



JMMB Investments (T&T) LIMITED
 169 Tragarete Road
 Port Of Spain
 Tel: 1 (868) 224-5662, 224-5663, 224-5664, 627-1155
 Fax:1 (868) 224-5666

A MEMBER OF THE **JMMB** GROUP

Email: jmmbinvestmentsttresearch@jmmmb.com

Quarterly Update

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 Jair Blackman
 Investment Analyst
jair_blackman@jmmmb.com

Massy Holdings Ltd (MASSY), Rebounding on rising profit margins.

MASSY's Financial Summary	Nine Months Ended 30-Jun-21	Nine Months Ended 30-Jun-20	\$ change	% change
Income Statement Extract				
	TT\$'000	TT\$'000	TT\$'000	
Profit after Tax	432,070	354,606	77,464	↑ 21.8%
Earnings per share	4.85	3.44	1.41	↑ 41.0%
Dividend per share (in \$ per share)	\$ 0.55	\$ 0.50	0.05	↑ 10.0%
Balance Sheet Extract				
Total Assets	12,836,924	13,053,656	(216,732)	↓ -1.7%
Total Liabilities	6,306,536	7,036,265	(729,729)	↓ -10.4%
Shareholder's Equity	6,530,388	6,017,391	512,997	↑ 8.5%
Cash Flows Extract				
Net cash from operating activities	227,331	310,436	(83,105)	↓ -26.8%
Net cash from investing activities	(235,184)	(286,678)	51,494	↑ 18.0%
Net cash used in financing activities	(745,993)	(295,457)	(450,536)	↓ -152.5%
Cash and cash equivalents	1,764,131	1,787,923	(23,792)	↓ -1.3%
Metrics				
Book Value Per Share	66.40	61.19	5.22	↑ 8.5%
Market Price	81.75	58.00	23.75	↑ 40.9%
Market to Book Ratio	1.23	0.95	0.28	↑ 30%

Note: Green arrows indicate growth while red indicate contractions



Valuation	
Current Price	TT\$81.75
Trailing P/E Multiple	9.60x
Market to Book Value	1.23x
JMMB Target Price	TT\$72.49
Trailing Dividend Yield	3.1%

For the nine months ended June 30, 2021, Massy Holdings Limited (MASSY) realized a Profit after Tax from continuing operations of \$432.07 million, a 21.8% increase when compared to the period for the previous year. Basic Earnings per share increased 41% YoY to \$4.85. EPS from continuing operations climbed less than basic EPS though, to \$4.11 (a 22% increase YoY).

The group's Revenue from continuing operations grew 6% YoY. However, the 36% increase in Profit after Tax can be attributed to PBT growth in the Financial Services (FS), Integrated Retail (IR) and Gas Products (GP) business lines. Although Massy Motors Colombia reported a 148% revenue increase, the Motor & Machines (MM) business line showed a PBT decline YoY due to a poor performance in Trinidad & Tobago.

In Q3, the group sold Massy Pres-T-Con Holdings Ltd and its stake in Roberts Manufacturing for a net gain of \$71.6 million. The sales reinforce the group's commitment to their strategy of focusing on 3 main industry portfolios (IR, GP, MM). YTD, 2 of the 3 portfolios (IR & GP) have shown growth YoY.

Outlook:

Since MASSY's board approved the decision to cross-list on the JSE, we have seen the stock's price increase 23%. This follows the trend that we saw with GHL, where the cross-listing spurred an increase in demand for the stock. Moving forward, we expect further price movement.

Apart from the speculative value of the stock, we have also seen MASSY continue their effort to limit operational risks through reducing their range of business lines. JMMB's research department expects that their IR, GP and MM business lines will grow as economies continue to re-stabilize from Covid-19's impact.

In June, JMMB assigned a rating of UNDERPERFORM (2.5% - 4.9%) to MASSY with a target price of \$70.67 and a fair value range of \$63.60 - \$77.74. MASSY's price at that time was \$81.18 and it has since declined to \$81.11.

We maintain a rating of **UNDERPERFORM (2.5% - 4.9% of your portfolio)** to MASSY with a revised target price of \$72.49 (representing a 9.5% downside from the current price) and a fair value range of \$65.24 - \$79.74.