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LOCAL EQUITY REPORT

PANJAM INVESTMENT LIMITED

Barita Investments Limited
15 St. Lucia Way, Kingston
Tel #: 1-888-429-5333

Company Overview

PanJam Investment Limited (the "Company", PJAM, PanJam) is an investment holding company listed on the Jamaica Stock Exchange. The Company owns a diversified portfolio of investments in businesses spanning multiple industries including property services (rental, management and development) for commercial real estate and captive insurance. Panjam also actively manages positions in public and private companies throughout the Caribbean with the majority of its holdings in Jamaica (including a 30.2% stake in Sagicor Group Jamaica Limited). The company also trades equities and fixed-income assets for their proprietary portfolio.

Stock	PANJAM
Last Closing Price	J$53.84
52 Week High	J$68.00
52 Week Low	J$47.50
YTD Return	-5.92%
Target Price	**J$55.08**
Potential Return	2.29%
Trailing P/E	11.97x
Trailing P/B	1.11x
Forward P/E	13.40x
Dividend Yield (TTM)	2.60%
Total Return	4.90%
Recommendation	**MARKETWEIGHT**
(As at April 6, 2023)	

Executive Summary

PJAM has historically showcased an ability to position in successful portfolio companies that have returned positive risk-adjusted returns on investment, such as their investment holdings in Sagicor Group Jamaica Limited (SJ). This investment, along with their exposure to the local equity market which was on a historic bull run, led to Panjam achieving their highest net profit attributable to shareholders in FY 2019 of J$8.3 billion. However, due to the onset of the COVID-19 pandemic, and the subsequent impact on the economy and by extension, the markets, PJAM's profits declined by more than half to J$3.5 billion in FY 2020. The company's earnings are driven predominantly by investment income, particularly unrealized gains from equities, typically favouring JSE Main Market listed stocks. As a result, a recovery in the JSE during 2021 led to group profits of J$7.2 billion in FY 2021, a recovery which hasn't been sustained through the latest interest rate hiking cycle which coincided with profits falling to J$4.8 billion in FY 2022, or an adjusted J$3.4 billion when a one-time gain from selling a portfolio company is removed. The portfolio company sold was the New Castle Company Limited, which manufacturers and distributes sauces and seasonings under the Walkerswood, Busha Browne's and Jamaica Joe brands.

The company completed the ROK Hotel development in downtown Kingston in the summer of 2022, adding hospitality as a core business line for PJAM. During 2022, the ROK Hotel contributed an income of J$575.3 million, exceeding initial expectations for its performance. The building is structured for multiple purposes and will host retail, entertainment, commercial office space and ROK Residences on the top 4 floors, along with 168 hotel rooms.

PanJam holds a 30.2% stake in Sagicor Group Jamaica Limited, which is reflected as an associate company and represents its single largest exposure and is the largest contributor to net profit, therefore making the performance of the company central to PJAM's overall earnings. For FY 2022 SJ reported a 5.8% fall in net profits which drove the decrease in PanJam's overall share of results of associated companies by 9% to J$5.0 billion.

PJAM has embarked on a restructuring exercise scheduled for completion in April 2023. On November 21, 2022, The Group announced that Jamaica Producers Group Limited (JP) and PanJam Investment Limited had reached an agreement that will see the merger of their businesses, which precipitated the restructuring exercise. This arrangement was approved by the

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shareholders of both companies at extraordinary general meetings held on December 22, 2022. The agreement will result in PanJam acquiring JP's operating assets in exchange for JP taking a 34.5% interest in PanJam. **After the transaction, PanJam will be renamed Pan Jamaica Group Limited and will ultimately hold both JP's and PanJam's current businesses. JP will become the largest shareholder of the newly formed Pan Jamaica Group, with its shares in the Pan Jamaica Group being JP's primary operating asset. Both the renamed Pan Jamaica Group and JP will remain listed on the Main Market of the Jamaica Stock Exchange.** This merger will result in one of the largest, non-financial services, conglomerates in Jamaica with assets of over J$110 billion.

Business Economics

As part of the Company's strategic mandate of positioning in portfolio companies that offer attractive risk-adjusted returns to their shareholders. PJAM has highlighted that its strategic pillars involve key investments in Jamaican assets inclusive of private equity, tradeable securities, and real estate. The list of some of the group's affiliated companies includes Sagicor Group Jamaica, Chukka Caribbean Adventures, New Castle Company, Caribe Hospitality, Down Street Reality Funds, Term Finance and Williams Offices (Caribbean) Limited.

PanJam Investment Limited has investments in Associated Companies and Joint Ventures including:

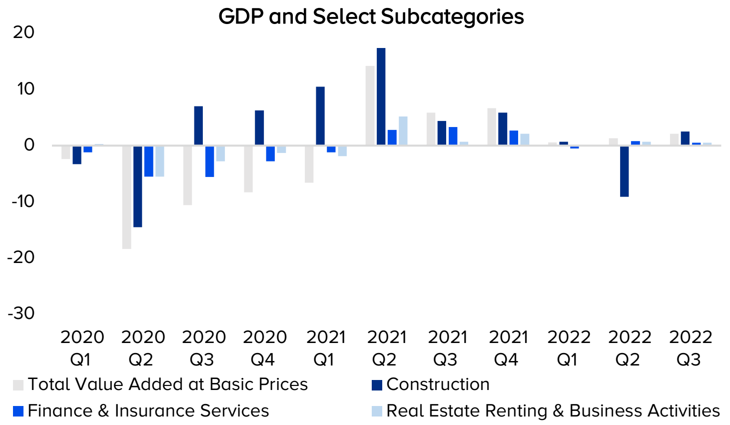
- **Sagicor Group Jamaica**: Sagicor Group Jamaica Limited (SJ) is a full-service financial conglomerate. The Group, through its numerous subsidiaries, provides life and health insurance, mortgages, property management, annuities, pension fund management, banking and asset management services. It holds the largest market share in the insurance, pension fund and unit trust management businesses in Jamaica.
- **Chukka Caribbean Adventures**: The Company is a regional leader in adventure tours, and currently has operations in Belize, Jamaica and Turks and Caicos.
- **Caribe Hospitality Jamaica**: Develops and manages hotel investments of superior standards in a sustainable, profitable way and with an experienced team. They currently operate the Courtyard by Marriott hotel in New Kingston, Jamaica.
- **Term Finance Limited**: The company introduced a new, ethical and completely web-base approach to Jamaica's micro-credit industry. It uses proprietary technology that helps to keep costs low, passing the savings on to customers by offering lower interest rates and no additional charges or fees.
- **Williams Offices (Caribbean) Limited**: Williams Offices offers flexible workspace throughout the Caribbean under the brand Regus. Its network of office solutions enables businesses to operate anywhere, without the need for set-up costs or capital investment.
- **Outsourcing Management Limited and International CX limited (itelbpo and Itelcx).** This is the region's largest business process outsourcer with operations in Jamaica, Mexico and the US. The company offers voice and digital contact centres as well as customer experience management.

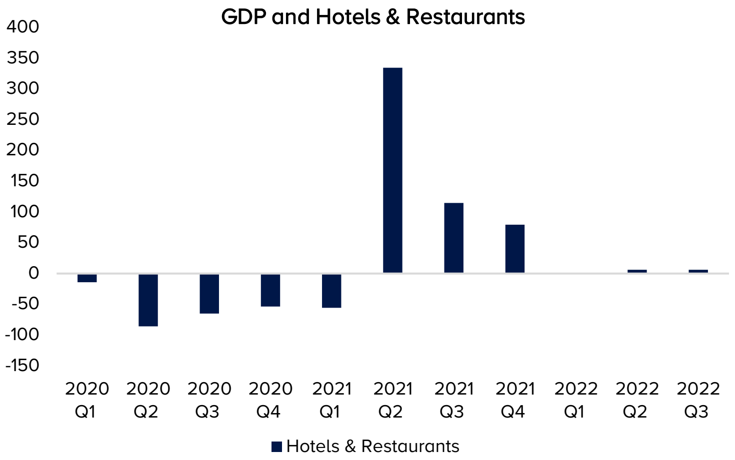
Business Strategy

Outlook

Due to PJAM's diverse exposure across several industries, we examined the latest macro-economic developments broadly, with some degree of focus on key sectors to assess the company's economic backdrop.

The Jamaican economy, through the first three quarters of 2022, grew by a seasonally unadjusted 4.0%, slower than the 13.5% seen in the same period of 2021. Of note, when compared to the quarterly GPD result for Q4 2019, the economy is only 1.1% below pre-pandemic levels. Looking at the sectors that PanJam has fairly large exposures to (financial services, Construction, Hotels & Restaurants and Real Estate), we observed that output in most of these sectors was more resilient than the overall economy during the pandemic, however, growth has lagged the overall economy in recent quarters. The 'Hotels and Restaurants' category is the exception given the sharp recovery in the sector to all-time record levels through 2021. It is important to note that PanJam's exposure in this sector was significantly ramped up following Q2 2022 with the opening of the new ROK hotel.





The Jamaican economy is projected to have grown by 4.3% in 2022 (Based on IMF forecasts), representing above-trend growth. We note the possibility of a few headwinds going forward. **These include the potential for a resurgence in global inflationary pressures and the resultant impact on global and domestic growth and on profit margins, as well as the impact domestically of tighter monetary conditions on domestic consumption, growth and on domestic financial instruments which, at fair value, comprise a significant portion of PanJam's income.**

Sagicor Group Jamaica Limited Outlook

Sagicor Group Jamaica Limited is PJAM's largest exposure and is the largest contributor to net profit, therefore making the performance of the company central to PJAM's overall earnings. For FY 2022 the group reported Net profits attributable to shareholders of J$16.4 billion compared to J$17.4 billion in 2021. **The decline came because of an increase in expenses primarily driven by a 7.8% increase in benefits and expenses YoY, moving from J$73.9 billion to J$79.7 billion combined with a reduction of 5.3% in total revenues YoY for the financial year ended December 2022 to J$97.1 billion.** On the revenue side, the decline was due to net realized and unrealized losses recorded during the year amounting to J$3.3 billion, compared to a gain of J$9.0 billion in the 2021 financial year, directly resulting from securities measured at fair value through profit and loss (FVTPL) experiencing a fall in prices due to rising interest rates.

We expect SJ's core operating segments to benefit from the continued growth in the domestic economy. Additionally, we anticipate that some of the fair value losses seen on financial instruments may ease during FY 2023 as it appears that we are on the tail end of rate increases from the central banks.

Jamaica Producers Limited Outlook (Operating Assets)

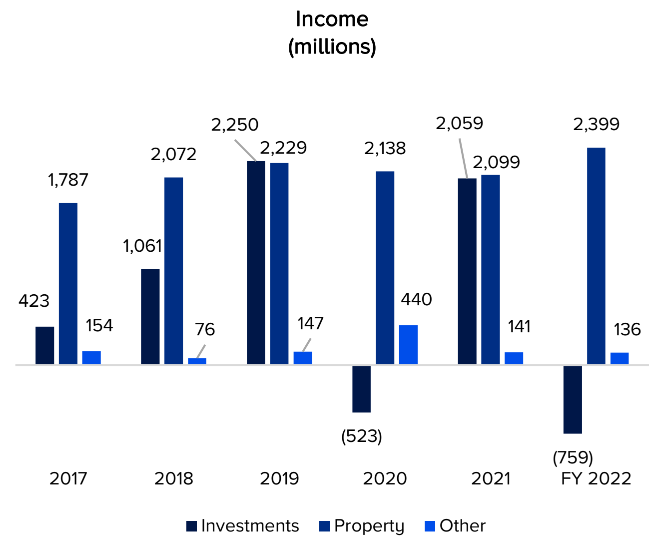
Relative to 2021, JP increased profit attributable to shareholders by 25% to J$2.3 billion and benefited from a 16% increase in revenues to J$29.0 billion. The Logistics & Infrastructure Division generated profit before finance cost and taxation of J$4.3 billion from revenues of J$11.9 billion in 2022, a flat performance year-over-year. The JP Logistics & Infrastructure Division accounts for the largest share of the Group's net assets and, in turn, its profits; it includes the consolidated results of Kingston Wharves Limited as well as the group's interest in Geest Line Limited. On the other hand, JP's Food & Drink Division is the largest contributor to the revenues of the Group. The Division earned revenues in 2022 of J$17.0 billion, representing an increase of 17% relative to the prior year. Profits before finance cost and taxation for the Division were J$557 million, for a 2% decrease relative to the prior year. The slight reduction in earnings is attributable entirely to the revaluation of the Jamaican dollar relative to Euro and the other main currencies in which the businesses within the Division trade.

Looking ahead we anticipate growth in JP's core revenues as well as its share in the results of its newly acquired associates, namely, Geest Line Limited and Grupo Frontera Limited, which was acquired in FY 2021, as well as The Juicy Group Nv, which was acquired in Q1 FY 2023. The merger of JP's entire operation into the Pan Jamaica Group will significantly increase Revenues and profits attributable to shareholders. The increase in profits will be tempered by the dilution effect of the new shares in the Pan Jamaica Group that will be issued to JP in exchange for the assumption of JP's operations.

Financial Performance Summary (Year Ended December 31, 2022)

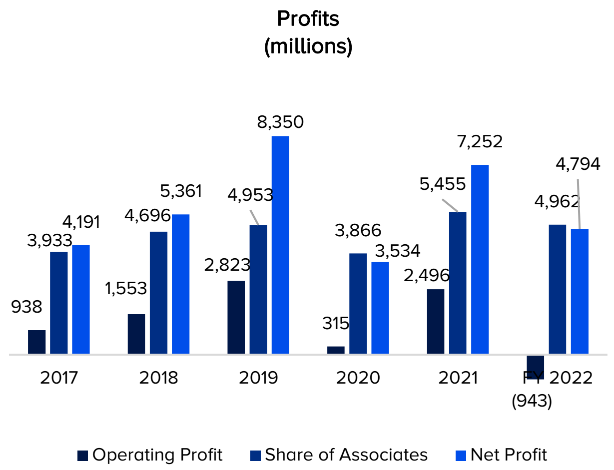
<u>Income Statement</u>

Total income declined by 45.3% year-over-year to J$2.35 billion for the year ended December 31, 2022. The largest contributing factor was a decrease in investment income which declined by J$2.82 billion to a loss of J$758.82 million. A 14.3% increase in the property segment to J$2.40 billion and the J$575.3 million contribution from the new ROK Hotel to the hotel management segment helped offset the decline in investments.



Operating expenses amounted to J$2.46 billion (FY 2021: J$1.86 billion), an increase of 32.6% as a result of an increase in staff and professional services costs. Professional services costs were associated with a one-time expense in order to setup the amalgamation with JP. The decline in income, when combined with the increased operating expenses, produced an operating loss of J$943.25 million compared to an operating profit of J$2.50 billion in FY 2021.

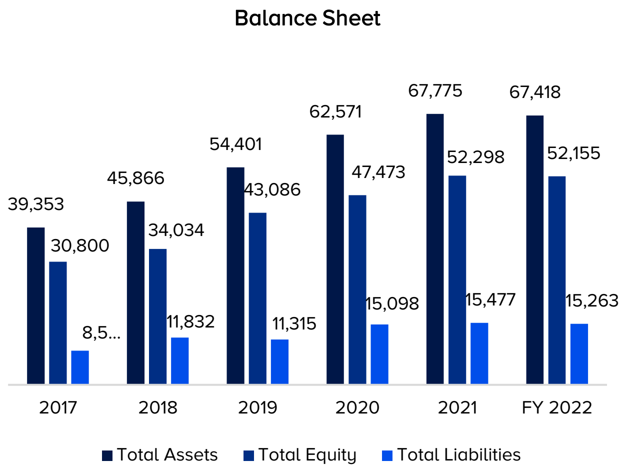
Finance costs increased to J$1.03 billion (2021: J$914.42 million) due to slightly increased debt and overall higher average interest rates.



The results of associated companies consist principally of the company's 30.2% investment in Sagicor and declined by 9.0% year-over-year to J$4.96 billion following the reduced net income for Sagicor over the period. There was also a one-time gain, primarily on the disposal of the New Castle Company Limited. As a result, Net profit attributable to owners for the year ended December 31st, 2022 amounted to J$4.75 billion, decreasing by 34.1% from the J$7.20 billion recorded in 2021.

Balance sheet

On December 31, 2022, total assets amounted to J$67.42 billion, compared to J$67.8 billion on December 31, 2021, representing a 0.5% decline. A notable contributing factor to the change was movement in investment securities, which indicated net liquidation throughout the year; investment securities declined 23.5%% to J$8.28 billion while securities purchased under agreement to resell fell 65.9% to J$432.722 million. Despite the overall net decline in investment securities, there was an increase in property plant and equipment of 54.6% to J$5.33 billion.



Assets were partly funded by stockholders' equity of J$52.15 billion, 0.3% lower relative to the result as at December 31, 2021. Total equity attributable to the Company's shareholders saw a decline of 0.4% to J$51.77 billion at the end of December 31, 2022, when compared to December 2021, due to lower investment and other reserves, slightly offset by 10.7% increase in retained earnings. The remaining funding base was made up of total liabilities which decreased by 1.4% year over year to J$15.26 billion at the end of FY 2022. The largest line item in this category, loan liabilities increased 2.6%, offsetting a 64.2% or J$420.36 million decrease in retirement benefit liabilities.

At the end of December 2022, both the return on assets and return on equity have worsened over the result as at December 2021, with a return on assets of 7.11% falling from 10.70% and a return on equity of 9.10% falling from 13.77%. This is mainly due to a decline in profitability for FY 2022 driven by a large loss in investment income. PJAM's Leverage ratio measured by total asset to equity was 1.29x, constant compared to the 1.30x at the end of FY 2021.

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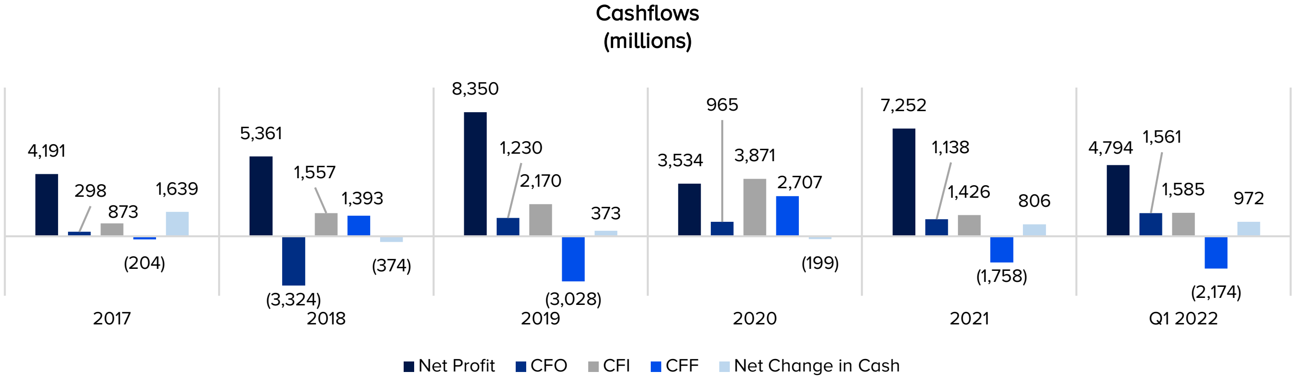
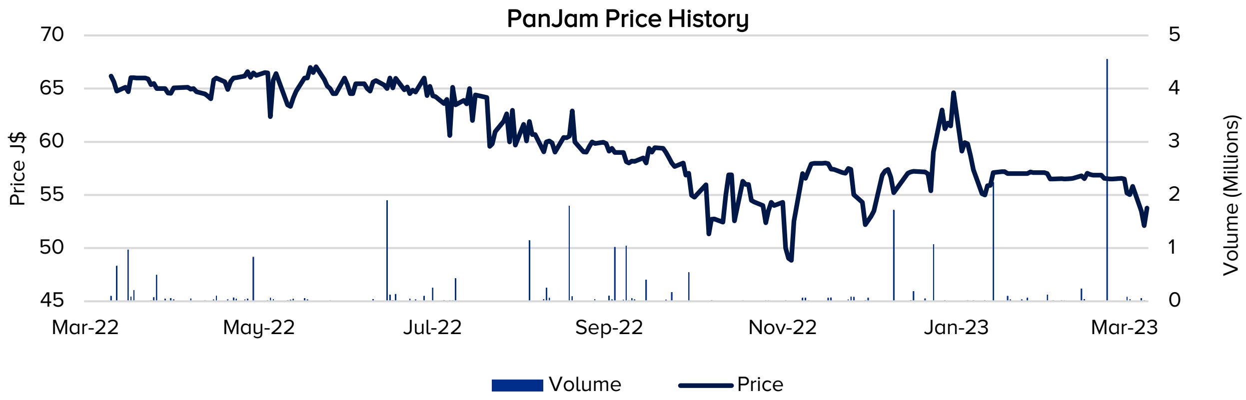
Cashflow Summary

Net cash flow from operating activities saw a 37.1% increase in FY 2022, rising J$1.56 billion. This increase was a result of the net disposal of financial assets, which amounted to J$1.61 billion, ($582.81 million in FY 2021) contributing to the overall increased inflows. Net cash gained from investing activities came in at $1.59 billion, compared to an inflow of J$1.43 billion in 2021. Proceeds from the disposal of shares in the associate company New Castle Limited of $2.27 billion and dividends from associates of $1.93 billion offset Capital Expenditures of $1.58 billion during the year. There was also a net cash flow



used for financing activities for the year of J$2.17 billion, mostly related to J$1.50 billion in dividends paid to shareholders. This combined, resulted in an overall net inflow of cash of J$971.95 million and an ending cash and cash equivalents balance of J$1.50 billion.

Market Liquidity and Trading Action



PanJam ownership (as at December 31, 2022)

Name	Shares Held	Percentage
Boswell Investments Limited	344,361,400	32.30%
Sagicor Pooled Equity Fund	118,703,610	11.13%
National Insurance Fund	61,081,670	5.73%
Scotia Jamaica Investment Mgmt. A/C 3119	41,208,930	3.87%
Facey, Stephen and Wendy	34,820,975	3.27%

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Guardian Life Limited	23,233,800	2.18%
ATL Group Pension Fund Trustees Nom Ltd.	21,403,013	2.01%
Cecil Boswell Facey Foundation	17,506,510	1.64%
NCB Insurance Company Ltd. WT109	17,037,655	1.60%
JCSD Trustee Services Ltd. - Sigma Equity	15,334,154	1.44%
Total	**694,691,717**	**65.17%**

There was very little trading of shares through the top 10 shareholders in FY 2022. PanJam's float at the end of 2022 was 53.14%, as 46.86% of shares outstanding are considered stagnant, i.e., not normally traded on the market. The stock is actively traded, having an average volume of 105,106 shares each day, a value of J$5.65 million. The Market Liquidity of this stock is sufficient for retail traders, while institutional investors may find it challenging to conduct large transactions in a timely manner without much slippage in price.

PANJAM INVESTMENT LTD (PJAM JA Equity)
Calculation of Float
Current Shares Outstanding - Stagnant Shares

Components	Position↓	% Out	Source	Date
Float	566,566,124	53.141		
Shares Outstanding	1,066,159,890	100.000		
Stagnant Shares	499,593,766	46.859		

PanJam has been rangebound over the last year with a slight downward trend. Absent any major news or earnings surprises, we are likely to see a short-term continuation within range.

Valuation

Stock	PANJAM
Last Closing Price	J$53.84
52 Week High	J$68.00
52 Week Low	J$47.50
YTD Return	-5.92%
Target Price	**J$55.08**
Potential Return	2.29%
Trailing P/E	11.97x
Trailing P/B	1.11x
Forward P/E	13.40x
Dividend Yield (TTM)	2.60%
Total Return	4.90%
Recommendation	**MARKETWEIGHT**
(As at April 6, 2023)	

In order to ascertain a target price for PJAM, we used a justified Price to Earnings approach applied to forward consolidated financial expectations based on the amalgamation of JP operations. In arriving at our target price based on the justified P/E approach, we forecasted the earnings for the 2023 financial year. Our assumptions include continued losses on investments as rates continue to rise, however, we do not believe the losses will be as severe as they were during FY 2022 given the severity of rate increases are expected to slow during the remainder of 2023. Additionally, in 2023 the ROK hotel will be fully operational for the entirety of the financial year, therefore we annualized the result of the 5 months of 2022 while applying growth in line with economic expectations; we also annualized hotel management expense while applying a slight overall discount as we expect initial expenses to launch the hotel will normalize in FY 2023. We incorporated our forecast for the earnings of SJ, which hinges on continued recovery in the local macro-economic environment. Lastly we merged our forecast for JP's 2023 result which incorporates organic revenue growth, and an increase in the share of profit of associates. Lastly we took into consideration the dilution effect of the additional ~562 million shares which will be issued to JP following the merger. Against this our target EPS for 2023 J$4.02 compared to the current J$4.50 for FY

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2022. Note that FY 2022's result includes a significant gain on the sale of a subsidiary; without this sale core EPS was J$3.20 for the financial year.

We used the capital asset pricing model (CAPM) to arrive at a discount rate for PanJam of 13.64% and calculated a long-term growth rate of 6.35%, using forward expectations for the potential return on equity and dividend payout ratio after the amalgamation of JP giving us a justified P/E ratio of 13.71x. **We applied this multiple to our 2023 EPS target and discounted to arrive at a valuation of J$55.08. At the last closing price of J$53.84, this represents a potential upside of 2.29%. As a result Barita Investments Limited give PanJam a MARKETWEIGHT recommendation for the future Pan Jamaica Group shares.**

Summary of Key Financial Highlights

FINANCIAL METRICS	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BALANCE SHEET	J$ '000	J$ '000	J$ '000	J$ '000	J$ '000	J$ '000	J$ '000
Total assets	32,440,680	39,353,033	45,866,093	54,400,977	62,571,278	67,774,534	67,417,951
Investment in associate	20,874,843	24,919,991	26,348,546	31,078,668	35,339,651	37,995,085	36,127,459
Investment securities	3,346,952	3,176,113	7,455,238	9,988,248	12,450,667	10,823,252	8,284,089
Investment properties	5,583,427	7,839,676	8,358,674	9,026,597	9,531,152	10,024,752	10,398,827
Bank and other loans	5,182,065	7,474,718	10,559,530	9,343,742	13,663,531	13,594,422	13,953,132
Repurchase agreements	206,198	1,023,635	906,414	852,326	868,712	1,269,367	432,724
Stockholders' equity	25,669,471	30,527,061	33,733,671	42,743,201	47,186,371	51,962,423	51,771,567
Stockholders' equity less NCI	26,257,233	30,799,960	34,034,116	43,085,586	47,473,046	52,298,014	52,154,916
PROFIT AND DIVIDENDS							
Operating profit	431,227	937,861	1,553,305	2,823,106	315,080	2,496,490	2,554,310
Operating expenses	1,311,366	1,475,138	1,692,951	1,766,912	1,700,948	1,855,509	2,527,769
Profit before tax	4,451,469	4,270,819	5,672,498	8,734,542	3,345,585	7,231,147	6,278,257
Net profit attributable to shareholders	4,351,618	4,191,489	5,361,417	8,350,265	3,534,310	7,251,717	4,793,853
Dividends paid	682,743	1,103,992	1,106,814	1,121,801	668,503	759,942	1,495,275
Retained Earnings	17,528,506	21,195,513	25,183,909	31,911,597	34,692,918	40,009,447	44,299,897
FINANCIAL RATIOS							
Earnings per stock unit (J$)	J$4.08	J$3.93	J$5.03	J$7.83	J$3.31	J$6.80	J$4.50
Dividends per stock unit (J$)	J$0.64	J$1.04	J$1.04	J$1.05	J$0.63	J$0.71	J$1.40
Dividend payout ratio	15.69%	26.34%	20.64%	13.43%	18.91%	10.48%	31.19%
Return on average shareholders' equity	0.00%	13.61%	15.75%	19.38%	7.44%	13.87%	9.10%
Return on average assets	0.00%	10.65%	11.69%	15.35%	5.65%	10.70%	7.11%
Book value per stock unit (J$)	J$24.08	J$28.63	J$31.64	J$40.09	J$44.26	J$48.74	J$48.56
Efficiency ratio (Admin. Exp / Revenues)	75.25%	61.13%	51.86%	38.20%	82.79%	43.17%	104.65%

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