



Republic Wealth Management Limited

West Indian Tobacco Co. Ltd (WCO)

30 June 2021 (Q2 2021)

Last Price	\$32.00	52 Week Range	\$30.55 to \$37.00	Market Cap (TT\$)	\$8,087.04 MM
Sector	Manufacturing I	Dividend Yield TTM	4.81%	EPS (TTM)	\$1.59
PE Ratio (TTM)	20.13x	YTD Price Change	-9.60%	2021E P/E	19.53x
Payout Ratio (TTM)	56.17%	Total Return TTM	-5.60%		

Performance Muted by the COVID-19 Containment Measures

Quarterly Highlights/ Key Update

- West Indian Tobacco Co Ltd (WCO) is a limited liability company engaged in the manufacturing and sale of tobacco cigarettes with 166 variants across 26 brands.
- Operations were impacted by the closure of the factory in May 2021 due to COVID-19, which negatively impacted Contract Manufacture and Exports to the CARICOM markets. The manufacturing and distribution of products in the Domestic Market have been disrupted with the curfew and state of emergency measures during the quarter.
- WCO has implemented new health and safety measures, inclusive of daily antigen testing and participation in the Government's 'Vaccinate to Operate' initiative which facilitated the vaccination of employees.

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

	2017	2018	2019	2020
Earnings per share	\$1.50	\$1.60	\$1.65	\$1.62
Dividends per share	\$1.47	\$1.53	\$1.57	\$1.54
Dividend Yield	4.41%	4.83%	3.78%	4.35%

Figure 1: WCO's FYE Revenue performance (TT\$ Millions)

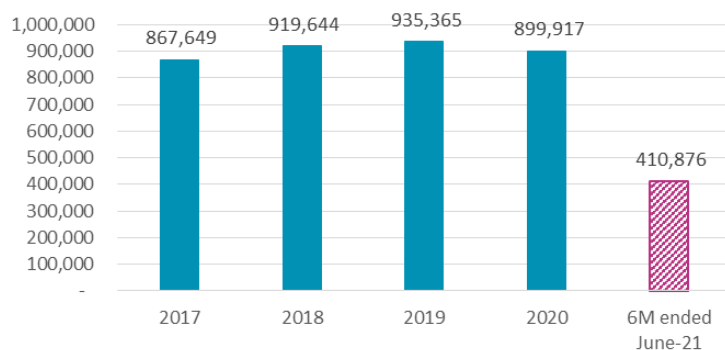


Table 2: Peer group comparables

	WCO	AHL	Group Average
P/E Ratio	20.13x	20.90x	20.52x
P/B Ratio	12.97x	2.60x	7.79x
Dividend Yield	4.81%	1.03%	2.92%

- Compared to its peer group (Table 2), which consists of the other locally listed company in the Manufacturing I sector, WCO is relatively undervalued on a P/E basis and overvalued P/B basis. WCO's dividend yield is fairly above the group average.

Performance Review/ Financials

Highlights (TT \$'Million)	6-month end		% Change YOY	Year End Dec-20
	21-Jun	Jun-20		
Revenue	410.90	421.40	-2.51%	899.90
Operating Profit	265.7	277.0	-4.06%	587.2
Profit before taxation	265.7	277.8	-4.38%	588.1
Profit for the year	187.4	193.6	-3.18%	410
Total Assets	814.90	745.30	9.34%	808.80
Total Equity	623.50	544.20	14.58%	577.50
Total Liabilities	191.40	201.10	-4.86%	231.40
EPS (TTM)	\$1.59	\$1.58	0.63%	\$1.62
DPS (TTM)	\$1.54	\$1.18	30.51%	\$1.54
Operating Margin	64.70%	65.70%	-1.00%	65.30%
NI Margin	45.60%	45.90%	-0.30%	45.60%
ROA	23.00%	26.00%	-3.00%	50.70%
ROE	30.10%	35.60%	-5.50%	71.00%

- For the half year ended June 2021, WCO's revenue declined by 2.51% to \$410.9M compared to \$421.4M over the same period of the prior year, with top line performance being negatively impacted by COVID-19 pandemic containment measures.
- Operating profit declined in the first six months of 2021 by 4.06% as compared to the same period in the 2020, with the increase in operating expenses reflecting the costs incurred to implement the new health and safety measures, inclusive of daily antigen testing.
- The disruptions in the market and operation filtered down into the bottom line as Net Profit fell by 3.18% to \$187.4M as compared to \$193.6M in the prior year's period.

Key Risks

- Volatility in the domestic market due to the pandemic and challenging economic environment. Recovery in the market remains tentative and dependent on the sustained reopening of the economy, the success of the vaccination drives, and the containment of COVID-19.
- Domestic consumption patterns changing toward a healthier lifestyle and lower priced competitive products or alternatives may dampen WCO's topline growth.
- Possible devaluation of the Trinidad and Tobago dollar together with limited supply of foreign exchange may negatively impact the cost and WCO's ability to source raw materials.



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Figure 2: WCO share price vs ALL T&T Index

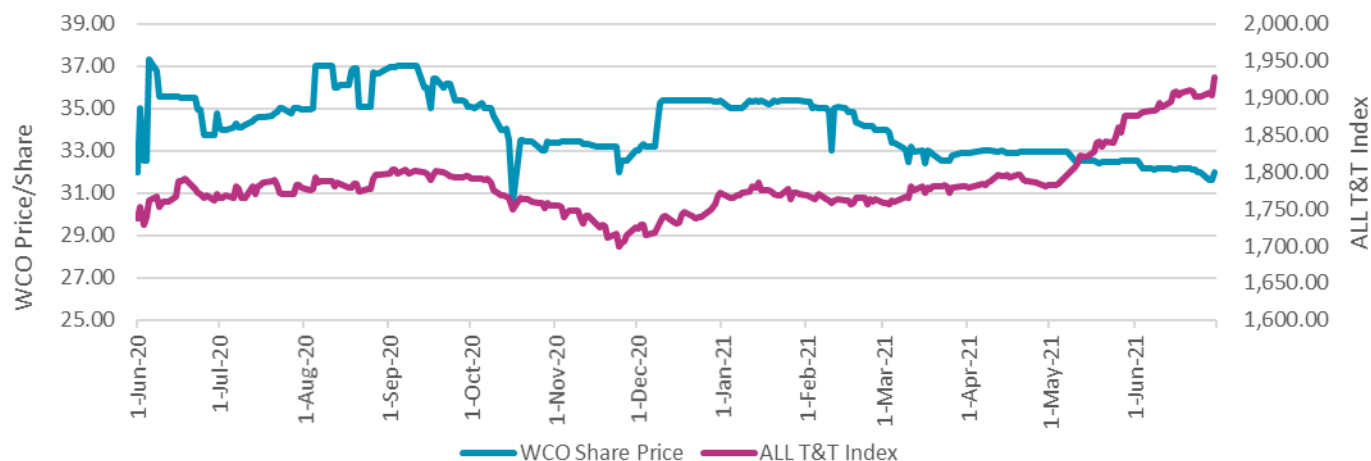


Table 3: Historic Dividend Payments (TTD)

	Payment Dates	Interim Dividends	Total Dividend per share
2017*	May-17	\$0.25	\$1.47
	Aug-17	\$0.35	
	Nov-17	\$0.38	
	May-18	\$0.49	
2018*	May-18	\$0.27	\$1.53
	Aug-18	\$0.38	
	Nov-18	\$0.39	
	May-19	\$0.49	
2019*	Jun-19	\$0.28	\$1.46
	Aug-19	\$0.39	
	Nov-19	\$0.39	
	May-20	\$0.40	
2020*	Aug-20	\$0.39	\$1.54
	Nov-20	\$0.39	
	May-21	\$0.76	
2021	Aug-21	\$0.39	\$0.39

*Adjusted for the 3 for 1 stock split which came into effect from 28-Nov-19.

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