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A MEMBER OF THE **JMMB** GROUP

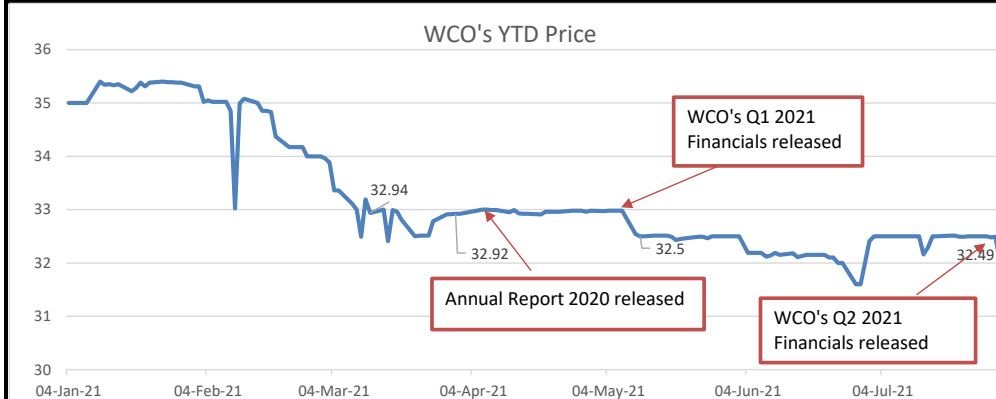
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West Indian Tobacco Company (WCO) resilient, but facing challenge.

WCO's Financial Summary	Six Months Ended 30-Jun-21	Six Months Ended 30-Jun-20	\$ change	% change
Income Statement Extract	TT\$'000	TT\$'000	TT\$'000	
Profit after Tax	187,442	193,592	(6,150)	↓ -3.2%
Earnings per share	0.74	0.77	(0.03)	↓ -3.9%
Dividend per share (in \$ per share)	\$ 0.39	\$ 0.40	(0.01)	↓ -2.5%
Balance Sheet Extract				
Total Assets	814,902	745,302	69,600	↑ 9.3%
Total Liabilities	191,361	201,126	(9,765)	↓ -4.9%
Shareholder's Equity	623,541	544,176	79,365	↑ 14.6%
Cash Flows Extract				
Net cash from operating activities	98,408	148,108	(49,700)	↓ -33.6%
Net cash from investing activities	(603)	(4,319)	3,716	↑ 86.0%
Net cash used in financing activities	(142,543)	(100,030)	(42,513)	↓ -42.5%
Cash and cash equivalents	403,193	343,777	59,416	↑ 17.3%
Metrics				
Book Value Per Share	2.47	2.15	0.31	↑ 14.6%
Market Price	32.00	35.00	-3.00	↓ -8.6%
Market to Book Ratio	12.97	16.25	-3.28	↓ -20%

Note: Green arrows indicate growth while red indicate contractions



Quarterly Update



Valuation	
Current Price	TT\$30.99
Trailing P/E Multiple	19.37x
Market to Book Value	12.97x
JMMB Target Price	TT\$29.24
Trailing Dividend Yield	4.2%

For the six months ended June 30, 2021, West Indian Tobacco Company (WCO) realized profit after tax (PAT) of \$187.44 million, a decrease of 3.2% when compared to the previous year. This translates into a basic EPS of \$0.74 at the end of the period. Total assets stood at \$814.9 million as at June 30, 2021, an increase of 9.3% over June 2020.

In the 2020/2021 budget, the Minister of Finance placed in effect an increased excise duty by 20% on locally manufactured tobacco products. There was also an increase in customs duty of 20% on imported tobacco originating from the common market and an adjustment to the customs duty payable on tobacco products imported into Trinidad and Tobago from extra-regional sources to have it receive equal treatment to that of the common market.

WCO's Board has taken the decision to pay an interim dividend of \$0.39 for the six months ended 30 June 2021.

Outlook:

WCO has been facing headwind. The measures in the budget were aimed at reducing demand for cigarettes in Trinidad and Tobago and from WCO's position, they were successful. There was a reduction in demand as reflected through their PAT decline. Additionally, with the absence of Carnival celebrations this period, WCO didn't experience its usual increase in demand.

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 recently seen an increase in supply of cheaper, illegal, foreign products.

Our expectation is that there will be a continued reduction in demand for WCO's cigarettes, along with a continued shift in demand from their premium brands to their lower cost offerings (which are lower margin products).

We assign a rating of **MARKETPERFORM (5% of your portfolio)** to WCO and revise our target price downward to \$29.24 (representing a 10% downside from the current price).