



## Republic Wealth Management Limited

### MASSY HOLDINGS LIMITED (MASSY)

31 Dec 2020 (Q1 2021)

<b>Last Price</b>	\$64.00 (22-Apr-2020)	<b>52 Week Range</b>	\$48.00 to \$65.01	<b>Market Cap</b>	\$6,290 MM
<b>Sector</b>	Conglomerates	<b>Dividend Yield TTM</b>	3.47% (\$2.22 per share)	<b>EPS (TTM)</b>	\$7.30
<b>PE Ratio (TTM)</b>	8.77x	<b>YTD Price Change</b>	4.92%	<b>EPS (2021E)</b>	\$7.50
<b>Payout Ratio</b>	31.22%	<b>Total Return TTM</b>	33.26%		

*Resilience within the pandemic environment; renewed focus on core segments*

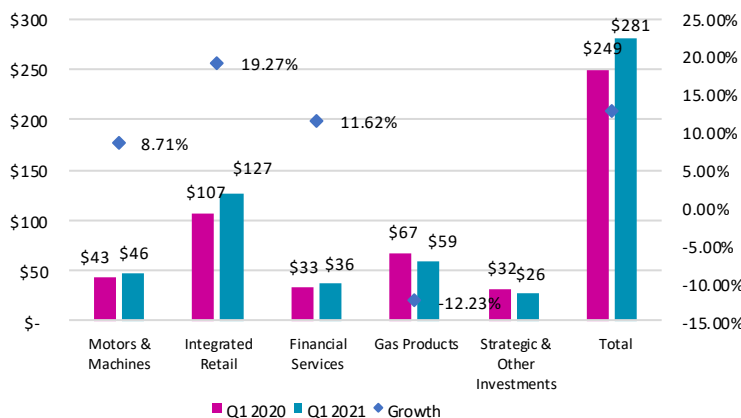
#### Quarterly Highlights/ Key Update

- Revenue and net profit of \$3.21 billion and \$188 million respectively during the quarter, an increase of 1.40% and 12.80% over the prior year.
- Continued divestment of non-core assets with the sale of a 50.5% stake in Roberts Manufacturing for approximately US\$ 21.5 million.
- Deployed US\$70 million into a diverse investment portfolio in order to generate return on liquidity generated from divestments, while awaiting the emergence of attractive acquisition opportunities.
- Opened three (3) new Massy Stores location in Trinidad and Tobago, and one (1) new store in St. Lucia.
- Acquisition of Dicengas and Gasprocol for approximately US\$17 million to grow market share and solidify Massy's presence in the Colombia's LPG market.

**Table 1: Massy EPS, DPS and Dividend yield for fiscal year end**

	2016	2017	2018	2019	2020
<b>Earnings per share</b>	\$5.10	\$3.85	\$5.32	\$5.76	\$7.11
<b>Dividends per share</b>	\$2.10	\$2.11	\$2.10	\$2.13	\$2.22
<b>Dividend Yield</b>	3.88%	4.31%	4.47%	3.91%	3.76%

**Figure 1: Massy PBT and Growth by Operating Segment (\$ millions)**



**Table 2: Peer group comparables**

	MASSY	GKC	AMCL	Group Average
<b>P/E Ratio</b>	8.77x	18.00x	23.41x	16.73x
<b>P/B Ratio</b>	0.99x	1.87x	56.99x	19.95x
<b>Dividend Yield</b>	3.91%	1.52%	0.26%	1.90%

- Compared to its peer group (Table 2), which consists of other locally listed companies in the Conglomerate sector, Massy is relatively undervalued on both a P/E and P/B basis. Massy's dividend yield exceeds the group average. Further the current P/E is undervalued relative to its historic 5 year P/E of 9.98.

#### Performance Review/ Financials

	3 Months End	3 Months End	Year End
TT\$ 000s	Dec-20	Dec-19	Sep-20
<b>Revenues</b>	\$3,208,568	\$3,164,318	\$11,163,818
<b>Operating Profit</b>	\$264,081	\$221,753	\$787,427
<b>Profit Before Taxation</b>	\$281,220	\$249,305	\$729,600
<b>Net Profit</b>	\$188,418	\$167,034	\$453,270
<b>Total Assets</b>	\$12,781,820	\$13,231,864	\$13,239,747
<b>Total Equity</b>	\$6,589,002	\$6,076,522	\$6,417,044
<b>Total Liabilities</b>	\$6,192,818	\$7,155,342	\$6,822,703
<b>Operating Profit Margin</b>	8.23%	7.01%	7.05%
<b>PBT Margin</b>	8.76%	7.88%	6.54%
<b>Net Profit Margin</b>	5.87%	5.28%	4.06%
<b>Return on Assets (TTM)</b>	3.68%	4.23%	3.55%
<b>Return on Equity (TTM)</b>	7.56%	8.99%	7.63%

- Massy is expected to perform well in the near to medium term, as the company expands its core segments targeting organic growth in its Caribbean operations, increasing geographical diversification efforts into economies with strong prospects such as Guyana.
- Favourable performance is also expected given the gradual unwinding of COVID-19 restrictions as vaccines are distributed.
- Q1 2020 results reflect the aforementioned refocusing, as revenue grew YoY in the three core segments: Motors and Machines ("MM") +8.01%, Gas Products ("GP") +2.83%, Integrated Retail ("IR") +0.73%. Declines in revenue were noted in the two non-core segments, namely Strategic and Other Investments ("SOI") and Financial Services ("FS"), which fell -13.02% and -5.84% respectively. Overall, Massy's top line increased 1.40% YoY.

#### Key Risks

- The current shortage of hard currency negatively impacts operations in Massy's largest segments, IR and MM as supply is strained. A depreciation of the Trinidad and Tobago dollar would result in higher import costs and reduced demand for its products due to potential cost-push inflation.
- Massy is susceptible to disruptions in its supply chains, particularly with respect to its IR and MM segments. This was further exacerbated by the emergence of the COVID-19 pandemic. Externalities such as quotas and increased taxation on car imports may also reduce Massy's supply in its MM segment.



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