



## Republic Wealth Management Limited

### West Indian Tobacco Co. Ltd.

June 2023 (Q2 2023)

Last Price	\$11.35	52 Week Range	\$11.08 - \$23.50	Market Cap (TT\$ MM):	\$2,868.4
Sector	Manufacturing I	Dividend Yield TTM	7.49%	EPS (TTM)	0.83
PE Ratio (TTM)	13.7x	YTD Price Change	-45.98%		

#### WCO records marginal increase in PBT YoY in 2Q23

#### Company Overview and Recent Developments

- The West Indian Tobacco Company is a cigarette manufacturer, incorporated in Trinidad and Tobago. Its immediate parent – British American Tobacco (Investments) Limited – and ultimate parent – British American Tobacco plc. are registered in the United Kingdom. The ordinary shares of WCO are listed on the Trinidad and Tobago Stock Exchange (TTSE).
- Its parent company, BAT, has an MSCI ESG rating of BBB; which is average according to RWML's internal ESG framework.
- Over the past two years, WCO adjusted its product offerings with respect to branding, pricing and size. The company also invested ~TT\$85M into upgrading its manufacturing plant operations and upskilling its workforce. More recently, WCO terminated its distribution agreement with its local distributor, effective 03 August 2023.
- At its last AGM in April 2023, WITCO announced its intention to introduce vaping products to the market and potentially enter the cannabis market. The timeline for these remains unknown.

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

	2019	2020	2021	2022
Earnings per share	\$1.65	\$1.62	\$1.50	\$1.04
Dividends per share	\$1.57	\$1.54	\$1.42	\$0.98
Dividend Yield	3.78%	4.35%	4.98%	4.66%

**Table 2: Peer group comparable.**

	WCO	AHL	Average
P/E Ratio	13.14	30.24	21.69
P/B Ratio	5.65	3.23	4.44
Dividend Yield	8.88%	1.57%	5.23%

#### Key Risks

- Shifting domestic consumption patterns towards a healthier lifestyle and the availability of lower priced competitive products may continue to subdue WCO's top line.
- Limited supply of foreign exchange may adversely impact raw material costs.
- The illegal cigarette market, which accounts for 5%-10% of the local market, may continue to pose challenges for WCO.

#### Performance Review/ Financials

Highlights (TT\$ M)	Annual			Quarterly	
	Dec-20	Dec-21	Dec-22	Q2 2023	Q2 2022
Revenue	899.9	852.3	724.1	182	182.1
Gross Profit	688.9	644.8	497.8	116.9	129.9
Operating Profit	587.2	537.4	378	95.8	95.8
Profit before Tax (PBT)	588.1	537.2	379	97	95.9
Profit after Tax (PAT)	410	379	261.6	68.1	60.3
Total Assets	808.8	819.1	783.4	692.6	794.6
Total Liabilities	231.4	218.7	331.2	199.1	220
Total Equity	577.5	600.3	452.2	493.5	574.6
Operating Margin	65.30%	63.10%	52.20%	52.63%	52.58%
Net Income Margin	45.60%	44.50%	36.10%	37.43%	33.10%
ROA (TTM)	50.70%	46.30%	33.40%	9.84%	7.59%
ROE (TTM)	71.00%	63.10%	57.80%	13.81%	10.49%

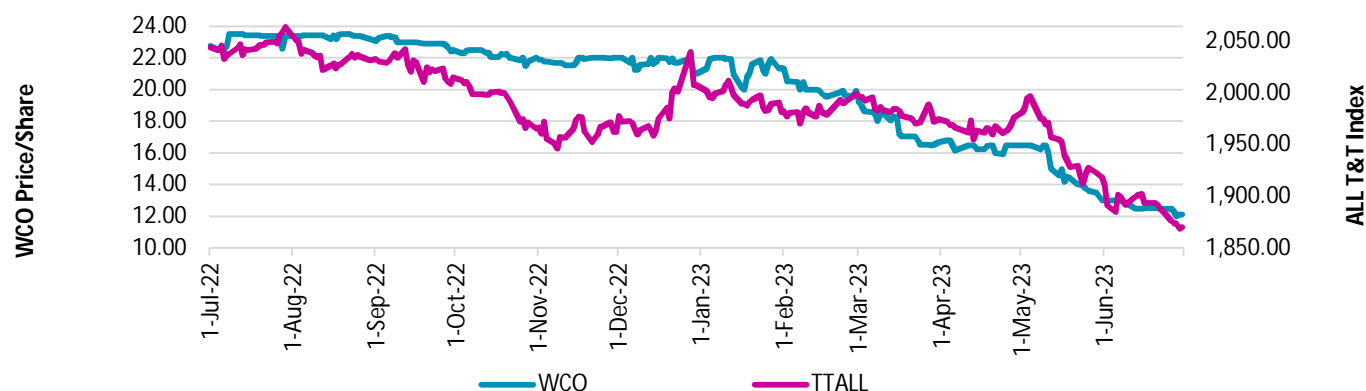
- Following its worst quarter of revenue in 1Q23, WCO's top line experienced a modest recovery in 2Q23, ending the quarter at TT\$182.0M (+45.7% QoQ; -0.1% YoY). However, for 1H23, revenue declined notably by 20.1% YoY. The interim Financial Statements did not provide any clarity on the impetus for the QoQ movements.
- Operating expenses fell to TT\$21.1M in 2Q23 (-21.8% QoQ and -38.1% YoY) or TT\$48.2M for 1H23 (-11.1% YoY), reflecting lower administrative and other expenses. For the six-month period ended Jun-23, operating profit fell 36.8% to TT\$142.2M.
- While WCO's profit before tax doubled in 2Q23 relative to the prior quarter, rising to TT\$97.0M, it increased only marginally YoY (+1.2%). In fact, the 1H23 PBT fell 35.9% YoY. Likewise, 2Q23 PAT rose to TT\$68.1M (+100.2% QoQ; +13.0% YoY), representing a 32.9% decrease for the first half of 2023 compared to the corresponding period last year.
- WCO's asset base contracted further in 2Q23, with total assets standing at TT\$692.6M (-11.4% QoQ; -12.8% YoY), driven primarily by lower cash and cash equivalents (-28.0% QoQ; -34.5% YoY).
- Total liabilities trended downwards in Q2, falling to TT\$199.1M (-32.6% QoQ; 9.5% YoY), attributed to decreasing trade and other payables (-30.5% QoQ; -40.5% YoY) and amount due to its parent company for the last FY dividends payable (-57.9% QoQ). As at 30 June 2023, shareholders' equity stood at TT\$493.5M (+1.5% QoQ; -14.1% YoY).
- WCO recorded Earnings per Share of TT\$0.27 for 2Q23, compared to TT\$0.24 for the same period last year.



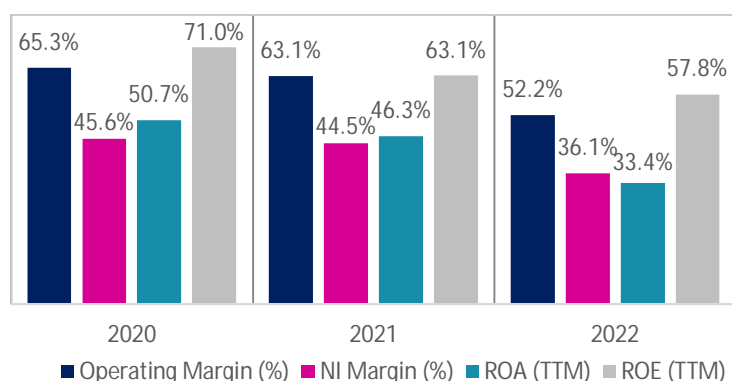
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**West Indian Tobacco Co. Ltd.**

**June 2023 (Q2 2023)**

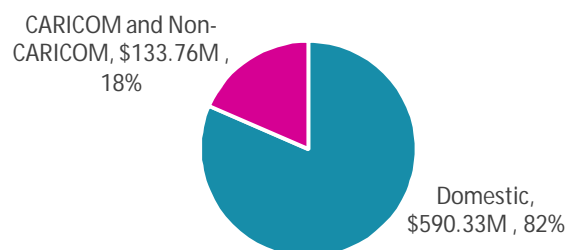
**Figure 1: WCO share price vs ALL T&T Index**



**Figure 2: WCO Profitability Metrics**



**Figure 3: Revenue by Geographic Segment FY22**



**Table 3: Historic Dividend Payments (TTD)**

	Payment Type	Payment Dates	Dividends	Total Dividend per share
2020	Interim	Aug-20	\$0.39	\$1.54
	Interim	Nov-20	\$0.39	
	Final	May-21	\$0.76	
2021	Interim	Aug-21	\$0.39	\$1.42
	Interim	Nov-21	\$0.33	
	Final	May-22	\$0.70	
2022	Interim	Aug-22	\$0.39	\$0.98
	Interim	Nov-22	\$0.33	
	Final	May-23	\$0.26	
2023	Interim	Aug-23	\$0.26	\$0.26

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