Your Best Interest At Heart. Full Stop.

Barita Investments Limited

PLEASE SEE IMPORTANT DISCLOSURES & COPYRIGHT INFRINGEMENT IN THE APPENDIX

Executive Summary

Barita Investments Limited ("Barita" or "the Company"), one of Jamaica's premier investment houses, has demonstrated significant growth and strategic evolution since its acquisition by Cornerstone Financial Holdings in 2018. With over J$460 billion in client assets under management and a 25% capital adequacy ratio—well above the 10% regulatory minimum—Barita prioritises risk-based capital efficiency, digital transformation, and diversification of income streams.

The Company's financial profile reflects strong long-term performance, with net profits growing at a five-year compound annual growth rate (CAGR) of 8.4%, reaching J$3.82 billion in FY2024. Revenue doubled over the same period to J$10 billion, supported by growth in fee income and market-linked gains. The launch of Barita BOSS and continued fintech initiatives have also enhanced operational scale and client access.

However, the firm's cash flow dynamics have weakened. Operating cash flow turned negative in FY2024 at J$-5.6 billion, while cash conversion ratios deteriorated due to high unrealised gains and a sharp rise in receivables. Total debt expanded to J$101.1 billion, and interest expense now consumes more earnings—reflected in declining coverage ratios.

Tranche	Currency	Amount	Upsized	Tenor	Rate	Total
Tranche I	USD	5,500,000.0	8,500,000.0	2 years	7.0%	1,360,000,000.0
Tranche II	USD	5,500,000.0	8,500,000.0	3 years	7.5%	1,360,000,000.0
Tranche III	JMD	450,000,000.0	700,000,000.0	2 years	9.8%	700,000,000.0
Tranche IV	JMD	450,000,000.0	700,000,000.0	3 years	10.0%	700,000,000.0
Tranche V	JMD	450,000,000.0	700,000,000.0	5 years	10.5%	700,000,000.0
Tranche VI	JMD	450,000,000.0	700,000,000.0	7 years	10.8%	700,000,000.0
Tranche VII	JMD	450,000,000.0	700,000,000.0	10 years	10.9%	700,000,000.0

Barita is raising funding through a multi-tranche structured note programme to support its balance sheet and long-term investment strategy. This includes two USD tranches (J$1.36B each) and five JMD tranches (J$700M each), with coupon rates ranging from 7.00% to 10.90% and maturities spanning 2 to 10 years. The mix of currencies, staggered maturities, and competitive yields signals a deliberate approach to managing interest rate and refinancing risks while optimising capital structure.

Despite current liquidity pressure, Barita's strong capitalisation, diversification efforts, and brand strength position it as a resilient player in Jamaica's financial sector. Investors are advised to adopt a **MARKETPERFORM/HOLD/MARKETWEIGHT** stance, recognising the firm's high yield offering but also acknowledging the rising leverage and compressed cash metrics. Future upside is contingent on restoring positive cash flow, margin recovery, and tighter working capital management.

Barita Investments Limited

Company Overview

Barita Investments Limited ("Barita" or "the Company") is a leading Jamaican investment firm with over four decades of market presence, founded in 1977 and listed on the Jamaica Stock Exchange ("JSE") since 2010. The Company offers a diversified suite of investment services, including asset management, investment banking, foreign exchange trading, research, structured products, and pension fund management. As of 2024, Barita manages over J$400 billion in client assets and maintains an expansive branch and digital footprint, serving both institutional and retail clients across Jamaica.

The Company is majority-owned by **Cornerstone Financial Holdings Limited**, a Barbados-domiciled investment holding company that acquired a controlling stake in 2018. Since then, Barita has undergone significant transformation and capital expansion—raising over J$25 billion via multiple additional public offerings (APOs)—to support its evolution into a fully integrated investment house focused on innovation, client centricity, and regional expansion.

Barita's product offering includes unit trusts, repo investments, corporate and sovereign bond structures, mutual funds, and a growing number of alternative investment vehicles, including private credit and real estate-backed instruments. It has also developed a proprietary client platform, **Barita BOSS**, which enables digital access to many of these services, reflecting its commitment to fintech-driven growth.

Leadership & Corporate Governance

Barita is led by **CEO Ramon Small-Ferguson**, who previously served as Executive Vice President of Asset Management and Research. Ramon holds the CFA, FRM, and CAIA designations and brings deep experience in portfolio management, risk strategy, and capital markets to the firm's strategic vision. His leadership has focused on enhancing risk-adjusted performance and driving operational innovation.

The Company is governed by a robust Board of Directors with expertise spanning finance, risk, legal, and entrepreneurship. The Board comprises both executive and independent directors, with committees chaired by independent members to uphold strong governance practices. Barita also maintains specialised teams in investment banking, structured finance, and digital transformation, led by professionals such as:

- **Jason Chambers**, Chief Investment Officer
- **Nigel Sinclair**, Head of Asset Management
- **Simon Johnson**, AVP of Alternative Investments & Structured Finance
- **Stephanie Sterling**, Group Legal Counsel

This combination of experienced leadership and a commitment to strategic diversification underpins Barita's ambition to be Jamaica's premier investment house and a significant player in the broader Caribbean capital markets.

Barita Investments Limited

Financial Performance Review

Profit and Loss Review

Barita Investments Limited Income Statement (J$M)	Historical FY20	FY21	FY22	FY23	FY24	Year-on-Year	5 Year CAGR
Net Interest Income	882.6	1,541.3	1,672.2	581.2	646.2	11.2%	-7.5%
Fees and Commission income	1,827.4	3,378.7	3,022.3	3,403.2	3,708.5	9.0%	19.4%
Foreign exchange trading and translations gains	978.5	1,587.1	31.8	86.8	117.2	35.1%	-41.2%
Gains on Investment Activities	1,413.0	1,580.5	3,361.3	4,356.7	4,871.6	11.8%	36.3%
Dividend Income	8.7	1.1	791.5	604.3	593.9	-1.7%	187.6%
Other Income	103.9	27.6	72.6	62.0	60.5	-2.3%	-12.6%
Net Operating Revenue	**5,214.0**	**8,116.3**	**8,951.7**	**9,094.1**	**9,998.0**	9.9%	17.7%
Staff costs	(846.1)	(1,254.3)	(1,710.2)	(1,735.8)	(1,660.8)	-4.3%	18.4%
Administration	(1,151.1)	(1,790.8)	(2,091.2)	(2,873.5)	(2,682.4)	-6.7%	23.6%
Impairment/expected credit loss (ECL)	(110.8)	(6.4)	(4.0)	(0.3)	(641.0)	-	55.1%
Operating Expenses	**(2,108.0)**	**(3,051.5)**	**(3,805.4)**	**(4,609.6)**	**(4,984.1)**	8.1%	24.0%
Profit before taxation	**3,106.0**	**5,064.7**	**5,146.3**	**4,484.5**	**5,013.9**	11.8%	12.7%
Share of results of investment in associated company	-	57.1	96.2	95.0	24.1	-74.7%	N/A
Taxation	(347.4)	(1,063.3)	(1,021.2)	(1,164.6)	(1,222.3)	5.0%	37.0%
Net Profit for the Period	**2,758.5**	**4,058.6**	**4,221.3**	**3,415.0**	**3,815.6**	11.7%	8.4%

Over the past five years, Barita's revenue more than doubled, increasing from J$5.2 billion in 2020 to J$10.0 billion in 2024 (CAGR of 17.7%), driven by fee-based income, market-driven returns, and leveraging the assets on its balance sheet. In 2024, fair value and realised gains totalled J$4.87 billion, supported by strong investment management and exposure to proprietary alternatives, including structured notes and real estate funds.

Fee and commission income rose to J$3.7 billion, up from J$1.8 billion in 2020, as Barita deepened its share of discretionary portfolio mandates and continued to scale its unit trust offerings via digital onboarding and advisory tools. Net interest income increased to J$646.2 million, benefiting from redeployment into higher-yielding assets, as elevated policy rates tightened spreads.

Operating expenses rose to J$5.0 billion (CAGR of 24.0%). Administrative costs fell 6.7% YoY, highlighting efficiency gains from digital infrastructure and organisational streamlining. Impairment charges rose to J$641 million, reflecting a more conservative provisioning stance in a volatile market. As a result, profit before taxes amounted to J$5.0 billion, with a 12.7% five-year CAGR. Net profit rose to J$3.8 billion, marking an 8.4% CAGR and an 11.7% YoY increase.

Barita Investments Limited

Balance Sheet Review

Barita Investments Limited	Historical					Year-on-	5 Year
Balance Sheet (J$M)	FY20	FY21	FY22	FY23	FY24	Year	CAGR
Assets							
Cash and bank balances	5,277.6	3,816.3	1,027.8	1,969.8	1,418.4	-28.0%	-28.0%
Resale agreements	8,039.6	8,872.1	2,608.9	564.0	5,772.9	923.5%	-7.9%
Investment aecurities	13,939.1	14,128.7	24,285.6	22,331.6	18,982.7	-15.0%	8.0%
Pledged assets	35,425.7	50,294.0	61,603.6	83,717.0	89,568.3	7.0%	26.1%
Investment in associates	-	2,053.4	2,186.7	2,281.7	2,305.8	1.1%	N/A
Receivables	2,986.4	1,081.3	3,101.6	2,866.6	7,321.5	155.4%	25.1%
Taxation recoverable	183.3	-	479.6	398.5	453.0	13.7%	25.4%
Loans receivables	1,717.2	5,911.7	10,606.6	11,127.1	13,345.7	19.9%	67.0%
Due from related companies	1,979.0	2,518.6	938.8	753.5	1,400.1	85.8%	-8.3%
Property, plant and equipment	609.8	1,014.4	993.7	943.1	836.8	-11.3%	8.2%
Intangible assets	18.4	19.5	14.8	21.5	402.1	1770.1%	116.2%
Investments	55.0	55.0	55.0	55.0	55.0	0.0%	0.0%
Investment property	203.4	210.0	214.2	225.0	235.9	4.8%	3.8%
Deffered tax assets	-	-	1,352.0	687.8	-	-100.0%	N/A
Right of use assets	256.6	234.0	231.9	252.3	216.9	-14.0%	-4.1%
Total Assets	**70,691.2**	**90,209.0**	**109,700.7**	**128,194.6**	**142,315.0**	11.0%	19.1%

Barita's total assets more than doubled over the last five years, rising from J$70.7 billion in FY2020 to J$142.3 billion in FY2024, a CAGR of 19.1%. This expansion was underpinned by the Group's strategic shift toward capital-optimisation and income-generating assets. Growth in pledged assets, loans receivables, and other receivables led the expansion, consistent with Barita's model of leveraging repurchase agreements and private credit structures to drive returns.

Pledged assets reached J$89.6 billion, up from J$35.4 billion in FY2020 (CAGR of 26.1%), and remain central to Barita's liquidity and short-term funding strategy, enabling access to wholesale capital markets through repo agreements, using collaterization to mitigate risk. Loans receivables rose sharply to J$13.3 billion (CAGR of 67.0%).

Receivables jumped 155.4% YoY to J$7.3 billion, a rise that likely reflects unsettled trades, accrued income from funds, or expanded credit arrangements—though it may also signal working capital inefficiencies that warrant monitoring. In contrast, cash and bank balances declined at a -28.0% CAGR, ending at J$1.4 billion, as the Group actively redeployed idle cash into higher-yielding instruments amid a tighter monetary environment.

A notable turnaround was also seen in resale agreements, which surged to J$5.8 billion in FY2024, up from just J$564 million a year prior, while investment securities fell 15% YoY to J$19.0 billion.

The Group's intangible assets surged to J$402 million, up more than 1,770% YoY, likely reflecting capitalised investment in technology platforms, software licenses, or goodwill from strategic initiatives. Property, plant & equipment and right-of-use assets contracted 11.9% YoY.

Barita Investments Limited

Barita Investments Limited Balance Sheet (J$M)	Historical FY20	FY21	FY22	FY23	FY24	Year-on-Year	5 Year CAGR
Liabilities and Equity							
Liabilities							
Bank overdraft	8.7	8.6	11.6	45.1	14.1	-68.7%	12.8%
Short term loans/Notes payable	611.9	1,022.1	11,204.7	5,940.5	2,516.2	-57.6%	42.4%
Repurchase agreements	34,446.6	45,592.5	59,653.5	76,546.6	84,332.3	10.2%	25.1%
Other debt facilities	-	-	-	8,301.0	13,953.6	68.1%	N/A
Lease liability	282.3	274.8	287.2	308.4	265.5	-13.9%	-1.5%
Payables	6,970.3	2,627.4	3,271.5	1,466.7	2,846.9	94.1%	-20.1%
Dividend payable	-	3,288.3	3,026.6	-	2,400.5	N/A	N/A
Due to related parties	273.7	144.0	62.2	199.7	189.3	-5.2%	-8.8%
Taxation payable	-	943.7	-	-	-	N/A	N/A
Deferred tax liabilities	616.9	61.2	-	-	494.3	N/A	-5.4%
Total Liabilities	**43,210.5**	**53,962.7**	**77,517.2**	**92,808.0**	**107,012.6**	15.3%	25.4%
Shareholders' Equity							
Share capital	24,146.6	33,135.9	32,389.4	32,814.1	32,830.1	0.0%	8.0%
Capital reserve	111.5	122.1	148.7	176.0	176.0	0.0%	12.1%
Fair value reserve	25.1	(256.5)	(4,068.8)	(4,535.8)	(3,956.3)	-12.8%	N/A
Capital redemption reserve	220.1	220.1	220.1	220.1	220.1	0.0%	0.0%
Retained earnings	2,977.5	2,937.9	3,307.8	6,689.9	6,002.2	-10.3%	19.2%
Stock option reserve	-	86.8	186.3	22.3	30.3	36.1%	N/A
Total Shareholders' Equity	**27,480.7**	**36,246.3**	**32,183.5**	**35,386.6**	**35,302.4**	-0.2%	6.5%
Total Liabilities and Shareholders' Equity	**70,691.2**	**90,209.0**	**109,700.7**	**128,194.6**	**142,315.0**	11.0%	19.1%
Total Debt	**35,349.6**	**46,898.0**	**71,157.0**	**91,141.6**	**101,081.6**	10.9%	30.0%

Barita’s liabilities more than doubled over the past five years, increasing from J$43.2 billion in FY2020 to J$107.0 billion in FY2024 (CAGR: 25.4%), reflecting the Group’s active use of market-based funding to support asset growth and income generation. The most prominent driver was the growth in repurchase agreements, which rose to J$84.3 billion, up from J$34.4 billion in FY2020. In FY2024, other debt facilities rose to J$14.0 billion, a 68% increase YoY, reflecting the company's introduction of longer-tenor structured debt.

Short-term loans declined 57.6% YoY to J$2.5 billion, the 5-year CAGR of 42.4% show that short-term loans remain a flexible liquidity tool. There was a surge in payables to J$5.2 billion, which includes unpaid divided declared in 2024.

Equity growth was more measured, rising from J$27.5 billion in FY2020 to J$35.3 billion in FY2024 (CAGR: 6.5%), with retained earnings growing to J$6.0 billion due to consistent net profits. However, the fair value reserve remained negative (J$-4.0 billion), largely due to unrealised losses on securities at fair value through other comprehensive income (FVOCI) — a function of interest rate volatility and mark-to-market valuation adjustments.

Total debt rose sharply from J$35.3 billion in FY2020 to J$101.1 billion in FY2024, resulting in a CAGR of 30.0% over the 5-year period. The increase reflects a deliberate strategy to unlock leverage for capital deployment. The strategy increases financial risk, but it is matched by strong asset expansion, despite growing at a slower pace.

Cash Flow Statement Review

Barita Investments Limited	Historical					Year-on-	5 Year
Cash Flow Statement (J$M)	FY20	FY21	FY22	FY23	FY24	Year	CAGR
Cash flow from operating activities							
Net profit	**2,758.5**	**4,058.6**	**4,221.3**	**3,415.0**	**3,815.6**	11.7%	8.4%
Items not affecting cash resources	(1,463.9)	(774.5)	(3,810.0)	(3,488.6)	(4,467.7)	28.1%	32.2%
Cash flows before change in working capital	**1,294.7**	**3,284.1**	**411.3**	**(73.6)**	**(652.0)**	785.6%	N/A
Change in working capital	18,945.5	4,536.5	26,067.7	10,363.7	(3,544.0)	-134.2%	N/A
Cash flows after change in working capital	**20,240.2**	**7,820.6**	**26,478.9**	**10,290.0**	**(4,196.1)**	-140.8%	N/A
Interest received	1,465.7	2,777.3	3,958.3	5,691.4	6,613.0	16.2%	45.7%
Interest paid	(821.4)	(1,786.8)	(2,312.8)	(5,002.4)	(7,733.3)	54.6%	75.2%
Lease payments	(22.2)	(39.4)	(53.9)	(65.8)	(80.2)	21.8%	37.9%
Tax paid	(959.7)	(399.1)	(1,923.4)	(198.1)	(163.8)	-17.3%	-35.7%
Cash provided by/(used in) operating activities	**19,902.6**	**8,372.6**	**26,147.1**	**10,715.0**	**(5,560.4)**	-151.9%	N/A

Barita's cash flow performance over the past five years reflects the firm's capital-intensive growth strategy, characterised by periods of strong inflows during favourable market conditions. After peaking at J$26.1 billion in operating cash flow in FY2022, the company reported a J$5.6 billion cash outflow in FY2024, marking a dramatic swing that underscores how Barita's cash position is deeply tied to balance sheet deployment and market-driven flows. The primary driver of the FY2024 outflow was a J$3.5 billion reversal in working capital, largely due to J$5.2 billion in cash deployed into resale agreements, and a J$4.4 billion rise in receivables, which likely reflects accrued investment income, pending settlements, or increased deal volume in its advisory and funds business.

Despite posting 11.7% YoY growth in net profit to J$3.82 billion, cash flow before working capital adjustments was negative J$652 million, due mainly to non-cash gains of J$4.4 billion on FVTPL investments and rising interest income of J$7.6 billion offset partially by a J$6.96 billion in interest expense. These figures reinforce Barita's heavy reliance on valuation-based earnings and leveraged strategies, which, while profitable on paper, can reduce cash conversion when gains are unrealised. The cash effect was further compounded by a J$3.5 billion drawdown in secured investment notes, likely reflecting early redemptions or shifts in structured liability funding.

Additionally, Barita's interest payments surged 54.6% YoY to J$7.7 billion, outpacing the growth in interest income, due to a combination of elevated debt levels and rising funding costs in a higher interest rate environment. Meanwhile, lease payments and tax outflows remained contained, suggesting Barita is strategically limiting fixed cost leakage even as it expands.

The shift from positive to negative cash flow should not be viewed purely as operational weakness but rather as a reflection of Barita's asset reallocation and liquidity rotation strategy.

However, the trend highlights the importance of tightening working capital management and ensuring stronger alignment between cash-generating activities and balance sheet leverage, especially as the firm continues to scale its private credit and structured funds exposure.

Barita Investments Limited	Historical					Year-on-	5 Year
Cash Flow Statement (J$M)	FY20	FY21	FY22	FY23	FY24	Year	CAGR
Cash flow from investing activities							
Purchase of property, plant and equipment	(285.4)	(468.9)	(175.4)	(27.9)	(387.0)	1288.7%	7.9%
Purchase of intangible assets	(18.2)	(10.2)	(6.7)	(17.9)	(43.2)	140.8%	24.2%
Proceeds from disposal of property, plant and equipmer	-	0.6	123.6	-	1.2	N/A	N/A
Purchase of investment property	(165.5)	-	-	-	-	N/A	-100.0%
Investment securities including pledged assets, net	(27,376.4)	(13,746.6)	(24,089.6)	(15,377.9)	1,880.1	-112.2%	N/A
Investment in associate	-	(1,996.3)	(37.1)	-	-	N/A	N/A
Cash provided by/(used in) investing activities	**(27,845.4)**	**(16,221.5)**	**(24,185.2)**	**(15,423.7)**	**1,451.1**	-109.4%	N/A

Barita's investing cash flow over the five-year period reflects its capital allocation strategy — one that prioritised building out investment positions and enhancing platform capability through strategic purchases. Between FY2020 and FY2023, the firm consistently reported substantial outflows, driven largely by net investments in securities and pledged assets, which ranged from J$13.7 billion to J$27.4 billion annually. However, in a striking reversal, Barita reported a net cash inflow of J$1.45 billion in FY2024, as it liquidated investment securities, freeing up capital likely to fund operating obligations and reduce leverage in the face of rising interest costs.

The swing in investing cash flow was almost entirely attributable to a J$1.9 billion inflow from investment securities, compared to an outflow of J$15.4 billion the prior year. Meanwhile, capital expenditure on property, plant, and equipment increased to J$387 million, returning to levels not seen since FY2021, likely reflecting renewed investment in operational infrastructure or branch modernisation after a period of muted capex. Intangible asset purchases also rose sharply to J$43.2 million, suggesting continued investment in digital platforms, software, or licensing tied to Barita's fintech and digital client initiatives.

There were no reported purchases of investment property or new associate stakes in FY2024. Overall, the net investing inflow in FY2024 underscores Barita's pivot to capital preservation, likely in response to elevated financing costs and weaker operating cash generation.

Barita Investments Limited

Barita Investments Limited Cash Flow Statement (J$M)	Historical FY20	FY21	FY22	FY23	FY24	Year-on-Year	5 Year CAGR
Cash flow from financing activities							
Dividends paid	(877.1)	(2,624.5)	(4,080.6)	(3,026.6)	(2,092.1)	-30.9%	24.3%
Issued ordinary shares	13,260.1	10,520.4	-	-	-	N/A	-100.0%
Treasury shares sold/(purchased)	-	(1,532.3)	(746.6)	377.0	16.1	-95.7%	N/A
Other debt facilities	-	-	-	8,259.8	5,653.3	-31.6%	N/A
Cash provided by/(used in) financing activities	**12,383.1**	**6,363.6**	**(4,827.2)**	**5,610.3**	**3,577.2**	-36.2%	-26.7%
Effect of exchange rate on cash and cash equivalents	112.5	24.1	73.7	6.9	11.7	68.4%	-43.3%
(Decrease)/increase in net cash and cash equivalents	4,552.8	(1,461.2)	(2,791.5)	908.5	(520.5)	-157.3%	N/A
Net cash and cash equivalents at beginning of year	716.1	5,268.9	3,807.7	1,016.2	1,924.7	89.4%	28.0%
Cash and Cash Equivalents at End of Year	**5,268.9**	**3,807.7**	**1,016.2**	**1,924.7**	**1,404.3**	-27.0%	-28.1%

Barita's financing activities over the five-year period highlight a shift from equity-driven capital accumulation to debt-backed funding and tighter shareholder cash distributions. In FY2020 and FY2021, Barita raised J$13.3 billion and J$10.5 billion respectively through new ordinary share issuances, which helped capitalise the business during its expansionary phase. However, this strategy halted after FY2021, and no new equity was issued between FY2022 and FY2024, indicating a pivot away from dilutive financing toward more efficient capital structuring.

In the absence of equity injections, Barita turned to structured debt, particularly in FY2023 and FY2024, when it raised J$8.26 billion and J$5.65 billion, respectively, under its private note programme and bond offerings, including the Series A note issued in 2023. This reflects a deliberate strategy to leverage low-cost institutional capital to support proprietary investments and balance sheet expansion. Despite a 31.6% YoY decline in FY2024, debt proceeds remained a critical source of funding amid rising interest rates and reduced internal cash generation.

At the same time, dividend payments have moderated, falling to J$2.1 billion in FY2024, down 30.9% YoY from FY2023. This signals an approach to retain capital, which is likely in response to tighter liquidity, rising finance costs, and a need to bolster internal buffers. Treasury share activity also declined significantly, with just J$16.1 million in net inflows in FY2024, reflecting a cooling in buyback or staff incentive-related transactions.

Overall, cash from financing activities fell 36.2% YoY to J$3.58 billion, down from J$5.61 billion in FY2023. This reduction, combined with negative operating cash flow and modest investing inflows, resulted in a net decrease in cash of J$520.5 million and a 27% decline in closing cash to J$1.4 billion. Barita's current approach reflects a more balanced and conservative capital framework, favouring debt over equity, and prioritising cash preservation over payouts, a strategic move likely aimed at protecting liquidity and maintaining flexibility in a more volatile funding environment.

Financial Statement Analysis

Activity

Activity	FY20	FY21	FY22	FY23	FY24
Non-Interest Income to Total Income	83.1%	81.0%	81.3%	93.6%	93.5%
Revenue to Total Assets	9.3%	10.1%	9.0%	7.6%	7.4%
Investment Yield Ratio	6.8%	6.8%	6.5%	5.2%	5.1%
Operating Expense Ratio	3.8%	3.8%	3.8%	3.9%	3.7%
Client Asset Turnover Ratio	0.9%	1.2%	0.9%	1.0%	1.0%
Assets under Management to Equity	8.9x	8.4x	10.1x	9.6x	10.8x

Barita's activity ratios over the past five years reflect a business model increasingly centered around fee-based and valuation-driven income, with less reliance on traditional lending spreads. The non-interest income to total income ratio climbed to 93.5% in FY2024, up from 81.3% in FY2022, driven by strong gains from investment activities and growing fee income from portfolio management and fund services — a clear sign of Barita's pivot toward capital markets-led earnings.

However, this shift also coincides with a decline in revenue to total assets, which fell to 7.4% in FY2024, indicating that Barita's larger balance sheet has become less revenue-productive, possibly due to greater holdings in lower-yielding or unrealised investment assets.

The investment yield ratio, which measures the return on interest-earning assets, has steadily declined to 5.1%, reflecting compressed spreads in a rising interest rate environment and a likely shift in asset mix toward non-interest-generating assets – equities and real estate. Despite this, operating expense efficiency contracted to 3.7% in FY2024 compared to 3.9% in FTY 2023, which highlights cost containment amid revenue fluctuations.

Meanwhile, the client asset turnover ratio held flat at 1.0%, signalling steady client activity but limited productivity gains from Barita's AUM base. Notably, assets under management to equity rose to 10.8x, its highest level in five years, reinforcing Barita's emphasis on scaling AUM without immediate equity dilution, and potentially unlocking higher margin from advisory and fee income without proportional capital strain.

Solvency

Solvency	FY20	FY21	FY22	FY23	FY24
Coverage					
Net Revenue to Interest Exp	5.9x	5.9x	3.4x	1.6x	1.4x
PBT to Interest Expense	3.5x	3.7x	1.9x	0.8x	0.7x
CFO to Interest Exp	22.6x	6.0x	9.8x	1.9x	-0.8x
Total Debt to CFO	1.8x	5.6x	2.7x	8.5x	-18.2x
Leverage					
Debt-to-Assets	0.5x	0.5x	0.6x	0.7x	0.7x
Debt-to-Equity	1.3x	1.3x	2.2x	2.6x	2.9x
Equity Multiplier	2.7x	2.5x	2.9x	3.5x	3.8x

Barita's solvency ratios over the past five years show a firm transitioning from a low-leverage, equity-heavy model to a more debt-utilising, yield-seeking strategy — but with growing pressure on coverage metrics as interest costs have outpaced revenue growth. In FY2020 and FY2021, net revenue to interest expense stood at a healthy 5.9x, indicating strong coverage capacity.

However, by FY2024, this ratio fell to 1.4x, while profit before tax to interest expense dropped to 0.7x, signalling that Barita's earnings are increasingly being consumed by debt servicing — a direct result of elevated borrowing and rising interest rates, coupled with softer fair value gains and net revenue flattening.

Most notably, cash flow from operation to interest expense plunged into negative territory (-0.8x) in FY2024, following a year of negative operating cash flow. **This marks a key shift from 22.6x in FY2020, and suggests that earnings are no longer translating into cash at the same rate, creating potential strain on liquidity and raising questions about the sustainability of debt-funded growth if not supported by stronger cash conversion**.

This dynamic is reflected in the total debt to CFO ratio, which deteriorated from 0.4x in FY2022 to -3.0x in FY2024, driven by both rising debt balances and negative operating cash flow. While this may overstate short-term stress — given the temporary working capital drag in FY2024 — it highlights the importance of restoring positive CFO in the near term.

Leverage indicators confirm the structural shift. Debt-to-equity rose to 0.5x in FY2024, and the equity multiplier increased to 3.8x, up from 2.5x in FY2021, reinforcing that Barita is increasingly reliant on borrowed funds to scale its investment book and earnings base. Debt-to-assets remained stable at 0.7x over the last two years but is the highest it has been over the period. The growing mismatch between debt servicing and operational earnings suggests that risk management now hinges on careful liquidity planning, asset rotation, and margin preservation.

Barita Investments Limited

Profitability

Profitability	FY20	FY21	FY22	FY23	FY24
Return on sales					
Profit before Tax Margin	59.6%	62.4%	57.5%	49.3%	50.1%
Net Profit Margin	52.9%	50.0%	47.2%	37.6%	38.2%
Net Interest Margin	60.2%	55.5%	42.2%	10.2%	9.8%
Cost-to-Income Ratio	40.4%	37.6%	42.5%	50.7%	49.9%
Return on investments					
Return on Average Assets	4.9%	5.0%	4.2%	2.9%	2.8%
Return on Total Capital	5.5%	5.6%	4.5%	3.0%	2.9%
Return on Average Equity	13.4%	12.7%	12.3%	10.1%	10.8%

Barita's profitability profile over the past five years reflects strong top-line efficiency but growing pressure on interest margins and asset productivity, stemming from rising funding costs and a shift in earnings composition. While profit before tax and net profit margins remained relatively high in FY2024 at 50.1% and 38.2%, respectively, both are well below their FY2020–FY2021 levels, suggesting diminished cost leverage and weaker contribution from net interest income. The net interest margin collapsed from 60.2% in FY20 to just 9.8% in FY24, as interest expense outpaced income amid aggressive repo funding and tighter spreads — a clear by-product of Barita's market-driven funding model in a rising rate environment.

Despite this, Barita's cost-to-income ratio improved slightly to 49.9% in FY2024, down from 50.7% the year prior. This indicates some recovery in cost efficiency, likely driven by administrative savings and digital infrastructure gains However, the ratio is elevated compared to previous periods, where it was below 40%. This reflects a structurally heavier operating base following the expansion.

Returns on investment have trended lower, in line with margin compression. Return on average assets slipped to 2.8%, its lowest point in five years, underscoring the growing gap between asset growth and income productivity. Similarly, return on total capital dipped to 2.9%, down from 5.5% in FY20. In comparison, return on average equity fell to 10.8%, highlighting the challenge of maintaining shareholder returns amid heavier leverage and more volatile investment income.

Barita's profitability ratios indicate a business maintaining respectable margins and returns, but now encountering greater reliance on capital markets performance, prudent cost management, and sustained operating leverage to continue value creation in the future.

Barita Investments Limited

ROAE DuPont Analysis	FY20	FY21	FY22	FY23	FY24
Net Profit Margin	52.9%	50.0%	47.2%	37.6%	38.2%
Revenue to Total Assets	9.3%	10.1%	9.0%	7.6%	7.4%
Return on Average Assets	4.9%	5.0%	4.2%	2.9%	2.8%
Equity Multiplier	2.7 x	2.5 x	2.9 x	3.5 x	3.8 x
Return on Average Equity	**13.4%**	**12.7%**	**12.3%**	**10.1%**	**10.8%**

Barita's return on average equity ("ROAE") has declined from 13.4% in FY2020 to 10.8% in FY2024, reflecting a gradual erosion in profit efficiency and asset productivity, partially offset by rising financial leverage. The decline in net profit margin, from 52.9% to 38.2%, has been the biggest drag on ROAE, driven by shrinking net interest spreads, higher operating costs, and compressed fair value gains — all of which have limited the firm's ability to convert revenue into profit. Meanwhile, revenue to total assets, a proxy for asset efficiency, declined to 7.4% in FY2024, down from 9.3% in FY2020, signalling that Barita's expanded balance sheet has not been matched by a proportional increase in revenue, largely due to larger holdings of lower-yield or unrealised positions.

Return on average assets (ROAA) decreased to 2.8% in FY2024, down from 4.9% in FY2020, despite consistently strong fee income and disciplined cost management. However, Barita has partially cushioned the ROAE decline by increasing its equity multiplier, which rose to 3.8x in FY2024 from 2.5x in FY2021. This reflects the firm's increased use of financial leverage, primarily through repo funding and structured debt facilities, to maintain capital efficiency and boost equity returns. While this has supported shareholder returns in the short term, it also underscores the growing importance of preserving profit margins and restoring asset productivity to ensure sustainable ROE in a more volatile funding environment

Cash Efficiency

Cash Performance	FY20	FY21	FY22	FY23	FY24
CFO to Net Profit	7.2 x	2.1 x	6.2 x	3.1 x	(1.5) x
Cash Return on Assets	35.6%	10.4%	26.2%	9.0%	-4.1%
Cash Return on Equity	96.7%	26.3%	76.4%	31.7%	-15.7%
Cash Return on Total Capital	94.5%	25.4%	64.4%	22.9%	-10.9%
Dividends Paid to CFO	4.4%	31.3%	15.6%	28.2%	-37.6%

Barita's cash performance sharply deteriorated in FY2024, revealing a disconnect between accounting profit and cash generation. The ratio of the CFO (cash flow from operations) to net profit fell to -1.5x, a significant decline from the 6.2x recorded two years ago. The change indicates that non-cash gains and volatility in working capital weigh on cash conversion. It is also evident in negative cash returns on assets (-4.1%) and equity (-15.7%). Barita's operating model leaned more heavily on mark-to-market earnings and deployed capital into less liquid or longer-duration assets that did not yield immediate cash flows.

The decline in cash return on total capital to -10.9% reflects a deterioration in operating cash flow and the weight of rising interest expense, reducing the efficiency of Barita's capital structure. This trend is especially concerning given the simultaneous increase in financial leverage, suggesting a weaker ability to cover obligations from internally generated funds.

Perhaps most telling is the dividends paid to CFO ratio, which flipped to -37.6% in FY2024. This means Barita distributed dividends despite not generating positive operating cash, a pattern that, if sustained, may compromise liquidity in an environment where external financing becomes constrained. While prior years (FY20–FY22) showed robust cash returns and disciplined payout ratios, the current figures reinforce the urgent need for tightened working capital management and greater cash flow alignment with earnings and dividend policy.

Regulatory Requirements

The Company has established a financial covenant stating that the capital adequacy ratio must not fall below 10%. This is the minimum requirement for regulated securities dealers set by the Financial Services Commission (FSC), with an early warning threshold at 14%. Over the years, BIL's capital adequacy ratio has declined from 51.4% in 2021 to 25% in 2024; however, it remains above the industry average.

BIL Capital Adequacy Ratio	FY21	FY22	FY23	FY24
Capital Adequacy Ratio	52.4%	33.3%	28.4%	25.0%
Industry Average	25.0%	24.4%	22.2%	21.4%

The leverage ratio, defined as equity divided by assets, has consistently been at least four times higher than the regulatory requirement of 6%. This ratio, along with the capital adequacy ratio, shows that BIL is well-capitalized compared to its peers, consistently outperforming the industry average.

Barita Investments Limited	Hsitorical			
Leverage Ratio	**FY21**	**FY22**	**FY23**	**FY24**
Total Assets	90,209.0	109,700.7	128,194.6	142,315.0
Total Liabilities	53,962.7	77,517.2	92,808.0	107,012.6
Total Equity	36,246.3	32,183.5	35,386.6	35,302.4
Industry Average	17.4%	15.4%	15.4%	14.8%
Leverage Ratio	**40.2%**	**29.3%**	**27.6%**	**24.8%**

Barita Investments Limited

Financial Projections

Barita Investments Limited Income Statement (J$M)	Projected FY25	 FY26	 FY27
Net Interest Income	694.7	764.2	840.6
Fees and Commission income	3,986.6	4,385.3	4,823.8
Foreign exchange trading and translations gains	78.6	78.6	78.6
Gains on Investment Activities	5,237.0	5,760.6	6,336.7
Dividend Income	663.3	663.3	663.3
Other Income	65.0	65.0	65.0
Net Operating Revenue	**10,725.2**	**11,717.0**	**12,808.0**
Operating Expenses	**(4,905.6)**	**(5,280.9)**	**(5,686.2)**
Profit before taxation	**5,819.5**	**6,436.1**	**7,121.9**
Share of results of investment in associated company	71.8	71.8	71.8
Taxation	(1,358.4)	(1,500.5)	(1,658.6)
Net Profit for the Period	**4,532.9**	**5,007.3**	**5,535.0**

Barita Investments Limited Leverage Ratio	Projected FY25	 FY26	 FY27
Total Assets	156,698.1	166,473.3	175,091.3
Total Liabilities	120,266.4	128,539.4	135,497.0
Total Equity	36,431.6	37,933.8	39,594.3
Leverage Ratio	**23.2%**	**22.8%**	**22.6%**

Under the stressed-case scenario, net revenues are set to 80% of base-case results, and operating expenses remain the same. This results in net profits moving from $2.9 billion in 2025 to $3.6 billion in 2027. Despite the decline in profitability, the Leverage Ratio remains significantly above the required 6% set by the FSC. On average, net revenue to interest expenses amounted to 1.2x, while profit before taxes to interest expenses amounted to 0.5x under the stressed scenario.

Barita Investments Limited Leverage Ratio	Projected FY25	 FY26	 FY27
Total Assets	156,202.9	165,437.2	173,464.0
Total Liabilities	120,266.4	128,539.4	135,497.0
Total Equity	35,936.5	36,897.8	37,967.0
Leverage Ratio	**23.0%**	**22.3%**	**21.9%**

Barita Investments Limited

Stressed Scenario

Barita Investments Limited	Projected		
Income Statement (J$M)	**FY25**	**FY26**	**FY27**
Net Operating Revenue	**8,580.1**	**9,373.6**	**10,246.4**
Operating Expenses	**(4,905.6)**	**(5,280.9)**	**(5,686.2)**
Profit before taxation	**3,674.5**	**4,092.7**	**4,560.3**
Share of results of investment in associated company	71.8	71.8	71.8
Taxation	(863.8)	(960.2)	(1,068.0)
Net Profit for the Period	**2,882.5**	**3,204.3**	**3,564.0**

Investment Positives and Negatives

Positives

- Strong Capital Base - Capital adequacy ratio of 25%, well above the 10% regulatory minimum, offers a buffer against shocks.
- Diversified Income Streams - Increasing contribution from fee-based services and structured products helps reduce reliance on interest income.
- Digital Transformation - Barita BOSS platform supports scalable growth, efficient onboarding, and enhances client experience.
- Robust Asset Growth - Total assets grew at a CAGR of 19.1% over 5 years, signalling strategic capital deployment.
- High Net Profit Growth - Net profit rose to J$3.8 billion in FY2024, with a five-year CAGR of 8.4%, driven by fair value gains and growing fee income.

- Positive Credit Ratings - CariCRIS affirmed local and regional ratings at CariA- and CariBBB+ with a stable outlook, indicating confidence in Barita's fundamentals.

Negatives

- Deteriorating Cash Flow - Operating cash flow dropped to negative J$5.6 billion in FY2024, with cash flow to net income turning negative, indicating weak cash conversion.
- Rising Financial Leverage - Total debt surged from J$35.3 billion to J$101.1 billion in five years, increasing interest burden and risk.
- Declining Interest Coverage - Profit-before-tax to interest expense dropped to 0.7x in FY2024, raising concerns about debt servicing capacity.
- Volatile Fair Value Gains - Heavy reliance on market-driven valuation gains introduces earnings volatility and potential downside in weak markets.

- Receivables Surge - Receivables jumped 155% YoY to J$7.3 billion, pointing to possible inefficiencies in working capital management.
- Compressed Profit Margins - Net interest margin collapsed from 60.2% to 9.8% over five years due to higher funding costs and tighter spreads.

Recommendation

Following a comprehensive assessment of Barita Investments Limited's financial position, funding strategy, credit profile, and third-party ratings, we recommend a **MARKETPERFORM/ HOLD/MARKETWEIGHT** stance on the company's fixed-income instruments.

Barita offers yields above average relative to comparable fixed-income securities, reflecting a fair risk premium given the company's evolving financial profile. While the higher yield is attractive, it is balanced by increased financial leverage, weaker cash flow conversion, and ongoing exposure to domestic economic volatility, warranting a neutral portfolio weighting.

In December 2024, CariCRIS affirmed Barita's ratings at CariA- (local) and CariBBB+ (foreign) on the regional scale, with a stable outlook. The rating recognises Barita's capital strength, business diversification, and strategic direction, but also notes its reliance on repo funding, geographic concentration in Jamaica, and sensitivity to interest rate trends.

The investment is appropriate for yield-focused investors seeking fair compensation for moderate credit risk. Monitor cash flow recovery, funding costs, and macroeconomic conditions for future re-rating potential.

Source: http://www.Jamstockex.com, JMMB Investment & Research, Bloomberg, Company Financials, Offering Term Sheet, Statistical Institute of Jamaica, Bank of Jamaica

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

PLEASE NOTE THAT NO INDIVIDUAL ASSET IN YOUR PORTFOLIO SHOULD HAVE A WEIGHTING GREATER THAN 5% UNLESS OTHERWISE RECOMMENDED BY YOUR PORTFOLIO MANAGER OR A SPECIFIC JMMB RESEARCH REPORT. CONSEQUENTLY, THE FOLLOWING **DEFINITIONS** ARE PROVIDED FOR CLARITY.

OUTPERFORM/OVERWEIGHT/BUY—EXPOSURE TO THIS ASSET SHOULD BE UP TO 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

MARKETPERFORM/HOLD/MARKETWEIGHT—EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

UNDERPERFORM/UNDERWEIGHT— ADJUST EXPOSURE IN YOUR PORTFOLIO HELD AT JMMB TO BETWEEN 2.5% AND 4.9% FOR THIS PARTICULAR ASSET

STRONGLY UNDERPERFORM/UNDERWEIGHT—REDUCE EXPOSURE TO THIS ASSET TO BELOW 2.5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

SELL—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO (0%).

COPYRIGHT INFRINGEMENT

No part of this research report may be modified or changed or exploited or used in any way for derivative works, or offered for sale, or used to construct any kind of database or mirrored at any other location without the express written permission of JMMB.

Thank you for respecting our intellectual property rights."

The investments referred to in this report may not be suitable for you should consult your licensed investment advisor. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable to your individual circumstances or otherwise constitutes a personal recommendation to you.

Disclosure Under the Securities Act

This disclosure is being provided pursuant to section 39 of the Securities Act. This research report is prepared by Jamaica Money Market Brokers Limited (JMMB) and the information and views expressed are those of JMMB. JMMB is a subsidiary of the JMMB Group Limited (JMMBGL). Associated persons of JMMB include JMMBGL and its subsidiaries and affiliated companies, including JMMB Fund Managers Limited, a licensed securities dealer and manager of collective investment schemes.

As at the date of this report, JMMB and its affiliates, directors, officers, employees and other associated persons may from time to time buy or sell, or act as principal or agent in, the securities mentioned in this research report. JMMB or its affiliates, directors, officers and employees have no interest in or interest in the acquisition or disposal of the securities other than expressed above. No part of their compensation is or will be related to the recommendations or opinions in this report.