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LOCAL EQUITY REPORT

WISYNCO GROUP LIMITED

Barita Investments Limited
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Company Overview

Wisynco is diversified food distribution, and packaging company that produces and distributes strong local and international brands and franchises such as WATA, BIGGA, Wendy's, Domino's Pizza, Coca-Cola, General Mills, Kellogg's, and Nestle. Wisynco ("The Company") is known for having one of Jamaica's most effective distribution logistics networks. The Company was founded in 1965 as the West Indies Synthetics Company. The primary activities of the Company are the bottling and distribution of purified water and beverages and the manufacturing of a wide range of plastic and foam packing and disposable products mainly used in the retail, foodservice, and tourism industry.

Stock	WISYNCO
Close Price	J$16.33
Estimated Fair Value	J$25.01
Year to Date Return	-3.03%
Dividend Yield	1.83%
Trailing P/E	19.24x
Forward P/E	16.25x
Potential Upside	53.15%
Total Return	54.98%
Recommendation	OVERWEIGHT
As at November 8, 2021	

Executive Summary

Wisynco's operation is broad and inclusive, as indicated by the company's distribution network which delivers approximately 162 brands, utilizing a direct customer model that has access to approximately 16,000 customers. Given the reach of the company and the exposure it has to many key industries including Tourism and Hospitality, Entertainment, Education (Schools), and Restaurants to name a few, Wisynco was affected by the pandemic. Given the effects of the pandemic on the company's performance, its stock price movement has largely been sideways since April 2021. In our view, this presents an opportunity as the Company's last two quarters highlight that top and bottom-line growth are strengthening, a change that has been driven by improved economic activity. Consequently, continued economic growth and strengthening of the industries which Wisynco serves, particularly those that were most affected by the pandemic, should provide more pronounced growth for the company in upcoming quarters.

Investment Rationale

Having seen how much Wisynco relies on several of the industries most affected by the pandemic, it becomes clear that an economic rebound is particularly in Wisynco's favour. Indeed, while the company's revenue growth has waned throughout much of the pandemic, growth has been reported in the most recent June and September quarters, consistent with growth in the economy as well as the hotel and restaurant industry. Importantly, throughout this period, the Company has managed its expenses which has catalyzed net profit growth, despite revenue weakness, for much of the 2021 financial year. This demonstrates that while the top line is important, so too is cost mitigation and Wisynco has increased its cost efficiency throughout this pandemic. This, in turn, supports much stronger net profit growth once top-line growth becomes more robust, a change we've noted occurred in the June and September 2021 quarters.

At present, the major headwind for growth continues to be the pandemic as any extreme spike in COVID-19 cases could lead to further curtailment measures which would negatively affect business activity. The major tailwind is an expected improvement in tourist arrivals as mentioned by the Minister of Tourism, the Hon. Edmund Bartlett. Our view is that the macroeconomic backdrop and the company's performance (particularly top-line performance which has been the main anchor to more robust) will improve, following the vaccine administration, tourism rebound, and eventual pickup in economic activity. Notably, throughout the pandemic and despite some quarters of underperformance, Wisynco has maintained a fortress balance sheet, characterized by low debt and a very strong cash position. Further, operating cash flow and net cash generation have actually outgrown pre-pandemic years, adding to the Company's cash position and supporting management's current positive posture towards potential acquisition opportunities. In assessing the current environment and the Company's idiosyncratic factors, we believe such opportunities would likely be very value accretive to the Company and its shareholders as Wisynco runs one of the most efficient manufacturing and distribution operations on the JSE. Therefore, our **OVERWEIGHT** recommendation is underpinned by continued economic growth that should drive stronger revenue growth. This, coupled with the company's relatively low cost to revenue and strong balance sheet bodes well for Wisynco's future profitability.

Business Operations

The Company currently produces its brands of high-quality beverage products, including BIGGA soft drinks, WATA, CranWATA, Sparkling CranWata, Ironade, BOOM Energy Drink, etc. In addition to its brands, Wisynco is the exclusive bottler and distributor for Coca-Cola and Squeezz beverages' popular brand portfolios. The Company boasts a broad portfolio of food and beverage brands that include imported brands such as Kellogg's, Häagen Dazs, Yoplait, and M&Ms, as well as locally manufactured products from Tradewinds, Worthy Park Estate, and JP Snacks.

Additionally, in the 3rd quarter of the calendar year 2020, Wisynco's Group Chairman, William Mahfood, communicated that the Company has made a deal with Anheuser-Busch InBev SA/NV (the largest beer company globally with sales of US$51.42 billion with the closest competitor being Heineken at US$24.29 billion) to distribute Budweiser, Corona, Becks, and Stella Artois brands in Jamaica. We believe

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these additions to the company's product lineup indicate that the company should see added demand for its products, particularly from tourists who would easily gravitate towards Budweiser and Corona which are popular beers in the US market. It also signifies that a company the size of Anheuser believes that Wisynco has a distribution network deemed sufficiently efficient and robust to warrant a deal.

Wisynco currently distributes 162 brands and has a direct customer base of approximately 16,000 customers. That customer base consists primarily of supermarkets, retail, wholesale channels, schools, and foodservice outlets. The Company operates from a modern centralized 360,000 square foot warehouse space. It commands a fleet of over 90 owned and over 400 contracted trucks that deliver products directly to its vast customer base. Its in-trade assets include over 8,600 coolers and 2,400 freezers, which help ensure the ready-to-serve availability of its products. Essentially, the company is a massive distributor of goods and the revenue decline witnessed thus far is understandable given the exposure the company has to the broader economy. Similarly, a revival of the economy implies that Wisynco stands to benefit.

Business Strategy

The Group's goal is to remain the premier distributor and manufacturer of food and beverages in Jamaica. This is driven by constant innovation in existing and potential product categories. The variety of brands and packaged offerings the Company has in its portfolio provide the flexibility to reach most Jamaican consumers. Three main pillars support Wisynco's business strategy:

1. **Growth and expansion strategies – including strategic partnerships and new distributors:** The company's distribution network is among the best in Jamaica. By leveraging this network, the company has increased the number of partnerships it has and is expected to continue doing so. Prior to the pandemic, the company made some important strategic steps, including a 30% acquisition of JP Snacks Caribbean Limited and their distribution alliance with Worthy Park Estate Limited, the company sees this as just the beginning of an expansion that will result in growth in the coming years. This is evident in the Company's most recent expansion strategy involving a partnership with Anheuser-Busch InBev SA/NV to exclusively distribute Budweiser, Corona, Becks, and Stella Artois beer brands in Jamaica.
2. **Cost optimization:** Wisynco's Cogeneration Plant was completed in 2020 and has added value to the company by reducing energy costs. Other efforts throughout the pandemic have improved the company's margins materially relative to the prior year (Operating Profit Margin of 11.91% in FY2021 relative to 11.65% and 10.10% in FY2019 and FY2020, respectively).

Competitive Advantage

Grass Roots Distribution Network: Wisynco's distribution network stretches throughout Jamaica, reaching as many as 16,000 customers, some of which are in the most rural parts of the island. These customers are serviced at least twice a week which helps to strengthen and drive customer retention.

Portfolio Diversity: Due to the pandemic, some categories of the Group's business were heavily impacted, particularly brands that were best suited for direct consumption such as snacks and water. However, given the broad product portfolio, Wisynco realized significant sale increases in other food groups, particularly those sold through channels such as supermarkets, so products like ice cream that is a comfort food saw increased sales as persons stayed home more, confectionaries, take-home snacks, etc. The change in sales dynamic somewhat balanced the negative effects of the pandemic.

Income Statement – First Quarter Ended September 30, 2021

Revenue, growth, and constraints given the current pandemic environment:

For the quarter ended September 30, 2021, Wisynco reported revenue of $9.21 billion relative to $8.07 billion in the prior year, representing a YoY increase of $1.14 billion (14.1%) **and the Group's highest revenue outturn in any quarter since its inception.**

As indicated by the Company in its first quarter report, this improvement reflects a continuation of the recovery in revenues which began in the final quarter of financial year 2021 (June 2021). The Company noted that in addition to the general trend, its Food Service sales continue to show recovery as a result of the uptick in the tourism industry as well as consumers returning to restaurants.

Notwithstanding this growth of 14.1%, however, the Company notes that the closures and shutdowns during the quarter instituted by the Government to combat the increasing Covid-19 cases due to the spread of the Delta Variant tempered revenue growth from some distribution Channels. This implies that barring any further government mandates of similar (or greater magnitude), revenue growth in the upcoming quarters will be even higher, particularly because average revenue for the remaining quarters (Q2 to Q4) in FY2021 was $7.92 billion, below the September 2020 (comparable quarter in the prior year) of $8.07 billion.

Solid Cost Control:

Direct Costs: During the quarter, Wisynco reported a direct cost increase of $756.15 million (14.6%), resulting in a slight decline in gross profit margin from 35.9% in the prior year to 35.6%. Importantly, despite the marginal decline, this outturn is still very positive as its an improvement over the FY2020 and FY2021 outturns of 34.4% and 34.9% and is even more impressive considering the ongoing supply chain disruptions globally that have resulted in many manufacturing and distribution companies reporting thinner gross profit margins as raw material and shipping costs increase. The cost dynamic indicates that Wisynco may not be as affected by international supply chain issues to the extent of some local counterparts, which bodes well for continued cost management in a period of heightened input costs. For the quarter, other operating income improved slightly by $1.71 million or 3.99% YoY.

Operational Costs: 21.99% represents Wisynco's operational cost to revenue ratio in the September 2021 quarter. A look back on the last 13 quarters indicates that this is the lowest cost to revenue since as far back as September 2018 (3 years earlier and before the pandemic). Notably, interest expense on the Company's debt continues to decline, amounting to just $26.59 million for the quarter, relative to $39.07 million in the prior year. However, FX losses resulted in a finance cost of $86.36 million, a YoY increase of $42.73 million which was tempered by finance income of $66.74 million.

Profits:

Profitability: Given its cost management, operating profit improved by $280.13 million (27.43%). Further, the quality of earnings has not been eroded, and operating cash flows remain above net profit. This has allowed Wisynco to invest its heightened cash position in short-term investments, resulting in finance income growing by $17.84 million (36.48%) YoY which helped to offset heightened finance costs. Consequently, Wisynco reported a net finance cost of just $19.63 million.

Share of Results of Associates: Refers to Wisynco's 30% ownership of JP Snacks Caribbean Limited's issued share capital. For the quarter, Wisynco reported a share of profit of $1.63 million, an improvement over FY2021's loss of $29.72 million, which suggests that the JP Snacks business is also benefiting from stronger economic activity.

Net Profit: For the quarter, profit before tax amounted to $1.28 billion, $255.26 million (24.83%) above the prior year while net profit from continuing operations totaled $967.01 million, an increase of $115.77 million (13.6%) above the previous year. **Given the fact that the Company's strong performance was despite the lockdown measures in place during the quarter, we expect further improvement in profitability in the upcoming quarters. This should be compounded by continued growth in tourism and continued reopening of schools, both of which remain below maximum output. Approximately 15% of Wisynco's business comes directly from the hotel industry. As such, we expect continued growth in both top and bottom lines for the Company once tourism continues on an uptrend.**

Income Statement – Financial Year Ended June 30, 2021

Revenue, growth, and constraints given the current pandemic environment:

For the year ended June 30, 2021, Wisynco reported revenue of $31.82 billion relative to $32.17 billion in the prior year, representing a YoY decline of $353.10 million (-1.11%).

This decline reflects economic headwinds being faced by several industries the company sells its products to, including Tourism, Bars and Restaurants, and Schools that have been unable to return to normalcy since the start of the pandemic. The surge in COVID-19 cases in January and February 2021 and the resulting curfews weighed on revenue growth. Importantly, however, the company notes that there was stronger than expected revenue in March 2021 which implies that there has been some increased demand for the company's products. This stronger demand for products is further highlighted in the 4th quarter wherein revenue totaled $8.18 billion, a YoY increase of 17.09%, which was materially above the previous quarters which reported declines averaging 6.04%. Consequently, **while the 9 months reflected a YoY decline in revenue of $1.55 billion (6.14%), the full year's decline was just $353.10 million (-1.11%) which suggests the company is seeing a marked improvement in product sales. This coincides with a seasonally-adjusted growth outturn of 55.1% in the Hotels and Restaurants industry during the June 2021 quarter.**

Solid Cost Control:

Direct Costs: During the year, Wisynco reported a direct cost decrease of $403.26 million (1.95%), driving an improvement in gross profit margin from 34.40% to 34.94%, slightly reversing the decline in margins reported from FY2019 (37.4%) to FY2020 (34.4%) as a result of the pandemic. Of note, this improvement in gross profit margin comes despite international supply chain issues and heightened raw material costs which have negatively affected many manufacturing and distribution companies. The growth in gross profit margin and decrease in direct costs indicate that Wisynco may not be as affected by international supply chain issues, at least to the extent of some local counterparts, which bodes well for continued cost management in a period of heightened input costs. For the year, other operating income declined by $96.42 million or 40.08% YoY.

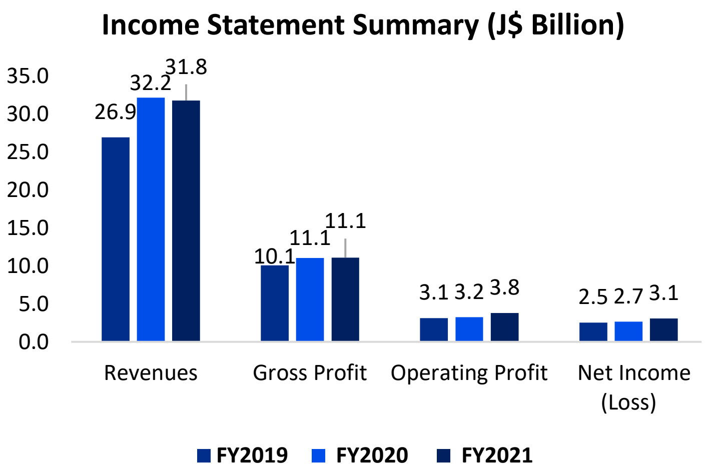
Operational Costs: Outside of managing its direct costs, Wisynco demonstrated improved operating expense management as well which resulted in total selling, distribution, and administrative expenses declining by $589.08 million (7.79%) YoY. Additionally, this cost containment also materialized with lower interest expense as the company's repayment of borrowings supported a reduction in its finance costs which shrunk from $230.21 million to $168.15 million, a reduction of 9.38%.

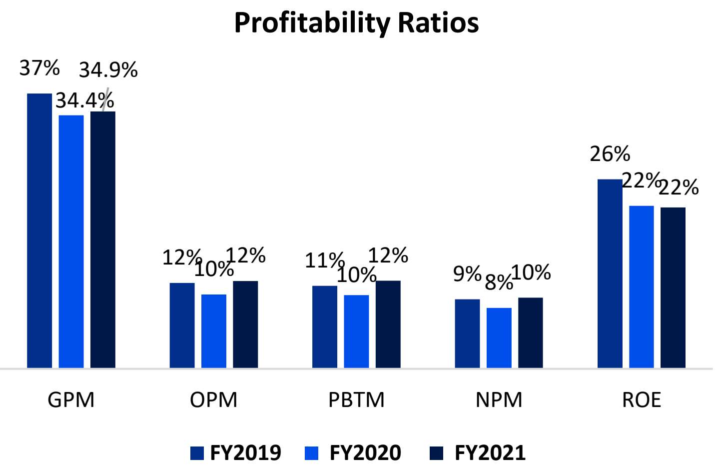
Profits:

Profitability: Given its cost management, while revenue declined, operating profit improved by $541.93 million (14.30%). Further, the quality of earnings has not been eroded, and operating cash flows have been significant. This has allowed Wisynco to invest its heightened cash position in short-term investments, resulting in finance income growing by $57.08 million (29.19%) YoY. Consequently, Wisynco reported a net finance income of $41.80 million relative to a net finance cost of $29.69 million in the prior year.

Share of Results of Associates: Refers to Wisynco's 30% ownership of JP Snacks Caribbean Limited's issued share capital. Notably, while the company reported a loss during the year which led to a share of loss, there has been top-line growth with revenue increasing by $66.29 million, from $1.39 billion to $1.46 billion. This suggests heightened costs drove the Company's weakened profitability over the period. Notwithstanding, the share of loss only weighed on operating profit slightly, representing just 0.78% of operating profit before tax.

Net Profit: For the year, profit before tax amounted to $3.90 billion, $582.72 million (15.32%) above the prior year while net profit from continuing operations totaled $3.07 billion, an increase of $289.90 million (8.78%) above the previous year. This outturn marks a considerable change from the 6 months ended December 2020 where the Company reported a decline in net profit from continuing operations of $217.93 million (12.40%). This change in profitability from a loss to a profit within the same financial year indicates that the latter half of the year was buttressed by top-line growth, particularly in the last 4 months of the financial year, as well as expert cost management.





Balance Sheet and Cash Flow Statements – First Quarter Ended September 30, 2021

Total Assets

For the period ended September 30, 2021, Wisynco reported total assets of $22.47 billion, an increase of $1.39 billion (6.6%) relative to the prior year's $21.09 billion. The Group's assets are largely concentrated in cash and short-term deposits and Property Plant and Equipment (PPE) which total $7.61 billion or 33.9% of total assets and $6.46 billion or 28.7% of total assets, respectively as at September 30, 2021. The Group's high cash balance reflects its strong cash revenue and generally good working capital management which has bolstered operating cash flows.

Inventory which represents goods to be sold totaled $2.93 billion (+$274.36 million or 8.27% YoY) at the end of the year while receivables and prepayments totaled $2.64 billion (+$602.91 million or 21.6% YoY). Notably, the Company has grown its cash and equivalents to a

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level that dwarfs its inventory value (2.59x inventory); indicating that Wisynco is in a favorable position to not only manage inventory well but also manage its payables to maintain a positive working capital position, as creditors are more willing to allow Wisynco to hold an open credit position longer.

Total Equity

The Group's funding base consists of $16.03 billion in total equity which grew YoY by $2.16 billion (15.6%). Total shareholders' equity is comprised of retained earnings ($14.40 billion), share capital ($1.21 billion), other reserves ($367.24 million), and translative reserves ($50.92 million). Growth in total shareholders' equity largely reflects retained earnings growth of $2.06 billion (16.7%) YoY.

Total Liabilities

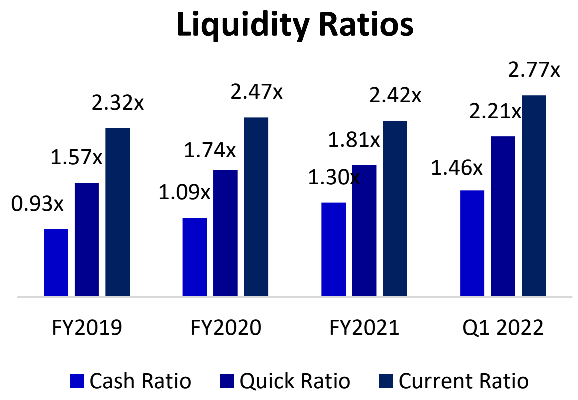
Total liabilities represent the remaining funding base of the Group at $6.45 billion. YoY, total liabilities declined by $770.79 million (10.7%) relative to the previous year's $7.22 billion. The majority of the Group's total liabilities is concentrated in trade and other payables which at $3.80 billion, represents 58.9% of the Group's total liabilities. Given its high cash generation and high cash balance, the Group holds little interest-bearing debt/lease liabilities which in total, amount to $1.97 billion of 30.6% of total liabilities, which, relative to a cash and equivalent balance of $7.61 billion, is fairly low.

Liquidity and Solvency

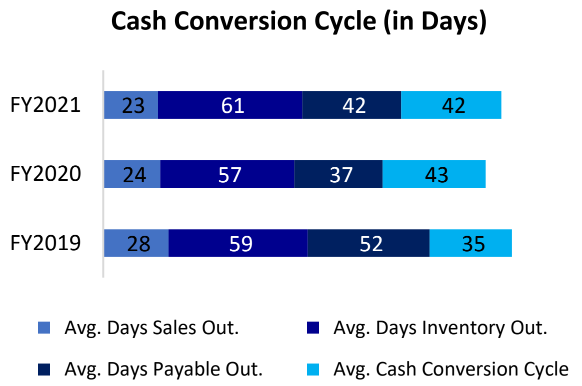
Liquidity

Wisynco is one of the most liquid companies listed on the Jamaica Stock Exchange and whilst the pandemic has affected growth in several quarters, liquidity has remained robust. Recent improvement in Group liquidity measures has been driven predominantly by increased cash and short-term deposits (up by 15.8% YoY or $1.04 billion).

The company's improved cash position has been a consequence of significant operating cash flows of $4.66 billion in FY2021 relative to $3.67 billion in FY2020. This was further bolstered by net investing cash inflows of $44.04 million in FY2021 relative to an outflow of $2.06 billion in the prior year (FY2020). In the most recent quarter, the Group's current and quick ratios have also been supported by growth in receivables and prepayments of $602.91 million (21.6%). The liquidity ratios chart demonstrates that across all liquidity measures, Wisynco can cover its working capital needs and liquidity has improved relative to the pre-pandemic period.

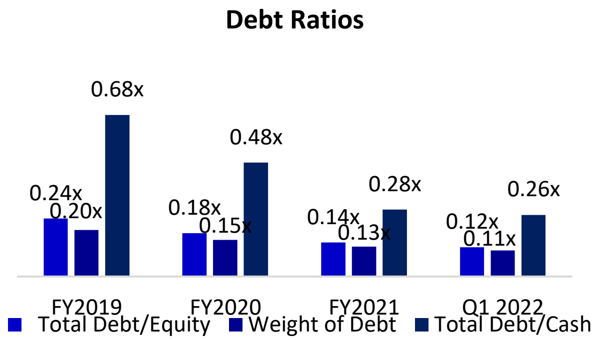


In large part, Wisynco's liquidity is driven by its working capital management which is captured by the cash conversion cycle chart. Essentially, on average, Wisynco takes 42 days (as at June 2021) to convert inventory into cash through the sale of goods. On a comparative basis, this stacks up well relative to others in the food/beverage manufacturing and distribution industry as the average Cash Conversion Cycle (CCC) for listed food manufacturing and distribution companies is 78 days which is 36 days (more than a month) slower than Wisynco's average CCC.



Solvency

Consistent with its liquidity, the Group maintains a relatively low debt structure and enough cash to cover its total debt if needed. That said, the balance sheet is heavily funded by equity and the company's cash generation is robust. Therefore, from a solvency perspective, Wisynco is well-positioned.



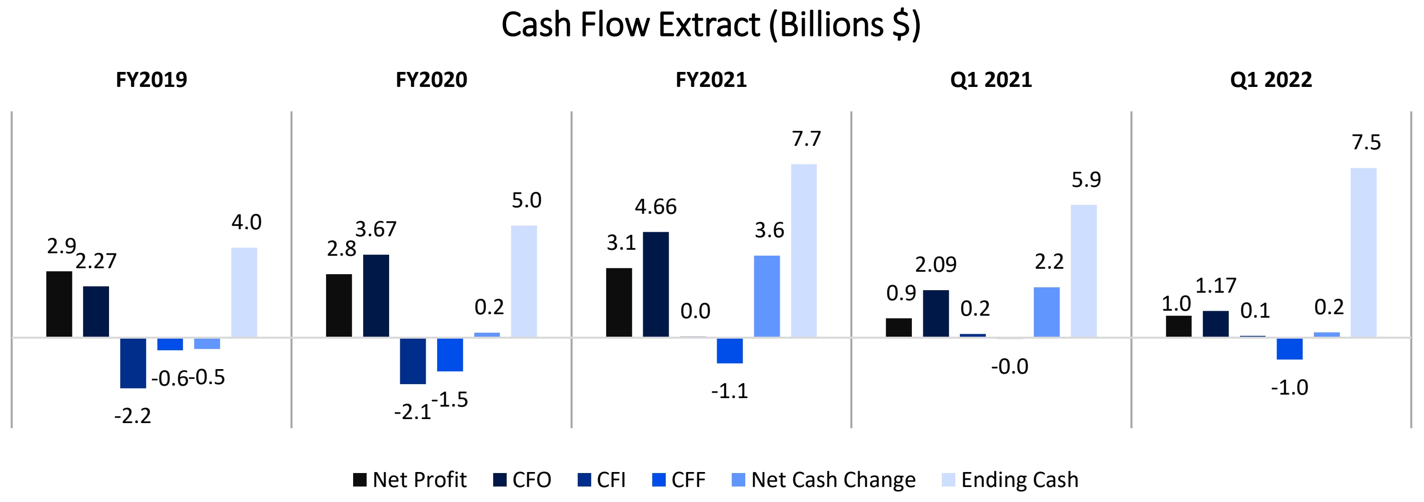
Cash Flow

Wisynco's operations are largely cash-based as indicated by the chart below wherein cash from operating activities (CFO) has been close to and well above the company's net profit in recent years. In FY2020 and FY2021, positive working capital changes drove CFO above the Group's net profit. During FY2021, operating cash flow was supported by high non-cash charges in the form of depreciation as well as positive working capital changes, driven predominantly by increased trade and other payables. The increase in trade and other payables, in our view, relates to Wisynco's financial position as well as the Company's market position which essentially allows Wisynco to maintain relatively lengthy days payables outstanding. This is made clearer by matching the Company's average days sales outstanding against its average days payable outstanding, which indicates that credit sales (receivables) are received faster than credit purchases are paid for.

For its cash flows from investment activities (CFI), the purchase of investments as well as capital expenditures was netted against sale proceeds from investment securities coupled with deposit withdrawals. Consequently, net CFI was an inflow of $44.04 million. Finally, given the heightened operating cash flow and net investing cash inflow, Wisynco repaid debt and made dividend payments, resulting in a cash flow from financing activities (CFF) outflow of $1.13 billion.

Cash Flow consistency: As per the chart below, Wisynco's business model is characterized by high and consistently positive operating cash flows. The company benefits from high cash sales, significant non-cash depreciation/amortization which is beneficial for tax-deductibility purposes, and very well-developed working capital management, as indicated by the Group's relatively low cash conversion cycle. In Q1 2022, operating cash flow was negatively affected by working capital changes from increases in receivables and a decline in trade and other payables. We expect this to improve as the year progresses.

Cash Growth: The consistency of the company's operating cash flow supports low debt usage and heightened potential for growth-driven capital expenditures. At its current cash generation level coupled with maintenance CAPEX levels, Wisynco is expected to continue seeing expansive growth in its cash balance which positions the Group well to take advantage of external growth opportunities.



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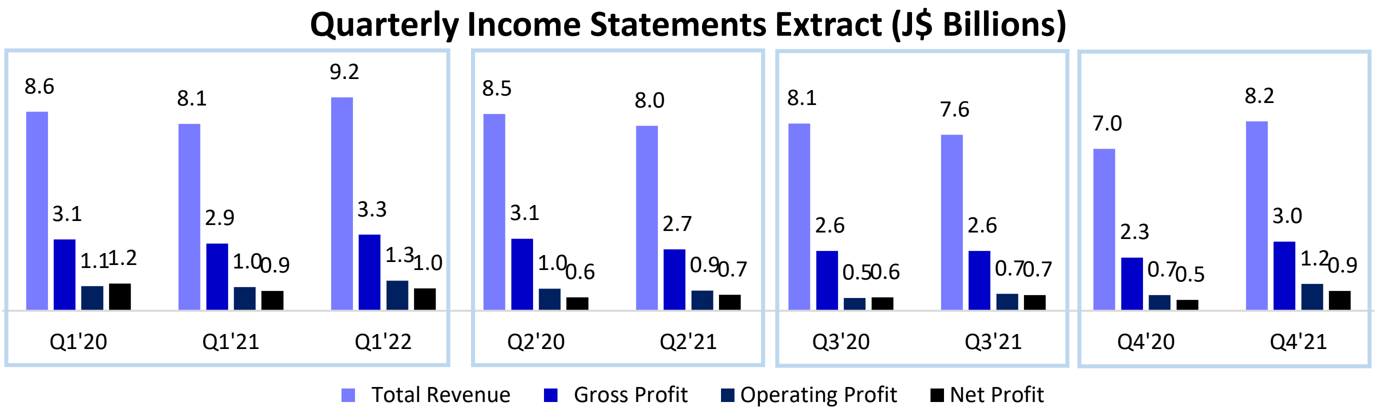
Growth Expectations

Improved Business Activity: The chart below highlights quarterly Group revenue and profits, comparing Q1 2022, FY2021, and FY2020. As indicated, revenue in FY2021 was subdued from Q1 to Q3, relative to FY2020. However, revenue in Q4'21 was above Q4'20 but moreover, it was above Q1'21 to Q3'21. Consistent with this outturn, Group CEO, Andrew Mahfood indicated that the Group saw a significant improvement in the FY2021 fourth quarter, driven by hotel reopenings, reduced COVID-19 cases, and increased vaccination administrations. Mr. Mahood also indicated an expectation of continued growth as vaccination efforts continue to have a positive effect on business activity. Notably, this expectation materialized in Q1'22 where the Group reported its highest quarterly revenue and profit in its history.

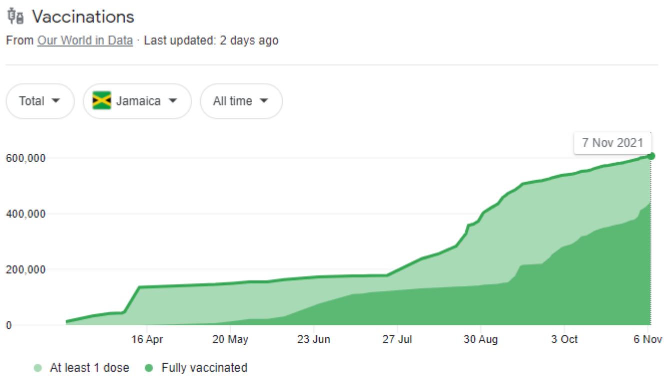


High Capacity for further growth

In highlighting the potential for improved business activity, it's important to note that on a seasonally adjusted basis, the hotel and restaurant industry grew by 55.1% in the June 2021 quarter. **This is important since as much as 15% of the Group's revenue stems from the hotel and hotel-linked industries, which explains why revenue growth slowed in FY2021 and why it began improving in Q4 2021.**

During the same quarter, value-added by the industry amounted to $6.96 billion, well above its previous, post-pandemic high of $4.73 billion. Notwithstanding, this level of output remains 42.5% below two years ago where total value added amounted to $12.11 billion, indicating that significant capacity for further growth in this segment remains. This is important as restaurants and hotels are major purchasers of Wisynco's products. The 55.1% increase in the June quarter coincides with the increased revenue reported by Wisynco in its Q4 2021 (June quarter). However, the subdued output level relative to two years ago supports the view that the Group's potential growth and potential total revenue is well above the current level, even relative to Q4'21 and Q1'22 (despite the improvement we've seen), and should be supported by further growth in the hotel and restaurant industry as well as other key industries like education, as normalization takes place.

Our expectation for further improvement in hotels and restaurants as well as broader business activities, in general, can be guided by vaccination efforts as well as the recent posture of the government towards relaxing pandemic-related restrictions. As shown in the vaccination chart, public vaccination has improved exponentially since the end of the June quarter. Specifically, the percentage of persons fully vaccinated increased from 2.6% at the end of June to 14.9% as at November 7, 2021.



Moreover, the government seeks to achieve vaccination of 65% of the population by March 2022, a feat that would significantly improve the outlook for business and economic activity. Notably, even if Jamaica misses the mark by a large margin, for example, 50%, the vaccination rate would still increase by 2.18x relative to the current fully vaccinated rate of 14.9%.

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New COVID-19 Therapy: While the current environment remains considerably burdened by uncertainties, vaccination therapies are continuously being developed. For instance, Merck & Co. recently announced a new COVID-19 antiviral pill known as molnupiravir. This medicine, at present, has been shown to reduce patient (unvaccinated) hospitalizations by 50%; it also appeared to have an impact on whether patients survived. More recently, Pfizer also announced a COVID-19 pill called Paxlovid which the Company indicated reduced the risk of hospitalization or death by 89%, in a clinical trial that tested the drug in adults with the disease who were also in high-risk health groups. Going forward, it's highly likely that additional drugs will be developed to combat the spread and dire effects of the virus. Ultimately, this supports continued improvement in business and economic activity as vaccine hesitancy can potentially be combated through new forms of therapy such as these, and other pills.

Acquisition Potential: As indicated previously, Wisynco's business is heavily cash-driven and we expect this to continue as maintenance CAPEX and the Company's stable dividends have not been comparatively significant to materially reduce positive net cash changes. With this heightened cash generation and strong cash balance, Wisynco is well-positioned to grow inorganically through acquisitions and the Group's chairman has alluded to potential acquisitions.

In our view, given the current COVID-19 centric environment, acquisition opportunities are even more beneficial for acquirers as the value of many local companies would have fallen given the current environmental constraints. As such, any potential acquisition, simply from a cost standpoint, is likely to be more beneficial (cheaper) for the Group now than it would have been two or three years prior.
Further, we must highlight that Wisynco's effective working capital management is heavily supported by its strong distribution capabilities. Therefore, from a synergistic standpoint, the integration of an acquisition into Wisynco's 'ecosystem' supports obvious synergistic benefits. With that said, in our view, a potential acquisition in the current environment could pose significant benefits to the Wisynco Group, assuming the proper due diligence and best practice steps are taken.

Product Expansion: Within the next year, Wisynco expects to increase its range of products. In doing so, the company intends to strategically target product areas in which it has little or no presence, to limit the potential for product cannibalization. Product categories the company intends to deepen locally include rum and other spirits through its Worthy Park Estate partnership and dairy through Trade Winds. Importantly, with its new products, the company intends to focus more on ensuring these products have export potential, which presents a significant opportunity to grow well beyond the limits of the Jamaican market.

Export Market Growth and New Distribution Center: As announced in its Q1'22 quarterly report, exports sales increased by 75% relative to the prior year. While export revenue as at June 2021 audited financials only represented 2% of the Group's revenue, Wisynco's focus has only recently been set at growing export sales since the Jamaican market presented significant opportunities for growth in the years prior.
In FY2021, export sales grew 41.0% and the most recent quarter growth of 75% demonstrates that in all likelihood, the Group will soon realize revenue from this segment of J$1 billion (revenue was $628.01 million for the year ended June 2021). We expect export sales will soon become a significantly larger segment of total Group revenue and profitability and Wisynco has the balance sheet capacity to meet high export demand.

Distribution Center: In order to fuel growth and greater efficiency locally, the Group recently secured its North West Distribution Center in Hague, Trelawny, with the intention of commencing operations early in the 3rd Quarter (March 2022). Wisynco indicates that with this new facility, the Company would be able to be more anticipatory and agile in meeting customer demands in the Western region. Already, as indicated prior, Wisynco has one of the most efficient operations in the food/beverage Manufacturing and Distribution industry. This new center should serve to strengthen that operational efficiency further.

Valuation and Recommendation

Utilizing a Discounted Cash Flow (DCF) and Price to Earnings or P/E valuation, we arrived at an average price of $25.01 for Wisynco which represents an upside of 53.15% relative to the November 8, 2021, close price of $16.33. Given the company's dividend yield of 1.83%, the total return from the stock is estimated at 54.98%.

Definitions:
Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO
UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET
MARKETWEIGHT/HOLD = EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO
OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO

DCF:

Our 5-year free cash flow to equity model assumes the company grows revenue at 14.50% over the next year, which reflects our expectation for continued growth as seen in the Q4’21 outturn of 17.1% and Q2’22 outturn of 14.1%, driven largely by improving economic activity, particularly in the tourism sector. Thereafter, we assume growth picks up to 17.1% in FY2023 and then subsequently taper, over time, to our long-term growth rate of 8.16% over time.

Stock	WISYNCO
Close Price	J$16.33
Estimated Fair Value	J$25.01
Year to Date Return	-3.03%
Dividend Yield	1.83%
Trailing P/E	19.24x
Forw ard P/E	16.25x
Potential Upside	**53.15%**
Total Return	**54.98%**
Recommendation	**OVERWEIGHT**
As at November 8, 2021	

Operating Profit Margin is staggered upwards from 14.1% (consistent with Q1’22 results) in the first forecasted year to 17.1% in our terminal year, reflecting expectations for modest additional cost efficiencies going forward. Of note, Wisynco added 5.22% to its operating profit margin when we compare the September 2021 quarter operating profit margin to the June 2019 quarter (pre-pandemic).

Using the company’s present sales to capital ratio (3.17x) and revenue to determine reinvestment into the company, we then reduce operating income by this reinvestment to arrive at free cash flow to the firm. WACC was determined at 12.33%. Once the firm value was determined, we adjusted for the company’s total debt ($1.97 billion) and cash ($7.61 billion) to arrive at the firm's equity value ($97.68 billion). **These estimates resulted in a share price estimate of $26.00.**

P/E Valuation

Our P/E valuation utilized our DCF’s 1 year expected revenue outturn of $37.74 billion. We then utilized an expected net profit margin of 10.0% (an improvement over FY2021's 9.7%, but lower than the Q1’22 margin of 10.5%) to arrive at a 1-year net profit estimate of approximately $3.78 billion or $1.01 per share. At present, the Market prices Wisynco at a P/E multiple of 19.24x which is below the average of comparables which trade at approximately 23.77x. **Utilizing this average multiple and our EPS estimate of $1.01 results in a share price estimate of $24.01.**

Averaging both our DCF and P/E valuation estimates results in a price target of $25.01 which is 53.15% above the company’s November 8, 2021, close price of $16.33 and underpins our **OVERWEIGHT** recommendation.

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