Barita

MAKING MONEY WORK FOR YOU.

Equity Analysis

MASSY HOLDINGS LIMITED

Barita Investments Limited
15 St. Lucia Way, Kingston
Tel #: 1-888-429-5333

Barita
MAKING MONEY WORK FOR YOU.

Company Overview

Massy Holdings Limited. (MHL, Massy), through its portfolio companies, engages in trading, manufacturing, distribution, and service industry 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. 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 (September 30, 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.

Background: Prior to FY2020, Massy Holdings Limited operated as a traditional conglomerate. In 2018, the Group took an extensive look at its portfolio of assets and realized that 48% of assets were returning less than the Group's Weighted Average Cost of Capital (WACC) of 9.60%. With this information at hand, Massy began to divest Companies that were returning less than the Group's WACC. Following this exercise, by FY2021, Massy reduced this 48% to 19%, with most of its operational assets also well positioned to meet the strategic goals of the Group.

As at February 25, 2022

Ticker (JSE and TTSE):	MASSY
Recommendation:	**OVERWEIGHT**
Company Outlook:	Positive
Current Price (TTD/JMD):	TT$ 106.00 / J$ 1,967.25
Fair Value (TTD/JMD):	TT$ 123.00 / J$ 2,850.16
Potential Upside:	16.04% / 44.88%
Trailing JMD P/E / Trailing P/E Cont. Oper:	12.77x / 10.35x
Trailing JMD P/B:	1.22x

Financial Summary (In TT$)

	FY2019	FY2020	FY2021	TTM
Revenue	11.41 Bn	10.24 Bn	11.13 Bn	11.38 Bn
Operating Profit after finance cost	733 Mn	611 Mn	879 Mn	897 Mn
Net Profit (Cont Oper.)	512 Mn	403 Mn	678 Mn	692 Mn
Net Profit Att to Equity holders	464 Mn	367 Mn	640 Mn	654 Mn
Total Assets	12.33 Bn	13.24 Bn	13.53 Bn	13.63 Bn
Total Shareholders' Equity	5.95 Bn	6.42 Bn	6.83 Bn	7.03 Bn
Total Liabilities	6.38 Bn	6.82 Bn	6.70 Bn	6.60 Bn

Financial Ratios

	FY2019	FY2020	FY2021	TTM
Return on Equity	8.36%	6.18%	9.97%	9.89%
Net Profit Margin	4.07%	3.59%	5.75%	5.74%
Debt/Equity	0.37x	0.47x	0.39x	0.38x
Current Ratio	1.80x	1.90x	2.17x	2.24x

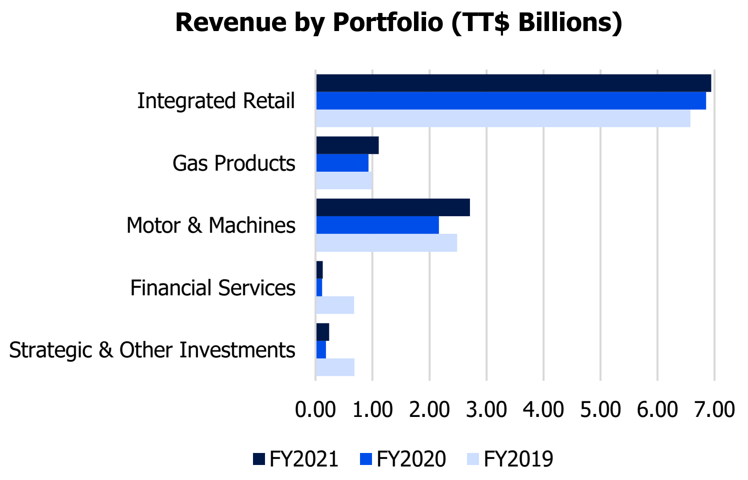
Within this new model, the ultimate parent company, MHL, acts as a holding company while the various business segments operate as decentralized Portfolio Companies. These include the three primary Portfolio segments: Integrated Retail, Gas Products, and Motors & Machines as well as Financial Services 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.

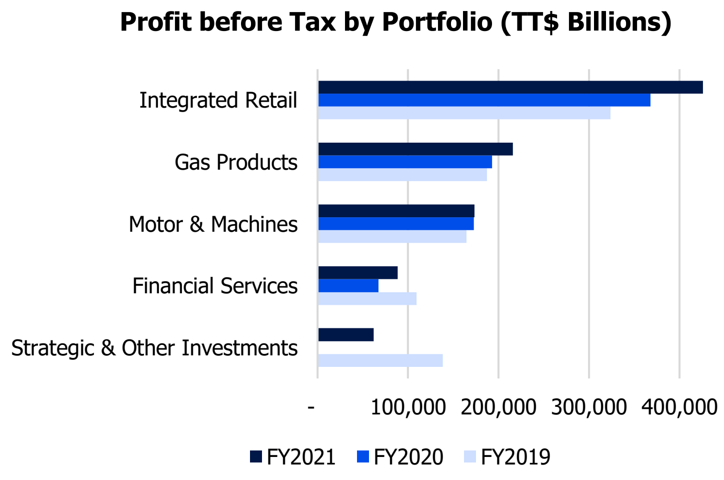
Expectation: The expectation is that the restructuring undergone in FY2020 will benefit the overall group on the back of greater autonomy within each portfolio company. Moreover, the current sale of companies and assets represents strategic sales targeted at companies and assets that were delivering returns below Massy's 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$1.36 billion (approx. J$31.48 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% in FY2021, its highest level since FY2017; and remains high on a TTM basis at 9.89%, well above the pre-restructuring 3-year average of 8.94%, despite the ongoing trials presented by the pandemic.

Business Overview

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

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 operates 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.

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 $ 6.94 billion, representing an increase over the prior year of $277.74 million (1.1%) and accounting for 63% of total Group revenue. For the year, net profit from the portfolio amounted to $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:

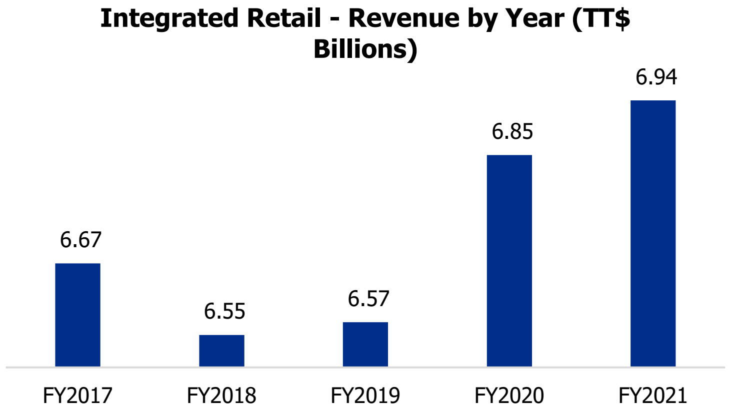
- **Retail Footprint Expansion:** In the retail business, scale matters as it improves access to products and provides greater convenience to the end-user. In keeping with its commitment to developing its footprint in order to better serve an ever-growing customer base, nine new stores in four different 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.

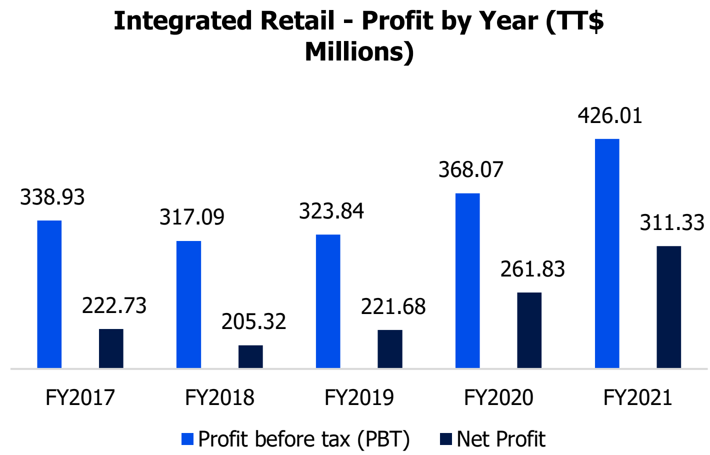
In our view, the performance of this business segment throughout FY2020 and FY2021 is commendable, given the constraints created by the pandemic, and demonstrates the strength of the Group and the capabilities of its management. Specifically, considering COVID-19, Massy's IRP played a pivotal role in 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 much 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 is in a position to expand more and has pointedly indicated its ambition to be a global Group. In our view, 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 as incremental revenue growth is crucial to the profit growth of this portfolio. Specifically, once fixed costs have been covered, the variable costs are not as significant and therefore, any additional incremental revenue growth has a large impact on net profit.

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:

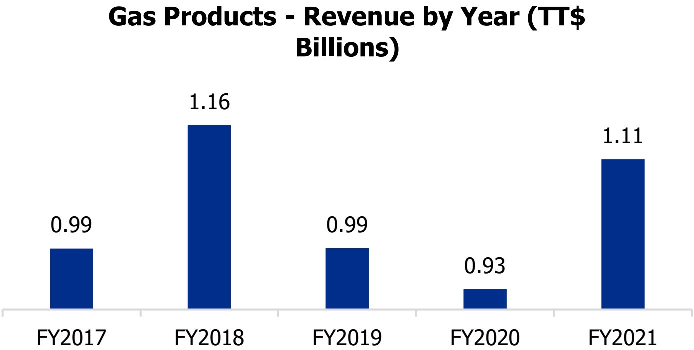
Colombia: 38% Jamaica: 26% Guyana: 19% Trinidad & Tobago: 17%

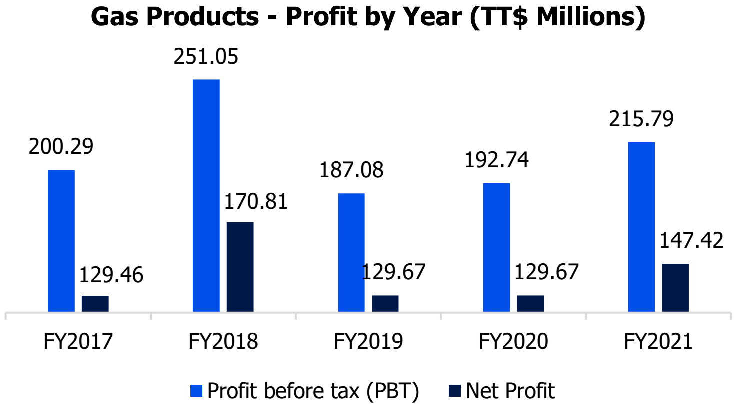
During FY2021, the Gas Products portfolio reported revenue of approximately $1.11 billion relative to $928.33 million in FY2019, representing a YoY increase of approximately $181.37 million (19.5%). Simultaneously, profit before tax grew by $23.05 million (12.0%). Notably, this improvement was despite 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.





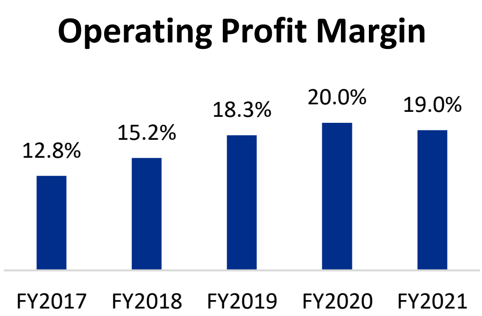
Strategy

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 to 127 ISO tanks in FY 2021. Naturally, this begs the question of whether or not there will be mean reversion since, during FY2021, the pandemic increased oxygen demand significantly. To that end, the most recent December 2021 quarter would suggest that current sales growth within the portfolio remains strong as Gas Product third party revenue has increased by 30.8% YoY.

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, as per the Group's Annual Report. Since gross profit and operational costs are not reported by segment, we've looked at the operating profit margin over the last 5 financial years, which suggests that operational efficiency has improved meaningfully over the last 5 years, moving from 12.8% in FY2017 to 19.0% in FY2021. Additionally, the decrease to 19.0% in FY2021 from 20.0% in FY2020 represents the result of revenue catapulting in FY2021 against the backdrop of a significant reduction in demand in FY2020. Consequently, as revenue grew by 19.5% YoY in FY2021, coming from a decline of 5.8% YoY in FY2020, operating profit margin slumped relative to the prior year given the much higher revenue. Notwithstanding, operating profit increased by 13.6% during FY2021.



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 the Group's 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 $2.71 billion, representing a YoY increase of $ 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 $220.44 million (8.9%).

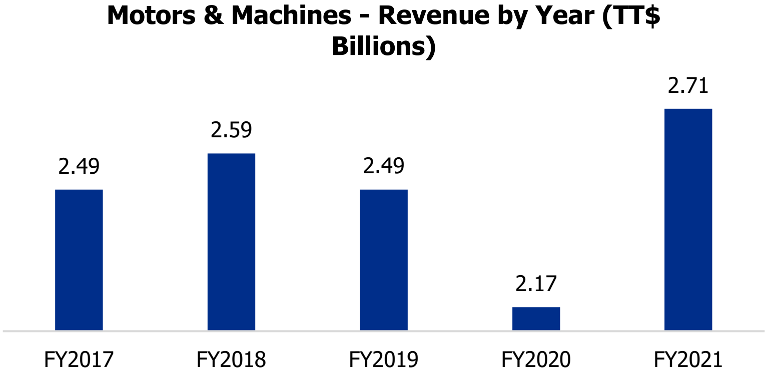
Performance during the pandemic

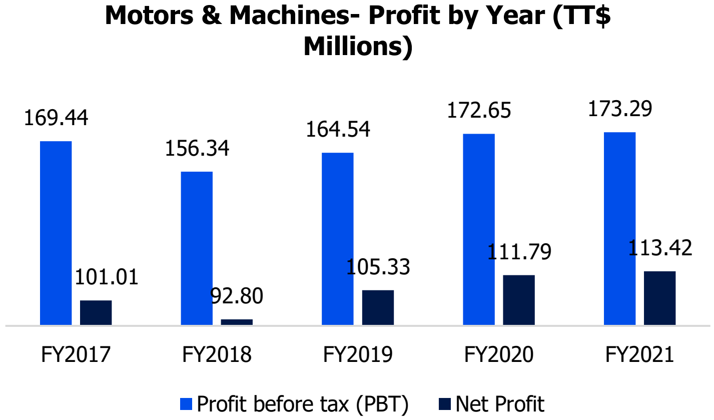
In FY2020, prior to the pandemic reaching the region, the Machine and Motors portfolio was ahead of its FY2019 performance. However, with the subsequent onset of the pandemic throughout the region, the flow of goods, particularly non-essential goods, slowed significantly. In Trinidad, the total industry 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 $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)

Q1 2022

Income statement

Revenue: For the quarter ended December 31, 2021, Massy reported revenue of $3.23 billion, an increase of $250.47 million (8.4%). This increase for the Group was underpinned by clear growth in Massy's main portfolio companies; Integrated Retail (up by $144.22 million or 7.2%), Gas Products (up by $94.06 million or 30.7%), and Motors & Machines (up by $44.33 million or 5.6%). This display of growth across all major business lines implies that the current refocused Investment Holding Company model has been beneficial; as growth has been more broad-based.

Profitability: Similarly, the Group has reported growth in operating profit after finance costs, profit before tax, and net profit to shareholders from continuing operations. In the Key Ratios table, we present a snapshot of the Company's performance relative to the prior year:

As shown in the key ratios summary, Massy's December 2021 quarter performance has significantly improved across several measures. Specifically, revenue has improved, tax management has also improved as indicated by the lower effective tax rate. Simultaneously, despite a much larger revenue base, net profit from continuing operations margin has remained at 5.5%. Consequently, net profit has grown by 8.5%, outpacing the growth in the prior quarter's YoY performance.

The managing of the Group's performance and subsequent growth in the bottom line has driven higher ROE both on a continuing operations basis and on a total net profit basis (continuing + discontinued operations). Finally, while doing this, the Company has managed its leverage, reporting a lower debt to equity ratio relative to the prior year.

Key Ratios		
For the Financial Period Ending	**Dec-31-2020**	**Dec-31-2021**
Revenue Growth (YoY)	-5.8%	8.4%
Operating profit after finance costs Margin	8.2%	8.1%
Profit before tax Margin	8.8%	8.5%
Effective Tax Rate (lower is better)	33.0%	31.0%
Net Profit Continuing Operations (shareholders) Margin	5.5%	5.5%
Net Profit Continuing Operations (shareholders) Growth	6.2%	8.5%
Debt/Equity	39.0%	37.7%
ROE (Continuing Operations)	6.4%	9.9%
ROE (Cont. + Discont. Oper.)	11.7%	12.2%

Balance Sheet

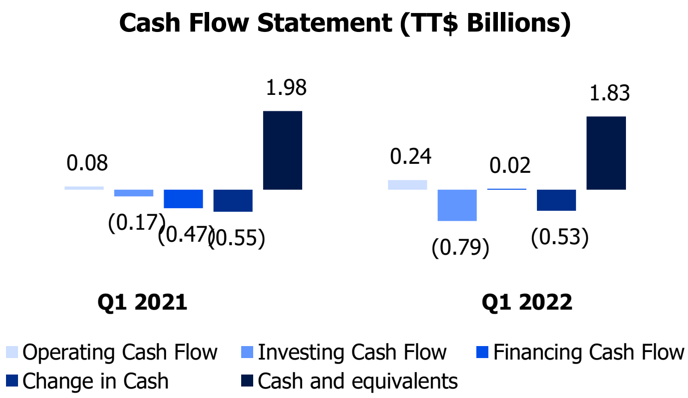
Consistent with the Group's improved profitability, its balance sheet remains well anchored; characterized by low debt relative to equity and assets. Further, Massy's current ratio suggests an enhanced liquidity position, moving from 2.11x to 2.24x. Additionally, in keeping with Massy's aim of realigning its businesses by divesting non-core assets and businesses, the Group is still in proceedings to complete the sale of Massy United Insurance Ltd. to Coalisle Group. Consequently, its current assets and liabilities presently also reflect assets and liabilities classified as held for sale. The completion of this transaction will further strengthen the Group's current ratio, and consequently, its working capital position. Within that vein, based on its current cash position of $1.36 billion, adjusting for (removing) liabilities classified as held for sale, the Group has enough cash to meet current liabilities at a ratio of 0.60x.

Presently, Massy has total assets of $13.63 billion. Its asset base is funded by $7.03 billion in total shareholders' equity and $6.60 in total liabilities. Its asset position is mainly weighted in Other Current Assets (34.2% of Total Assets (TA)), PPE and Investment Properties (18.6% of TA), assets classified as held for sale (16.6% of TA) and cash and cash equivalents (10% of TA).

Balance Sheet Ratios		
As at	**Dec-31-2020**	**Dec-31-2021**
Current Ratio	2.11x	2.24x
Debt to Equity	0.39x	0.38x
Debt Ratio	0.20x	0.19x
Leverage	1.94x	1.94x

Cash Flow

During the quarter, Massy reported a net operating cash flow of $237.72 million, an improvement of $153.87 million (183.5%) above the prior year. This growth not just reflected strong profitability from cash sales, but also mirrored considerably well-managed working capital as net changes in working capital fell from an outflow of $210.07 million in the December 31, 2020 quarter, to $74.34 million during the December 31, 2021 quarter. An interesting point to note here is the Company's investing **cash outflow** which increased from $-167.50 million to $-789.06 million, suggesting the Group may have done some significant investments during the quarter and aligns well with its cash and cash equivalents position which, though still significant, declined from $1.99 million in the prior year to its current level at $1.36 million. Finally, consistent with the ongoing sale of Massy United Insurance Ltd., the cash flow statement includes cash that remains on the balance sheet of Massy United Insurance Ltd., while the balance sheet reflects cash from continuing operation, hence the discrepancy between the cash flow statement and the balance sheet.



In addition to the most recent quarter as presented above, we've provided details of the 2021 financial year below. This review, in some respects, also encompasses prior years to reflect the trajectory of Massy over the last 5 financial years.

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 $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.

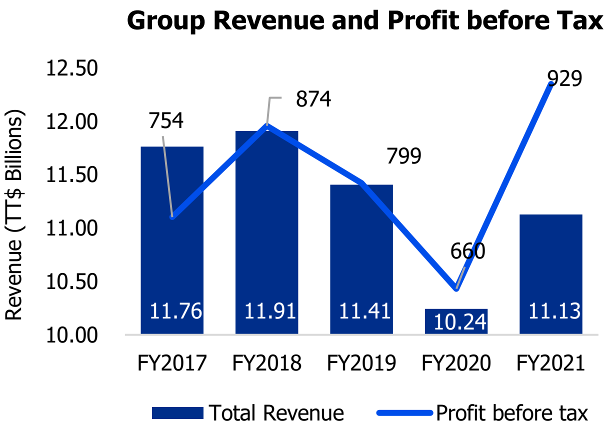
Operating Efficiency: On the back of its revenue growth, coupled with a reduction of operating costs as a percentage of revenue from 20.79% to 19.69%, the Group reported improvement in its operating profit after finance costs which increased by $267.23 million (43.71%), moving from $611.35 million in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

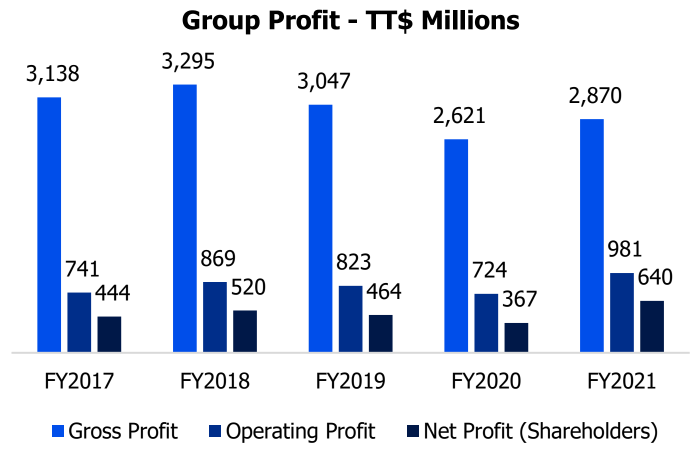
Share of profits from associates and joint ventures amounted to $50.39 million for the period, an uptick of $1.35 million (2.8%) relative to the previous year's $48.95 million.

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.

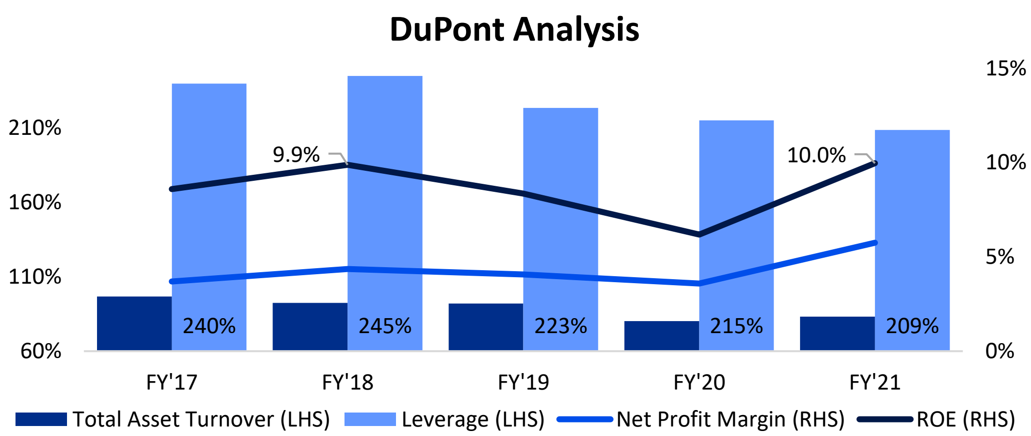
Net Profit Attributable to shareholders from continuing operations also reflected significant improvement, as shown in the Group Profit chart, growing YoY by $272.42 million (74.1%), from $367.42 million to $639.83 million. We must note that in addition to improved operational efficiency on the back 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 over the last five financial years, we can verify that the strategy has been working well. Despite the ongoing pandemic, Massy has recorded its highest ROE (10.0%) 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 consequently, improved asset turnover. An important point to note is that of the Group's FY2021 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. The removal of this large asset which represents 18.5% of Massy's total asset as at September 30, 2021, and the removal of discontinued revenue which represented 7.5% of total revenue, could improve Massy's ROE further as total asset turnover (revenue/average total assets) will benefit from the higher proportion of revenue to assets, once discontinued operations are removed.



Balance Sheet Overview

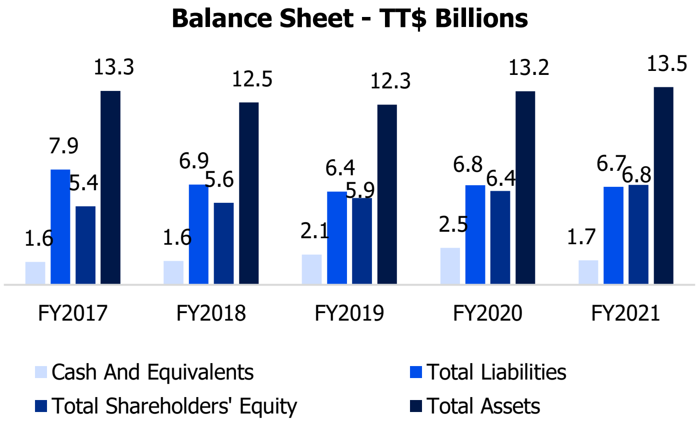
For the period ended September 30, 2021, Massy Holdings Ltd. reported total assets of $13.53 billion, representing an increase over the previous year of $295.16 million (2.18%). The increase in the Group's asset position was largely on account of a 6.71% increase in current assets which was driven by 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.

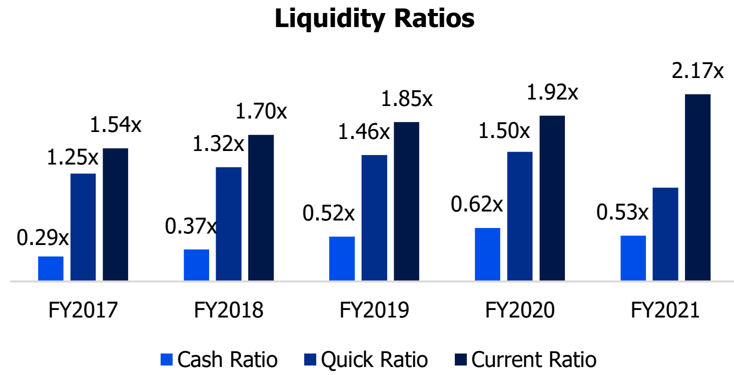
The Group's assets are funded by $6.70 billion in total liabilities and $6.83 billion in total shareholders' equity. YoY, total liabilities declined by $119.97 million (1.8%). This reduction was predominantly driven by a reduction in current borrowings which fell from $677.10 to $261.74 million (a $415.35 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.

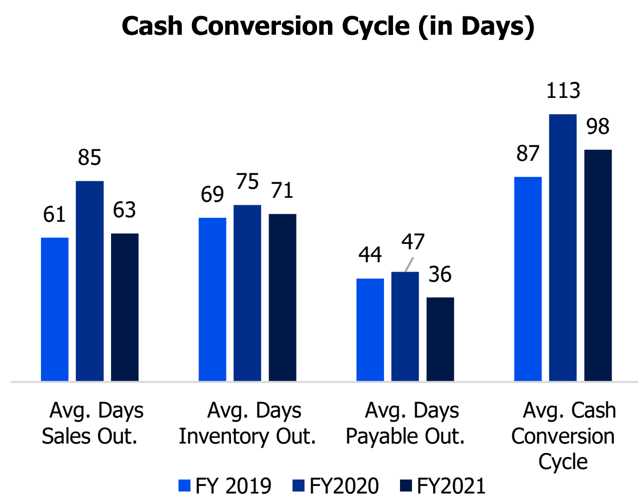




Cash Conversion Cycle

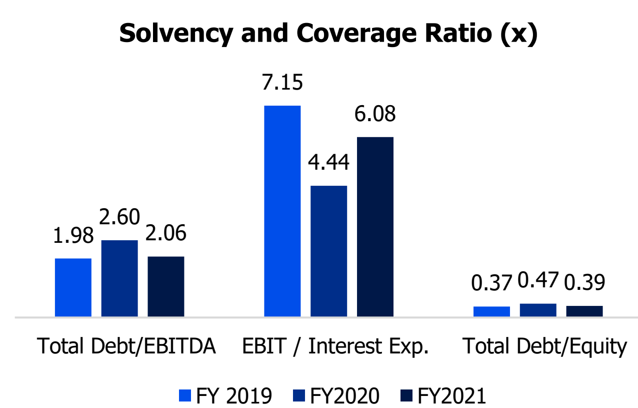
The group's average Cash Conversion Cycle (CCC) improved in FY2021, falling from 113 days in FY2020 to 98 days. This indicates that Massy has improved the management of it its working capital and is generating cash from the business at a faster rate, a significant improvement from FY2020 which marked 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.



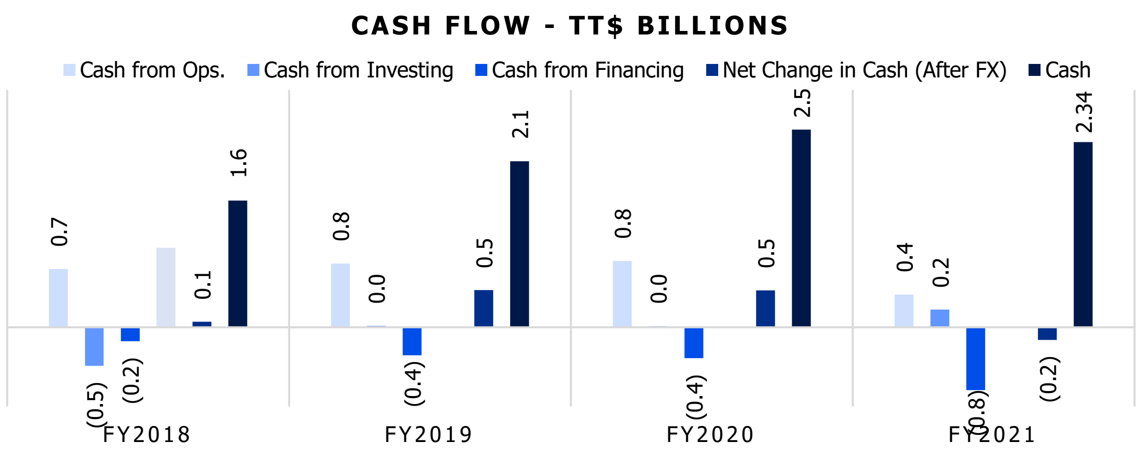
Solvency and Coverage

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 J$2,850.16 (TT$123.00),** assuming an average revenue growth rate over the 5-yr forecasted period of 6.94%, cost of equity of 11.71%, and a long-term growth rate of 4.74%. 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%. Our long-term growth rate reflects an average of the Group's retention ratio x ROE over the last 5 financial years. Notably, we believe this is a conservative estimate, considering the current higher level of ROE results in a growth rate of 6.06% in FY2021.

The share price determined equates to a P/E of 15.00x relative to net profit attributable to shareholders and 18.51x 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 approximately 17.44x. At present, the stock trades at a P/E ratio of 12.77x.

Utilizing varying estimates of the Company's cost of equity and long-term growth rate within a reasonable range (reasonable is determined to be at least 10.50% given the Company's stated WACC of 9.60%) suggest that the value of the stock could range from J$2,612.09 (TT$112.73) at the low end to J$3,508.56 (TT$151.42) at the high end. Note that this is based on the present financial position of the Company that informs our estimate of growth and therefore, is subject to change once new information is released.

As at February 25, 2022, the stock traded at a share price of J$1,967.25 (TT$ 106.00) which implies an **upside of 44.9% in J$ and 16.0% in TT$**, relative to the core price target of J$2,850.16 (TT$123.00). Based on our estimate for FY2022 dividend payout of J$66.04 ($2.85), coupled with the current price of J$1967.25 (TT$ 106.00), the Company's expected dividend yield, assuming purchase at this price, would be 3.4% in J$ and 2.7% in TT$, **thereby reflecting a total return of 48.3% in J$ and 18.7% in TT$. Given the return potential and our positive outlook for the Group, we recommend that investors OVERWEIGHT Massy's stock.**

It's important to note that we opted to use a cash flow methodology as we do not believe any listed company on the JSE is sufficiently comparable to Massy given the Group's distinct portfolios in areas such as industrial gas distribution and motor vehicle rental and sales in areas such as Colombia, for instance. Even if we were to use a comparable, its closest potential peers are conglomerates. A major difference between Massy and conglomerates lies in Massy's outright reconstruction of its business to an Investment Holding Company, a change that seeks to eliminate a major issue with conglomerates, i.e., businesses within the Group that are not adding value above WACC to the overall Group. As such, what is typically referred to as a conglomerate discount, in our view, is less likely to be applied to Massy under its new structure. Therefore, we believe Massy's P/E multiple should be higher than listed conglomerates.

DCF Sensitivity Analysis (J$)

	Long-term Growth Rate					
		2.50%	3.89%	4.52%	4.74%	5.98%
Cost of Equity	9.50%	3,149.88	3,762.31	4,151.46	4,309.40	5,585.58
	10.50%	2,713.96	3,144.91	3,405.54	3,508.56	4,287.19
	11.01%	2,531.01	2,896.62	3,113.35	3,198.11	3,822.98
	11.71%	2,315.66	2,612.09	2,783.79	2,850.16	3,326.07

DCF Sensitivity Analysis (TT$)

	Long-term Growth Rate					
		2.50%	3.89%	4.52%	4.74%	5.98%
Cost of Equity	9.50%	135.94	162.37	179.16	185.98	241.05
	10.50%	117.12	135.72	146.97	151.42	185.02
	11.01%	109.23	125.01	134.36	138.02	164.99
	11.71%	99.94	112.73	120.14	123.00	143.54

Appendix

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