



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

November 2021
 Blair Blackman
 Investment Analyst
blair_blackman@jmmmb.com

National Flour Mills (NFM), Declining margins

NFM's Financial Summary	Nine Months Ended 30-Sep-21	Nine Months Ended 30-Sep-20	\$ change	% change
Income Statement Extract	TT\$'000	TT\$'000	TT\$'000	
Profit after Tax	4,084	20,141	(16,057)	↓ -79.7%
Revenue	319,726	309,799	9,927	↑ 3.2%
Earnings per share	0.03	0.17	(0.14)	↓ -82.4%
Dividend per share (in \$ per share)	\$ -	\$ -	-	NA
Balance Sheet Extract				
Total Assets	442,470	442,091	379	↑ 0.1%
Total Liabilities	169,614	167,832	1,782	↑ 1.1%
Shareholder's Equity	272,856	274,259	(1,403)	↓ -0.5%
Cash Flows Extract				
Net cash from operating activities	28,171	60,250	(32,079)	↓ -53.2%
Net cash from investing activities	(5,097)	15,189	(20,286)	↓ -133.6%
Net cash used in financing activities	(44,939)	(29,986)	(14,953)	↓ -49.9%
Cash and cash equivalents	70,930	89,031	(18,101)	↓ -20.3%
Metrics				
Book Value Per Share	2.27	2.28	-0.01	↓ -0.5%
Market Price	1.90	1.84	0.06	↑ 3.3%
Market to Book Ratio	0.84	0.81	0.03	↑ 4%

Note: Green arrows indicate growth while red indicate contractions

NFM's YTD Price



Quarterly Update



Valuation	
Current Price	TT\$1.87
Trailing P/E Multiple	31.17x
Market to Book Value	0.82x
JMMB Target Price	TT\$1.53
Trailing Dividend Yield	0.0%

For the nine months ended September 30, 2021, National Flour Mills (NFM) generated a revenue of \$319.7 million. This was a 3.2% increase year over year. Profit After Tax, though, decreased 79.7% YoY to \$4.084 million. An EPS of \$0.03 was recorded for the period, a 82.4% decrease YoY.

The significant decline in NFM's profit margin has been primarily due to the business' inability to respond to wider market conditions. Q3 showed a continuation of the supply chain issues NFM has faced. Wheat prices in the global market have escalated due to supply constraints and unusually high wheat purchases by Egypt, Pakistan and Saudi Arabia.

The increased cost of production is being absorbed by NFM as they remain committed to keep the price of their products affordable. While this is good for the citizens of Trinidad & Tobago, its impact on NFM's performance is not the same.

Outlook:

With no foreseeable end to the wheat shortage, JMMB's research department expects NFM will continue facing challenges to maintain a profit margin. Additionally, environmental experts warn that global warming could cause major droughts in around 60% of wheat cultivating areas around the world.

Unless NFM enacts changes in their business strategies, the increased costs of shipping, packaging and local transportation combined with the increase in wheat prices signal a continuation of their low earnings.

In January, 2021, JMMB's research department issued an Underperform rating on NFM with a price target of \$1.72. Its share price at that date was \$2.15. NFM's price has since decreased 11.7% to \$1.87.

As our outlook remains similar, we maintain our rating on NFM at **UNDERPERFORM (2.5% - 4.9% of your portfolio)** and adjust our target price to \$1.53 with a fair value range from \$1.46 - \$1.61.