



Fort \ 72 IQ

Region – Guyana

Asset Class – Demerara Bank Limited

Nicholas Persaud & Team – 9/20/22

Risk Disclaimers: "Please note that the information presented in this report is classified under Fort 72's research program, which has analyzed and consolidated Demerara Bank Limited's data for evaluation purposes. Fort 72 currently owns no shares of Demerara Bank Limited. Furthermore, this report does not promote or recommend investment decisions into the companies that it covers, instead this report should be used as an additional premise for the companies that it covers. If there are any doubts regarding the merits of this report, please refer to the reference page."

Company Description – Demerara Bank Limited is a banking financial institution. Through its 8 branches, the bank offers a range of financial services throughout the country.

General Market – Guyana’s economy has grown by 14.5% during first six months of 2021 due to heightened 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 – Nizam Ali & Company Chartered Accountants
- Earnings per share – \$6.56
- Dividend – \$1.65 GYD
- Total number of shares outstanding – 450 000 000
- Effective tax rate – 41.8%

Management's Shares

	Beneficial Interest	Associate's Interest
Dr. Yesu Persaud	5,410,000	Nil
Mr. Hemraj Kissoon	Nil	1,000,500
Mr. K. R. Samaroo	Nil	22,410,000
Mr. Harryram Parmesar	361,346	Nil
Dr. Leslie Chin (held jointly with associate)	260,000	390,157
Mrs. Chandra Gajraj (Corporate Secretary/Director)	1,000,000	Nil
Mr. Pravinchandra Dave (CEO/Director)	400,000	Nil
Mr. Garfield Wiltshire	125,000	3,000

From Pg.13 of Demerara Bank Annual Report 2021

Substantial Shareholding:

Trust Company (Guyana) Limited 85,006,617 – 18.89%

From Pg.13 of Demerara Bank Annual Report 2021

Fort \ 72 IQ Metrics

Note: The data used for our evaluation below is based on the company's annual report and GASCI sessions 894-946 for the fiscal year 2020 – 2021.

Price movement: From \$91.00 to \$211.00

Price to earnings: 32.16

Dividend: GYD \$1.65

Dividend yield: 0.78%

YOY dividend increase: 24%

Market Capitalization: 94,950,000,000

At price per share \$211

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

References Page

Demerara Bank (2022). *Annual Report 2021*. Retrieved from Demerara Bank:
<https://www.demerarabank.com/sites/default/files/2022-01/DBL%20Annual%20Report%202021.pdf>

Demerara Distillers (2022). *Annual Report 2021*. Retrieved from Demerara Distillers:
https://www.demeraradistillers.com/images/pdf/DDL_AnnualReport_2021.pdf