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West Indian Tobacco Company (WCO) facing challenges but maintaining dividends.

WCO'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	270,223	301,663	(31,440)	↓ -10.4%
Earnings per share	1.07	1.19	(0.12)	↓ -10.1%
Dividend per share (in \$ per share)	\$ 0.72	\$ 0.79	(0.07)	↓ -8.9%
Balance Sheet Extract				
Total Assets	741,988	754,272	(12,284)	↓ -1.6%
Total Liabilities	179,909	214,460	(34,551)	↓ -16.1%
Shareholder's Equity	562,079	539,812	22,267	↑ 4.1%
Cash Flows Extract				
Net cash from operating activities	166,076	276,498	(110,422)	↓ -39.9%
Net cash from investing activities	(10,350)	(8,180)	(2,170)	↓ -26.5%
Net cash used in financing activities	(282,964)	(207,932)	(75,032)	↓ -36.1%
Cash and cash equivalents	320,683	360,404	(39,721)	↓ -11.0%
Metrics				
Book Value Per Share	2.22	2.14	0.09	↑ 4.1%
Market Price	29.87	33.39	-3.52	↓ -10.5%
Market to Book Ratio	13.43	15.63	-2.20	↓ -14%

Note: Green arrows indicate growth while red indicate contractions



Quarterly Update



Valuation	
Current Price	TT\$29.87
Trailing P/E Multiple	20.18x
Market to Book Value	13.75x
JMMB Target Price	TT\$29.21
Trailing Dividend Yield	4.1%

For the nine months ended September 30, 2021, West Indian Tobacco Company (WCO) realized profit after tax (PAT) of \$270.22 million, a 10.4% decrease when compared to the previous year. This translates into a basic EPS of \$1.07 at the end of the period. Total assets stood at \$741.98 million as at June 30, 2021, a 1.6% decrease year over year.

Since the 2020/2021 budget, an increased excise duty (20% higher) was placed in effect on locally manufactured tobacco products. This, along with an increase in customs duty on imported tobacco and an adjustment to the customs duty payable on tobacco products imported into Trinidad and Tobago from extra-regional sources has had an impact on WCO's earnings.

COVID-19 has also impacted their performance year to date with supply chain disruptions across the Caribbean and International markets reducing efficiency.

Despite these, WCO's Board has taken the decision to pay a second interim dividend of \$0.33 for the nine months ended 30 September 2021.

Outlook:

WCO continues to face challenges. This period, their reduced earnings could be attributed to the strict restrictions on social gatherings that were put in effect by the government. While we expect the removal of these restrictions will provide WCO with the opportunity to regain demand, there are also other challenges to consider.

Although tobacco products usually show relatively inelastic demand on an aggregate level, consumers may still switch brands or specific products to suit. This in particular is important to note, as Trinidad & Tobago's tobacco product market has seen an increase in supply of cheaper, illegal, foreign products.

In September, we outlined our expectation that there would be a reduction in demand for WCO's cigarettes due to the pressures of cheaper substitutes in the market and COVID-19's impact. A rating of Marketperform was assigned at that time. The stock's price has since decreased 3.6% to \$29.87.

As our expectation remains the same, we maintain a rating of **MARKETPERFORM (5% of your portfolio)** to WCO and revise our target price downward to \$29.21 with a fair value range from \$26.29 - \$32.13.