343
Other reserves	9,848	13,630	12,873
Fair value reserves	51,428	60,999	65,327
Retained earnings	401,283	409,582	526,736
	<u>954,902</u>	<u>976,554</u>	<u>1,097,279</u>
	<u>5,360,934</u>	<u>5,336,931</u>	<u>5,610,206</u>

Approved by the Board of Directors on May 12, 2023 and signed on its behalf by:



Paul B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

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 2022	492,343	60,347	16,118	520,056	1,088,864
Net Profit for the year	-	-	-	238,797	238,797
Other comprehensive income for the year	-	4,980	(3,245)	-	1,735
Total comprehensive income for the year	-	4,980	(3,245)	238,797	240,532
Dividends	-	-	-	(232,117)	(232,117)
Balance as at 31 December 2022	492,343	65,327	12,873	526,736	1,097,279
Balance as at 1 January 2023	492,343	65,327	12,873	526,736	1,097,279
Net Profit for the year	-	-	-	67,015	67,015
Other comprehensive income for the year	-	(13,899)	(3,025)	-	(16,924)
Total comprehensive income for the year	-	(13,899)	(3,025)	67,015	50,091
Dividends	-	-	-	(192,468)	(192,468)
Balance as at 31 March 2023	492,343	51,428	9,848	401,283	954,902

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

	Unaudited 3 months ended Mar. 31, 2023	Unaudited 3 months ended Mar. 31, 2022	Audited 12 months ended Dec. 31, 2022
Cash Flows from Operating Activities			
Net profit	67,015	91,618	238,797
<i>Adjustments for:</i>			
Depreciation	2,680	1,084	11,098
Amortisation of right-of-use-asset	1,340	1,384	1,384
Interest income	(108,471)	(114,677)	(438,363)
Dividend income	(12,525)	(21,534)	(53,058)
Interest expense	71,013	69,738	300,392
Unrealised (gains)/loss on investment securities	(2,279)	2,575	(15,719)
Net impairment on financial assets	(242)	164	2,705
Gain on disposal of property, plant and equipment	-	-	(4,783)
Exchange (gains)/losses on foreign currency	(10,902)	(20,325)	9,132
Share of profits from joint venture	-	-	(2,942)
Taxation	6,381	1,266	31,045
	14,010	11,293	79,688
Changes in non-cash working capital components:			
Other receivables	(36,595)	(78,948)	(14,355)
Insurance premium financing receivables	(53,629)	20,606	89,024
Loans receivable	121,895	(39,162)	182,342
Lease receivables	17,144	34,909	5,106
Interest received	110,896	116,515	440,455
Dividend received	5,440	21,534	34,111
Other liabilities	(31,681)	(8,940)	75,459
	147,480	77,807	891,830
Tax withheld at source	(1,936)	(742)	(2,004)
Tax paid	(10,753)	(2,614)	(4,955)
Interest paid	(69,602)	(71,455)	(295,086)
Net cash provided by operating activities	65,189	2,996	589,785

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

	Unaudited 3 months ended Mar. 31, 2023	Unaudited 3 months ended Mar. 31, 2022	Audited 12 months ended Dec. 31, 2022
Cash Flows from Investing Activities			
Acquisition of investment securities	(96,399)	-	-
Proceeds from sale of investment securities	734	-	52,313
Additions to property, plant and equipment	(90)	(10)	(27,126)
Proceeds from sale of property, plant and equipment	-	50,717	4,783
Net cash (used in)/ provided by investing activities	(95,755)	50,707	29,970
Cash Flows from Financing Activities			
Dividends paid	(192,468)	(202,092)	(232,117)
Lease liability repaid	(1,337)	(1,384)	(1,384)
Loans received	-	-	193,852
Loans repaid	(60,251)	(45,194)	(193,388)
Net cash used in financing activities	(254,056)	(248,670)	(233,037)
(Decrease)/Increase in net cash balance	(284,622)	(194,967)	386,718
Effects of foreign exchange rates changes on cash and cash equivalents	2,187	(17,166)	(20,718)
Cash and cash equivalents at beginning of year	971,471	605,471	605,471
CASH AND CASH EQUIVALENTS AT END OF PERIOD	689,036	393,338	971,471

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 and providing asset management services.

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, 2022. 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 Stock Unit

	Unaudited 3 months Mar. 31, 2023	Unaudited 3 months Mar. 31, 2022	Audited 12 months Dec. 31, 2022
Net profit attributable to stockholders (\$'000)	67,015	91,618	238,797
Weighted average number of stock units outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per stock unit (\$)	0.35	0.48	1.24

4. Cash and Cash Equivalents

	Unaudited 3 months Mar. 31, 2023	Unaudited 3 months Mar. 31, 2022	Audited 12 months Dec. 31, 2022
Cash and bank balances	365,231	343,788	516,156
Term deposits	384,188	105,222	356,134
	<u>749,419</u>	<u>449,010</u>	<u>1,031,327</u>
Less: restricted cash	(58,644)	(54,880)	(58,644)
Less: interest receivable	(1,739)	(792)	(1,212)
	<u>689,036</u>	<u>393,338</u>	<u>971,471</u>

5. Events subsequent to March 31, 2023

The Group successfully closed a tender offer to acquire 24,335,503 cellular shares of Eppley Caribbean Property Fund Limited SCC- Development Fund (the "Development Fund"). An additional 1,315,709 units were also acquired, which resulted in the Group owning 47.20% of the total shares in issue. In April 2023, the Group will recognize a gain on bargain purchase of approximately \$220 million. The Development Fund is listed on the Barbados Stock Exchange and the Trinidad and Tobago Stock Exchange and owns land and residential real estate in Barbados, St. Lucia and St. Vincent and the Grenadines. The Development Fund is managed by Eppley Fund Managers Limited, a wholly owned subsidiary of Eppley Limited.