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LOCAL EQUITY REPORT

WISYNCO GROUP LIMITED

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

Company Overview

Stock	WISYNCO
Close Price	J$17.31
Estimated Value	J$19.95
Year to Date Return	-2.05%
52 Week Low	J$16.00
52 Week High	J$26.90
Trailing P/E	14.83x
Forward P/E	12.73x
Dividend Yield	2.31%
Potential Upside	15.26%
Total Return	17.57%
Recommendation	OVERWEIGHT

as at January 18, 2023

Wisynco Group Limited ("WGL", "Wisynco" or "the Group") is a diversified food and beverage manufacturer and distributor with an enviable portfolio of both local and international brands. WGL categorizes its portfolio into four categories namely, i) Manufactured-Owned, which are the Group's own manufactured products, ii) Manufactured-Third Party, which includes third-party brands (not owned) that WGL manufactures for via agreements with those third parties, iii) Distributed - Imported Third Party, which includes a portfolio of products that Wisynco distributes through distribution agreements with foreign third parties, iv) Distributed - Local Third Party, which includes a portfolio of products/brands that Wisynco distributes through distribution agreements with local third parties. It is also important to note that WGL owns 30% equity in a joint venture, JP Snacks, with Jamaica Producers group owning 70%. With this joint venture, Wisynco also exclusively distributes products under the St. Mary's brand.

Overall, WGL distributes approximately 140 brands and has a direct customer base of over 12,000 customers, primarily including supermarkets, retail and wholesale channels, schools, hotels and food service outlets. The Group also earns revenue primarily from Jamaica but also earns revenue from offering its products through distributors in multiple countries such as Trinidad, Barbados, the United States, the United Kingdom, Canada, the Bahamas and many more. WGL also boasts a large sales force comprising 750 sales-related employees and robust distribution infrastructure which is comprised of a 360,000 square foot warehouse in St. Catherine (Eastern Jamaica), a 26,400 square foot warehouse in Trelawny (Western Jamaica), over 90 owned and 400 contracted trucks, over 8,600 coolers and 2,400 freezers. A number of the brands that WGL manufactures and distributes are done under exclusive agreements, for example, Coca-Cola, Tru-Juice, Kellogg's, General Mills, Dr. Pepper, Nestle, Red Bull and others. More recently, in late 2020, WGL announced they had a deal with the largest brewing company in the world, Anheuser-Busch InBev SA/NV, to exclusively distribute brands such as Budweiser, Corona, Becks and Stella Artois in Jamaica, representing a new segment of the beverage market that Wisynco will be entering.

Select brands under each category include, but are not limited to:

i. Manufactured-Owned
   a. WATA
   b. BOOM
   c. BIGGA
ii. Manufactured-Third Party
   a. Coca-Cola
   b. Hawaiian Punch
   c. SqueezZ juices
iii. Distributed-Imported Third Party
   a. Red Bull
   b. Kellogg's
   c. General Mills
iv. Distributed- Local Third Party
   a. Tru-Juice
   b. Freshhh
   c. Worthy Park Estates

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

Executive Summary and Outlook

In FY 2022, Wisynco grew both its revenue and net profits and the Group seems to be following up this performance well with its Q1 2023 financial performance. Additionally, WGL's profit margins have increased YoY, despite lingering inflationary pressure, driven mainly by its strong operating cost control measures. The Group has been and continues to employ low levels of leverage which provides the strategic flexibility to increase the amount of debt in its capital structure in undertaking future capital projects. The Group's ROAE increased over the past financial year, however, the slight decline in leverage has partially offset this increase. On a trailing twelve-month (TTM) basis, the trend seems to have continued with TTM ROAE continuing to increase.

It should be noted however that within the next year, it is expected that the global economy will, at the very least, show some reduction in growth, which will likely act as a headwind to Wisynco's financial performance. However, it is not expected that Wisynco's financial performance will decline significantly given the type of products that it sells. Also, management, in its 2022 Annual Report, expressed that the Group will be embarking on a $5 billion expansion plan, which, amongst other initiatives, includes positioning the Group to enter new channels of business. These expansion plans bode well for WGL and it is expected to drive further growth in WGL's future financial performance. Given the Group's portfolio of strong brands, its expansion plans, a healthy cash balance, a balance sheet with low levels of leverage, recovering margins and ROAE coupled with the fact that WGL's stock is trading below our estimate of fair value underpins our current **OVERWEIGHT** recommendation for WGL.

Industry Overview and Outlook

The global food and beverage industry includes players that are involved in processing raw materials into food, pet food and tobacco products, packaging and distributing them through various distribution channels to both individual customers and commercial establishments. The global food and beverage industry, according to ResearchAndMarkets, is expected to grow 9.7% year over year (YoY) to US$6.4 trillion in 2022 and grow further to $8.9 trillion in 2026, representing a compounded annual growth rate (CAGR) of 8.7%. Aside from population growth and the fact that individuals need to eat and drink to survive, other factors are expected to contribute to the expected growth. Heavy investment in research and development and therefore the introduction of new and improved products that keep up with consumer trends, as well as modernization of production plants and new equipment are other factors expected to contribute to the future growth of the industry.

Locally, the manufacturing industry is comprised of both the food, beverages and tobacco industry and Other Manufacturing (which includes areas such as chemical manufacturing, cement production, manufacturing of petroleum products, etc). Over the last year, the local manufacturing industry has registered YoY growth in every quarter, except the October to December 2021 quarter. According to the Planning Institute of Jamaica, growth was expected to continue in the July to September 2022 quarter at 3.5% YoY. However, according to the official release from the Statistical Institute of Jamaica for the period, growth came in at 9.5%. Drawing parallels from overseas, the local food and beverage industry will likely see further growth driven by not just population growth but also heavy investments in research and development to continuously come to market with new and improved products.

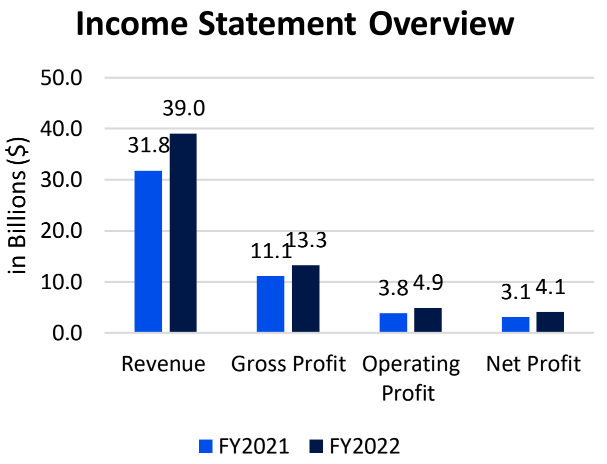
Financial Analysis

The period under review is FY 2022, as well as the first 3 months of FY 2023. Wisynco's financial year runs from July to June and all figures are in Jamaican Dollars unless otherwise stated.

Income Statement

Wisynco has grown revenues over the past financial year by 22.7% to $39.0 billion. This growth can largely be attributed to consistent product innovation and the deepening of its distribution channels.

During the financial year, the Group came to the market with multiple new products, such as Grape WATA and Tru-Almond. In May 2022, the Group formally opened its 26,400 square-foot distribution centre in Trelawny, which, despite being open for only ~2 months of the financial year, contributedS to improved revenue. In addition to product innovation and the deepening of its distribution channels, the Group also ramped up production by restarting an old production line at its White Marl facility. This almost doubled the volume of WATA produced when compared to the previous financial year. Lastly, despite exports only accounting for ~2.6% (~$1 billion) of revenue in FY 2022, exports grew 71% YoY, which invariably contributed to overall top-line growth.



Cost of sales, however, grew at a faster pace than revenue over the financial year. The cost of sales increased by 24.6% YoY to $25.8 billion, which was due to strong inflationary pressures. In addition to higher costs in other inputs, energy costs also increased due to the Group's LNG plant experiencing some downtime in the financial year. As a result of this, gross profit increased by 19.20% to $13.3 billion in FY 2022. However, due to the aforementioned strong inflationary pressures, the gross profit margin declined to 33.9% in FY 2022 from 34.9% in FY 2021. There is some scope for a recovery in the gross margin in the 2023 and 2024 financial years with goods inflation largely expected to abate in the coming quarters.

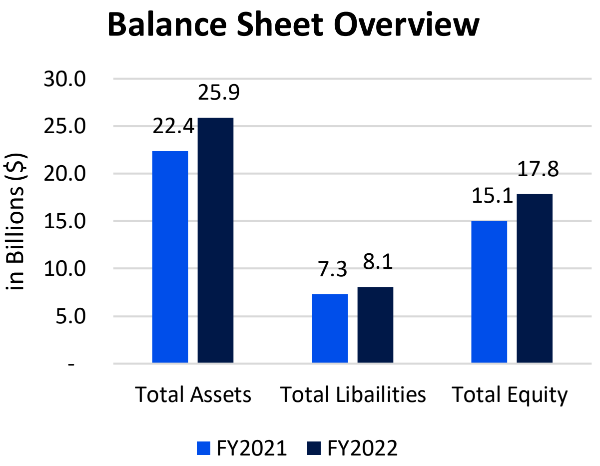
Operating expenses increased by 12.8% YoY to $8.5 billion. This stemmed from selling and distribution and administration expenses, growing by 1.5% and 15.4% respectively. Operating expenses grew at a slower rate than the cost of sales (direct costs), which resulted from tighter control of expenses during the financial year. This led to operating profit rising by 28.5% YoY to $4.9 billion. This also led to the operating profit margin increasing to 12.5% in FY 2022 from 11.9% in FY 2021. Essentially, this offset the impact of the increased cost of sales and the downtime of the LNG plant.

WGL earns finance income which is comprised of interest and dividend income and incurs finance costs which are comprised of interest expense and foreign exchange losses. As will be explained further in the discussion of the balance sheet, WGL has low leverage and therefore finance costs have little impact on the Group's income statement, accounting for just 3.1% of operating profit in FY 2022. Finance income grew 54.1% to $301.3 million while the Group recorded a growth rate of -3.0% in finance costs to $149.1 million in FY 2022. Interest income was the primary contributor to the growth in finance income and was ultimately driven by growth in the Group's holding of investment securities which increased from $640.8 million at the end of FY 2021 to $1.1 billion at the end of FY2022, representing a growth rate of 67.1%. The decline in finance costs was driven by the decline in total debt on the Group's balance sheet. As stated earlier, WGL is a 30% joint venture partner in JP Snacks and accounts for it as an associate company, hence, records a share of profit/loss of the associate on its income statement. The joint venture has not been profitable for WGL thus far, with the share of loss moving from $29.7 million recorded in FY 2021 to a share of loss of $28.1 million in FY 2022.

After accounting for finance income and costs, the share of results from associates, as well as taxes, net profit increased to $4.1 billion in FY 2022, which translates to a growth rate of 31.9% YoY. The net profit margin also increased YoY, expanding from 9.7% in FY 2021 to 10.4% in FY 2022, attributable primarily to both tighter control of operating expenses, as well as lower finance costs.

Balance Sheet

Total Assets grew 15.8% to $25.9 billion stemming largely from increases in the Group's current assets, particularly inventories and receivables and prepayments. Inventories increased by 50.8% YoY to $5.4 billion. This growth can be attributed to the general expansion of the business, which necessitates increased holdings of inventory. Additionally, management decided to strategically hold excess inventory in FY 2022 to mitigate the risk of possible disruptions that could occur from supply chain disruptions. Growth in receivables and prepayments also significantly contributed to the overall growth in total assets YoY. Receivables and prepayments rose to $4.0 billion at the end of FY 2022, representing a growth rate of 52.5% YoY. This was largely driven by a $600 million deposit placed for new equipment. At $7.7 billion, cash and cash equivalents was fairly flat YoY but remained the single largest asset for the second consecutive year, accounting for 29.7% of total assets at the end of FY 2022, compared to 34.3% of total assets at the end of FY 2021.



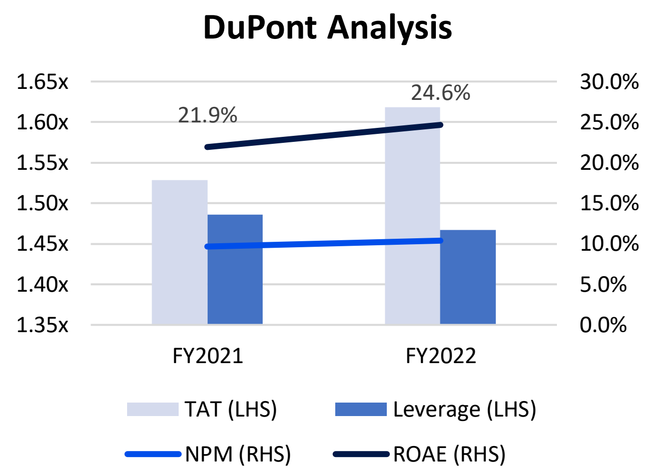
Total Liabilities increased by 10.2% to $8.1 billion, driven largely by growth in trade and other payables which increased at a rate of 30.7% over the financial year to $6.0 billion. However, the growth in total liabilities was partially offset by the decline in total debt. Total debt fell to $1.6 billion at the end of FY 2022 from $2.2 billion at the end of FY 2021, representing a decline of 27.2%. At $6.0 billion, trade and other payables was the single largest liability line item, accounting for 74.5% of total liabilities at the end of FY 2022, up from 62.8% at the end of FY 2021 or $4.6 billion. Total equity rose at a rate of 18.5% YoY to $17.8 billion at the end of FY 2022. This growth was predominantly driven by growth in retained earnings which increased by 19.0%. Retained earnings accounted for 89.6% of total equity or $16.0 billion at the end of FY 2022, which is up slightly from 89.2% at the end of FY 2021 or $13.4 billion.

WGL has maintained a healthy liquidity position over the financial year, even when looking at more conservative measures of liquidity. The current ratio remained flat at 2.4x at the end of FY 2022, while the quick ratio (which ignores inventories as a component of current assets) declined slightly to 1.7x at the end of FY 2022 from 1.8x at the end of FY 2021. Importantly, the cash ratio declined to 1.1x at the end of FY 2022 from 1.3x recorded at the end of FY 2021, which indicates that the Group can cover its current liabilities entirely with cash, which underscores the Group's strong liquidity position.

WGL holding a large cash balance can be seen as strategic as the Group is using this balance to mitigate against any negative unforeseen scenarios, especially operating through highly uncertain times driven by the COVID-19 pandemic. However, as the pandemic subsides and the global economy returns to relative normalcy, WGL has the flexibility to quickly ramp up investments in the productive capacity of the business or to return cash to shareholders via increased dividends or a share buyback programme.

As mentioned earlier, the Group maintains low leverage and has decreased its leverage further over the financial year. WGL's debt-to-equity ratio stood at 0.14x at the end of FY 2021 and declined to 0.09x at the end of FY 2022, which indicates a strengthening of its solvency position. This also indicates that the Group is conservative in its capital structure, deciding to finance its assets with significantly more equity than debt. This further supports the strategic flexibility of the Group as there is a significant capacity to expand the business via the use of debt should the Group identify further opportunities with a suitable return profile.

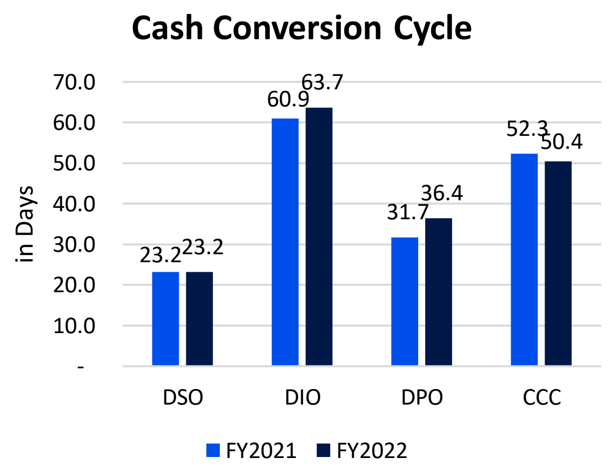
DuPont Analysis



WGL's return on average equity (ROAE) increased over the financial year, moving from 21.9% recorded in FY 2021 to 24.6% in FY 2022. Conducting a DuPont Analysis allows for the analysis of the drivers of return on average equity to determine the cause of the increase. The net profit margin (NPM) had increased YoY to 10.4% (driven by the strong cost control mentioned earlier) in FY 2022, while the total asset turnover (TAT) ratio also increased to 1.62x and leverage declined marginally to 1.47x YoY from 1.49x. Therefore, the increase in ROAE can be attributed primarily to the improving efficiency of the Group's operation as well as the efficiency of the utilization of its assets.

Cash Conversion Cycle

The Group's cash conversion cycle (CCC), which displays the amount of time it takes (in days) for WGL to convert cash paid to suppliers into cash collected from the sale of its goods, increased decreased slightly to 50.4 days in FY 2022 from 52.3 days in FY 2021. The days inventory outstanding (DIO) ratio increased to 63.7 days which suggests that the Group had been holding on to inventory for a longer period on average. However, this is reflective of the intentional effort to mitigate the risk of potential supply challenges. The days sales outstanding (DSO) ratio remained flat YoY at 23.2 days. Lastly, days payables outstanding (DPO) increased to 36.4 days in FY2022 which implies that WGL has been taking better advantage of its creditor’s payment terms.



These three factors combined contributed to the Group's decrease in the CCC in FY 2022 to 50.4 days, implying that it is taking WGL a shorter amount of time to generate cash from the operation of the business.

Cash Flow Statement

WGL continued to produce strong levels of cash flow from operations (CFO) during the financial year, albeit with a decline YoY. As seen in the graph below, the Group had consecutively produced more than $3.0 billion of cash from operations. The decline in CFO in FY 2022 stemmed from the Group spending more on inventories to mitigate the risk of possible supply chain disruptions. In FY 2022, the Group added $1.8 billion in inventory in FY 2022, compared to $274.4 million in the previous financial year, which helps to explain the lower operating cash flow generation when compared to FY 2021. The decline can also be attributed to a $1.4 billion increase in its receivables balance. This increase was driven mainly by an $867.0 million or 42.7% increase YoY in trade receivables and a $588.5 million or 3,582.7% increase in deposits on fixed assets. This was, however, partially offset by a $985.7 million or 47.3% increase in trade payables.

Definitions:
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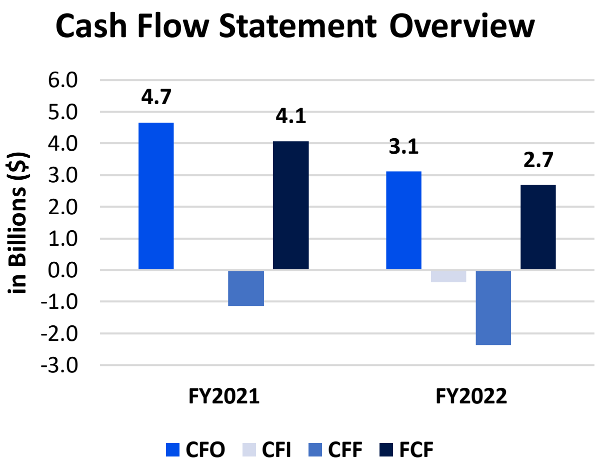
WGL's cash flow from investing activities (CFI) moved from an inflow of $44.0 million in FY 2021 to an outflow of $376.4 million in FY 2022. The main driver behind this movement is the Group recording a $291.9 million cash inflow from deposits held over 90 days in FY 2022 compared to a much higher inflow of $909.8 million in the prior year. Additionally, WGL recorded a cash inflow of $77.1 million from the sale of investments in FY 2022 compared to an inflow of $325.2 million in FY 2021. Free cash flow (FCF), measured as capital expenditure subtracted from cash flow from operations, decreased YoY from $4.1 billion in FY 2021 to $2.7 billion in FY2022. The decrease was driven by the lower level of CFO recorded but was partially offset by lower capital expenditure. Capital expenditure declined to $424.3 million in FY 2022 from $591.8 million in FY 2021.



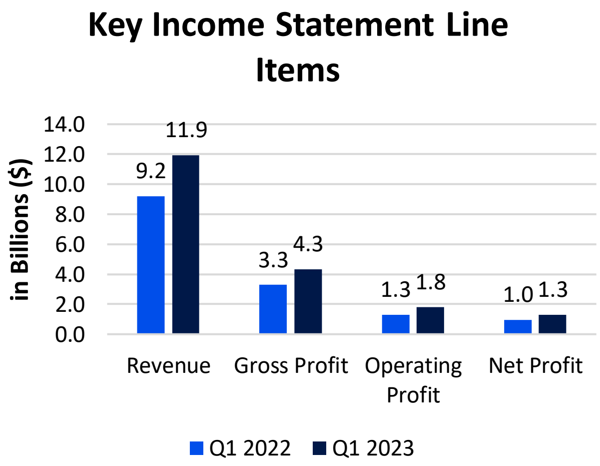
Cash used in financing activities (CFF) moved to $2.4 billion which was driven by an increase in dividend payments. In FY 2021, WGL paid $712.5 million in dividends which increased to $1.5 billion in FY 2022. As the Group became more profitable, along with possessing a large cash balance, it was able to reward its shareholders with an increased dividend payment.

Ultimately, the combination of these movements in cash throughout the financial year, contributed to an ending cash balance of $7.7 billion in FY 2022, effectively flat YoY.

Q1 2023 (Quarter ended September 30, 2022)

Income Statement

WGL increased revenue by 30% to $12.0 billion in Q1 2023, driven by increased demand for its products across all channels, likely due to the relaxation of Covid-19-related restrictions on movement and business activity relative to Q1 2022. Importantly, exports were also up 10% YoY, indicating the Group's continuing push to diversify its revenue streams with regard to geography. The cost of sales grew at a slower pace than revenue, rising 28.6% to $7.6 billion, which may reflect some easing in inflationary pressure. Due to the cost of sales growing at a slower pace than revenue, gross profit increased by 31.8% YoY to $4.3 billion. Consequently, the gross profit margin increased to 36.2% in Q1 2023 from 35.6% in Q1 2022.

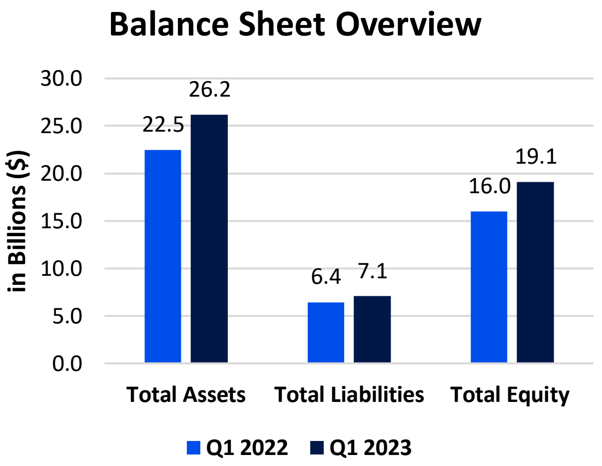


Operating expenses grew by 27.4% to $2.6 billion, stemming from a 29.1% and a 20.1% increase in selling and distribution and administrative expenses respectively. Operating expenses have increased at a slower rate than revenue and gross profit which hints at strong operating cost control. The more muted rise in operating expenses compared to gross profit led to operating profit increasing by 38.6% to $1.8 billion and the operating profit margin expanding to 15.1% in Q1 2023 from 14.1% in Q1 2022.

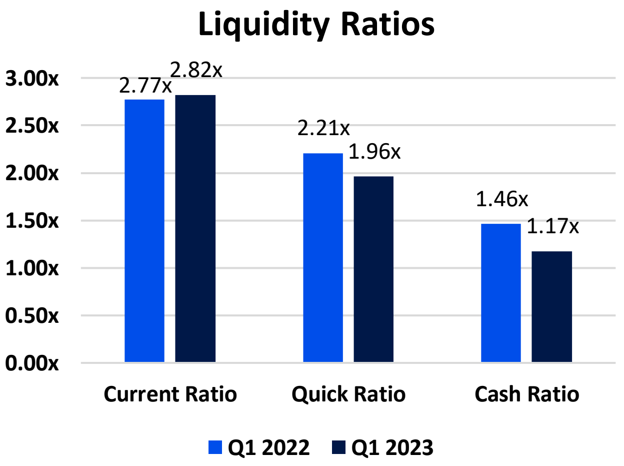
Finance income grew 27.7% to $85.2 million, likely driven by the significant increase in investment securities, which will be discussed in further detail in the balance sheet section. Finance costs rose 73.1% to $149.5 million, which was likely attributed to foreign exchange losses. As will be explored further in the balance sheet discussion, total debt declined slightly YoY, indicating that an increase in interest expense was unlikely, therefore it is more likely that the increase was attributable to foreign exchange losses. Also, WGL's associate company, JP Snacks, continues to record losses. WGL's share of results from associates moved from a profit of $1.6 million in Q1 2022 to a loss of $11.4 million in Q1 2023. The combination of the movement of these line items resulted in profit before taxation increasing by 34.7% to $1.7 billion in Q1 2023. Ultimately, after accounting for taxes, net profit rose 34.1% to $1.3 billion and the net profit margin increased marginally to 10.9% in Q1 2023 from 10.5% in Q1 2022.

Balance Sheet

Total assets have grown 16.5% YoY to $26.2 billion at the end of Q1 2023. The assets that largely contributed to this growth in total assets included inventories, receivables and prepayments, and investment securities. Inventories increased by 78.7% to $5.2 billion as the Group is likely still holding excess inventory to mitigate the risk of supply chain disruptions. Receivables and prepayments increased by 27.7% to $4.3 billion, while investment securities rose by 110.6% to $1.7 billion. This increase in investment securities signals that the Group is starting to put a portion of its large cash balance to work to earn a higher return. Cash and short-term deposits continue to be the Group's single largest asset line item, accounting for 27.4% of total assets at the end of Q1 2023, followed by property, plant and equipment, which accounted for 24.8%.



Total liabilities rose 9.6% to $7.1 billion at the end of Q1 2023, stemming largely from a 19.5% increase in trade and other payables to $4.5 billion. However, this was partially offset by a 6.6% decline in total debt to $1.8 billion at the end of Q1 2023. Trade and other payables remained the largest liability line item, accounting for 64.2% of total liabilities at the end of Q1 2023, followed by total debt which accounted for 26.0%. Total equity grew 19.3% to $19.1 billion at the end of Q1 2023, driven primarily by growth in retained earnings which is ultimately driven by the Group's net income.



WGL's current ratio was relatively flat YoY at 2.82x. As said earlier, management had decided to hold excess inventory to mitigate against supply chain disruptions, therefore, at the end of Q1 2023, inventory accounted for 30.4% of total current assets. The quick ratio, however, declined slightly to 1.96x at the end of Q1 2023. The current ratio slightly increasing while the quick ratio declines highlights the impact of inventory on the Group's liquidity position. The cash ratio also declined to 1.17x at the end of Q1 2023, as the Group has been increasing its allocation to investment securities. Despite the decline in the cash ratio, it is still above 1x which implies that the Group can cover its current liabilities from cash, which indicates a strong liquidity position.

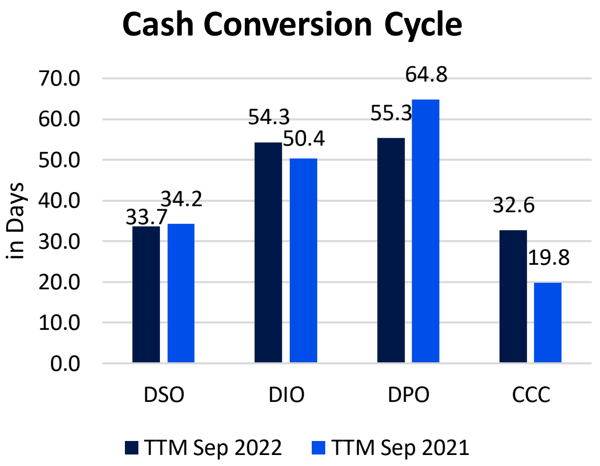
WGL continued to maintain low leverage in its balance sheet, with a debt-to-equity ratio of 0.10x at the end of Q1 2023, which is down from the 0.12x debt-to-equity ratio recorded at the end of Q1 2022.

DuPont Analysis

The Group's ROAE increased to 25.0% in the trailing twelve-month period ended September 30, 2022 (TTM September 2022), compared to 21.3% in the similar period in the prior year (TTM September 2021). The drivers of this increase can be attributed to an increase in both the net profit margin and total asset turnover. The net profit margin and total asset turnover ratios increased to 10.5% and 1.72x respectively in the TTM September 2022, from 9.7% and 1.51x in TTM September 2021 respectively. The increase in the net profit margin implies, as mentioned earlier, that the Group has strengthened its operating efficiency, while the increase in the total asset turnover ratio implies greater efficiency in the utilization of assets. However, the positive effect of these increases in ROAE was partially offset by a decrease in leverage. The equity multiplier ratio decreased to 1.38x in the TTM September 2022 from 1.46x in TTM September 2021, which highlights a further reduction in the Group’s leverage.

Cash Conversion Cycle

WGL's cash conversion cycle has increased YoY in the TTM September 2022 to 32.6 days from 19.8 days. It is important to note here that in the quarterly reports, for the line items "Receivables and prepayments" and "Trade and other payables", there are no notes that break out how much of each line item is attributed to trade receivables and trade payables respectively. Therefore, in our calculations, we used the entire figure presented on the balance sheet. This can be deemed appropriate as trade receivables typically account for a large portion of the line item. At the end of FY 2022 and FY 2021, trade receivables accounted for 72.6% and 77.5% of receivables and prepayments respectively. Similarly, trade payables is typically the single largest component of trade and other payables, accounting for 51.2% and 45.4% of trade and other payables at the end of FY 2022 and FY 2021.

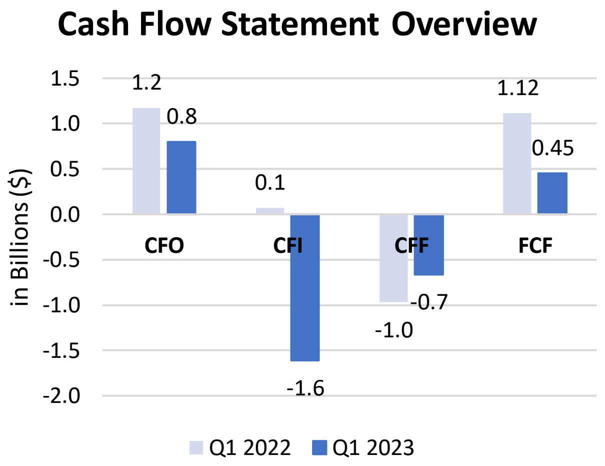


The increase (deterioration) of the cash conversion cycle stemmed from an increase in DIO and a decrease in DPO. DIO increased to 54.3 days which was driven by management's decision to hold excess inventory to mitigate against supply chain disruptions. DPO decreased to 55.3 days which may be related to incentives linked to credit arrangements or other operational circumstances. While DSO remained relatively stable, the negative effects of the increase in DIO and decrease in DPO caused the CCC to increase to 32.6 days, indicating that it is taking the Group longer to convert the cash it has paid to suppliers into cash received from the sale of its goods.

Cash Flow Statement

WGL recorded $800 million in cash flow from operating activities in Q1 2023, which is down 31.9% from the $1.2 billion recorded in Q1 2022. This decline was largely due to a $708.0 million decline in trade and other payables during the quarter versus only a $42.6 million decline recorded in Q1 2022. Cash flow from investing activities moved from an inflow of $72.9 million in Q1 2022 to an outflow of $1.6 billion in Q1 2023. This large move can be attributed to a 501.2% increase in capital expenditure to $349.1 million, as well as a 101.6% increase in net additions to investment securities of $604.9 million. In WGL's 2022 Annual Report, management had expressed that Group would be embarking on a significant expansion plan with capital investments totalling $5 billion. These investments include two new sophisticated production lines, expanding its energy generation plant, new buildings for manufacturing, a new ERP system and positioning the Group to enter new channels of business. Against this backdrop, the surge in capital expenditure in Q1 2023 is likely representative of steps aligned with the roll-out of one or more of these strategic initiatives. Cash used in financing activities declined from $966.7 million in Q1 2022 to $661.5 million in Q1 2023. This was due to WGL recording a net addition to its debt stock during Q1 2023 versus a net reduction in Q1 2022.

Free cash flow decreased by 59.6% to $450 million in Q1 2023. A combination of lower operating cash flow and an increase in capital expenditure drove the decline in free cash flow for the quarter.



Trading and Ownership Summary

The table below outlines the top 10 shareholders of WGL as at September 30, 2022.

Name of shareholder	Number of shares held	Percentage of total shares outstanding
Wisynco Group Caribbean Limited	2,776,183,736	73.91%
ATL Group Pension Fund Trustees Nom Ltd.	58,408,056	1.56%
GraceKennedy Pension Fund Custodian Ltd	32,922,285	0.88%
SJIML A/C 3119	31,329,914	0.83%
Sagicor Select Fund Ltd. Manufacturing & Distribution	30,964,303	0.82%
Guardian Life Limited	29,341,646	0.78%
National Insurance Fund	28,571,979	0.76%
Devon Reyolds	28,123,827	0.75%
Francois Chalifour	26,355,295	0.70%
Sagicor Pooled Equity Fund	25,913,562	0.69%
Total	**3,068,114,603**	**81.68%**

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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

The chart above displays the movement of WGL's stock price over the past year. The stock trended upwards from January 2022 to about May 2022. The spike in price in April followed reports of a fire at its distribution facility, which was well contained and had little impact on operations. Additionally, it may have pointed towards some optimism ahead of the release of the company's quarterly financial report in May. Since then, the stock had been declining up to August 2022 and has remained relatively flat at about the $17-$18 region from August 2022 into January 2023, settling at a closing price of $17.31 as at January 18, 2023.

According to Bloomberg, WGL's float is estimated at 24.21% of the total outstanding shares or 909,396,034 shares, which makes the stock fairly liquid. The average daily volume traded over the past year totalled 201,948 while the average price per share was $18.99. This results in a daily trade value of roughly $3.8 million which we believe is sufficient to accommodate most retail investors without unusually high slippage. Institutional or other large holders will likely find it more suitable to negotiate trades directly with counterparties and/or use limit orders in smaller increments.

WISYNCO GROUP LTD (WISYNCO JA Equity)
Calculation of Float
Current Shares Outstanding - Stagnant Shares

Components	Position↓	% Out	Source	Date
Float	909,396,034	24.210		
Shares Outstanding	3,756,250,000	100.000		
Stagnant Shares	2,846,853,966	75.790		

Valuation and Recommendation

WGL was valued using a mixture of income and market-based valuation approaches. More specifically, we used a discounted cash flow (DCF) model as well as a relative approach with respect to the price-to-earnings (P/E) multiple.

For the P/E-based valuation approach, we forecasted a forward earnings per share (EPS) of $1.36 for FY 2024. We then applied the average P/E multiple of a group of Wisynco's peers to the forward EPS. The average P/E multiple of the group of Wisynco's peers as at January 11, 2023, stood at 15.30x. When this multiple was applied to our forward EPS estimate, this resulted in an estimated fair value of **$20.81.** We also utilized WGL's 4-year average P/E multiple (excluding an outlier year) of 16.91x. When this multiple was applied to our forward EPS estimate, this resulted in a fair value estimate of **$23.00.**

For the DCF model, we assumed a cost of equity of 15.18% and a terminal growth rate of 5.0%. We used the capital asset pricing model (CAPM) to estimate the cost of equity. The terminal growth rate assumed is the mid-point of the Bank of Jamaica's inflation target range. We forecasted Wisynco's free cash flow to equity for the next 5 years and discounted these cash flows by our cost of equity estimate to arrive at an estimated fair value of **$16.03**.

Stock	WISYNCO
Close Price	J$17.31
Estimated Value	J$19.95
Year to Date Return	-2.05%
52 Week Low	J$16.00
52 Week High	J$26.90
Trailing P/E	14.83x
Forward P/E	12.73x
Dividend Yield	2.31%
Potential Upside	15.26%
Total Return	17.57%
Recommendation	OVERWEIGHT
as at January 18, 2023	

Averaging these estimates of fair value results in a final estimated fair value of **$19.95.** Compared to the closing price as at January 18, 2023 of $17.31, this represents a potential upside of 15.26%.

Wisynco performed well in FY 2022, despite the gross profit margin compression, and its Q1 2023 performance suggests that this trend is likely to continue. WGL's overall (net) profit margin has increased, despite operating in a high inflationary environment. While the gross profit margin has contracted, Wisynco's strong operating cost control has helped it increase its operating efficiency and offset the contraction in the gross profit margin to lead to an expansion in the net profit margin. Additionally, the Group continues to maintain low leverage which reduces the risk of distress in the event of a decline in business activity or other challenges. This also provides the flexibility to use additional debt in its capital structure as it pursues its expansion agenda in the coming periods. The Group's ROAE increased YoY, driven mainly by the greater efficiency of its assets and expanding margins, however, the marginal decline in leverage had partially offset this rebound. On a TTM basis, the trend seems to have continued with TTM ROAE continuing to increase.

It should be noted however that over the short term (within the next year), it is expected for not just the local economy but the global economy to, at the very least, experience a slowdown in growth, which may act as a headwind to Wisynco's financial performance in the near-term. Notwithstanding, the Group’s product offering is comprised of a range of consumer staples, the demand for which tends to be less sensitive to economic cycles. Given the Group's portfolio of strong brands, a healthy cash balance, low leverage, rising margins and healthy ROAE, along with the potential upside relative to our estimate of fair value, we recommend investors **OVERWEIGHT** WGL in their portfolio.