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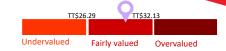
November 2021 Jair Blackman Investment Analyst Jair Blackman@jmmb.o

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

WCO's Financial Summary	Nin	Nine Months Ended 30-Sep-21		e Months Ended 30-Sep-20	\$ change	% change	
Income Statement Extract		TT\$'000		TT\$'000	TT\$'000		
Profit after Tax Earnings per share Dividend per share (in \$ per share)	\$	270,223 1.07 0.72	\$	301,663 1.19 0.79	(31,440) (0.12) (0.07)	Ť	-10.4% -10.1% -8.9%
Balance Sheet Extract							
Total Assets Total Liabilities Shareholder's Equity		741,988 179,909 562,079		754,272 214,460 539,812	(12,284) (34,551) 22,267		-1.6% -16.1% 4.1%
Cash Flows Extract Net cash from operating activites Net cash from investing activites Net cash used in financing activites Cash and cash equivalents		166,076 (10,350) (282,964) 320,683		276,498 (8,180) (207,932) 360,404		*	-39.9% -26.5% -36.1% -11.0%
<u>Metrics</u>							
Book Value Per Share Market Price Market to Book Ratio		2.22 29.87 13.43		2.14 33.39 15.63	-3.52	*	4.1% -10.5% -14%

Note: Green arrows indicate growth while red indicate contractions WCO's YTD Price WCO's Q1 2021 Financials released WCO's Q3 2021 33 Financials released Annual Report 2020 released 31 WCO's Q2 2021 Financials released 04-Jan-21 04-Feb-21 04-Mar-21 04-Apr-21 04-May-21 04-Jun-21 04-Jul-21 04-Aug-21 04-Sep-21 04-Oct-21

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 aggregrate 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 subsitutes 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.