



# Report to Stockholders

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31 December 2020

# PanJam Investment Limited

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## Report to Stockholders December 31, 2020

On behalf of the Board of Directors, we present the consolidated financial statements of PanJam Investment Limited for the year ended 31 December 2020.

### Highlights

- Net profit attributable to Shareholders of \$3.5 billion (2019: \$8.3 billion)
- Earnings per stock unit of \$3.31 (2019: \$7.85)
- Book value per stock unit of \$44.47 at 31 December 2020 (31 December 2019: \$40.36)

### Overview

In recent years, the significant improvement in the fundamentals of the Jamaican economy has been a key underpinning of PanJam's strategy of increasing our exposure to Jamaican assets. While this strategy paid off handsomely in 2019 and prior years, the global pandemic caused by COVID-19 has had an adverse impact on the Jamaican economy and asset prices, including securities and businesses which are heavily reliant on travel and tourism.

In the first quarter, our investment income was hit hard by unrealized losses as a result of the market downturn. Our securities portfolio retained its value thereafter and we recorded investment income of more than \$600 million in the second half of 2020.

Our associated companies saw varying levels of impact from the pandemic. International travel was significantly curtailed after March 2020, which had a corresponding impact on our tourism-related investments such as Chukka Caribbean Adventures and the Courtyard by Marriott Kingston. On a more positive note, the profitability of Sagicor Group Jamaica (Sagicor)'s core insurance business lines exceeded their 2019 performance, despite lower overall results, and our share of profit from New Castle (Walkerswood) increased by 34 per cent.

PanJam's liquid resources have remained strong in 2020. However, our cash flow was impacted by the recommendation from the Bank of Jamaica to all financial holding companies not to pay dividends to shareholders owning more than 1 per cent of ordinary shares. Our share of Sagicor's 2020 dividends has been converted into short-term, interest-bearing promissory notes.

Our strategy ensures that there is balance in times of crisis. Of note, our real estate assets have continued to demonstrate real resilience. Our property segment's operating profit showed a 20 per cent improvement year on year, driven by a gain on the disposal of our property located on Bamboo Avenue, Kingston.

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### Income Statement

Net profit attributable to shareholders for the year ended 31 December 2020 amounted to \$3.5 billion (2019: \$8.3 billion), a decrease of 57 per cent, while earnings per stock unit were \$3.31 (2019: \$7.85). Last year's results were heavily influenced by unrealized gains from our portfolio of Jamaican equities, as well as gains on the disposal of shares in associated companies. This year's results have fallen due to unrealized losses in our securities portfolio and the pandemic's impact on our tourism and hospitality-related investments.

Investment losses of \$0.5 billion (2019: income of \$2.2 billion) were driven by unrealized losses in our portfolio of local and overseas securities, despite higher interest income, dividend income and foreign exchange gains.

Property income decreased by 4 per cent to \$2.1 billion (2019: \$2.2 billion), reflecting improved rental income of \$1.8 billion (2019: \$1.7 billion), but reduced property revaluation gains of \$0.3 billion (2019: \$0.5 billion). Higher other income of \$0.4 billion (2019: \$0.1 billion) was driven principally by gains from the sale of our Bamboo Avenue property in Kingston.

Total operating expenses amounted to \$1.7 billion (2019: \$1.8 billion), a decrease of 4 per cent resulting primarily from deliberate cost containment measures implemented during the year. Finance costs increased to \$0.8 billion (2019: \$0.7 billion) as a result of higher average debt balances supporting our downtown Kingston development project.

### Associated Companies

PanJam's associated companies include our 30.2% investment in Sagicor and other holdings in a number of diverse private entities.

Our share of results of associated companies decreased by \$1.1 billion, or 22 per cent, driven by lower results from Sagicor Group Jamaica (across the combined businesses) as well as the Courtyard by Marriott Kingston and Chukka Caribbean Adventures, both of which continue to see diminished business activity due to the pandemic. Performance by Outsourcing Management (trading as itelbpo) and New Castle (Walkerswood) exceeded expectations, with both companies increasing profits in 2020.

### Balance Sheet

Total assets at 31 December 2020 amounted to \$62.6 billion (2019: \$54.4 billion). Shareholders' equity increased to \$47.2 billion at 31 December 2020 (2019: \$42.7 billion), which equates to a book value per stock unit of \$44.47 (2019: \$40.36).

### Outlook

While there is still no clear end in sight for the pandemic, we believe that our current challenges are temporary, and that successful vaccination programmes both domestically and in our major tourist markets will have profound effects on confidence and tourism.


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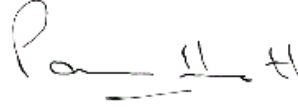
In the interim, PanJam is well positioned to withstand the continued impact of this uncertainty. We have spent decades building a robust balance sheet, specifically for difficult times such as these. As at the end of December 2020, PanJam held cash and cash equivalents of \$1.6 billion and maintains conservative leverage which, when combined, would enable us to raise financing in order to capitalize on attractively-priced investment opportunities that may arise.

We support our leaders in their efforts to safeguard the Jamaican people; particularly the healthcare workers and others on the front lines.

We acknowledge the sacrifices that our team has made and appreciate the guidance provided by our Directors as we navigate these uncertain and challenging times. We thank you, our Shareholders, for your patience and trust.



Stephen B. Facey  
Chairman & Chief Executive Officer



Paul R. Hanworth  
Director & Deputy Chief Executive Officer