MAKING MONEY WORK FOR YOU.

Initial Public Offer

Dolla Financial Services Limited

Barita Investments Limited
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BARITA INSIGHTS: Dolla Financial - Initial Public Offer (IPO)

MAKING MONEY WORK FOR YOU.

Company Overview

Dolla Financial Services Limited ("Dolla" or "The Company" or "Dolla Financial") was incorporated in 2009 and has been operational since 2014. The Company operates as a microfinance institution with 8 locations in Jamaica and has recently forayed into the Guyanese microfinance space. In 2016, to expand its exposure beyond the corporate area, the Company acquired the loan portfolio of M-Twenty-Four Investments Limited ("M-24").

The initial operations of the Company were centered around the provision of Cambio, remittance, micro-finance lending, and bill payment services. However, to attain a stronger footprint within the microfinance industry locally, Dolla exited all other business services in 2018. This was done to provide a concentrated effort in the microfinance arm of the business. The loan products that the Company offers are tailored toward MSMEs, entrepreneurs, and individuals. Since its inception, Dolla has disbursed over $2.30 billion in loans. Dolla's initial public offering (IPO) aims to raise $500 million (provided the offer is fully subscribed), via the issuance of 250 million new shares and the selling of 250 million units by an existing shareholder (First Rock Private Equity).

Analyst Insight & Investment Rationale

Valuation: Based on our Price to Earnings, Price to Profit before tax, and justified P/B valuations, we established a price target of **$1.93** which is 93% above its IPO price of $1.00 which underpins our "participate" recommendation. This estimate reflects our base-case assumptions guiding our expectations of the company's future earning potential. The Company will receive tax relief by listing on the Junior Market as well as an increase in its lending capacity, which when coupled with its low leverage; positions the Company to grow via additional debt capital. This in turn would be used to expand the size of the loan book.

Increased Barrier to Entrance: With the recent passing of the Microcredit Act (2021), there will be an increasing number of requirements and regulatory filings that will be demanded by regulators of microfinance institutions, and operators will be subjected to increased scrutiny. The tightened regulatory environment that exists for Microcredit Institutions (MCIs) may serve as a barrier to entry for businesses looking to compete in the industry. Also, this new environment could make it difficult for smaller firms to compete effectively, and as such, may result in increased merger and acquisition opportunities arising; thereby presenting an additional path to expansion for Dolla.

Geographic Diversification: We believe that the recently launched operations in Guyana should provide an added layer of geographic diversification and in turn, risk mitigation. The expansion into Guyana supports enhanced credit risk management as the Company's loan portfolio is not entirely exposed to a single territory.

Strong Growth Potential: Dolla is in an expansionary mode which is evidenced by the growth in the loan portfolio. The loan portfolio has grown by 167.26% or $544.64 million YoY as of the end of March 2022**.** We believe that there still exists room for strong growth, emerging from base effects, the addition of equity capital through the current IPO, and the capacity to increase debt financing once the company's leverage ratio reduces, post the Initial Public Offering ("IPO").

Action:	PARTICIPATE
Industry Outlook	Positive
General Public Offer Price	J$ 1.00
Base Case Price Target	**J$ 1.93**
Potential Upside	93%
Current P/E (12M Trailing)	14.07x
Current P/PBT (12M Trailing)	11.54x
Current P/B	6.67x

Financial Summary (J$)

	2018	2019	2020 (18 months)	2021
Revenue	103.9M	101.5M	201.3M	321.2M
Net Interest Income	42.1M	86.9M	193.0M	305.0M
Profit before Tax	-35.4M	-4.46M	17.5M	167.8M
Total Assets	161.6M	240.5M	334.1M	861.1M
Total Equity	37.2M	28.4M	9.5M	314.9M
Gross Loans	121.1M	202.5M	294.3M	750.5M

Financial Ratios

	2018	2019	2020 (18 months)	2021
ROE (%)	-334.1	-13.7	79.9	79.9
Net Interest Margin (%)	46.7	53.8	77.7	58.4
Net Profit Margin (%)	28.1	-4.4	7.5	40.3
PBT Margin(%)	34.1	-4.4	8.7	52.2
Leverage Ratio (x)	4.3	8.5	35.3	2.7
Non-performing loan Ratio (%)	6.5	5.8	12.1	5.3

Offer Summary:

Issuer	**Dolla Financial Services Limited**
Offer	**Initial Public Offer of up to 500,000,000 Ordinary Shares, of which 250,000,000 units are newly created shares and the remaining 250,000,000 are being sold by an existing shareholder: First Rock Private Equity The reservations are as follows:** **I. 125,000,000 Company Applicants** **II. 162,500,000 Key Partners Reserved**
Arranger	I. Lead Arranger and Financial Advisor: **VM Wealth Management Limited**
Subscription Price	I. General Public: **J$1.00 per share** II. Reserved Share pool: **J$1.00 per share**
Minimum Subscription	I. Investors applying for shares must request a **minimum** of **1,000 shares** per applicant. Amounts above this shall be in **multiples of 100 shares**.
Use of Proceeds	The company is seeking to raise **J$500,000,000,** of which it expects to use **J$25 million** to cover the costs associated with arranging the IPO and the net proceeds of this offer are expected to be **J$475 million.** **I. $250,000,000 will be received by selling shareholders who had taken on debt towards investment in Dolla Financial.** **II. $225,000,000 will be used to expand the Company's loan portfolio across the Caribbean via acquisitions and organic means.**
Dividend Policy	The directors of the company are of the view that if successful with this invitation to list on the Junior Market, they anticipate that the dividend payout for shareholders of up to 50% of net profits. The prospectus further notes that the statement of the proposed Dividend Policy should not be construed as a dividend forecast or a guarantee.

As of the date of the prospectus (May 20, 2022), the composition of the Company's issued share capital is illustrated in the table below; the company had issued shares of 2,250,000,000.

Name of Shareholder	Number of Shares	% Ownership
First Rock Private Equity Limited	1,687,500,000	75%
Dequity Capital Management Limited	562,500,000	25%
Total Issued Share Capital	**2,250,000,000**	**100%**

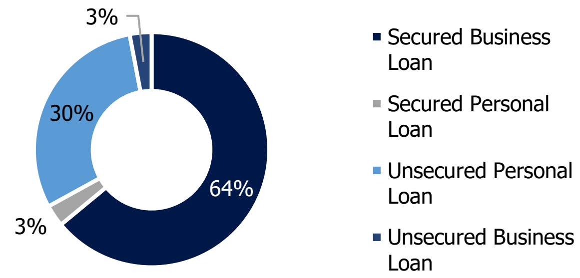
If the IPO is fully subscribed, the issued ordinary share capital will be as follows:

Name of Shareholder	Number of Shares	% Ownership
First Rock Private Equity Limited	1,500,000,000	60.00%
Dequity Capital Management Limited	500,000,000	20.00%
General Public	212,500,000	8.50%
Reserved Shares for Company Applicants	125,000,000	5.00%
Reserved Shares for Company Key Partners	162,500,000	6.50%
Total Issued Share Capital Post IPO	**2,500,000,000**	**100.00%**

Dolla Business Economics

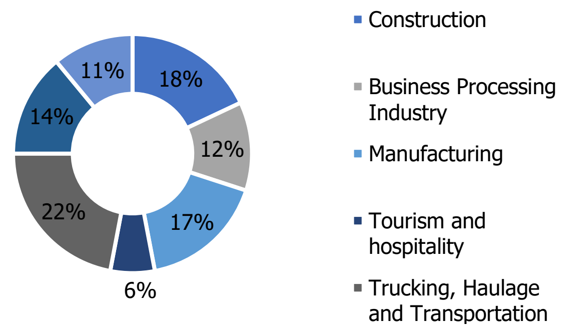
Dolla Financial Services engages in the business of microlending, providing loans to individuals and businesses alike. The structure of these loans can either be secured or unsecured. As of December 2021, secured business loans accounted for 64% of the overall loan portfolio, while the second-largest class of loans was that of unsecured personal loans which accounted for 30% of the Company's loan portfolio. The composition of the loan portfolio bodes well from a risk management perspective as 67% of the loan portfolio is secured. The collateralization of most of the loan portfolio provides a great sense of assurance as it relates to the minimization of downside risks in the event of a default.

Business vs Personal Loans



Dolla's loan portfolio spans multiple industries which helps to mitigate sector concentration risk. The sector which constitutes the largest portion of the loan portfolio is trucking, haulage, and transportation which represents 22% of the total loan portfolio. The sector diversification of Dolla's loan portfolio is indicative of stringent risk management.

Loan Portfolio as at Dec 31, 2021



Industry & Operating Overview

Economic Landscape & Its Impact

Given the backdrop of the supply chain disruptions that have emerged as an externality from the pandemic, many economies have had to grapple with rising inflation, with Jamaica counted among those facing challenges. To mitigate against the impact of the inflationary environment, the central bank has been increasing its policy rate. The BOJ in May raised its policy rate by 50 basis points, moving the policy rate to 5.0%. This was done to curb what has become more dispersed and embedded inflation. Point to point inflation at the end of April was 11.8%. Consequently, inflation remains well above the BoJ's 4%-6% target range. This, in our view, may create a situation where Dolla Financials' cost of funding increases. However, given that it operates within the microfinance industry, we expect that the company should be able to pass on the rising interest costs to its customers. As such, we believe any potential decline in net interest margin because of the rising rate environment is somewhat mitigated.

Microcredit Act 2021 Implications

The Microcredit Act was passed in January 2021 and became effective in July 2021. The Microcredit Act seeks to provide a regulatory framework for the local microfinance industry. Below we describe the key features of the Act and outline how it may affect Dolla Financial Services' operations and future performance:

- **The Act that was passed and is in effect:** In the version of the Act that was passed, Microfinance Institutions can develop/create interest rates for each client. In the current model, MCIs can establish the interest rate based on the client's credit risk and market forces. One of the key benefits that have propelled the growth in MCIs has been their ability to charge higher interest rates when compared to that of traditional financial institutions. With this feature remaining intact with the passage of the act, a key component that has aided Dolla's growth remains in play. We note this version of the Act that was passed and is in effect differs from the original stipulations which had suggested that the rates charged by microcredit companies would be directly linked to Treasury Bill rates.

- **Barrier To Entry:** Before the passage of the Act, the entry of new players into the microcredit industry was relatively unrestricted. However, the new regulations bring about requirements including fit and proper statements for each director and senior manager, filing of annual financials, and periodic going concern assessments. We believe these requirements reduce the likelihood of new entrants to the market due to increased compliance costs. For clarity, we do expect new entrants to enter the space but at a much slower pace than in previous years. This, in our view, should mitigate the pace at which the market becomes saturated with competitors and places Dolla and current market participants in a position to grow more rapidly.

- **Pricing Transparency:** Under the Microcredit Act, companies within the industry will be required to provide information to customers on all the transaction costs involved in procuring and servicing loans. This includes the processing fees, effective interest rate, penalty charges, and all other costs that would be associated with the loan. The aim of this is to allow customers to be well informed as to the best available options within the microcredit space to make the best decision that suits their needs (by comparing the different credit providers). This requirement creates increased industry competition which ultimately affects Dolla's competitive positioning (positively or negatively) as greater transparency affects consumer decision-making.

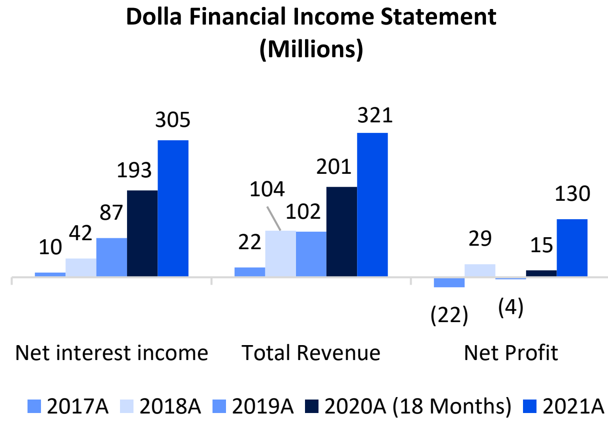
All in all, we believe that Dolla's operation is not likely to be significantly negatively affected by the micro-credit act that came into effect in July 2021. Consistent with this, we note that the Company's Q1 2022 income statement reflects continued growth.

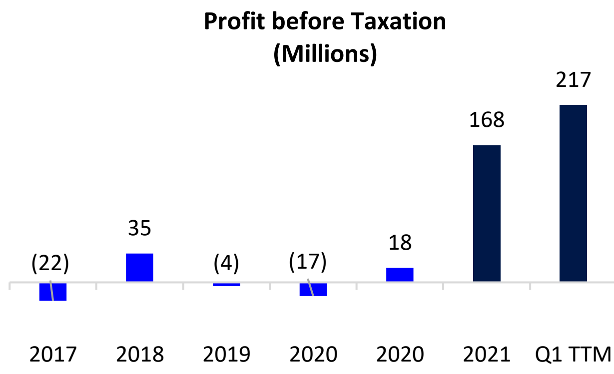
2021 Financial Year

Income Statement

For the financial year that ended December 2021, Dolla generated net interest income after ECL of $305 million which represents an increase of 58% YoY (note that the YoY growth is effectively higher than 58% since the Company's 2020 results represent 18 months of operation). The driver of growth in net interest income YoY is the result of the growth in Dolla's loan portfolio throughout the financial year. Loans receivables at the end of December 2021 amounted to $751 million which was an increase of 155% or $456 million YoY. This growth in the loan portfolio YoY can be interpreted as the Company enjoying considerable demand for its loan products. Total revenue for FY2021 amounted to $321 million which was an increase of 60% or $120 million YoY.

The Company's revenue growth over the period was matched by stellar expense management. YoY, operating expenses, despite the significant revenue growth, declined by 16% or $31 million. This implies that the improved financial performance witnessed is somewhat fuelled by an efficient cost optimization approach. Net profit for the period amounted to $130 million which was an increase of 757% or $114 million YoY.





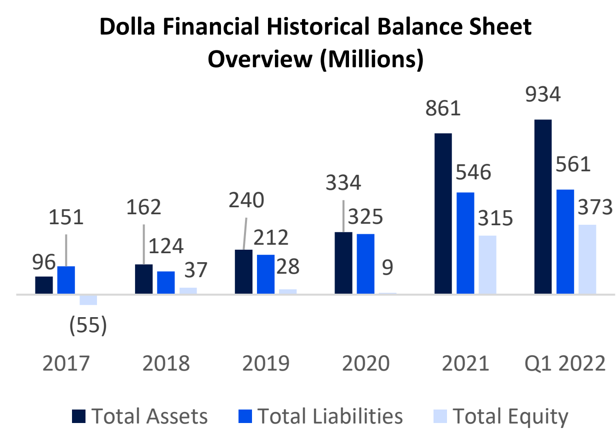
Q1 2022

Balance Sheet

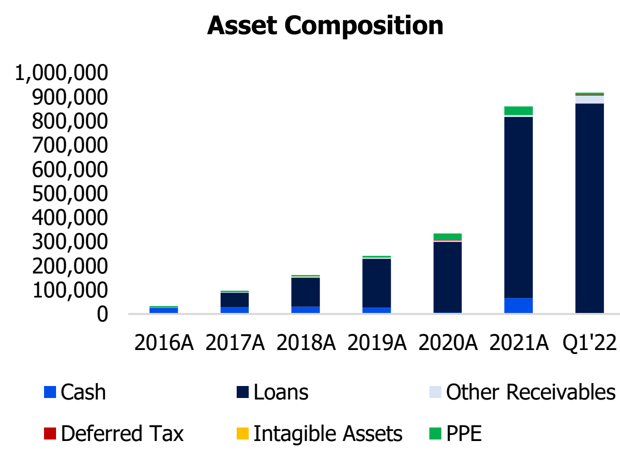
In Q1 2022, Dolla reported total assets of $934 million which was an increase of 289% or $694 million relative to its FY2019 total assets of $240 million before the investment by First Rock. As shown in the accompanying chart, the Company's balance sheet has been in an uptrend since the acquisition, reversing several years of minuscule asset and funding base growth.

As can be expected, the increase in the Company's total assets was driven by increased capital injection in the form of loans payable and share capital.

Asset Composition: The Company's total assets as of March 31, 2022 was comprised of loans receivables (93% of Total Assets (TA)), receivables (3.5% of TA), right of use asset (2.9% of TA), PPE (0.8% of TA), Deferred tax asset (0.5%), cash and equivalents (0.2% of TA) and intangible assets (0.001% of TA). We note that the cash balance by the end of March 2022 deteriorated significantly, declining from $65.6



million at the end of December 31, 2021, to just $2.11 million at the end of March. The reduction was heavily influenced by growth in the Company's loan book which expanded by $119 million (16%) in just that quarter and $545 million (167%) YoY.



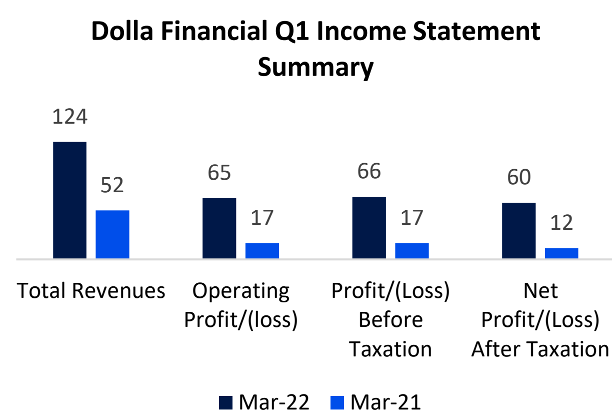
Leverage: As we consider further growth beyond this period, we note that the Group's leverage (total assets/total shareholders' equity) has fallen and is currently at 2.5x and should reduce once the Company raises additional equity. This, therefore, places the Company in a position to build its capital base in the form of debt further in the coming years to grow the balance sheet. Also, if the current cash balance and loan growth are any indications, the demand for the Company's services has been significant.

Ultimately, the business' growth capacity will be driven by several factors including:

1. **Access to Capital:** Its ability to continue sourcing capital at a relatively attractive rate remains an important factor. While we note the current environment is tight, the Company's balance sheet is under $1 billion. It, therefore, implies that the Company is likely small enough relative to the typical lender, to source capital relatively easily.
2. **Favorable regulations:** The present regulations are not overly burdensome. A negative change could stifle the Company's growth.

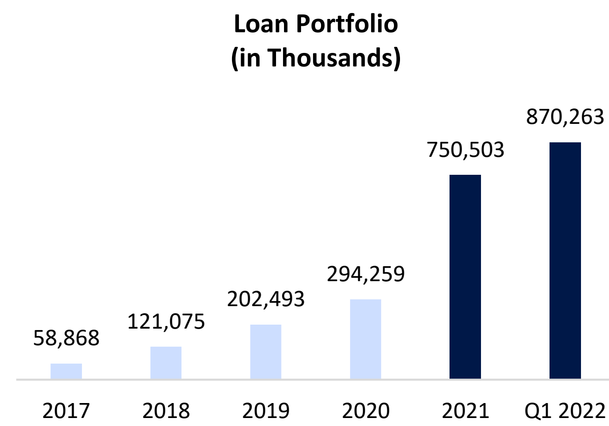
Income Statement

For the quarter that ended March 2022, net interest income amounted to $123 million (adjusted for ECL) which was an increase of $83 million (200%). Total revenue for the quarter increased by $72 million (140%) to $124 million.



With the growth in total revenue, operating expenses also grew, but at a much smaller pace. Total operating expenses amounted to $64 million which was an increase of 73% or $27 million YoY. The growth in expenses was primarily driven by increased staff costs. Staff costs climbed by 86% or $18 million YoY, as the Company began building out its operations to serve a wider client base. Operating Profit for the quarter grew 279% amounting to $65 million, relative to last year's prior amount of $17 million.

For the quarter, net income totaled approximately $60 million, $48 million (412%) ahead of the prior year's outturn of approximately 12 million.

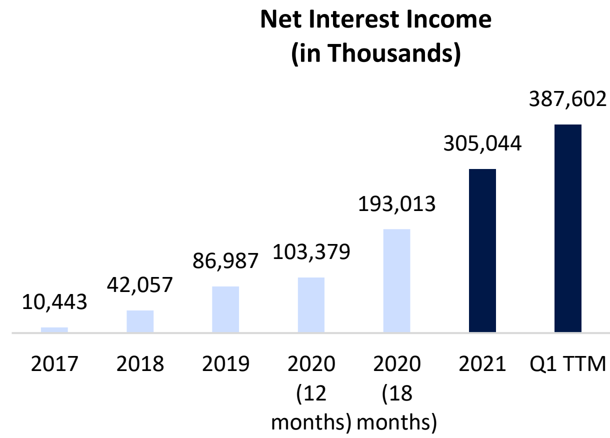


Strategic Opportunities and Outlook

To drive growth within the business, the company has outlined some strategic initiatives it hopes to undertake, these include:

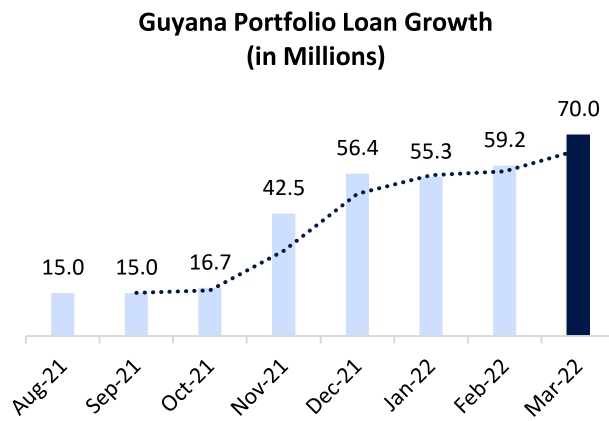
Loan Portfolio Growth and Operational Efficiencies

The company believes there is still significant growth potential in Jamaica and the Caribbean at large for short-term personal and microfinance loans to retail and business consumers. The company plans to strategically improve its local footprint by expanding its branches, its customer base, and market share. Due to the microcredit act, which was passed in January 2021, small microfinance firms may struggle with the cost of compliance, creating an opportunity for Dolla to grow its portfolio through mergers and acquisitions. Along with providing customers with more loan solutions, the company also plans to improve internal efficiencies and focus on improving customer experience through investments in technology. These include further development of the website and the buildout of apps to bridge the gap between the company and current and future customers. As stated by management, $225.00 million from the raise will be used to grow the loan portfolio. The addition of the proceeds from the IPO will likely grow the loan portfolio by 20.54%. Using the Company's current operations as a guide, the current yield on the loan portfolio is 15.43%. Using that as a gauge, the increased loan portfolio could very well result in Dolla's interest income increasing by 22%, or $30.02 million. Post IPO we expect growth to continue along with its current trend. For the quarter that ended March 2022, Dolla was able to grow its loan portfolio by 167.26%, or $544.64 million, while being able to attain growth of 15.96%, or $119.76 million between the fourth quarter of 2021 and the first quarter of 2022. **The strong growth in the loan portfolio in our view is indicative of strong demand for the suite of loan products that they offer and as such, we believe that this growth will continue with the proceeds raised from this invitation.**



Guyana Market Entrance

According to the International Trade Administration in October 2021 Guyana's financial sector is well-positioned for growth. In August 2021, the company established its wholly-owned subsidiary, Dolla Guyana Inc., which is incorporated in Guyana, for the provision of short-term loans. The branch is in the country's capital, Georgetown, which is the central location for commercial activities. Total loans have shown a CAGR of 24.62% from August 2021 to March 2022, with the portfolio being diversified among personal and business loans, across various sectors. In early 2021, Guyana's prime minister noted that the country would be one of the fastest-growing economies as measured by real GDP growth. Even during the pandemic, sectors such as extracting, manufacturing, and construction grew at 65%, 13%, and 25% respectively. The company has observed an opportunity for business loans, particularly to mining and construction companies for equipment. The company sees favorable growth and profitability in its portfolio over the next five years, which it plans to unlock by providing the market with innovative solutions in line with customer needs. The company is also the first company to introduce microfinance products and services to that market, creating a first mover's advantage and the potential for significant market capture.



Technical Details

To supplement our fundamental analysis, we have also looked at the technical aspects of this offer. Within that vein, we expect a significant increase in Dolla's share price post listing. This view is underscored by current sentiments within the marketplace. Below we describe the guiding points to this view:

- **Market Selloff**: At the close of Tuesday's trading session (May 24, 2022), the Junior Market declined by 5.2%. The sell-off within the market is likely an indicator of persons exiting stocks to purchase Dolla's IPO. This suggests there is considerable market demand for the offer and the sale of stocks represents a maneuver taken to increase liquidity. To the extent that the demand for shares outstrips the offered amount, excess demand should drive upward price movement upon listing. Of the stocks that had declined, the total value traded amounted to $96 million. We note that declines of this magnitude do not occur on a typical trading day. Specifically, on average, the daily average price change on the Junior Market since the start of the year was 0.25%. This suggests that a 1-day decline of -5.2% is a significant drawdown, with the only external catalyst for such a market reaction being the Dolla IPO.

- **Float-size:** The offer has been structured in a way that creates room for upward price action**.** Dolla is seeking to raise $500 million via the sale of 500 million units of shares. Of that 500 million shares, 212.5 million units are being offered to the public. In essence, the float size will be relatively low. As a result, demand is likely to outweigh supply and as such, there is a higher likelihood of the stock price surging upwards.

- **Dolla's Agility:** In addition to fundamental factors, equity markets are driven by sentiment. Despite the difficulty in pricing sentiment, the existence of market sentiment as a moving factor of equity prices cannot be ignored. Positive, outsized, market sentiments are primarily driven by growth expectations and actual profitability growth. In light of this, given the early stage of Dolla's operations, its low leverage, injection of fresh equity capital, and the current demand for the stock, we believe its strong growth potential will likely attract positive market sentiment which could aid its stock price movement.

With these considerations, we believe that there exists strong technical support that suggests participants can benefit from capital gains. Using the IPO price as a reference we believe that given the current market environment and conditions, there could be an upward swing in the price of around 2x to 3x the listing offer.

Valuation and Recommendation

To value Dolla Financial Services we employed 3 valuation methods, namely the 2 relative P/E multiple valuations, and the justified P/B valuation. Our average valuation from the methods resulted in a range of $1.50 to $2.35 based on its current standing and growth prospects, resulting in an average price target of $1.93.

P/PBT and P/E Multiple Valuation

Our P/PBT valuation is a variation of the P/E valuation that incorporates the profit before taxation measure, as opposed to the net profit measure. This was deemed appropriate since Junior Market listings have 5 years of tax-free reporting once listed. To determine an appropriate multiple, we reviewed: recently listed companies and their listing price multiples as well as Dolla Financial's current multiples, and potential growth scenarios for the company with base, downside, and upside cases. Our base case sees Dolla Financial growing Profit before tax on a 1-year basis, by 70%, giving us a valuation of $1.70 at its current P/PBT multiple of 11.54x, and $2.35 at a multiple of 15.95x, the average of recently listed entities. Our P/E valuation sees the company being valued at $1.75 based on our growth expectation along with its current trailing multiple at 14.07x, and a price of $2.25 using the P/E multiple of recently listed entities at 18.13x.

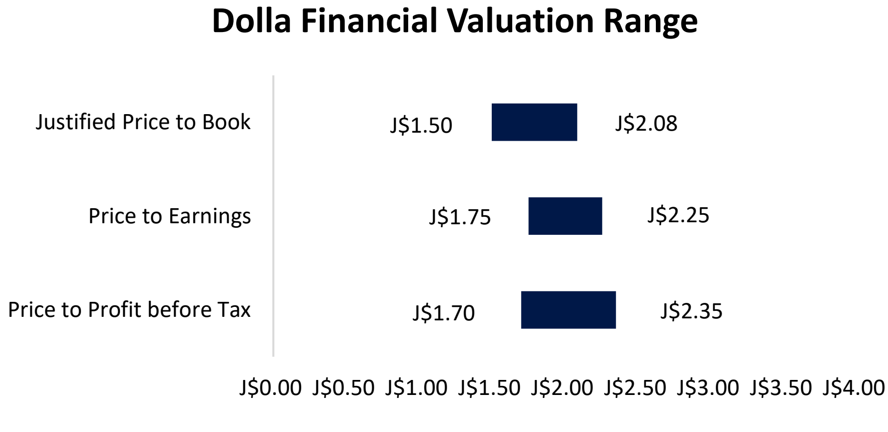
Justified P/PB Valuation

The justified P/B was used to provide a fundamental approach to determine an appropriate multiple for Dolla. We note that the method typically uses the most recent return on equity (ROE). Given the high growth of the Company, however, and its relatively small equity base, ROE on a trailing basis was 90%. We, therefore, opted to use an average of the prior 3 financial years, which resulted in an ROE of 59%.

For our **cost of equity,** a build-up method was used to determine the cost of equity of **18.84%**, and a **long-term growth rate** of **10.79%** was utilized.

We projected the company's book value per share growth based on the potential retained earnings the company will generate in base, upside and downside case scenarios. We estimated a 1-year book value of $0.35, and paired with our justified price to book multiple of 6.01x to arrive at a valuation of $2.08.

Finally, we acknowledge that the valuation process is both an art and a science. To that end, we've produced the accompanying chart which shows the range of valuation outcomes based on the specified methodologies indicated above. At both the low and high end of these ranges, Dolla Financial Services is attractively priced at $1.00.



Consequently, we recommend that investors **PARTICIPATE** in the offer, as the company has potential for significant growth due to its expansion and growth factors along with the company listing at favourable multiples relative to the market. The company expects to see continuous strong loan portfolio growth in Jamaica, and the next five years anticipate significant growth in its Guyana loan portfolio.

Positives	Negatives
Low Leverage: The Group's leverage (total assets/total shareholders' equity) has fallen and is currently at 2.5x which should reduce once the Company raises additional equity. This, therefore, places the Company in a position to build its capital base further over the coming year to grow the balance sheet. Also, if the current cash balance and loan growth are any indication, the demand for the Company's services has been significant.	**Credit Risk**: Dolla is exposed to credit risk, which is the risk of failure of customers to repay their loans in the agreed timeline. To avert or lessen the impacts of credit risk Dolla could reduce concentration risk by not allowing themselves to be too sector or geographically concentrated. Reducing their loan concentration reduces the severity of defaults within their portfolio. Secondly, employing a vigorous adjudication and administrative policy in the issuance of loans can also prevent Dolla from lending to persons with an unduely low credit profile.
Regulatory Requirements: The new operating environment that microfinance entities will operate in as a result of the passage of the new Act in July 2021 will require microfinance entities to be fully compliant with the regulators.As such these entities will have to file their financials and operate more transparently. The increased regulation may serve as a barrier to new players entering the market.	**Changes in Economic Conditions:** Demand for financing products depends on diverse economic conditions, including growth rates, inflation, unemployment, adverse imbalances in international trade, the cost of energy and other necessities, the availability of consumer credit, interest rates, consumer confidence, debt levels, retail trends, foreign currency exchange rates, and government policies generally. These economic conditions are beyond the control of the company and can create significant shifts in the quality of its assets and consequently, its profitability.
Geographic Diversification: The added layer of geographic diversity that the recently launched operations in Guyana provide a cushion for concentrated credit risk. In furtherance of Guyana's operation, management has stated that part of the proceeds raised from this invitation will be geared towards the building out of a wider presence across the Caribbean. The geographic diversification allows Dolla to be less concentrated in its country risk, such as the quality of its loan portfolio being significantly impaired because of economic fallout in a specific country.	**The company at some point may not be able to source additional, affordable funding:** The Company's growth has been funded by internally generated income from our operations, debt securities, borrowings, and loans from other entities as well as equity capital. Adverse financial conditions, including crises or a reduction of credit availability, could limit Dolla's access to new or sustained funding. Any decrease in the availability of one or more of these funding sources could hurt the Company's business, financial condition, and results of operations.
Strong Management Team: The operations of Dolla Financial are being led by a team who has several years of experience at the senior management level and moreso within the financial services industry and who we believe are capable of executing strategic initiatives to foster growth in the Company.	