



# Fort \ 72 IQ

Region – Guyana

Asset Class – Citizens Bank Equities

Nicholas Persaud & Team– 5/20/22

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**Company Description** – Citizen bank is a major Guyanese institution that provides retail and commercial banking services to its clients through their six branch networks. The company’s retail and commercial services focuses on various financial transactions which include loans, deposits, investments, and foreign exchange trades.

**General Market** – Guyana’s economy has grown by 14.5% during first six months of 2021 due to heighten activities in almost all the major sectors such as petroleum, gas, construction, manufacturing, and servicing. Although, the agriculture sector recorded a decline in output due to unprecedented flooding in May and June of 2021, the economy is still projected to grow by 5.9% during the second six months of 2021, ending the year at a 20.4% growth rate. Some of the major factors contributing to this projected growth rate are higher oil outputs and higher oil prices.

Inflation and interest rates should also be considered as we closely monitor growth prospects for the rest of the year. During the first six months of 2021 inflation was at a 5.6% rate. This was primarily due to an increase in food prices, oil prices, and goods and services prices. Inflation is currently projected to remain within the single digit range for the rest of 2021, meanwhile, the value of the Guyana dollar relative to the United States dollar remained constant at US\$1.00 = G\$208.50, year-over-year, from of September 2020 until September 2021.

**Industry Analysis** – Within the first half of 2021, the Banking Sector, which includes commercial banks and other licensed depository financial institutions, reported higher revenue and profits compared to the prior years. However, at the same time, the sector faced an increase level of non-performing loans when compared to that of June 2020. The consolidated average capital adequacy ratio computed at 30.9% is well above the prudential benchmark of 8.0% which suggests that the overall banking sector remains resilient through these times.

In 2021 businesses saw the continuous effects of the COVID-19 pandemic, although it remains a serious financial threat to the performance of all sectors, the Bank of Guyana has committed to a series of events designed to minimize the economic impact of COVID-19 on the entire financial system. These continuous efforts will maintain the commitment to safeguarding and strengthening the resilience of the financial sector, alleviating pressure the Guyanese economy.

## Annual Report Highlights

- Auditor – Jack A. Ali and Sons
- Earnings per share – \$17.70
- Dividend –per share for 2021 was \$3.50GY
- Total number of shares outstanding (thousand) – 59,491,300
- Effective tax rate – non -commercial / commercial 40%

### **Management's Shares**

	ORDINARY SHARES		ORDINARY SHARES	
	2021 Beneficial Owned	2021 Beneficial Associates	2020 Beneficial Owned	2020 Beneficial Associates
Mr. Clifford B. Reis C.C.H.	NIL	125,000	NIL	125,000
Mr. Wilfred A. Lee A.A.	NIL	NIL	NIL	NIL
Mr. Rakesh K. Puri	NIL	9,929,241	NIL	9,929,241
Mr. George G. Mc Donald A.A.	NIL	NIL	NIL	NIL
Mr. Michael Pereira	NIL	NIL	NIL	NIL
Mr. Paul A. Carto A.A.	NIL	NIL	NIL	NIL
Ms. Deenawati Panday	NIL	NIL	NIL	NIL
Mr. Ronald Burch-Smith	NIL	NIL	NIL	NIL
Mr. Eton M. Chester A.A, O.D.	NIL	26,251	NIL	26,251

From Pg.29 of Citizens Bank Annual Report

### **Institutional Shareholders**

	2021 Amount	2021 %	2020 Amount	2020 %
Banks DIH Limited	30,340,557	51.0	30,340,557	51.0
Continental Agencies Limited	9,929,241	16.7	9,929,241	16.7
Hand-in-Hand Pension	5,802,885	9.8	5,802,885	9.8
Hand-in-Hand Group	4,205,356	7.1	4,205,356	7.1

From Pg.29 of Citizens Bank Annual Report

## Fort \ 72 IQ Metrics

*Note: The data used for our evaluation below is based on the company's annual report and GASCI sessions 899 - 951 for the fiscal year 2021 – 2022.*

Price movement: GY \$151.50- \$203

Price to earnings: 11.5

Dividend: GY \$3.50

Dividend yield: 1.724 %

YOY dividend increase: 8.6 %

Market Cap: GY \$12,076,733,

At price per share 203.00 from GASCI trading sessions #951

## Guyana's Future Outlook

According to the World Bank's latest Global Economic Prospects report, Global growth for 2022 is expected to come in at 4.1%, which is a few basis points lower than the recent 5.5% growth in 2021. These estimates are based on the possibility that COVID-19 will continue to disrupt economic and supply chain activities.

However, those global pressures position Guyana with the opportunity to surpass other countries that are directly fighting these issues. Guyana's economy continues to achieve abnormal growth due to its emerging Oil and Gas Sectors growing by 21.2% in 2021, following 43.5% growth in 2020. (Demerara Distillers Limited, 2021, p.25)

In addition, the Government of Guyana is estimated to pour large capital investments into Guyana's public infrastructure which includes power and human capacity buildings. The effects of these investments and public policy measures are likely to contribute to additional growth in the Guyanese economy and increase spending by local consumers, contributing to the country's GDP.

## Fort \ 72 Investment Thesis

- Track record of growth
- Strong cash flow generation ability
- Diversified lender of companies in country
- No international exposure to the world economy
- Knowledgeable and committed team
- Well positioned for future growth based on country economic conditions

## Calendar of events

- Next shareholder meeting is at Thirst Park, Georgetown January 2023.

## References Page

Citizens Bank (2022). *Annual Report 2021*. Retrieved from Republic Bank:  
<https://www.citizensbankgy.com/wp-content/uploads/bsk-pdf-manager/2022/02/CitizensBankAR2021.pdf>

Demerara Distillers (2022). *Annual Report 2021*. Retrieved from Demerara Distillers:  
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