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LOCAL EQUITY REPORT

GRACEKENNEDY LIMITED

Barita Investments Limited
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Company Overview

STOCK	GK
Price	J$79.93
Estimated Fair Value	J$86.02
YTD Return	-3.95%
Trailing P/E	11.27x
Forward P/E	10.24x
Dividend Yield	2.53%
Potental Upside	7.61%
Total Return	10.14%
Recommendation	**MARKETWEIGHT**
(as at April 27, 2023)	

Founded in Jamaica in 1922, GraceKennedy Limited (GK) is a publicly listed company on the Jamaica Stock Exchange (JSE) and the Trinidad and Tobago Stock Exchange (TTSE). GK is the parent company of a Group of subsidiaries operating mainly in the Food and Financial Services industries. The Group's operations are structured into two Divisions: Food Trading, where GK manufactures and distributes Grace and several other brands, as well as Financial Services, which offers a range of services including Cambio and remittance services, insurance, banking, and investment services. GK comprises companies in the Caribbean, North, and Central America, the United Kingdom, and West Africa. The Company's core operations are segmented into four main areas. Below we briefly describe each of these business divisions that encompass the GraceKennedy Group:

1. **Food and Trading-** This business unit is primarily involved in the merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; and the operation of a chain of supermarkets.
2. **Banking and Investment-** Through its subsidiary, GK Capital Management, the Group offers stock brokerage; corporate finance; advisory services; and lease financing. It also provides commercial banking services through its subsidiary, First Global Bank Limited
3. **Insurance –** The insurance business line offers general insurance and life insurance. The Group's insurance footprint has been recently broadened via the acquisition of Scotia Insurance Eastern Caribbean Limited.
4. **Money Services –** This business line provides the operation of money transfer services, cambio operations, and bill payment services.

Investment Rationale

The Company celebrated its 101st year of operations in February 2023, and GK's management has been positioning the Group to be stronger and more resilient for the future. The Group's performance is demonstrative of its ability to generate consistent growth and profitability. GK outlined for its 100th anniversary, targets for the company to achieve by 2030, which includes the goal to be a global consumer group with 70% of revenues and profits originating from outside Jamaica. The plan, dubbed 'Vision 2030', outlines GraceKennedy delivering US$2.1 billion in revenues and US$250 million in profits. The plan also sees GraceKennedy's Financial and Foods Subsidiaries listed on a major stock exchange. For the past five financial years, Grace Kennedy's revenue has grown at a Compound Annual Growth Rate (CAGR) of **10.00%**. GK's growth has been anchored by the following:

- **Strong Return on Equity:** Through the strategic use of debt financing for the funding of growth initiatives such as mergers and acquisitions and operational efficiency efforts like that of the Group's digital transformation, the Company has been able to provide a strong return on equity for its shareholders. The Company's five-year (2018-2022) average return on equity was **11.50%**.
- **Expansionary Effort:** The Company has stated its intentions to grow the business exponentially as it celebrated its 100th anniversary earlier last year. The main avenue for growth that management has undertaken has been through mergers and acquisitions (M&A). Management has stated that they have a strong deal pipeline of mergers and acquisitions which is evident from the Company's recent acquisitions over the last three years. The Company is still in acquisition mode following its recent acquisition of 100% of Scotia Insurance Eastern Caribbean Limited in 2021. GK has since renamed the acquired Company, GK Life Insurance Eastern Caribbean Limited. This recent acquisition presented the opportunity for growth in GK Insurance's market reach, as, through the Scotia acquisition, GK Insurance will be able to have access to the Eastern Caribbean. GK announced in 2022 its agreement with the Bank of Nova Scotia (BNS) to acquire 100% of Scotia Insurance Caribbean Limited (SICL) subject to regulatory approvals and closing conditions. SICL currently operates in Barbados, Belize, the British Virgin Islands, the Cayman Islands, and the Turks & Caicos Islands. This acquisition aligns with the Group's strategy to grow its financial services in the English-speaking Caribbean. GK continues to advance its merger & acquisition (M&A) strategy, following an agreement with Spike Industries Limited to increase its stake in Catherine's Peak Bottling Company Limited in the first quarter of 2023, to move its ownership stake from 35% to 70%, thus granting them a stronger position in the spring water market. The Group has indicated

that the sectors for further potential acquisitions include a few in insurance, one in the financial technology (fintech) industry, and a few food companies outside of Jamaica. The company continues to seek M&A transactions locally and internationally that will add more diversity and growth to the company's earnings.

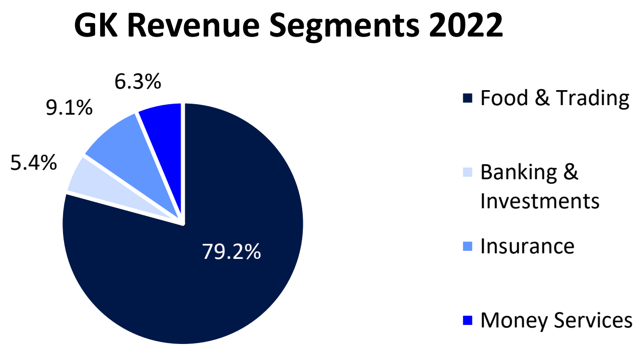
- **Optimizing Operations & Positioning for The Future:** The Group has started a digitalization process, whereby it aims to optimize several processes across the group and by extension, the ease at which customers can transact business. As part of the digitalization strategy, GK launched a pilot mobile app that will incorporate remittance and bill payment services with an associated prepaid card. Customers can use the app to receive remittances, apply for a First Global Bank credit card, and shop on Hi-Lo's eCommerce website among others. The app dubbed 'GK One' and its associated prepaid card dubbed the 'Shelly' card has so far received favorable feedback. For 2023, a key priority for the group will be the launch of GK One in Trinidad & Tobago and Guyana, and further enhancements to the Hi-Lo eCommerce platform. We believe that these initiatives geared towards enhancing the ease at which customers can do business are likely to increase the competitive edge for the various companies under the group and reduce overhead expenses. The Group has outlined that additional money services will be rolled out via the app in the medium term.

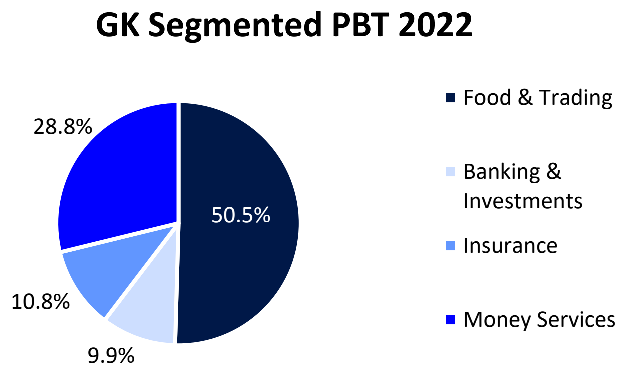
Outlook

GraceKennedy has demonstrated strong growth in revenues over the last three financial years, owing primarily to the shift in consumer spending patterns. As countries had to cope with the containment of the COVID-19 pandemic, normal life which included frequent outings was reduced to a minimal level, and as such most stayed home, which was further exacerbated when coupled with work from home. As more persons stayed home, the consumption pattern of eating out shifted largely to home-cooked dining from which consumer distributors like Grace Kennedy benefited. With the world gradually going back to normality, the shift in patterns may bode negatively for GraceKennedy's food and distribution business, which is the largest contributor to the Group's revenue. As such, the revenue growth rates that were observed over the last three financial years may be lower in the future. Another threat to the Group's earnings is the inflationary environment that exists locally. With rising prices, the disposable income of several householders has been lowered, thus lowering their spending power. This could result in the demand for products offered by GK being reduced which could further lower GK's ability to drive revenue growth at the level witnessed in the last two financial years. The Group also continues to face headwinds from supply chain costs which could diminish margin growth. However, notably, shipping rates globally have seen steep declines in comparison to the highs during the pandemic. The Group's recently announced acquisitions, SICL, and its increased stake in St Catherine Peak will help bolster earnings for the Group's financial services and food divisions going forward. For the 2023 financial year, GK is expected to see continued, but potentially lower revenue growth and may see profitability dampened by higher direct and operating expenses as the group continues to navigate the current market environment.

Business Overview & Business Segments

The primary driver of revenue for the Grace Kennedy Group is the Food & Trading division. This division accounts for **79.2%** of the group's total revenue while Insurance was the second largest contributor to the Group's top line. As it relates to revenue by geographic location, Jamaica is the largest contributor to the Group's overall revenues, at 55.9% of the Group's revenue, while the second-largest contributor was the USA, accounting for 19.4% of total revenue. For the financial year that ended December 2022, the revenue geographic segmentation is as follows:
Jamaica: 55.9% **United States of America:** 19.4% **United Kingdom:** 10.9% **Canada:** 6.6% **Other Caribbean Countries:** 6.4% **Other European Countries:** 0.7% **Other:** 0.1% Below we outline the Group's revenue and Profit Before Taxation (PBT) by business segments:





GraceKennedy Foods Limited

Grace Kennedy Foods (GK Foods) operates as the manufacturing and distribution arm of the GK Group. In Jamaica, the Company operates its distribution through the business units: Grace Foods & Services, Consumer Brands Limited, World Brands Services, and the retail supermarket chain of Hi-Lo Supermarket which operates from 13 locations. Some of the major products which the company distributes include:

- Grace Corned Beef
- Grace Vienna Sausage
- Grace Frankfurters
- Grace Mackerel
- Grace Baked Beans
- Tropical Riddims
- Kaset Rice
- Downy

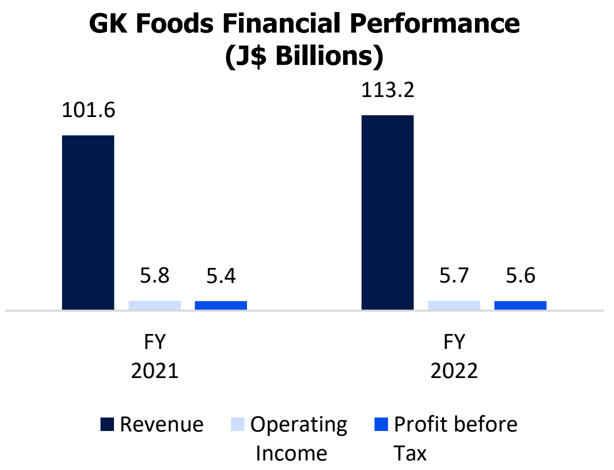
Grace Foods has developed a strong distribution network that allows the Company to distribute in over 40 countries. In the United States, Grace Kennedy Foods through its US subsidiary, Grace Kennedy Foods USA LLC (GK Foods USA), operates as a full-service distributor of a product portfolio of 1,400 products. The distribution framework that is modeled in the US, allows the Company to have a footprint in the east coast, mid-west, and western areas of the US. Through its subsidiary, Grace Foods UK Limited, the Company supplies a market-leading range of specialty and world food brands to the retail, wholesale, and food service sectors throughout the UK and Europe. The Company also has distribution footprints across Canada, The Caribbean, and Western Africa.

GraceKennedy is one of the largest single-entity food manufacturers in the Caribbean. Over fifty percent of the food sold under the Grace brand is manufactured in one of six factories in Jamaica and operates through five divisions: (1) Dairy Industries (Jamaica) Limited, (2) Grace Agro-Processors Division, (3) Grace Food Processors Canning Division, (4) National Processors Division, and (5) Grace Food Processors Division.

Dairy Industries (Jamaica) Limited (DIJL), is a Joint venture between GK and Fonterra, New Zealand, and serves as the producer of milk-based products such as cheese and yogurts, known for its Tastee cheese and 'This is Really Great Yogurt' dairy product. Grace Agro-Processors Division, which operates from two manufacturing plants in Clarendon and St. Elizabeth, serves as a producer of packaged fruits and vegetables for export and producers of fresh ready-to-eat vegetables. Grace Food Processors Canning Division, known for its Tropical Rhythms beverage, serves as a producer of beverages, canned vegetables, and sauces. National Processors Division serves as the producer of dry mixes used in soups, cereals, and meat alternatives, and Grace Food Processors Division serves as the producer of frozen processed meats.

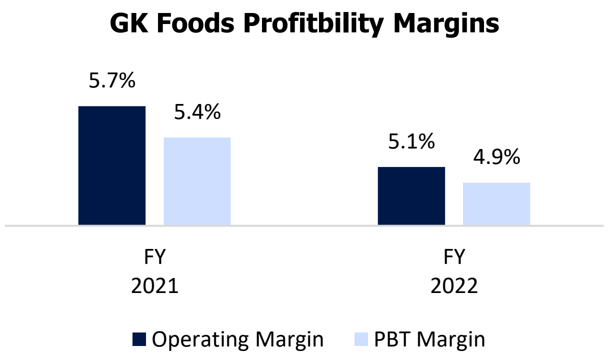
Financial Performance

For the Financial year ended December 2022, GK Foods Limited recorded revenues of $113.2 billion which was an increase of 11.5% over the prior year. Operating income amounted to $5.7 billion, which decreased marginally year-over-year (YoY) by 0.2%. PBT amounted to $5.6 billion which was an increase of 2.4%. PBT growth was driven by the share of results from joint ventures (DIJL), which saw a 37.6% increase to amount to $504.2 million



The Jamaican food distribution division saw strong revenue and PBT growth driven by its key products such as Tastee Cheese, Vienna Sausages, Frankfurters, and Tropical Rhythms. World Brand Services for the year recorded a strong performance, with double-digit growth in revenue and pre-tax income YoY driven by brands such as Frito-Lay, Capri Sun, Lucozade, and Mars. Consumer Brands Limited (CBL) also saw growth in revenue and Pre-tax income YoY. CBL continues to benefit from the introduction of new distribution channels established in the prior financial year and is sustaining its efforts in improving relationship management and brand visibility. Hi-Lo Food Stores saw improved financial performance YoY as implemented performance strategy initiatives continue to bode well for the business. In October 2022, Hi-Lo opened a supermarket In Negril, which has so far exceeded expectations.

The Manufacturing Division saw strong growth in revenues, but PBT was impacted as the group continues to deal with supply chain constraints and increased packaging costs. DIJL saw double-digit revenue and PBT growth for the period and continues to be a consistent performer. Grace Food Processors saw a strong contribution and achieved record production as demand for sausages and frankfurters remained high. Grace Agro-Processors achieved record production of canned ackees, doubling the prior year's volume. The group had outlined plans to merge two of its factories, namely Jamaica National Processors (NALPRO) and Grace Food Processors (Canning) into NALCAN. This merger was completed at the end of the 2022 Financial Year End, aimed at driving efficiency in the manufacturing operations in Jamaica. The international business lines saw YoY growth in revenues but saw Pre-tax income falter due to increased distribution costs and continued supply chain issues. GK Foods USA saw strong revenue growth over the prior year but was faced with shipping and storage costs which caused Profit before tax (PBT) to decline. Grace Foods UK Limited reported strong revenue and PBT growth over the prior year. Despite the growth in PBT, currency translation negatively affected results as the Great British Pound saw depreciation relative to the Jamaican dollar for the year. Grace Foods Canada reported higher revenues for the year but saw PBT negatively impacted due to high freight costs. The reduction in freight costs should lead to improved margins going forward for the business.



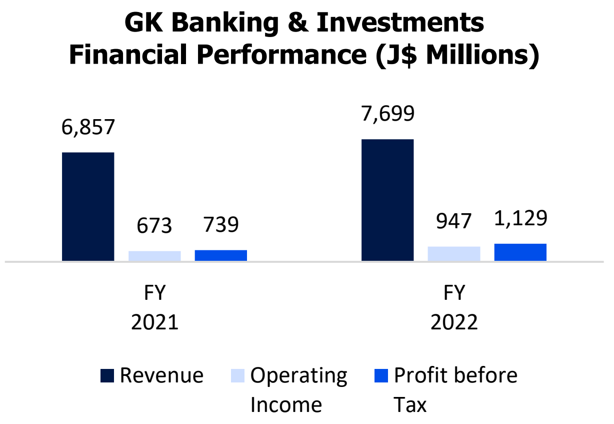
Strategic Initiatives & Outlook

The growth strategy for Grace Kennedy Foods Limited is aimed at further deepening the entity's market penetration through its mainstream products such as Tropical Rhythms, Jerk seasonings, and patties, among others, as the group continues to diversify revenue outside of Jamaica. Furthermore, World Brands Limited and Consumer Brands Limited continue their strategic efforts to improve relationship management and increase their brand visibility. Hi-Lo's recently launched e-commerce platform, which allows users to shop online with their debit or credit card and to receive their goods either through a curbside pickup or by way of home delivery, continues to bode well for the division adding convenience to shoppers. As previously mentioned, GK announced that it agreed with Spike Industries Limited to increase its stake in Catherine's Peak Bottling Company Limited, owner of the Catherine's Peak pure spring water brand, subject to customary closing conditions. With GK as its majority shareholder, Catherine's Peak Bottling Company Limited will become a subsidiary of the GraceKennedy Group. GK has outlined that it plans to build out the new subsidiary with several plans, to further grow the brand locally and internationally. Additionally, the close of the 2022 financial year saw the Group complete its merger of NALPRO and Grace Food Processors which will see the canning operation and processing plants being under one umbrella to drive production and cost optimization. Alongside this cost-cutting initiative, GK has made significant solar energy investments (USD 3 million) to contain energy costs and remain competitive in the space. This investment in green energy along with the NALCAN merger is expected to help achieve the group's goal of growing its exports to 50% by 2025.

Given the current inflationary environment, compounded by supply chain disruptions, key input costs needed for the division arm's processes may see an increase. We believe that this could result in GK having to operate with lower margins on some products which would lower the overall profitability of its manufacturing division. However, we believe that as the Company expands its product portfolio in 2023 and enters new markets, this will be able to bolster top-line growth and produce positive results.

Banking & Investment

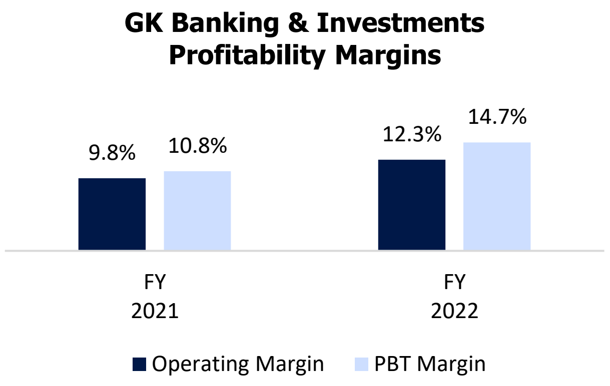
Grace Kennedy's banking services include the operations of First Global Bank (FGB) a 100% wholly owned subsidiary. First Global Bank is a full-service commercial bank that offers corporate and retail loans to clients. FGB operates 13 locations of which five are mini branches and the remaining eight are traditional branches. The Group's banking services also encompass a joint venture with a financial outfit in Barbados, SigniaGlobe Financial, of which Grace Kennedy owns 40%. Their services include personal loans, corporate loans, term deposits, foreign exchange, and brokerage services. The Group's investment business line is centered around GK Capital Investment Limited and GK Investments Limited. GK Capital offers corporate advisory services, investment banking, and stock brokerage services, while GK Investments offers alternative lending solutions and structured products to corporate clients and sophisticated investors.



Financial Performance

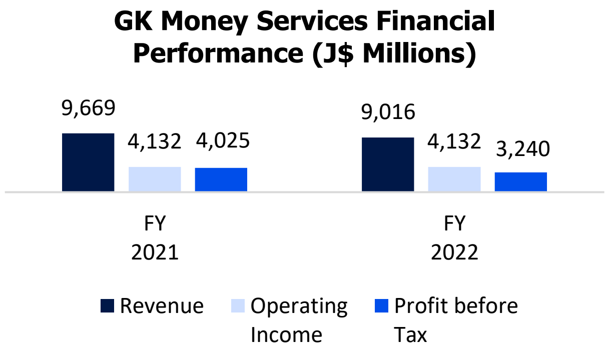
For the year ended December 2022, the banking and investment business segment recorded revenue of $7.7 billion, an increase of 12.3% YoY. Operating income amounted to $947.1 million which was an increase of 40.7% from the amount recorded last year. This was primarily due to an increase in operating margins YoY, with margins for the year ended 2022 improving from 9.8% to 12.3%. The Banking and Investments segment reported positive results for the period led by GK Capital Management. This was supported by three initial public offerings done by the investment and advisory arm, as well as the residual gains from the offering. First Global Bank saw growth in revenues along with key areas such as customer deposits and net loans. Pre-tax income for the Banking and Investments division amounted to $1.1 billion, a YoY increase of 52.8%. One of the drivers of pre-tax income along with increased revenues and the operating margin was significant growth in the share of associates and joint ventures, which represents its joint holding in SigniaGlobe Financial. SigniaGlobe saw notable growth in interest and non-interest income in 2022 resulting in share of profits increasing 98.7% YoY. Share of profits amounted to $266.2 million compared to the prior year's amount of $134.0 million. Banking and investment activities contributed to 9.9% of the Group's total pre-tax income after consolidation adjustments.

Strategic Initiatives & Outlook



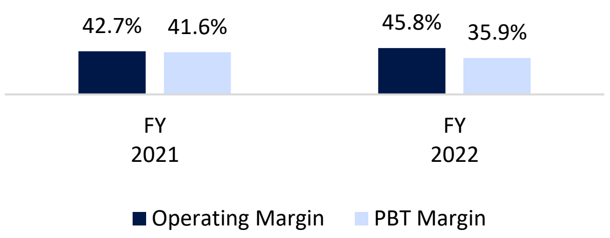
Grace Kennedy has committed to playing a leading role in bolstering financial inclusion within the Jamaican economy. As such, it has started a digitalization strategy that aims to encapsulate the unbanked within the population through the recent launch of GK One which operates as a digital financial shop. Users can digitally access financial products as opposed to going in-branch. A feature of this digitalization rollout includes applying for loans online. Through the GK One initiative, GK Capital Investments has partnered with GK Money Services to offer GK Proxim, a consumer lending product that allows individuals to access unsecured loans. The accretive value of these new loan offerings is that they enable GK to position itself in the microfinance industry. The novelty of GK One is the ability for users to be able to access all the financial services from the Grace Kennedy Group under one roof, which provides ease and convenience for users such as applying fully for loans online. In 2022 GK indicated that it has received approval from regulators to enter the mutual fund market and had signed an agreement with the largest operator and manager of mutual funds in the Caribbean, the Trinidad and Tobago Unit Trust Corporation (TTUTC). This would allow GK Capital to partner with TTUTC in the distribution of mutual funds in Jamaica. GK recently announced in the first quarter of the 2023 financial year, that it received approval from the Financial Services Commission, and will see the partnership between GK and TTUC form GK Mutual Funds Limited to administer investment products. Initially, GK Mutual Funds will offer three funds to the public, namely the: GK US Dollar Income Fund, GK Jamaican Dollar Money Market Fund, and the GK Jamaican Dollar Growth & Income Fund. Both entities will seed the funds with over US$20 million. The launch of the entity Is expected to commence in the second quarter of the 2023 financial year. This will allow the segment to further drive revenue through fund management fees and other potential fund-related income.

GK Money Services



GK Money Service (GKMS) product offerings include Bill Payment, Money Transfer, and Cambio services with operations in Jamaica, Guyana, and Trinidad & Tobago. The Money Services is the exclusive agent of Western Union in Jamaica and several other Caribbean countries. The Cambio services operate in Jamaica and Trinidad & Tobago and provide FX trading for US dollars, Canadian dollars, Cayman Island Dollars, Euros, and Pound Sterling.

Financial Performance



For the financial year ending December 2022, the Money Service business segment recorded revenue of $9.0 billion, which was a decrease of 6.8% YoY. Operating income amounted to $3.3 which was a decrease of 19.9% YoY from the amount in the prior year. The results for the money services segment were negatively affected due to the increasing competition in the remittance market, along with global recessionary fears. Pre-tax income also declined 19.5% YoY to amount to $3.2 billion, contributing to 28.8% of the Group's Pre-tax income, even though the segment contributes to 6.3% of group revenue after consolidation adjustments. This is due to the money services segment having the highest profitability margins in the group. Nonetheless, operating margins and pre-tax income margins saw a decline YoY moving from 43.4% and 42.2% to 37.0% and 36.2% respectively.

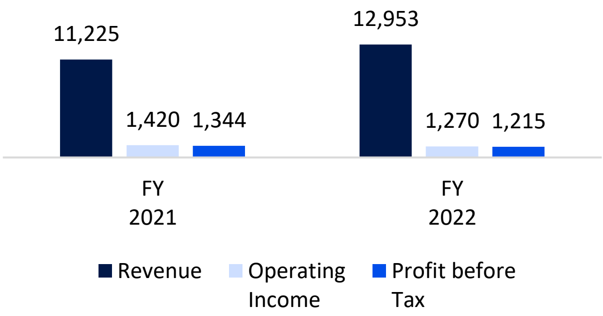
Strategic Initiatives & Outlook

GK Money Services continues to grow and innovate as they recently introduced new digital offerings to end-users. The Money Services divisions recently implemented electronic registration which allows users to sign up online as well as being able to benefit from direct-to-bank (D2B) transactions. The D2B initiative allows for remittance customers to be able to receive payments via their bank accounts as opposed to long lines, which have historically been a common feature. On average, around ~65-70% of remittance inflows to Jamaica are from the United States of America (US). With the US currently in an inflationary environment, many have seen a reduction in their real wages and by extension, a reduction in their disposable income. The Bank of Jamaica reported a slight decline (1.6%) in remittance inflows for the 2022 year due to disposable incomes being negatively affected and persons having less money to send via remittances to Jamaica. The Group plans to combat this by placing focus on more marketing efforts, pricing, and customer service. GK has recently signed with a major retail chain which will see 50-plus locations will turn into Western Union locations, which will bring the total locations to 250. The partnership is also expected to help strengthen its expansion plans throughout the Caribbean. GK also intends on offering digital remittance services with GK Money Services and Western Union signing a partnership with one of the largest financial institutions in the region, subject to regulatory approval. This will allow deeper market penetration as transferring money from the Diaspora to Jamaica would become more seamless.

GK Insurance

The GK Insurance umbrella provides general and life insurance services in Jamaica and across the Eastern Caribbean. The Companies that comprise the GK Insurance umbrella include Allied Insurance Brokers, GK Insurance, GK Life (formerly GK Insurance (Eastern Caribbean) Limited), GK Insurance Brokers, Canopy Insurance Limited, and Key Insurance Limited.

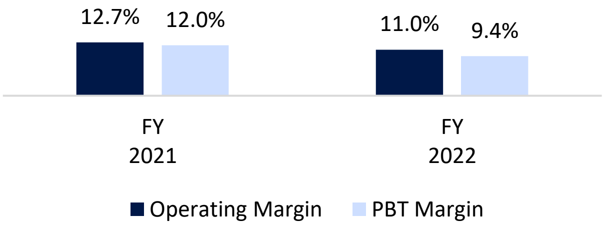
GK Insurance Financial Performance (J$ Millions)



Financial Performance

For the year ended December 2022, revenue amounted to $13.0 billion which was an increase of 15.4% YoY, stemming from the contribution of recent acquisitions and joint ventures as they continue to be integrated into the group. The insurance segment is the second largest contributor to the Group's total revenue, with a total contribution of 9.1%. Profits for the segment saw a decrease as lower-than-expected investment income coupled with higher-than-anticipated claim costs caused margins to contract. Operating income amounted to $1.3 billion, which decreased YoY by 10.6%. Share of results from joint ventures and associates, representative of its stake in Canopy Insurance Limited (CIL) saw increased losses to amount to a loss of $92.3 million in comparison to a loss of $85.6 million In the prior year. CIL generated strong revenue growth YoY but was also affected by increased claim costs. Pre-tax income amounted to $1.2 billion which was a decrease of 9.6% YoY. GK General Insurance Company Limited (GKGI) saw growth YoY in revenues, attributable to growth in its core business portfolios. Key Insurance Company Limited also continued to produce positive results with growth in revenues, however, PBT was affected by higher claims, in comparison to a non-recurring benefit that happened in the prior financial year from the result of adjusting its reinsurance program. GK Life Insurance Eastern Caribbean Limited reported its first full year as a GK Subsidiary with a strong contribution to segment revenue. Premium revenue for the year and profitability were strong with a favorable loss ratio.

GK Insurance Profitability Margins



Strategic Initiatives

In the first quarter of the 2022 financial year, GK Insurance implemented an initiative to improve internal processes and partner relationship management, which has aided growth in the segment and will continue to remain a key strategy going forward. The third quarter of the 2022 financial year also saw the division launch its "Oh My its GKGOnline" campaign, which allows customers the unique opportunity of building their motor insurance policy online. Additionally, the most recent acquisition of Scotia Insurance Eastern Caribbean Limited (SIECL), renamed GK Life, continues to implement its strategy to grow its portfolio and solidify itself as a leading insurer in the Pan-Caribbean region. Moreover, in 2022, The group announced its plans to acquire 100% of Scotia Insurance Caribbean Limited (SICL) subject to

Definitions:

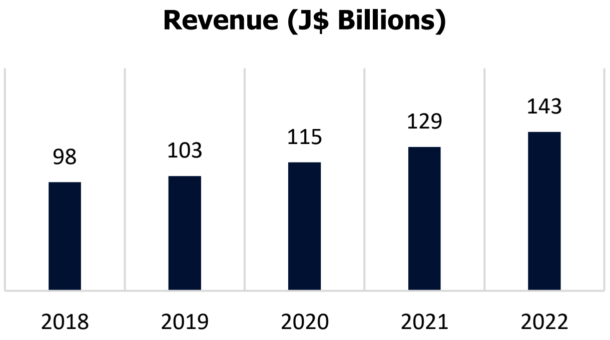
Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO
UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET
MARKETWEIGHT/HOLD = EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO
OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO

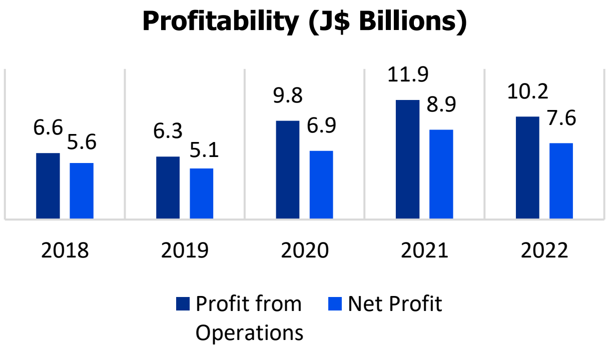
regulatory approval. This acquisition was recently closed in the second quarter of the 2023 financial year and will be rebranded as GK Life. The acquisition bodes well with the Group's plans to increase the footprint of its financial group in the Caribbean and its presence in the insurance market. Along with the acquisition of SIECL, the addition of SICL will see GK's insurance, through GK Life, have an increased presence in a total of 12 markets in less than two years. The group is also eyeing another potential market In St. Martin to bring the total to 13 markets. GK Is expected to increase its competitiveness by partnering with Haven Technologies to allow the group to digitally acquire customers; and manage, distribute, and administer a unique life insurance experience across the region. This is expected to roll out in the third quarter of the 2023 financial year.

Group Financial Performance (Financial Year Ended December 31, 2022)

Income Statement

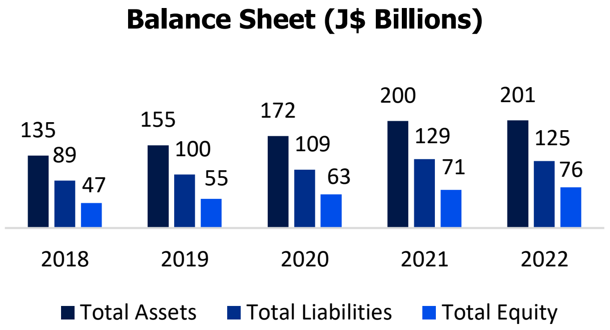
The Group's revenue has grown steadily over the last three financial years (2020 – 2022) with consolidated revenue growing at a compounded annual growth rate (CAGR) of 11.3%. It should be noted that the revenues recorded for the 2022 financial year were the best performance in the company's history, surpassing the 2020 and 2021 records that were set amid the pandemic. Total revenues for the year ended 2022 amounted to $142.9 billion which was an increase of $13.6 billion or 10.5%. Revenues from products and services amounted to $138.2 billion which was an increase of 10.8% YoY while Interest revenue grew to $4.8 billion, an increase of 2.9% YoY. The business segment that largely anchored the revenue growth was the food and trading business which saw revenues grow by $11.7 billion or 11.5% YoY. Total operating expenses amounted to $136.4 billion which was an increase of $ 11.8% YoY. This was primarily a result of the current economic climate which has seen supply chain disruptions, elevated inflation, and rising interest costs. GK Food's and Trading business which currently stands as the largest division was affected by distribution costs resulting in margin compressions. Other income amounted to $3.7 billion which was an 18.6% decrease YoY, primarily owing to lower net foreign exchange gains. Profit from operations amounted to $10.2 billion, a decline of $1.7 billion or 14.0% YoY. The decline in the profit from operations was a derivative of growth in direct and operating expenses outpacing total revenues, accompanied by a decline in other income. Despite strong growth in revenues, this led to the operating profit margin seeing a decline from 9.2% in the prior year to 7.2% for the year ended 2022. Net interest expense amounted to $692.1 million which was an increase of 8.1% YoY, a direct result of rising rates, additional borrowings by the group, an increase in deposits from customers, and a decrease in non-financial services interest income. Share of profit from associates and Joint Ventures amounted to $673.2 million, an increase of $258.3 million or 62.2% YoY. Ultimately, net profit for the period amounted to $7.6 billion, a 15.1% decline from the prior year's amount of $8.9 billion. Notably, GK recorded non-recurring gains of 895.0 million in the 2021 financial year. The 2022 financial year also saw a one-off gain amounting to $170.5 million, related to the sale of its shares in Pelican Power Limited, a company providing electricity to the University of the West Indies. Disbarring these gains, YoY net profits would have seen a 7.7% decline.





Balance Sheet Overview

For the year ended December 2022, the Group's total assets amounted to $200.8 billion. This represents an increase of $1.2 billion or 0.6% YoY. The minimal increase in the asset base was mainly driven by an increase of 14.6% or $2.8 billion YoY in inventories which amounted to $22.0 billion, receivables which amounted to $24.0 billion, increasing by 18.9% or $3.8 billion YoY, loan receivables which amounted to $36.8 billion, increasing by 10.4% or $3.5 billion YoY, as well as investment securities which amounted to $47.5 billion, increasing by 17.3% or $7.0 billion. This was chiefly offset by a decrease in cash and cash equivalents of 16.2% or $4.9 billion to amount to $25.2 billion, a decrease in pension plan assets of 74.3% or $5.3 billion to amount to $1.8 billion, as well as a decrease in pledged assets of 99.7% or $9.3 billion, to amount to $28.9 million.



Definitions:

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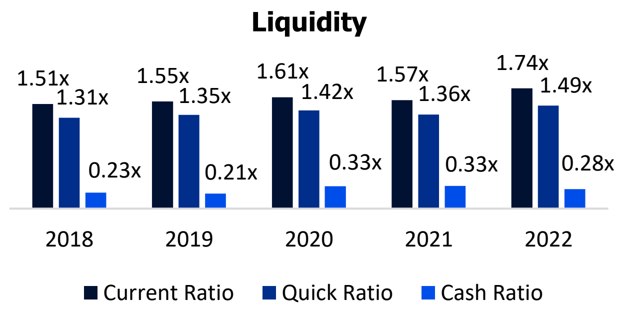
Notably, the precipitous decline in pledged assets is attributable to the decrease in securities sold under repurchase agreements, to which these assets would've been held as collateral (pledges). The Group's asset base is funded by total liabilities of $125.3 billion and shareholders' equity of $75.8 billion. Total Liabilities decreased by $3.5 billion or 2.7% YoY. The primary reasons for the decline were the change In securities sold under repurchase agreements (99.6% or $7.2 billion) and post-employment obligations (36.5% or $2.5 billion). Securities sold under repurchase agreements would have seen a decline as short-term funding costs would have exponentially increased, partially affecting the spread of net interest income from investment securities. This would have come off the backend of the Bank of Jamaica raising Its policy rate from 0.50% to 7.00% (October 2021- October 2022) as a means to combat the inflationary environment. The decline in these liabilities was partially offset by growth in deposits, which grew by 9.4% or $4.5 billion. Total equity amounted to $75.8 billion which was an increase of $4.8 billion or 6.7% YoY. The growth in shareholders' equity was driven by an increase in retained earnings and capital and fair value reserves. Retained earnings grew 6.6% or $3.3 billion attributable to the profitability of the Group. Capital and fair value reserves grew 21.4% or $1.6 billion due to revaluation gains on lands and buildings amounting to $2.1 billion. This was partially offset by fair value losses on investment securities and currency losses. Retained earnings as of December 2022 amounted to $53.4 billion.



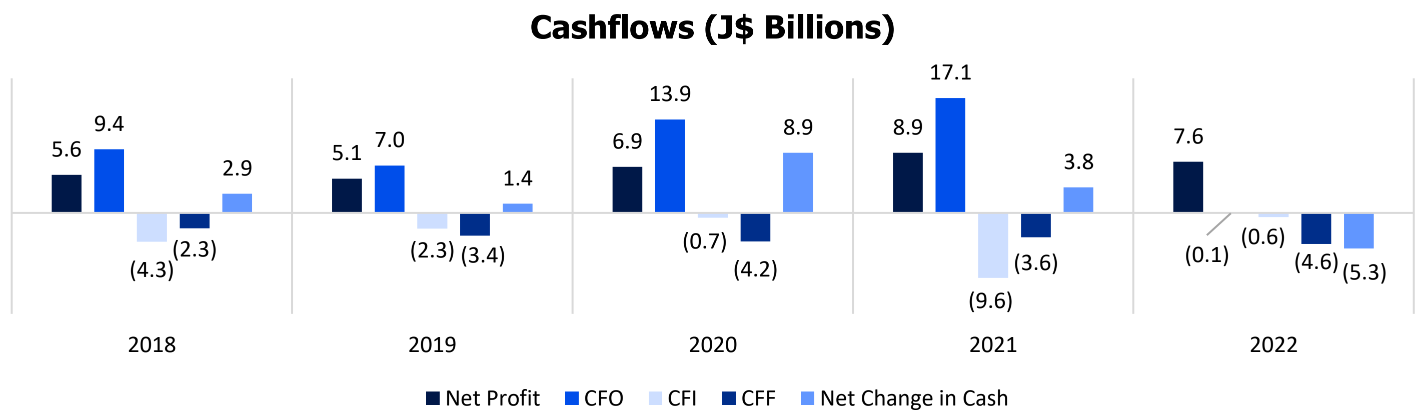
Over the last five years, the Group has maintained current and quick ratios above 1.50x which is indicative of the Group's ability to meet its current liabilities with its current assets. For the year ended 2022, the Group's current ratio improved YoY as it increased from 1.57x to 1.74x. The quick ratio also saw slight improvement moving from 1.36x to 1.49x YoY. The Group's cash ratio stood at 0.28x, a decrease from the 2021 Financial Year standing of 0.33x.

Cashflows

For the year ended 2022, Cash Flow from Operations (CFO) amounted to an outflow of $51.3 million compared to an inflow of $17.1 billion in the prior year. The precipitous decrease in operating cash flow was a result of lower growth in the Group's profit coupled with negative working capital changes driven predominantly by trade payables and lower cashflows from securities sold under repurchase agreements.

Cash Flow from Financing Activities (CFF) for the period saw an outflow of $4.6 billion, an increase of 27.8% over the prior year's outflow of $3.6 billion. The increase in outflow was primarily due to an increase in net loans outflow; net loans amounted to -$781.5 million in 2022 while net loans amounted to -$29.7 million in 2021. Loans received for the year totalled $11.7 billion, compared to $18.5 billion in the prior year, while loans repaid totalled $12.5 billion compared to $18.6 billion in the prior corresponding period. For the year ended December 2022, the dividends paid amounted to $2.0 billion which was a 4.7% Increase over the prior year's amount of $1.9 billion.

Cashflow From Investing Activities (CFI) for the period amounted to an outflow of $622.8 million compared to an outflow of $9.6 billion in the prior year. The major driver of the decrease in outflows was cash received from the sale of investment securities, amounting to $17.4 billion when compared to the prior year's proceeds of $9.1 billion. Additions to Fixed Assets for the period amounted to $1.9 billion an increase of $208.6 million or 12.1% YoY, while additions to financial investments amounted to $15.8 billion, a decrease of $315.6 million or 2.0% YoY.



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Valuation and Recommendation

To obtain a value for GraceKennedy, we employed two methods. These were the Price-to-Earnings Valuation (P/E) and the Dividend Discount Model (DDM). We firstly forecasted the company's income statement and arrived at a 2023 Year End EPS of **$7.80**. For our comparative analysis, we used companies that were listed on the main market whose business model is centered around operating as a conglomerate. Using these companies, we obtained an average P/E multiple of ~**11.19x**. Using the projected 2023 YE EPS of $7.80 we obtained a fair value estimate of **$87.33**. To complement our relative P/E valuation we then utilized a Two Stage-Dividend Discount Model. The assumptions that guided our model included a cost of equity of **11.04%** and a long-term growth rate **of 7.88**%, determined using the Company's 2-year ROE and Retention Ratio. Using these assumptions, we obtained a fair value estimate of **$84.71**. Using a simple average of the two fair value estimates we obtained a price target of **$86.02,** which represents a potential upside of **7.61%** to the April 27, 2023 closing price of $79.93, and a total return of 10.14% when factoring the company's dividend yield. In consideration of our estimated fair value along with the above stated in the document, we have assigned a **MARKETWEIGHT** recommendation.

STOCK	GK
Price	J$79.93
Estimated Fair Value	J$86.02
YTD Return	-3.95%
Trailing P/E	11.27x
Forward P/E	10.24x
Dividend Yield	2.53%
Potental Upside	7.61%
Total Return	10.14%
Recommendation	**MARKETWEIGHT**
(as at April 27, 2023)	

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