Equity Analysis

MASSY HOLDINGS LIMITED

Barita Investments Limited
15 St. Lucia Way, Kingston
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Company Overview

Massy Holdings Limited. (MHL, Massy), through its portfolio companies, engages in trading, manufacturing, distribution, and service industries businesses throughout the Caribbean region. The company operates through three portfolios: Integrated Retail, Gas Products, Motors, and Machine and two business lines: Financial Services, and Strategic and Other Investments. In financial year 2020, Massy transitioned from a conglomerate to an investment holding company, following several years of planning. By so doing, Massy's strategy has changed, with the Group focusing mainly on its three portfolios; Integrated Retail, Gas Products, and Motors and Machines. These areas of the business represent Massy's competitive advantages, are well-positioned to scale, and are therefore expected to drive strategic growth going forward. Below we briefly describe each portfolio and business line:

The **Integrated Retail Portfolio (IRP)** portfolio is involved in the sale of retail and wholesale distribution of pharmaceuticals, foods, and general merchandise.

The **Gas Products (GP)** portfolio sells liquified petroleum gases and other industrial and medical gases, as well as providing maintenance services and executing construction projects for oil, gas, and mining clients in Colombia.

The **Motors and Machines (M&M)** portfolio sells new and used vehicles, spare parts, industrial equipment, and lubricants; and engages in short- and long-term vehicle, and equipment rental business.

The **Financial Services** business line provides property, motor, liability, and marine risks insurance products; accepts deposits for fixed terms; grants installment credit secured by assets and provides money transfer and payment services. Importantly, Massy is currently engaged in the sale of Massy United Insurance (MUIL), which will represent the Group's exit from the property and casualty insurance business line.

The **Strategic and Other Investments** business line was involved in the manufacturing of pre-stressed concrete operations, property sales, rentals, brokerage, and engineering, maintenance, and construction services for oil, gas, and petrochemical clients. At the close of Financial Year 2021, the Strategic & Other Investments Line of Business was dissolved, and any further divestments, wind-ups, or amalgamations of non-core investments, assets, and properties will be managed by the Group's Corporate Office. Going forward, the Real Estate and Property Management businesses will be managed by the Corporate Office and the Energy Services businesses will be managed through the Gas Products Portfolio.

Massy Holdings Ltd. was founded in 1923 and is based in Port of Spain, Trinidad, and Tobago. The company was formerly known as Neal & Massy Holdings Limited and changed its name to Massy Holdings Ltd. in July 2014.

As at January 31, 2022

Ticker (TTSE):	MASSY
Company Outlook:	Positive
Current Price (TTD/JMD):	TT$ 105.99 / J$ 2,439.47
Fair Value (TTD/JMD):	TT$126.04 / J$2,925.37
Potential Upside/(Downside) (%):	18.9% / 19.9%
Trailing P/E / Trailing P/E Cont. Oper:	13.24x / 16.31x
Trailing P/B:	1.57x

Financial Summary (In TT$ unless otherwise stated)

	FY2018	FY2019	FY2020	FY2021
Total Revenue	11.91 Bn US$1.77 Bn	11.41 Bn US$1.69 Bn	10.24 Bn US$1.52 Bn	11.13 Bn US$1.65 Bn
Operating Profit	869 Mn US$129 Mn	803 Mn US$119 Mn	724 Mn US$108 Mn	981 Mn US$146 Mn
Net Profit (Cont Oper.)	565 Mn US$84 Mn	512 Mn US$76 Mn	403 Mn US$60 Mn	678 Mn US$101Mn
Net Profit Att to Equity holders	520 Mn US$77 Mn	464 Mn US$69 Mn	367 Mn US$55 Mn	640 Mn US$95 Mn
Total Assets	12.48 Bn US$1.85 Bn	12.33 Bn US$1.83 Bn	13.24 Bn US$1.97 Bn	13.53 Bn US$2.01 Bn
Total Shareholders' Equity	5.62 Bn US$832 Mn	5.95 Bn US$881 Mn	6.42 Bn US$954 Mn	6.83 Bn US$1.01 Bn
Total Liabilities	6.86 Bn US$1.02 Bn	6.38 Bn US$ 945 Mn	6.82 Bn US$1.01 Bn	6.70 Bn US$995 Mn

Financial Ratios

	FY2018	FY2019	FY2020	FY2021
Return on Equity	9.88%	8.36%	6.18%	9.97%
Net Profit Margin	4.36%	4.07%	3.59%	5.75%

Analyst Outlook

Background: Prior to FY2020, Massy Holdings Limited operated as a traditional conglomerate. In FY2020, the Group restructured its corporate structure. Now, the ultimate parent company, MHL, acts as a holding company while the various business segments operate as decentralized Portfolio Companies. These include the three primary Portfolio segments: Integrated Retail, Gas Products, and Motors & Machines as well as Financial Services and Strategic & Other Investments. Each of these portfolio companies has an autonomous board and each of these boards is given a mandate by the MHL Board of Directors. Against the COVID-19 backdrop, MHL consolidated its operations towards core business segments by exiting its IT business in Massy Technologies, selling Massy Energy Resources, Seawell Air Services, and divesting Roberts Manufacturing Company to Proven Investments Limited. Further, Massy announced the impending 100% sale of its interest in Massy United Insurance Ltd. This sale is consistent with its overall strategy to focus its future operations on its three main portfolios. Consequently, this transaction represents a full exit from the property and casualty insurance business line.

Expectation: The expectation is that the restructuring undergone in FY2020 will benefit the overall group on the back of greater autonomy within each portfolio company. Moreover, the current sale of companies and assets represents strategic sales targeted at companies and assets that were delivering returns below Massy's Weighted Average Cost of Capital (WACC), i.e., below the average cost of funding. Consequently, with the sale of these assets, Massy now has a significant cash and equivalents balance of TT$2.03 billion (J$47.21 billion) which can be deployed towards scalable assets that provide returns above its WACC. Scalability is important as it supports the Group's strategic imperative to become a global entity. Under the new framework, each portfolio company's management is expected to drive growth through the means most suitable for that particular portfolio. Thus far, this framework has added value, as Return on Equity (ROE) has grown to 9.97%, its highest level since FY2017; above the pre-restructuring 3-year average of 8.94%, despite the ongoing trials presented by the pandemic.

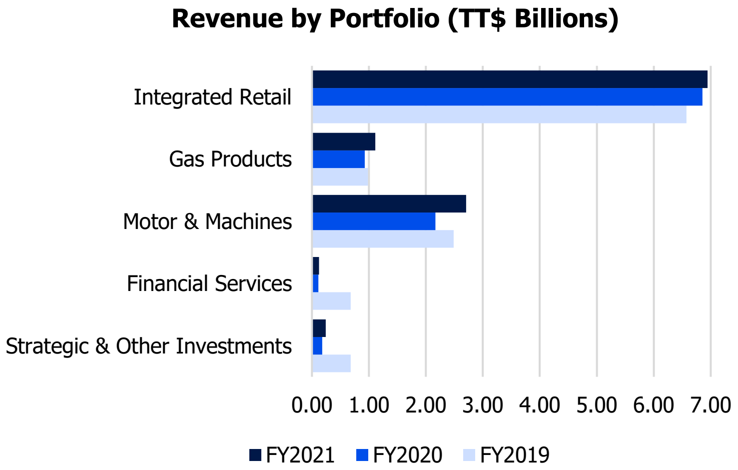
Massy Holding Limited's Shareholding

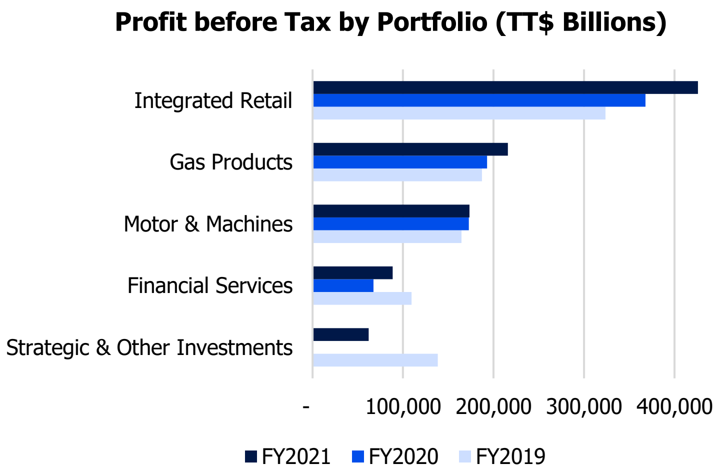
Top 10 Shareholders (as at September 30, 2021)

Shareholders	Shareholdings	Percentage of Shareholding (%)
National Insurance Board (Trinidad and Tobago)	19,801,051	20.13
RBC/RBTT Nominee Services Limited	10,300,899	10.46
RBC/RBTT Trust Limited	7,297,713	7.43
Republic Bank Limited	6,829,057	6.92
Trinidad and Tobago Unit Trust Corporation	4,376,710	4.44
Traintrust Limited	3,444,967	3.50
Kiss Baking Company Limited	3,105,169	3.16
Guardian Life of the Caribbean Ltd.	3,089,737	3.15
National Insurance Board (Barbados)	2,800,372	2.85
First Citizens Trust & Asset Management	2,573,367	2.61

Business Overview

Massy Holdings Limited is an Investment Holding Company of Portfolio Companies operating under three primary Portfolio segments including Integrated Retail (44% of Profit before tax ('PBT')), Gas Products (22% of PBT), and Motors and Machine (18% of PBT). Massy also operations additional business lines that ultimately support Group profitability, but these areas are not core to the Group's strategic vision. They include Financial Services (9% of PBT), and Strategic and Other Investments (7% of PBT). The charts below provide a summary of the Group's various business segments:





As shown in the charts above, Integrated retail, Gas Products, and Motors and Machines are the largest portfolios by revenue and profit before taxation. These portfolios are instrumental to Massy's long-term strategic plans and growth.

Understanding the transformation of Massy and its importance

In FY2020, the Group reconstructed its operational model to that of an Investment Holding Company, as opposed to a conglomerate. This change has allowed the various 'Portfolio Companies' to operate autonomously with their own board and management, guided by the Board of Directors of MHL. The aim of this change in the Group's operations is to increase autonomy provided to the Portfolios to unleash the creativity and ambition of executives and professionals in the Group to drive the performance of their Portfolios.

This restructuring was realized after the sale and exit of several assets, prioritizing the core portfolios - IRP, GP, and M&M. Importantly, the sales were done in such a way that the Group primarily removed assets that were "destroying value" as reported by the Company; i.e., providing a return that was less than the Group's Weighted Average Cost of Capital (WACC) of approximately 9.60%. Further, the Group also sold some assets that, while they were not returning less than the Group's WACC, did not meet the long-term strategic objectives of Massy. This point is important as Massy has significant strategic, competitive advantages in its three main portfolios. As such, the redeployment of capital (after the sale of assets) into these portfolios stands to have an even greater benefit as Massy already has a competitive advantage, and can therefore properly scale these businesses, which is important given the Group's global ambitions.

Integrated Retail Portfolio

The Integrated Retail Portfolio (IRP) of Massy Holdings Limited is involved in the sale and distribution of retail and wholesale foods, pharmaceuticals, and general merchandise. Within this portfolio, Massy Stores operates an extensive network of 57 retail stores, utilizing 14 distribution warehouses across five Caribbean territories.

Under this portfolio, Massy offers its customers different formats to access its products such as supermarkets, superstores, pharmacies, home stores, and discounters. Given its massive size and reach, Massy leverages its regional volume and scale which enables strong buying power that, in turn, results in Massy providing competitive prices for the benefit of customers which makes the IRP very competitive within its various business segments.

Financial Performance

For the Financial Year ended 2021, revenue from this segment is broken down by region as follows:

Trinidad and Tobago: 41% Barbados: 24% Eastern Caribbean: 18% Guyana: 11%

Jamaica: 5% USA: 1%

For the year ended September 31, 2021, the IRP reported total revenue of TT$ 6.94 billion, representing an increase over the prior year of TT$277.74 million (1.1%) and accounting for 63% of total Group revenue. For the year, net profit from the portfolio amounted to TT$311.33 million, representing a growth of 18.9% relative to the prior year and accounting for approximately 45.9% of total Group earnings.

Performance during the pandemic

During 2020, amidst the COVID-19 pandemic, the Integrated Retail Portfolio was deemed an essential service across all business lines, providing core food and non-food products. Importantly, food products exhibited elevated demand during the pandemic. Consequently, all Massy Distribution and Massy Stores companies with the exception of Saint Lucia achieved both revenue and Profit before tax (PBT) growth in FY2020, resulting in the IRP growing revenue and PBT by 4.2% and 13.7%, respectively.

In FY 2021, this robust performance continued, despite significant challenges which materialized during the year including supply chain disruptions, increased freight, and construction costs and continuously changing COVID-19 protocols which had to be maneuvered efficiently across all territories in which Massy operates. The portfolio's ability to improve profitability despite these challenges stemmed largely from its strategy which has been keenly focused on the following:

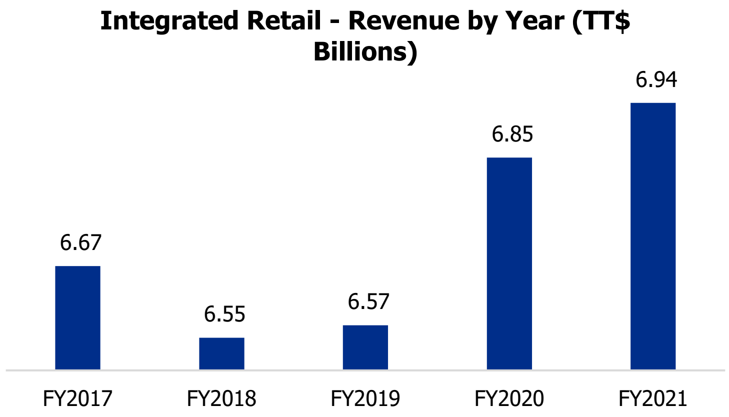
- **Retail Footprint Expansion:** In the retail business, scale matters as it improves access to products and provides greater convenience to the end-user. In keeping with its commitment to developing its footprint in order to better serve an ever-growing customer base, nine new stores in four different formats were launched, across four territories during the year. This enabled new avenues for customers to access products.
- **Distribution Portfolio Expansion:** During the year, Massy acquired new agencies across the region, which helped to expand the Company's access to product portfolios and increase market footprint. Additionally, Massy placed a significant focus on growing its existing business organically, both by seeking to expand the share of wallet (percentage of cash spent by each customer) with current customers and strengthening its distribution relationships.
- **Cost Optimisation:** As indicated by Massy, FY2021 saw the further development of shared services operations, which have consolidated key back-office operations, across Retail and Distribution businesses within each territory. These include finance, Information Technology, Procurement, logistics, and warehouse operations, allowing for a more seamless transaction and information sharing between these key operational areas, while also engaging economies of scale.

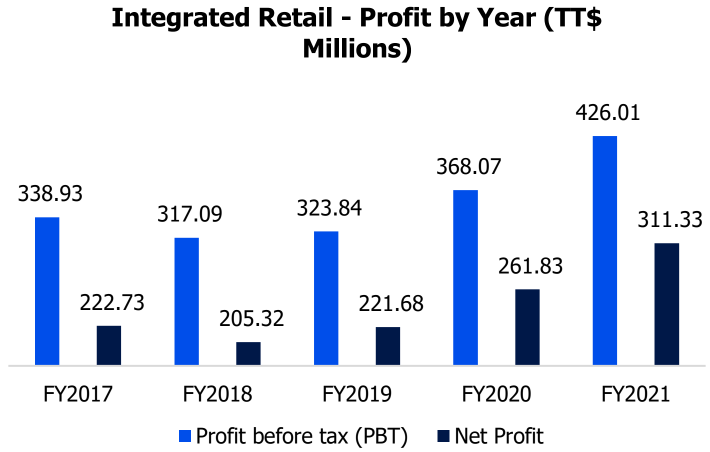
In our view, the performance of this business segment throughout FY2020 and FY2021 is commendable, given the constraints created by the pandemic, and demonstrates the strength of the Group and the capabilities of its management. Specifically, considering COVID-19, Massy's IRP played a pivotal role in securing the supply chain for critical food, non-food and pharmaceutical supplies (including COVID-19 testing kits and machines in Trinidad and Tobago). Notably, many of the suppliers of these products are in the US. As the pandemic created production and supply disruptions, these US suppliers prioritized US demands over international customers. As such, the Massy Stores and Distribution relied heavily on the Massy Distribution operations in Miami to find sources of equivalent supplies from North and South America to keep food and pharmaceutical supplies flowing to countries of operations within the region. Consequently, in some cases, the brand of products changed, but the products themselves remained the same.

In addition to carving out new supply chains to meet demand, management also adapted to the new normal by increasing product availability through e-commerce and expanded the Integrated Retail Portfolio through the acquisition of new lines, and development of its cold and chilled facilities. Consequently, despite the constraints created by the pandemic, the portfolio growth continued as indicated in the revenue and profit growth detailed prior. This, in our view, demonstrates the resilience of the business line as well as the strength of the parent company, Massy Holdings Limited, and its regional brand.

Historical performance:

The Revenue and Profit charts below represent a visual depiction of the portfolio's revenue and profit between FY2017 and FY2021. It indicates that revenue growth was pronounced in FY2020 which largely reflects increased demand for products that occurred at the onset of the pandemic coupled with the execution of the Group's new strategy which handed greater autonomy to all employees. Notably, Massy's IRP was able to improve on this in FY2021, growing revenue from $6.85 billion to $6.94 billion, while simultaneously delivering its highest profit before tax and net profit in the last five years, despite supply chain constraints significantly affecting the cost of goods and the cross border access to supplies.





Strategy

The IRP's competitive advantage is its scale, which enables the cost benefits of direct procurement that translates to competitive pricing for customers. Massy Distribution's network touches most of the Caribbean. As such, the company's efficient "go-to-market models" add value for customers, provide a one-stop, lower-cost service that makes the business an attractive option for anyone seeking to access the fragmented Caribbean market.

Growth Strategy: As indicated prior, the IRP's strategy lies in retail footprint expansion, distribution portfolio expansion, and cost optimization, all of which have come together and resulted in improved financial performance. In addition to these, however, we'd like to add the following which were centerpieces in FY2020 and which we expect to continue playing a role in the Group's growth going forward:

1. **Improved Procurement and Category Management:** Effective procurement and category management are key to improving gross margins and controlling costs and cash management in the retail business, in particular. As such, the IRP's procurement teams continuously source quality products at better prices and leverage the critical mass afforded by its regional volumes where feasible. Category management remains a priority to enhance the profitability of shelves while simultaneously ensuring that product offerings are aligned to the preferences of a very diverse customer base.

2. **Technology-Based Solutions:** The pandemic has highlighted the importance of technology in almost every aspect of Massy's business. Regionally, in FY2020, the IRP implemented remote work for most of the office employees, online shopping i.e., curbside pickup, home delivery in Retail businesses, and automated ordering and the real-time sales orders to its warehouse from teams in the field. The company intends to continue leveraging these technologies, building on what was developed during the pandemic and identifying other key areas where technology can enhance operational efficiency and better inform decision-making.

Thus far, the culmination of these strategies has been beneficial to the portfolio and the Group at large and we expect this will continue.

Analyst Outlook

In our view, what the IRP presents is a strong brand, built on decades of providing quality goods to a large market, spanning the length and breadth of the Caribbean. On the back of the Group's new strategy characterized by greater autonomy, the portfolio has strengthened. Importantly, after years within this business line, Massy has developed a distinct competitive advantage wherein the costs to Massy and consequently, prices to the end-user are well managed and highly competitive. With its significant cash balance, Massy not only has the willingness, but certainly the ability to expand more, not just regionally, but globally. Any expansion should see the Group maintaining its cost competitiveness and perhaps, even improve on it. As this business scales, particularly in much larger markets, we believe the IRP should report further improved revenue and profits.

Gas Products

The Gas Products portfolio of the Massy Group derives its revenue from the sale of Liquified Petroleum Gases and Industrial Gases including Nitrogen, Oxygen, and Carbon Dioxide. In line with this, the portfolio also derives revenue from the provision of maintenance services and the execution of construction projects for oil, gas, and mining clients in Colombia.

The Gas Products business is another major portfolio of the Massy Group. With a net profit margin of 13.3%, Gas Products represents a higher profit margin business than Integrated Retail (4.5%) and Machine and Motors (4.2%). Consequently, while the portfolio only accounts for 10.0% of Massy's revenue, it represents 22.3% of the Group's profit before taxation.

Financial Performance

Revenue from this segment is broken down by region as follows:

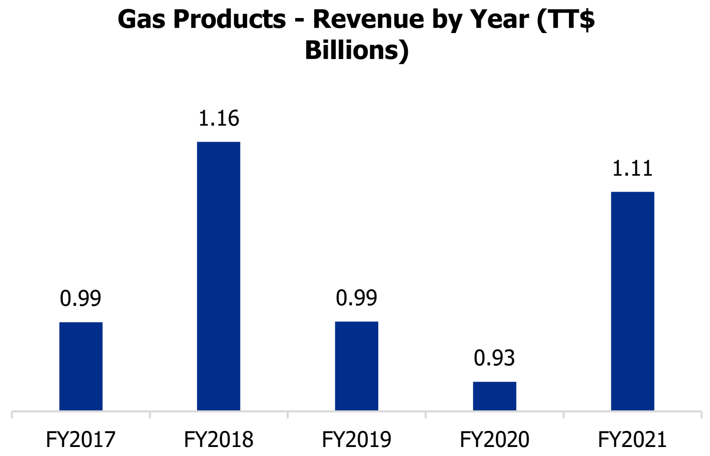
Colombia: 38% Jamaica: 26% Guyana: 19% Trinidad & Tobago: 17%

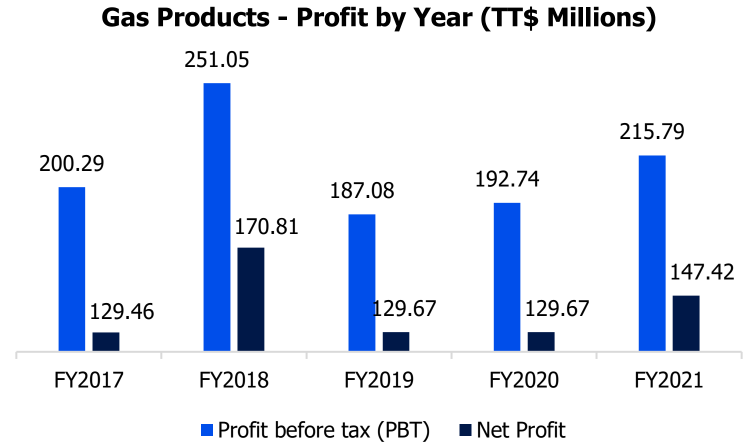
During FY2021, the Gas Products portfolio reported revenue of approximately TT$1.11 billion relative to TT$928.33 million in FY2019, representing a YoY increase of approximately TT$181.37 million (19.5%). Simultaneously, profit before tax grew by $23.05 million (12.0%). Notably, this improvement was despite demand curtailment in some of the countries in which Massy operates while at the same time, meeting significant demand for some products like medical oxygen as COVID-19 pressured several hospitals across the region.

Performance during the pandemic

The portfolio's performance throughout FY2020 was underpinned by multiple factors facing different territories of operation. In Jamaica, there was a significant curtailment in Liquefied Petroleum Gas (LPG) demand in the tourism and restaurant sectors which was somewhat offset by an increase in household demand. In Colombia, MHL experienced severe reductions in Engineering, Operations and Maintenance (O&M) and Engineering Procurement and Construction (EPC), and EPC-related services due to lockdowns. In Trinidad and Tobago MHL experienced a significant reduction in demand for industrial gases with curtailed activity in various sectors. However, Management responded to the challenges with remote working methods, boosting exports, cost efficiency improvements to enhance operational margins, and through a reduction of operational expenses to deliver a very strong PBT performance. These measures which improved efficiency are expected to be carried forward into the future as the team has indicated that these changes are sustainable.

In FY2021, challenges remained as the Jamaican hospitality industry, though rebounding, remained well below the pre-pandemic level and consequently, demand for LPG remained constrained but again, household demand helped to offset the decline in hospitality demand. Again, in FY2021 several territories had medical oxygen supply constraints, and Massy stepped in and effectively supported these Companies. Moreover, while the pandemic created clear challenges, there were also some benefits as remote work arrangements drove a reduction in several costs including a 15% reduction in water consumption, a 12% reduction in electricity consumption, and a 22% reduction in the use of paper.





Strategy

The Gas Products portfolio's strategy is two-pronged - focused on being the **market leader** in its operating markets while maintaining excellent health and safety standards and **operational efficiency**. The strategy speaks to market leadership and operational efficiency specifically, as follows:

1. **Market Leadership:** To drive portfolio growth in FY2021, management increased **Liquefied Petroleum Gas** (LPG) volumes sales and market share in Guyana, Jamaica, and Colombia. In the last Quarter of 2020, Massy entered the Colombian LPG market and has subsequently been able to leverage knowledge and experience in operating efficiencies from the Jamaica and Guyana businesses, to improve the operating margins in Colombia.

   Additionally, regional market presence has been increasing through stronger exports, made evident by the portfolio's export sales to existing and new territories. Specifically, in 2021, oxygen exports increased by 81.4% from 70 ISO tanks in FY2020 tanks to 127 ISO tanks in FY 2021. Additionally, the group has grown its medical installation services offering by increasing the customer base for these services regionally.

2. **Operational Efficiency:** The Portfolio's persistent pursuit of operational efficiency and best practices in all of the operating companies with a focus on leveraging learning has been a key feature in reducing operating costs as a percentage of its gross profit year on year.

The combination of greater market leadership and operational efficiency has the effect of strengthening the portfolio's performance as market leadership stimulates revenue growth while operational efficiency supports reduced operating costs. Together, both aspects of the strategy serve to strengthen Group profitability.

Analyst Outlook

In the last quarter of 2020, Massy entered the Colombian LPG market and has since utilized its knowledge from the Jamaican and Guyanese markets to strengthen operational efficiency in Colombia. With just 7% of its profit before tax stemming from Colombia and a population of approximately 51 million people, Massy has entered a market with significant potential for growth. Moreover, with operations in other territories across the region, a clear understanding of the gas products business has allowed Massy to already reshape and improve businesses in that territory. The management of the Company has also made steps to grow and strengthen operations in Guyana, a territory with significant growth opportunities given its lack of significant development in past years, coupled with the recent streak of oil discoveries. It, therefore, creates significant potential for market leaders, like Massy, to have a first-mover advantage while benefiting from the growth the oil and gas industry can present.

Motor and Machines

The Motor and Machines segment derives its revenue mainly from the sale of new and used vehicles, spare parts, industrial equipment and also includes the sale of lubricants as well as short and long-term vehicle and equipment rentals.

The portfolio provides service and equipment rental to customers in the marine, energy, and power generation sectors and is the Caterpillar dealer for Trinidad and Tobago and the distributor for Shell lubricants in 16 territories in the region. The portfolio currently has auto dealerships in three territories, Trinidad and Tobago, Colombia, and Guyana.

Financial Performance

Revenue from this segment is broken down by region as follows:

Colombia: 51% Trinidad and Tobago: 42% Guyana: 7%

For the financial year ended September 30, 2021, The Motor and Machines (M&M) portfolio reported revenue of TT$2.71 billion, representing a YoY increase of TT$ 542.00 million (25.0%) relative to the prior year. This outturn not only represents an improvement over the previous year but signifies the strengthening of the portfolio as revenue has grown beyond the FY2019 (pre-pandemic) revenue of YY$2.49 billion by TT$220.44 million (8.9%).

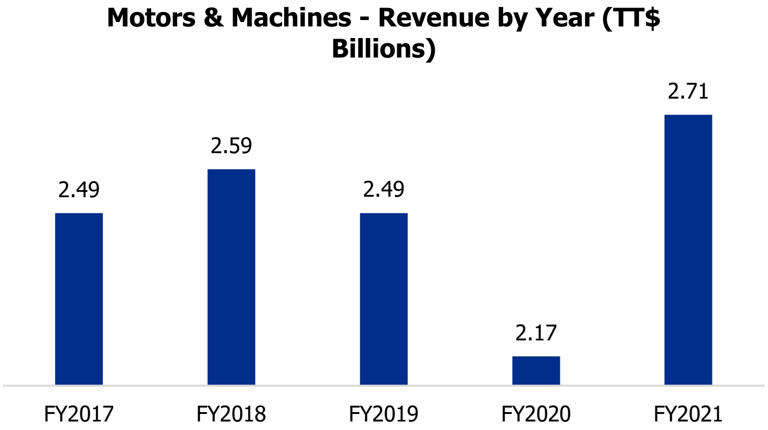
Performance during the pandemic

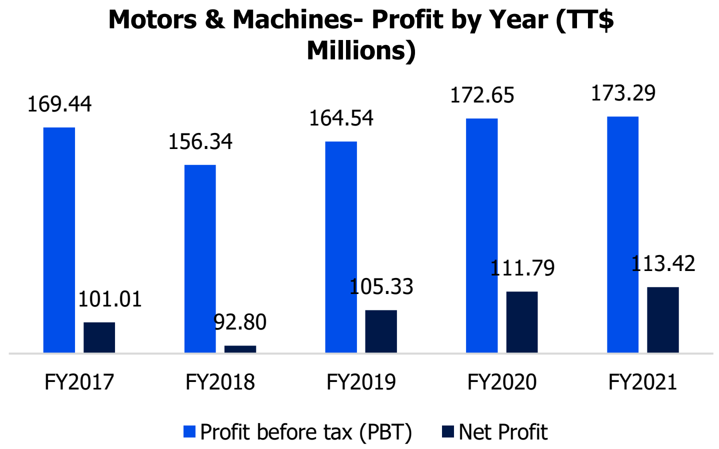
In FY2020, prior to the pandemic reaching the region, the Machine and Motors portfolio was ahead of its FY2019 performance. However, with the subsequent onset of the pandemic throughout the region, the flow of goods, particularly non-essential goods, slowed significantly. In Trinidad, the total industry volume of new vehicle sales ended the fiscal year at 9,768 units, a decrease of 3,718 units (18%) from 13,486 units in the prior year. Given the slowdown in the overall vehicles industry, the Motor and Machines portfolio witnessed a revenue decline of TT$321.56 million (-12.9%) in FY2020.

In FY2021, however, this negative outturn has reversed and the financial performance of the portfolio has strengthened considerably. In large part, the improved performance shown within this portfolio is due to significant growth in Colombia as the Motors and Machines business grew by triple digits in FY2021. In addition to benefitting from a large dealership market in the country, Massy also unlocked further economies of scale through the centralization of certain processes in its Bogota, Colombia operations.

In Trinidad, the business introduced the UK car brand, MG, and launched virtual showrooms for Nissan and Hyundai vehicles, while introducing an online solution for customers to purchase parts for caterpillar vehicles. The combination of these efforts supported improved financial performance in FY2021.

The Revenue and Profit charts below represent a visual depiction of the portfolio's revenue and profit between FY2017 and FY2021. It indicates that revenue growth was pronounced in FY2021, owing to the reversal of lockdown measures that occurred in FY2020.





Strategy

The Gas Products portfolio's strategy is three-pronged - focused on being the **regional representation of high-quality brands,** the **expansion** of the business and these brands **into new markets**, and the **delivering of superior service to retain customers**. The overall strategy speaks to each of these as follows:

1. **Regional representation of high-quality products and brands:** In FY2021, Massy Motors Trinidad introduced the MG brand, as well as the Volvo plug-in hybrid line, and upgraded its Nissan showroom in San Fernando. There was also the launch of Massy Motors and Machines Miami Distribution Inc. (MMMMD), in Miami, Florida, in September 2021, the end of the financial year. This operation will be a hub for the distribution of automobiles and automotive products to the Caribbean, Central, and South America. This facility will also support the portfolio's Shell distribution business and improve logistics capability. The combination of these efforts points to the accessing of new brands and the distribution channel to deliver these brands across the region efficiently.

2. **Expansion into markets with strong growth potential:** Massy has made significant inroads with developments in Guyana and Colombia, both markets with strong growth potential. Guyana is currently benefiting from the drilling of oil while Colombia presents a fragmented market within a massive country, thereby presenting a significant opportunity for growth through market penetration.

3. **Retaining and building the customer base by delivering superior service:** The introduction of e-commerce for the purchase of caterpillar parts, the introduction of used vehicle showrooms (as opposed to just new vehicles), the implementation of additional repair and mechanical workshops to give customers greater options and improve the customer experience have been ways in which Massy has worked towards strengthening customer service. This ultimately redounds to stronger financial performance as customer loyalty is built.

Analyst Outlook

Massy Motors & Machines continues to grow despite the pandemic, utilizing various means to go above and beyond to maintain service to clients. These have included household deliveries, curbside pickup of vehicle parts as well as the online sale of parts. The M&M segment has gained market share in Colombia, and new connections are being forged through the Group's Shell distribution network which management expects will lead to other regional acquisitions and expansions. Importantly, this business is highly scalable and Massy has sufficient liquid capital to continue expanding into new areas of Colombia, for example, and by extension, South America. Given Massy's ambitions to do so, we anticipate further growth within the portfolio.

Group Financial Performance

(Dollar Values ($) represent Trinidad and Tobago Dollars unless otherwise stated)

Competitive Analysis

Income Statement

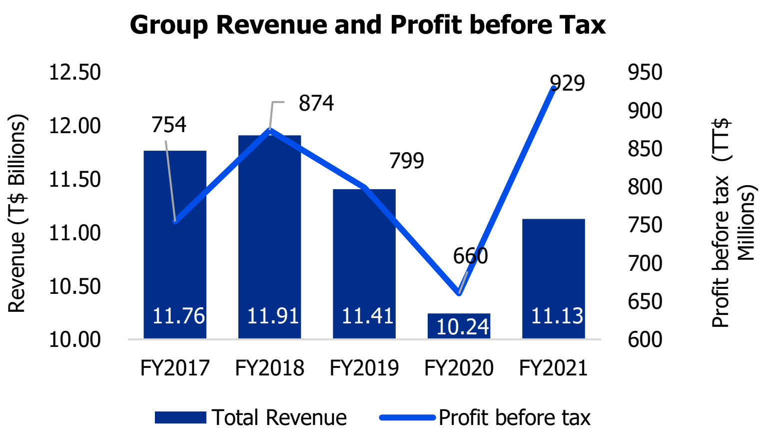
Revenue: For the year ended September 30, 2021, the Massy Group reported total revenue of $11.13 billion relative to $10.24 billion in the prior year, representing a Year-over-Year (YoY) increase of $884.71 million (8.6%). Notably, while revenue has grown YoY, it remains below pre-pandemic levels, an indication of the effects of the pandemic coupled with the sale of assets and companies. During the year, Trinidad and Tobago continued to be its largest market accounting for 39.6% of revenue (2020:41.8%) followed by Barbados and the Eastern Caribbean with 15.3% (2020:16.2%). Importantly, it has been evident that the relative contribution of Trinidad and Barbados has reduced, which is due to the Group's successful growth in other territories, particularly Colombia and Guyana. Of note, the fastest growing geographical region was Colombia where revenue grew by 37.5% or TT$495.43 million YoY. Hence, of the 8.6% revenue growth that Massy experienced for the 2021 financial year, Colombia accounted for 56.0% of this growth.

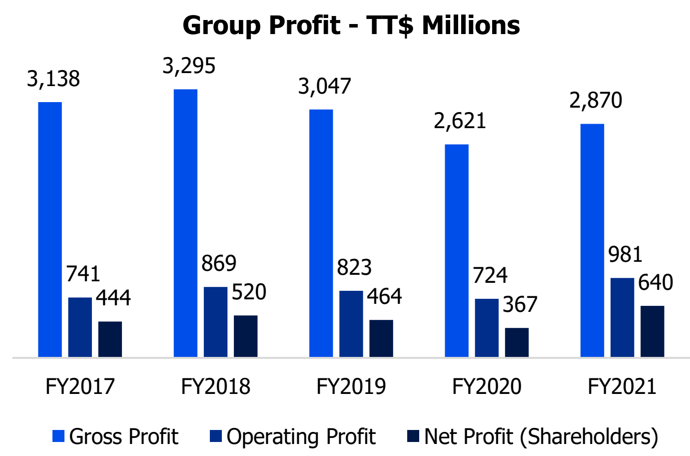
Operating Efficiency: On the back of its revenue growth, coupled with a reduction of operating costs as a percentage of revenue from 20.79% to 19.69%, the Group reported improvement in its operating profit after finance costs which increased by $267.23 million (43.71%), moving from $611.35 million in the prior year to $878.58 million.

Share of profits from associates and joint ventures amounted to $50.39 million for the period, an uptick of $1.35 million (2.8%) relative to the previous year's $48.95 million.

Profit before tax amounted to $928.9 million, an increase of $268.58 million (40.68%) YoY. This improvement in profit before tax places Massy in a position where its profitability is at its highest level in five years. Importantly, this strong profitability is despite revenue being below its FY2017 to FY2019 period, as shown in the Group revenue and profit before tax chart. This performance has been the result of Massy's current strategy to sell companies and assets that are not in line with its strategic vision and assets that have been delivering returns below the Group's WACC.

The improvement in profitability, specifically, reflects better operational efficiency and is well aligned to the Group's new model of devolving autonomy. This model not only places more employees in a position to make important decisions, but it reduces the time needed to make these decisions, creating a more seamless decision-making process that ultimately drives greater efficiency, and lowers operational costs.

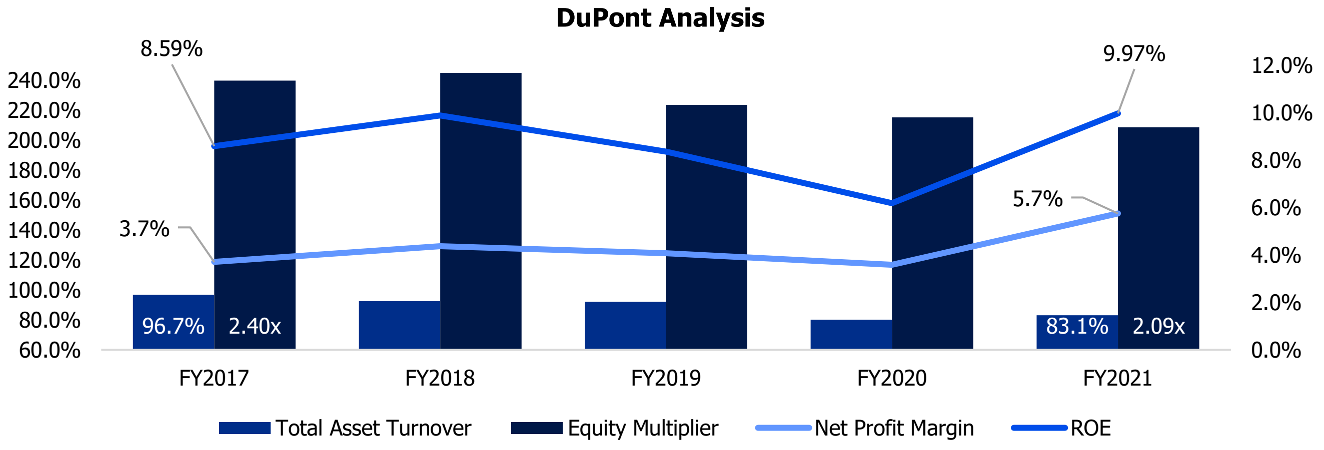




Net Profit Attributable to shareholders from continuing operations also reflected significant improvement, as shown in the Group Profit chart, growing YoY by $272.42 million (74.1%), from $367.42 million to $639.83 million. We must note that in addition to improved operational efficiency on the back of its new strategy, Massy has benefited from a lower effective tax rate of 27.0% relative to 38.9% in the prior year. This was due to deferred tax deductions and the effects of different rate rates in the varying territories of operations which lowered Massy's income tax expense.

Massy's DuPont Analysis

By decomposing Massy's return on equity, we can see that the strategy has been working well. Despite the ongoing pandemic, Massy has recorded its highest ROE (9.97%) in 5 years and has done so efficiently, through a higher net profit margin, while reducing its leverage. The second step towards greater ROE will be asset utilization which should drive higher sales and asset turnover. **An important point to note is that of the Group's current total assets of $13.53 billion, $2.51 billion or 18.5% represents assets classified as held for sale reflecting the ongoing sale of assets, the majority of which is attributable to the sale of Massy United Insurance Limited. With the removal of this large asset, Massy's ROE will improve further as revenue will remain the same, thereby driving higher asset turnover.**



Balance Sheet Overview

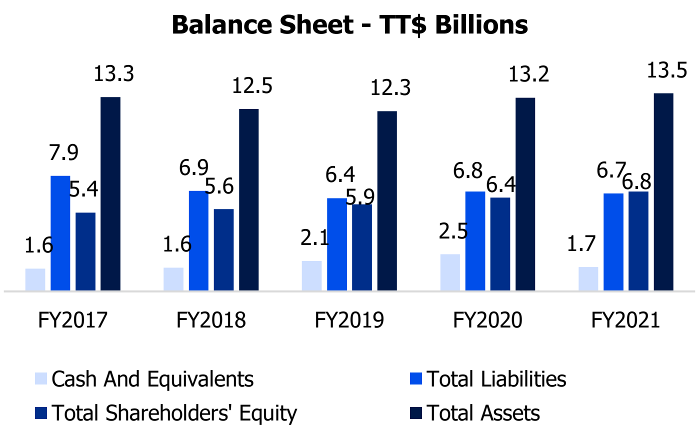
For the period ended September 30, 2021, Massy Holdings Ltd. reported total assets of $13.53 billion, representing an increase over the previous year of $295.16 million (2.18%). The increase in the Group's asset position was largely on account of a 6.71% increase in current assets which was driven by a $61.61 million (2.49%) increase in inventories. Of note, the company also had $2.50 billion in assets classified as available for sale under current assets compared to $8.00 million in 2020.

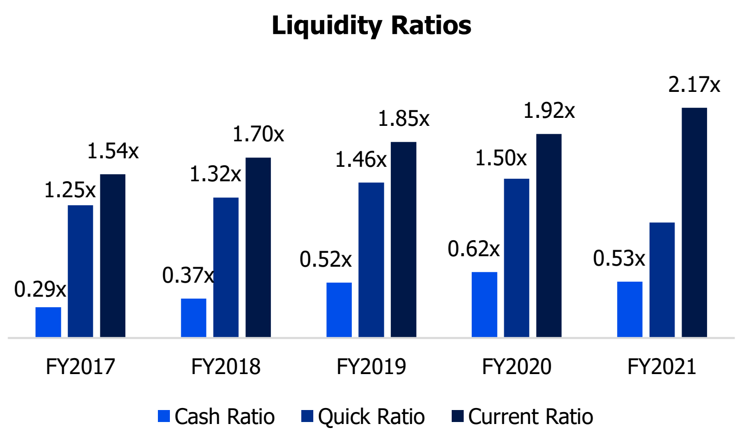
The Group's assets are funded by $6.70 billion in total liabilities and $6.83 billion in total shareholders' equity. YoY, total liabilities declined by $119.97 million (1.8%). This reduction was predominantly driven by a reduction in current borrowings which fell from $677.10 to $261.74 million (a $415.35 million reduction) amidst the Group's continued debt reduction as it sells non-core assets and redistributes the cash from these sales. Similarly, there was a considerable decrease in Trade and Other Payables of $310.76 million or 20.9%.

In FY2021, total shareholders' equity grew by approximately $415.13 million (6.5%), predominantly reflecting the Group's improved profitability which resulted in a retained earnings balance of $5.88 billion, an increase of $532.64 million (10.0%).

Liquidity

Over the last five years, MHL has maintained current and quick ratios above 1.00x, indicating that the Group's current assets have been sufficient to meet its current liabilities. For the period ended September 30, 2021, the Group reported an increase in its current ratio, which moved from 1.92x to 2.17x. Importantly, during the year, the Company utilized its cash towards

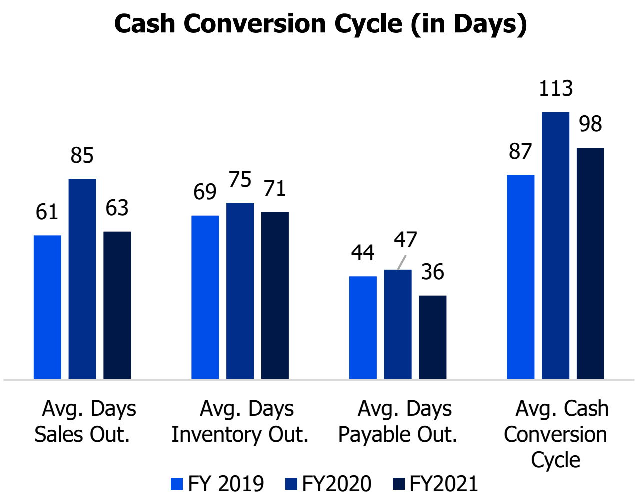




repayment of debt and an increase in dividend payments. Consequently, MHL's cash ratio fell from 0.62x as at FY2020 to 0.53x as of September 30, 2021. Notably, this cash usage has supported improved solvency given the repayment of debt.

Cash Conversion Cycle

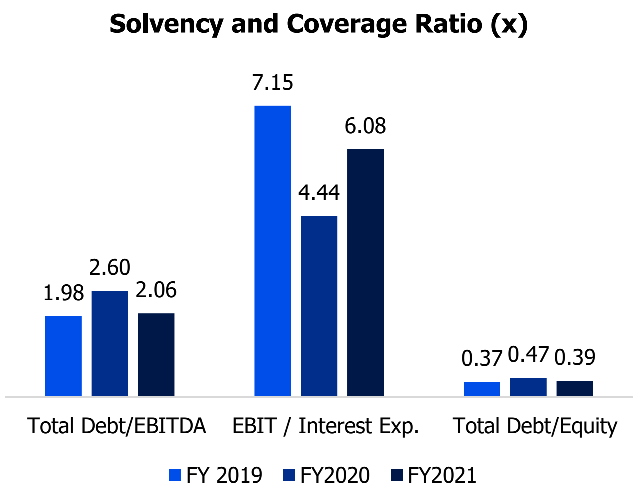
The group's average Cash Conversion Cycle (CCC) improved in FY2021, falling from 113 days in FY2020 to 98 days. This indicates that Massy has improved the management of it its working capital and is generating cash from the business at a faster rate, a significant improvement from FY2020 which marked the most severe period of the pandemic's effect on the Group. Given the improvement in business conditions, the reduction in the CCC relative to the prior year is expected.



Once CCC is decomposed into its components, average days sales outstanding, average days inventory outstanding, and average days payables outstanding all decreased in FY2021. The reduced number of days sales and inventory outstanding indicates that Massy received cash from receivables (credit sales) and sold its inventories at a faster pace in 2021. Consequently, the Group's cash conversion required fewer days in FY2021. Now, while average days payable outstanding is expected to increase to drive a higher CCC, a reduction relative to the previous year can also be seen as a positive development, indicating that Massy simply had enough cash on hand to repay creditors quickly.

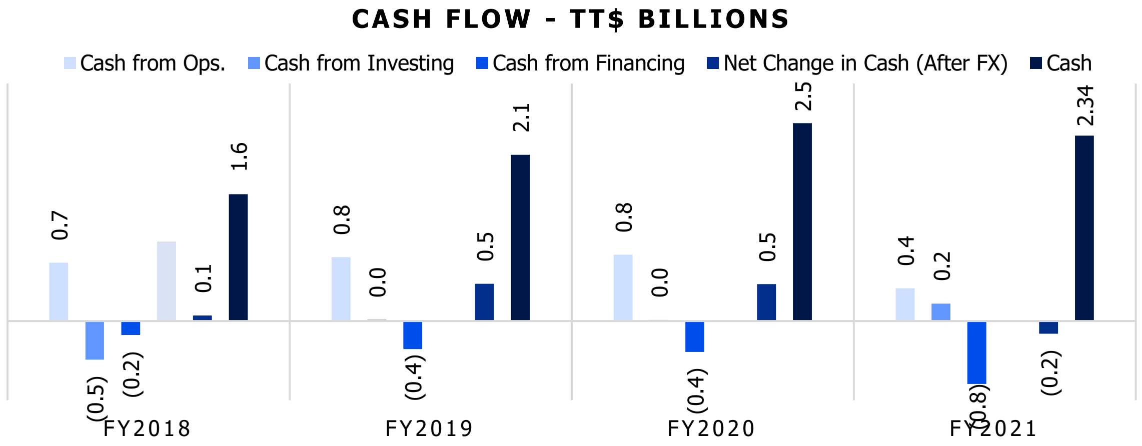
Solvency and Coverage

The Company saw its overall solvency measures improve over the period, despite the adoption of IFRS 16, which pertains to how Leases are recognized on a Company's balance sheet (all leases are now classified as a finance lease under IFRS and as such, a lease liability is reported). For the financial year 2021, total interest-bearing debt and finance leases to equity decreased to 0.39x from 0.47x in the prior year. This improvement in the solvency measure was due to the repayment of borrowings coupled with a steady increase in shareholder's equity as the Group's profitability improved. Notably, this improvement was also reflected in Debt to EBITDA which is significantly lower than the FY2020 outturn. For 2021, interest coverage has also improved, with an EBIT/Interest Expense of 6.08x relative to 4.44x in the prior year.



Cash Flow

For the period ended September 30, 2021, Massy Holdings Ltd. reported a net operating cash inflow of $414.04 million relative to $839.17 million in the prior year, representing a YoY decrease of $425.14 million (50.66%). The decline in net operating cash flow was driven predominantly by working capital changes. Investing activities reported an inflow of $221.89 million, $206.99 million more than the previous year's $14.90 million. Financing activities, however, reported an outflow of $794.623 million relative to $389.62 million in the previous year, largely reflecting debt repayment. Consequently, over the period, net cash outflow amounted to $168.16 million compared to a cash inflow of $458.07 million in the prior year.



Valuation

To value Massy Holdings Limited, we utilized a free cash flow to equity valuation method. The core result from our valuation was a price target of TT$126.04 (J$2,925.37), assuming an average revenue growth rate over the 6-yr forecasted period of 5.90%, cost of equity of 11.48%, and a long-term growth rate of 4.75%. Cost of equity was determined using an average of the CAPM method and a transposed calculation of equity cost, based on the Group's stated WACC of 9.60%.

The share price determined equates to a P/E of 15.72x relative to net profit attributable to shareholders and 19.37x relative to net profit from continuing operations attributable to shareholders. Forward P/E relative to net profit from continuing operations attributable to shareholders under these assumptions equates to approximately18.10x. Note that the P/E for the Main Index is 12.33x at present, and we expect Massy to outperform the Main Index, as a collective.

Utilizing varying estimates of the company's cost of equity and long-term growth within a reasonable range (reasonable is determined to be at least 10.00% given the Company's stated WACC of 9.60%) suggest that the value of the stock could range from TT$114.99 (J$2,668.77) at the low end to $164.87 (J$3,826.59) at the high end.

As at January 31, 2021, the stock traded at a share price of TT$ 105.99 (J$ 2,439.47) which implies an upside of 18.9% in TT$ and 19.9% in J$, relative to the core price target of TT$126.04 (J$2,925.37). Based on our estimate for FY2022 dividend payout of TT$2.73, coupled with the current price of TT$105.99, the Company's expected dividend yield, assuming purchase at this price, would be 2.6%, thereby reflecting a total return of 21.5% in TT$ and 22.5% in J$.

		Long-term Growth Rate				
		2.50%	**3.89%**	**4.52%**	**4.75%**	**5.98%**
Cost of Equity	**9.50%**	134.00	159.96	176.46	183.52	237.25
	10.00%	124.16	145.82	159.22	164.87	206.33
	11.01%	107.81	123.32	132.52	136.31	162.62
	11.48%	101.53	114.99	122.84	126.04	147.90