

PROVEN Investments Limited

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INFRINGEMENT IN THE APPENDIX**

Executive Summary of the Transaction

Proven Investments Limited (PIL) is seeking to raise funds via the issuance of 89,416,037 new ordinary shares. The company maintains the right to upsize the offer to 134,124,037 new shares, which would result in the company receiving gross proceeds of US\$30.28 million (net proceeds US\$29.34 million). If successful PIL intends to use the newly acquired funds to pursue further acquisitions and investments.

Offer Details

Issuer	Proven Investments Limited (PIL)
Securities	89,416,037 new ordinary shares with the option to upsize to 134,124,037 new ordinary shares. Including: 67,676,767 Reserved Shares as follows: 1. Key investors - 45,454,545 reserved shares 2. Existing shareholders – 22,222,222 reserved shares 21,739,270 non-Reserved Shares
Subscription Price	Non-reserved share applicants – US\$0.23/J\$33.50 per share Existing Shareholders - US\$0.225/J\$32.80 per share Key Investors – US\$0.2200/J\$32.10 per share
Minimum Subscription	Minimum of 1,000 shares, and multiples of 100 thereafter
Use of Proceeds	To pursue acquisitions and investments at various stages of execution
Lead Broker	Proven Wealth Limited (PWL)
Dividend Policy	Not less than 50% of the Company's annual after-tax profits will be distributed as dividends, subject to the requirement for re-investment to finance growth opportunities.
Timetable of Key Dates	Opening Date: 9:00 AM January 8, 2021 Closing Date: 4:00 PM January 29, 2021
Announcement of Basis of Allocation	Within 6 clear business days of the Closing Date
Refunds of subscription amounts	Within 10 clear days of Closing Date
Listing of New Ordinary Shares on the JSE	February 26, 2021

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PROVEN Investments Limited

Company Overview (PIL)

Proven Investments Limited (PIL) is incorporated under the International Business Corporation Act of St. Lucia, with registered office at 20 Micoud Street, Castries, St. Lucia. PIL is a private equity firm, with a core strategy to acquire, grow and extract value from its portfolio of investments and has made several acquisitions in the last 10 years. The company's assets and operations are managed by its Investment Manager, Proven Management Limited (PML), a company incorporated in Jamaica and licensed by the FSC. PIL began operations in February 2010 when the company raised US\$20 million via a private placement of ordinary shares. Subsequently, it raised an additional US\$9.7 million through a rights issue. In July 2011, PIL became the first asset to list on the USD Market. Since listing the company has raised capital several times through diverse avenues including preference shares and debt. PIL pursues three distinct strategies:

1. Private equity investments in financial services and real sectors
2. Real estate investment and development in the commercial and residential segments
3. Treasury/Proprietary – This captures capital structure, cashflow and liquidity management, structured around supporting the two other core strategies.

Below is a table highlighting the the historical changes in PIL's capital structure.

Date	Event	Shares Issued
January 2010	Private Placement via exempt distribution	200,000,000 ordinary shares
July 2010	Rights issue conducted as a Private placement via exempt distribution	94,951,884 ordinary shares
December 2011	Offering to existing members only	200,000,000 cumulative redeemable 8% preference shares maturing 2016 (redeemed)
May 2014	Rights Issue	73,737,971 ordinary shares
April 2015	Rights issue & conditional offer to existing shareholders	182,905,922 ordinary shares
December 2016 - January 2017	Public offering	400,000,000 cumulative redeemable 8.25% preference shares maturing 2021 (redeemed)
July 2017	Rights issue	73,712,186 ordinary shares

Furthermore, PIL has significant stakes in several companies spanning different sectors and geographic regions, including the entities presented in the table below.

PROVEN Investments Limited

Subsidiaries	Country of Incorporation	Nature of Business	% Ownership
Boslll Bank Limited	St. Lucia	Private Banking	75%
Proven Wealth Limited	Jamaica	Fund management, investment advisory services, and money market and equity trading	100%
International Financial Planning Jamaica Limited (formerly Proven Fund Managers Limited)	Jamaica	Pension fund management	100%
International Financial Planning (Cayman Limited)	Cayman Islands	Fund management	100%
Proven Reit Limited	Jamaica	Management services	100%
Associated Companies			
JMMB Group Limited	Jamaica	Investment advisory, Banking, Fund Management	20%
Dream Entertainment Limited	Jamaica	Entertainment	20%
Access Financial Services	Jamaica	Retail Lending	24.72%

The Investment Manager (PML)

PROVEN Management Limited (PML) manages PIL's assets and liabilities. PML is paid a management fee of 2% of PIL's average net asset value per annum. Meanwhile, MPS Holdings Limited (MPS), an investment holding company incorporated in St. Lucia as an IBC, has the same shareholders as PML. MPS holds 10,000 Manager's Preference Shares in PIL and *inter alia* collectively holds 50% of the voting rights in PIL on matters other than the Investment Manager's fees (on which each Manager's Preference Share carries one vote). MPS's Preference Shares also carry the right to a dividend equal to 25% of PIL's profits above the Hurdle Rate, payable quarterly. The Hurdle Rate is a percentage return on PIL's average equity in each of its financial years. It is set annually at the 12-month LIBOR prevailing at the beginning of its financial year plus 200 bps, with a permanent ceiling of 6%.

Financial Statements (PIL)

Net Revenue for the Company has increased at a cumulative average growth rate (CAGR) of 14.39% for the period under review (FY 2016 to FY 2020). However, Net Revenue fell approximately 4.7% in FY 2020, primarily due to a decline in Net Interest Income (NII). Lower interest income on loans receivable and increase interest on notes payable caused the decline in NII. Net Interest Income fell by 39.25% or US\$4.45 million, while interest on notes payable increased by 37.60% or US\$1.57 million. Gains on Securities Trading and Fees & Commission of US\$3.78 million and US\$11.58 million, respectively, curtailed the decline in net revenue in FY 2020. The surge in Gains on Securities Trading was due to the company reporting fair value gains on fixed-income securities of US\$2.70 million. This was significantly higher than the loss of US\$604 thousand recorded in FY 2019.

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For the period under review, Fees & Commissions income continue to increase consistently. Ultimately, in FY 2020 PIL produced earnings attributable to owners of the company totalling US\$29.98 million. A surge of income from the sale of a portion of PIL's stake in Access Financial Services for US\$24.93 million and an increase in share of results from associates to US\$10.44 million aided this gain. However, profit growth was constrained by a preference share dividend of US\$8.61 million.

PIL has grown its asset base at a CAGR of 15.12% for the period under review. However, the company's asset peaked in FY 2017 at US\$633.33 million. The primary assets on PIL's balance sheet at the end of FY 2020 are Cash & Cash Equivalents, Investment Securities and Investment in associates which make up 15.44%, 47.54% and 19.41% of total assets, respectively. Cash & Cash Equivalents surged in FY 2020 by 36.93% or US\$25.52 million to US\$94.63 million while Investment Securities fell by 13.47% or US\$45.34 million to US\$291.40 million. The decline in Investment Securities was primarily due to a reduction in Global Bonds and Corporate Bond holdings. PIL has three primary liabilities as at the end of FY 2020, namely Repurchase Agreements, Notes Payable and Deposits Due to Customers accounting for 12.73%, 25.21% and 40.86%, respectively, of total liabilities. Notes Payable is largely made up of US\$74.69 million in Structured Notes and US\$69.42 million of Long-Term loans.

On average, for the period under review, PIL's ROE and ROA have exceeded peers. This was due to a surge in profit in FY 2017 and FY 2020. A gain of US\$8.03 million resulting from the acquisition of BOSLIL bank boosted FY 2017 earnings. Meanwhile, FY 2020 earnings were boosted by a \$24.93 million gain from the sale of a portion of PIL's stake in Access Financial Services.

For the period under review, the stock price of PIL increased at a CAGR of 9.69%, which is lower than the 11.15% increase in the JSE US Market's over the same period. PIL's earnings volatility may have constrained investors' sentiment. PIL is a relatively liquid stock, trading an average daily value (ADV) of at least US\$34.9 thousand each FY since 2016 (except for FY 2019), with over US\$91.8 thousand of ADV in FY 2020.

Although PIL has holding companies that operate in other industries such as real estate, the financial sector generates most of its earnings and revenue. In the future, this could change as the company continues to acquire and extract value from its holdings.

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Table 1: Proven Investment Limited Abridged Financial Statement and Selected Equity Valuation Ratios

	2016	2017	2018	2019	2020	CAGR	Q2 2020	Q2 2021	Change
BVPS	0.1087	0.1297	0.1321	0.1451	0.1583	9.85%	0.18	0.19	6.95%
EPS	0.0042	0.0160	0.0091	0.0111	0.0479	83.27%	0.055	0.064	16.61%
Dividend Per Share	0.006	0.008	0.011	0.0081	0.0137	22.93%	0.0049	0.0041	-16.49%
Share Price	0.18	0.30	0.20	0.22	0.26	9.69%	0.27	0.26	-3.70%
US Index	132.20	216.59	161.45	175.79	201.77	11.15%	198.86	189.90	-4.51%
Net Interest Income	13,726,000	14,503,000	20,391,000	18,731,000	11,177,714	-5.00%	8,595,957	1,541,963	-82.06%
Gains on Securities Trading	(1,035,000)	1,720,000	4,293,000	1,139,000	3,782,565	N/A	2,437,021	3,854,739	58.17%
Pension Management Income	1,887,000	1,966,000	2,360,000	2,832,000	3,432,337	16.13%	1,652,293	1,567,942	-5.11%
Fees and Commission Income	2,042,000	2,368,000	5,076,000	8,202,000	11,584,739	54.33%	6,901,047	3,399,692	-50.74%
Net Revenue	20,996,000	24,822,000	36,150,000	37,720,000	35,949,554	14.39%	23,273,326	14,041,656	-39.67%
Operating Expense	16,839,000	18,249,000	23,561,000	25,889,000	28,570,327	14.13%	16,428,851	9,628,286	-41.39%
Core Earnings	4,157,000	6,573,000	12,589,000	11,831,000	7,379,227	15.43%	6,844,475	4,413,370	-35.52%
Net Profit	2,344,000	8,850,000	5,682,000	6,968,000	29,978,574	89.11%	23,692,878	4,797,531	-79.75%
Investment Securities	232,158,000	362,259,000	368,197,429	336,740,000	291,396,093	5.85%	295,505,571	261,505,826	-11.51%
Total Assets	349,043,000	633,330,000	574,391,858	623,321,000	612,981,820	15.12%	645,604,750	621,900,900	-3.67%
Notes Payable	96,529,000	96,687,000	110,960,294	185,550,000	154,502,508	12.48%	143,048,962	150,419,749	5.15%
Due to Customers	-	270,055,000	240,829,193	221,051,000	250,436,099	-2.48%	254,894,549	244,654,163	-4.02%
Repurchase Agreements	159,830,000	142,999,000	93,709,227	88,625,000	78,024,460	-16.41%	78,590,148	72,300,089	-8.00%
Equity	59,976,000	71,536,000	82,572,867	90,725,000	99,010,452	13.35%	113,941,710	121,864,398	6.95%
Ratios	2016	2017	2018	2019	2020	Average			
P/E	42.36	18.70	22.01	19.82	5.44	21.67	6.32	14.67	132.15%
P/B	1.66	2.31	1.51	1.52	1.65	1.73	1.48	1.33	-9.96%
Dividend Yield	2.85%	3.81%	4.57%	3.89%	5.02%	4.03%	1.97%	1.71%	-13.09%
ROE	4.58%	13.46%	7.37%	8.04%	31.60%	13.01%	27.22%	9.40%	-65.47%
ROA	0.66%	1.80%	0.94%	1.16%	4.85%	1.88%	4.53%	1.75%	-61.42%
Debt-to-Equity	1.61	1.35	1.34	2.05	1.56	1.58	1.26	1.23	-1.68%
Financial Leverage	6.97	7.47	7.84	6.91	6.52	7.14	6.01	5.38	-10.49%
Dividend Payout Ratio	141.19%	49.86%	121.06%	72.69%	28.58%	82.68%	8.93%	6.40%	-28.39%

Investment Positives and Negatives

Positives	Negatives
The Company provides geographic and sector diversification	Volatile profitability
Listed in USD which can serve as a currency hedge in a portfolio	Growth in earnings and equity constrained by preference share dividends to MPS.
The Company is an IBC allowing for an efficient tax structure	

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PROVEN Investments Limited**Outlook**

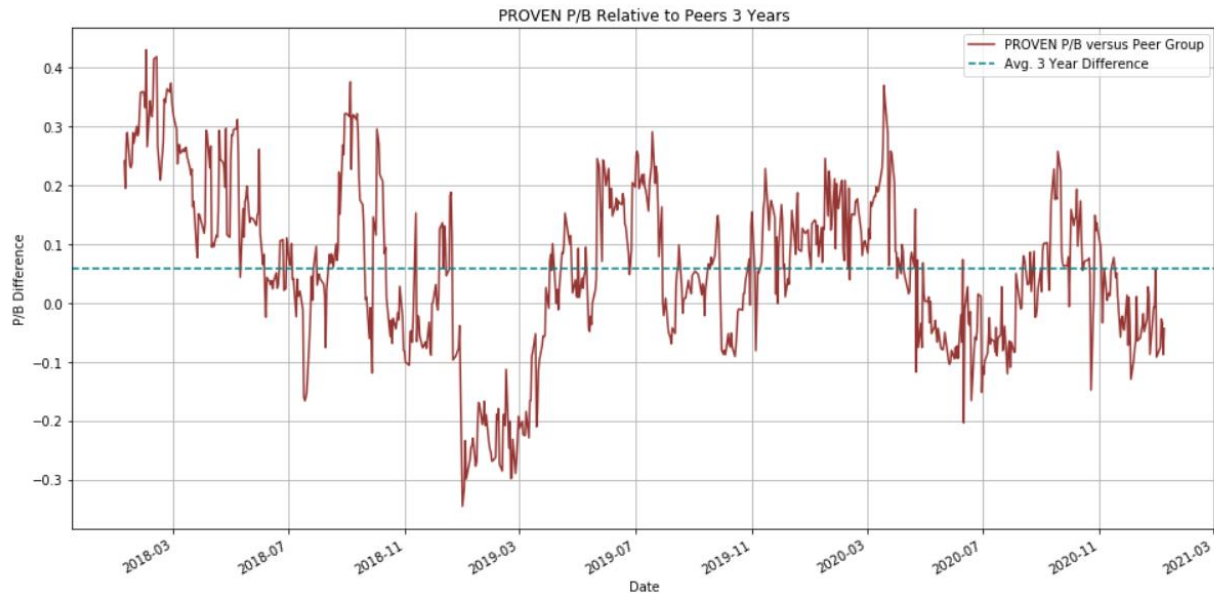
Our long-term outlook on PIL is positive, given its track record of creating value for shareholders through its acquisitions. PIL has recently entered into an agreement to purchase a majority stake (50.5%) of Roberts Manufacturing Co. Limited (RMCL) from Massy Properties (Barbados) Limited for US\$21.45 million. RMCL produces shortening, margarine, spread and cooking oil from its 21-acre complex at Lower Estate, St. Michael in Barbados. This acquisition will increase the diversity of PIL's investment holdings while increasing core earnings.

Forecast and Valuation

We used our projection of PROVEN's FY 2022 BVPS and then applied the harmonic mean P/B and multiple of peers (adjusted for historical differences) to arrive at our price target of US\$0.30. Innate in our base-case assumption is that investors' sentiment towards PROVEN peers remain relatively stable. Below is a chart illustrating the relationship between PROVEN's P/B ratio and its peer group average over the last three years. To derive the upper and lower price targets, we used the average price of peers and adjusted it for variation between the historical P/B of Proven and the group over the last three years. **This resulted in our lower and upper price targets of US\$0.21 and US\$0.37, respectively.**

Over the last three years, PROVEN's average P/B has exceeded the peer group average by 0.06x. This is justified given that on average PIL's ROE, and ROA have surpassed peers for the period under review. However, this outperformance was primarily driven by earnings in FY 2017 and FY 2020. Additionally, PROVEN has consistently paid US dollar dividends for the period under review at a relatively higher yield, especially after adjusting for the change in the exchange rate of the US dollar versus the Jamaica dollar.

PROVEN Investments Limited



Recommendation

We recommend a **MARKETWEIGHT** rating on **PIL** at this point given that the stock is currently being offered below our price target of US\$0.30 but above our lower-end price target of US\$0.21. We expect earnings to remain volatile, given PIL's business model, which involves realizing gains on its acquisitions from time to time. In the long-term, we expect PIL to continue to provide value to shareholders, which will materialize from a mix of capital gains and dividends.

Source: <http://www.jamstockex.com>, JMMB Investment & Research, Bloomberg, IPO Prospectus, BOJ



PROVEN Investments Limited



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Ticker	Ratios	FY 2016 Mar-16	FY 2017 Mar-17	FY 2018 Mar-18	FY 2019 Mar-19	FY 2020 Mar-20	Average
PROVEN	ROE	4.58%	13.46%	7.37%	7.78%	31.39%	12.92%
	ROA	0.66%	1.80%	0.94%	1.16%	4.84%	1.88%
	Net Profit Margin	11.16%	35.65%	15.72%	18.47%	83.39%	32.88%
	Financial Leverage	6.97	7.47	7.84	6.88	6.49	7.13
	Revenue Growth	84.52%	18.22%	45.64%	4.34%	-4.69%	29.61%
	Profit Growth	-56.31%	277.56%	-35.80%	22.63%	333.23%	108.26%
VMIL	ROE	-	-	-	14.75%	12.96%	13.86%
	ROA	-	-	-	2.15%	1.88%	2.02%
	Net Profit Margin	-	-	34.99%	29.92%	28.71%	31.21%
	Financial Leverage	-	-	-	6.87	6.91	6.89
	Revenue Growth	-	-	-	43.67%	3.68%	23.68%
	Profit Growth	-	-	-	22.86%	-0.53%	11.17%
MIL	ROE	2.88%	0.99%	6.84%	-1.95%	-0.87%	1.58%
	ROA	0.70%	0.35%	2.76%	-0.83%	-0.33%	0.53%
	Net Profit Margin	15.57%	7.56%	25.03%	-15.78%	-7.38%	5.00%
	Financial Leverage	4.13	2.87	2.48	2.35	2.67	2.90
	Revenue Growth	-35.74%	3.59%	153.54%	-43.54%	-5.97%	14.38%
	Profit Growth	-78.51%	-49.70%	739.31%	-	-	-
JMMBGL	ROE	10.56%	13.85%	13.21%	13.18%	19.90%	14.14%
	ROA	1.01%	1.37%	1.31%	1.25%	1.94%	1.38%
	Net Profit Margin	19.76%	22.55%	22.31%	21.06%	32.42%	23.62%
	Financial Leverage	10.45	10.08	10.09	10.55	10.25	10.28
	Revenue Growth	-	28.24%	8.45%	13.81%	18.94%	17.36%
	Profit Growth	-	46.29%	7.32%	7.45%	83.07%	36.03%
BIL	ROE	8.57%	7.91%	6.79%	15.60%	19.90%	11.75%
	ROA	1.25%	1.29%	1.21%	3.79%	5.79%	2.67%
	Net Profit Margin	19.72%	17.78%	18.12%	41.99%	43.47%	28.22%
	Financial Leverage	6.87	6.16	5.61	4.11	3.44	5.24
	Revenue Growth	-	24.57%	-4.62%	84.51%	156.84%	65.33%
	Profit Growth	-	12.34%	-2.83%	327.55%	165.90%	125.74%
Average	ROE	5.32%	7.24%	6.84%	9.87%	16.66%	9.19%
	ROA	0.91%	1.20%	1.56%	1.50%	2.82%	1.60%
	Net Profit Margin	16.55%	20.89%	20.30%	19.13%	36.12%	22.60%
	Financial Leverage	-	5.316	5.204	6.152	5.952	5.656

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PROVEN Investments Limited**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%).

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