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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

Wisynco Group Limited ("WISYNCO", "Wisynco" or "the Group") is a diversified food and beverage manufacturer and distributor with an enviable portfolio of both local and international brands. WISYNCO categorizes its portfolio into four areas, namely, i) Manufactured-Owned, which are the Group's own manufactured products, ii) Manufactured-Third Party, which includes third-party brands (not owned) that WISYNCO 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 WISYNCO owns 30% equity in a joint venture, JP Snacks, with Jamaica Producers Group. Under this joint venture, Wisynco is the exclusive distributor of products under the St. Mary's brand.

Stock	Wisynco
Last Closing Price	J$17.85
52 Week High	J$20.20
52 Week Low	J$16.00
YTD Return	1.02%
Target Price	**J$20.88**
Potential Return	16.96%
Trailing P/E	14.08x
Trailing P/B	3.24x
Forward P/E	13.07x
Dividend Yield (TTM)	2.35%
Total Projected Return	**19.31%**
Recommendation	**OVERWEIGHT**
(as at August 2, 2023)	

Executive Summary and Outlook

In FY 2022, Wisynco grew both revenue and net profit and the Group has followed up this performance with much of the same growth through the first nine months of FY 2023. Revenue has increased 26.9% year-over-year (YoY) to $36.0 billion, while net profit has grown 23.8% to $3.7 billion. Additionally, WISYNCO's gross and operating profit margins have increased YoY, despite lingering inflationary pressure, driven mainly by its strong operating cost control measures. The Group has historically employed low levels of leverage, which has afforded the Company the strategic flexibility to increase the amount of debt in its capital structure in undertaking future capital projects during its current financial year, increasing long-term borrowings by 287.3% to $3.2 billion. Capital raised as well as existing reserves will be used to undertake intensive capital expenditure projects that are expected to see investments of up to $5 billion in equipment and machinery to assist in making its beverage processes more efficient and to aid in positioning the Group to enter new channels of business. These expansion plans bode well for WISYNCO and are expected to drive further growth in WISYNCO's future financial performance. It should be noted however that through 2023, the global economy has shown some reduction in growth, with expectations of further slowing next year, which may act as a headwind to Wisynco's financial performance, particularly in its export business. However, it is not expected that Wisynco's financial performance will decline significantly given the type of products that it sells. The Group's product offering comprises a range of consumer staples, the demand for which tends to be less sensitive to economic cycles.

Additionally, despite raising long-term debt this financial year, 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 still provides the flexibility to expand further with additional debt to its capital structure as it pursues growth in the coming periods. 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** WISYNCO in their portfolio.

Business Overview

Overall, WISYNCO 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. WISYNCO also boasts a large sales force

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comprising 750 sales-related employees and robust distribution infrastructure which is comprised of a 360,000 square foot warehouse in St. Catherine, a 26,400 square foot warehouse in Trelawny, over 90 owned and 400 contracted trucks, over 8,600 coolers and 2,400 freezers. A number of the brands that WISYNCO 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, WISYNCO 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

Industry Overview and Outlook

The global food and beverage industry includes players involved in processing raw materials into food, pet food and tobacco products, packaging and distributing them through various distribution channels to individual customers and commercial establishments. The global food and beverage industry, according to ResearchAndMarkets, is expected to value roughly $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 industry's future growth.

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 each successive quarter. According to the Planning Institute of Jamaica, growth continued in the January to March 2023 quarter at 0.7% YoY. Drawing parallels from overseas, the local food and beverage industry will likely see further growth driven by not just population increases 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 the first 9 months of FY 2023. Wisynco's financial year runs from July to June and all figures are in Jamaican Dollars unless otherwise stated.

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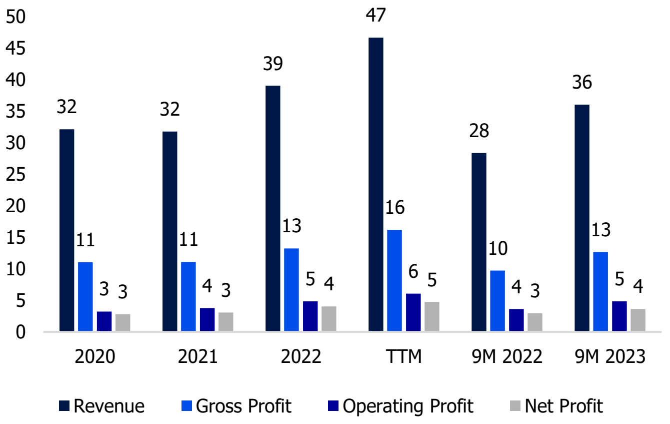
9 months ended December 31, 2022

Income Statement

WISYNCO increased revenue by 26.9% to $36.1 billion in the first nine months of 2023 (9M 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 the 9M 2022. Notably, this is the second continuous quarter that the company has recorded sales of $12.0 billion. The growth in the cost of sales closely followed that of the revenue growth, rising 25.1% to $23.4 billion, which was due to lower-than-budgeted production levels, production challenges faced in Q2 and sub-optimum mix of products manufactured. Though the growth in the cost of sales kept pace with the growth in revenue, gross profit reflected an increase of 30.5% YoY to $12.7 billion. Additionally, the gross profit margin expanded to 35.2% in the 9M 2023, compared to 34.2% in the 9M 2022.

Income Statement Snapshot (J$ Billions)



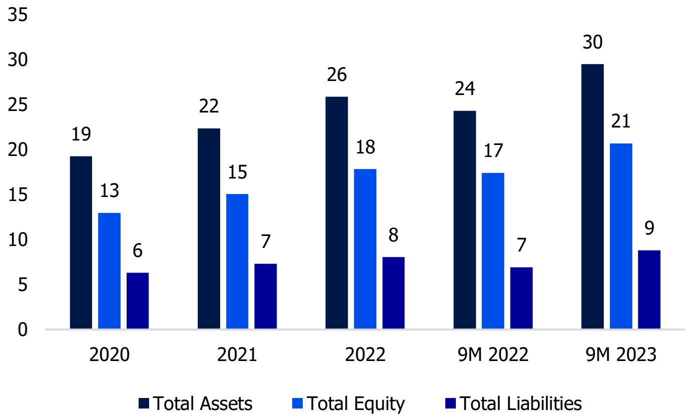
Operating expenses grew by 28.6% to $7.8 billion, stemming from 29.5% increases in both selling and distribution, as well as administrative expenses to $6.7 billion and $1.3 billion respectively. The Company has stated marketing and promotional costs above what was planned for and inflationary increases in variable expenses associated with the increased Revenues as the reason for the increase in operating expenses. However, operating profit still reflected an increase of 33.6% to $4.8 billion, and the operating profit margin expanded to 13.4% in the 9M 2023, compared to 12.8% in the 9M 2022.

Finance income decreased by 28.5% to $287.9 million, despite an increase in investment securities. Finance costs rose 237.1% to $297.5 million, which was likely attributed to the $3.0 billion in debt raised earlier in the financial year. Also, WISYNCO's associate company, JP Snacks, continues to record losses, with the losses from the share of results from associates line worsening from a loss of $13.5 million in the 9M 2022 to a loss of $41.0 million in the 9M 2023. The combination of the movement in these line items resulted in profit before taxation increasing by 22.1% YoY to $3.7 billion. Ultimately, after accounting for taxes, net profit rose 23.8% to $3.7 billion, and the net profit margin decreased to 10.2% from 10.4% in the 9M 2022.

Balance Sheet

Total assets have grown 21.3% YoY to $29.5 billion at the end of the first nine months of 2023. The line items that largely contributed to this growth in total assets included inventories, receivables, cash and investment securities. Inventories increased by 76.9% to $6.0 billion as the Group is likely still holding excess inventory to mitigate the risk of supply chain disruptions. Receivables and prepayments increased by 25.2% to $4.4 billion, while cash rose by 7.7% to $9.3 billion and investment securities rose by 59.8% to $1.5 billion. This increase in investment securities signals that the Group is beginning to deploy a portion of its large cash balance to earn a higher return. Cash and short-term deposits

Balance Sheet Snapshot (J$ Billions)



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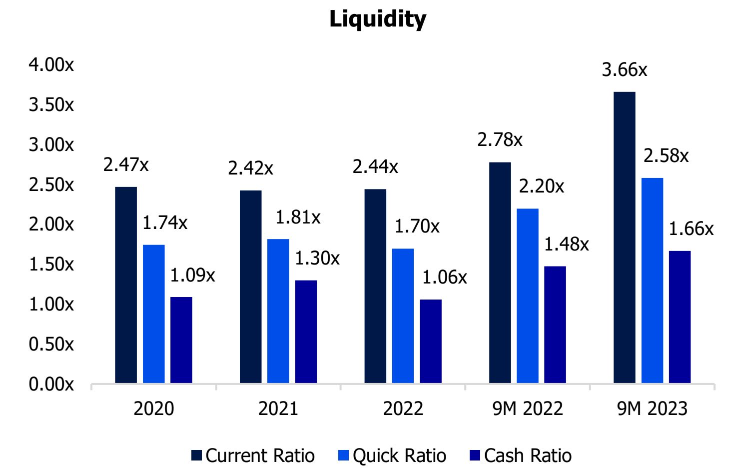
continue to be the Group's single largest asset line item, accounting for 31.4% of total assets at the end of the first nine months of 2023, followed closely by property, plant and equipment, which accounted for 23.5%.

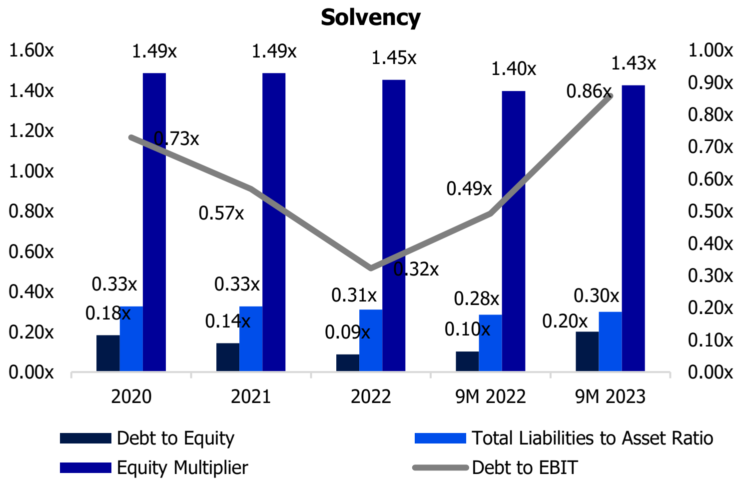
Total liabilities grew 27.5% YoY, amounting to $8.8 billion at the end of the 9M 2023. The largest increase in liabilities came from long-term borrowings, which rose by 287.3% to $3.2 billion. Trade and other payables remained the largest liability line item, accounting for 44.1% of total liabilities, followed by total debt which accounted for 35.8%.

Total equity grew 18.9% to $20.7 billion at the end of the 9M 2023, driven primarily by growth in retained earnings which was ultimately driven by the Group's net income.

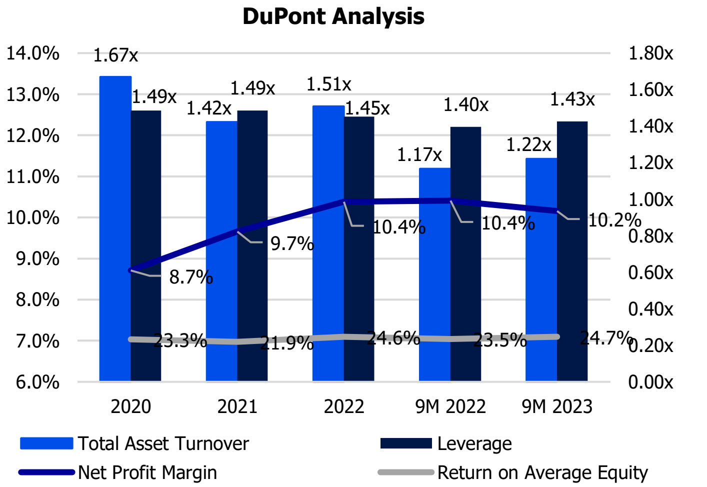


Liquidity and Solvency

WISYNCO's current ratio increased YoY to 3.66x. As stated earlier, management had decided to hold excess inventory to mitigate the impact of potential supply chain disruptions, therefore, at the end of the 9M 2023, inventory accounted for 29.5% of total current assets. The quick ratio increased to 2.58x from 1.70x at the end of FY 2022, while the cash ratio also increased to 1.66x from 1.06x, as the Group has seen its cash balances increase following the inflows from additional debt. The cash ratio remained above 1x which implies that the Group can cover its current liabilities entirely from cash, which indicates a strong liquidity position.



WISYNCO continued to maintain low leverage in its balance sheet, with a debt-to-equity ratio of 0.20x at the end of the first nine months of 2023, which despite being up from the 0.10x debt-to-equity ratio recorded at the end of the 9M 2022, is still a very low level of leverage and indicative of very low risk of debt related distress.



DuPont Analysis

The Group's return on average equity increased to 24.7% in the trailing twelve-month period ended March 31, 2023 (TTM March 2023), compared to 23.5% in a similar period in the prior year (TTM March 2022). The increase Is primarily due to an increase in asset turnover. The net profit margin decreased to 10.2% and the leverage ratio increased to 1.43x in the TTM March 2023, from 10.4%, and 1.40x in TTM March 2022 respectively. The decrease in the net profit

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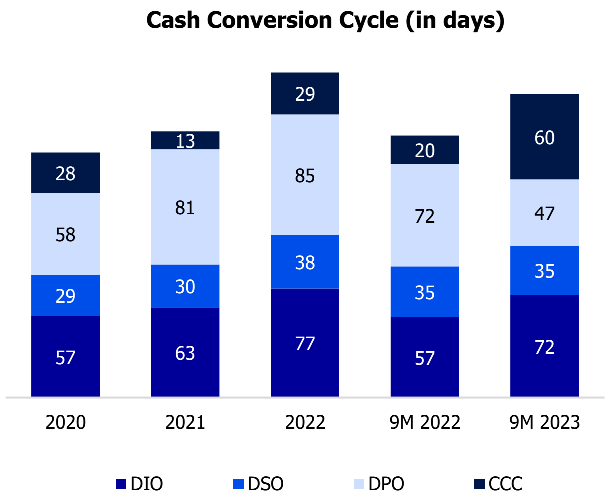
margin was due to costs above what was planned, inflationary increases in variable expenses, reduction in finance income and higher finance expenses. The increase in the total asset turnover ratio implies greater efficiency in the utilization of assets and moved from 1.17x in TTM March 2022 to 1.22x in TTM March 2023.

Cash Conversion Cycle

WISYNCO's cash conversion cycle (CCC) has increased YoY in the TTM March 2023 to 60 days from 20 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 specifically 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 respectively.



The increase (deterioration) of the cash conversion cycle stemmed from an increase in days inventory outstanding (DIO) and a decrease in days payable outstanding (DPO). DIO increased to 47 days which was driven by management's decision to hold excess inventory to mitigate against supply chain disruptions. DPO decreased to 47 days which may be due to incentives linked to credit arrangements or other operational circumstances. While days sales outstanding (DSO) remained relatively stable, the negative effects of the increase in DIO and decrease in DPO caused the CCC to increase to 60 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

WISYNCO recorded $2.3 billion in cash flow from operating activities in the 9M 2023, which is down 31.6% YoY. This decline was largely due to a $1.4 billion decline in trade and other payables during the period versus a $479.4 million increase recorded in the first nine months of 2022.

There was $1.5 billion cash used in investing activities in the 9M 2023, compared to $152.3 million used in the 9M 2022. This large move can be attributed to a 363.5% increase in capital expenditure to $1.3 billion, as well as a 95.7% increase in purchase to investment securities of $904.9 million. In WISYNCO's 2022 Annual Report, management had expressed that the Group would be embarking on a significant expansion effort 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 the 9M 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 $2.1 billion used in the 9M 2022 to a net inflow of $762.3 million cash in the 9M 2023. This was primarily due to a $3.0 billion inflow in proceeds from long-term loans during the 9M 2023.

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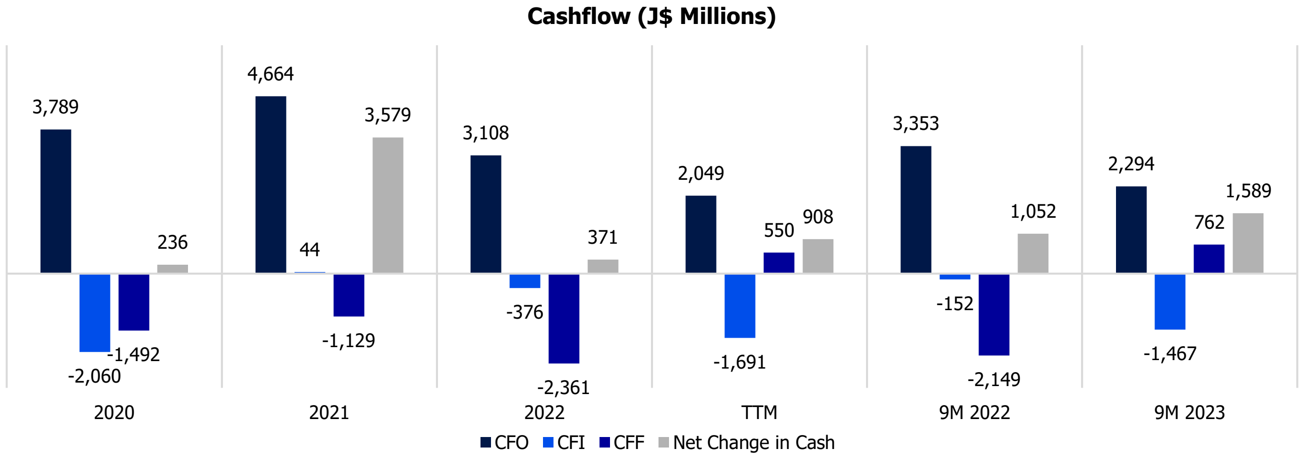
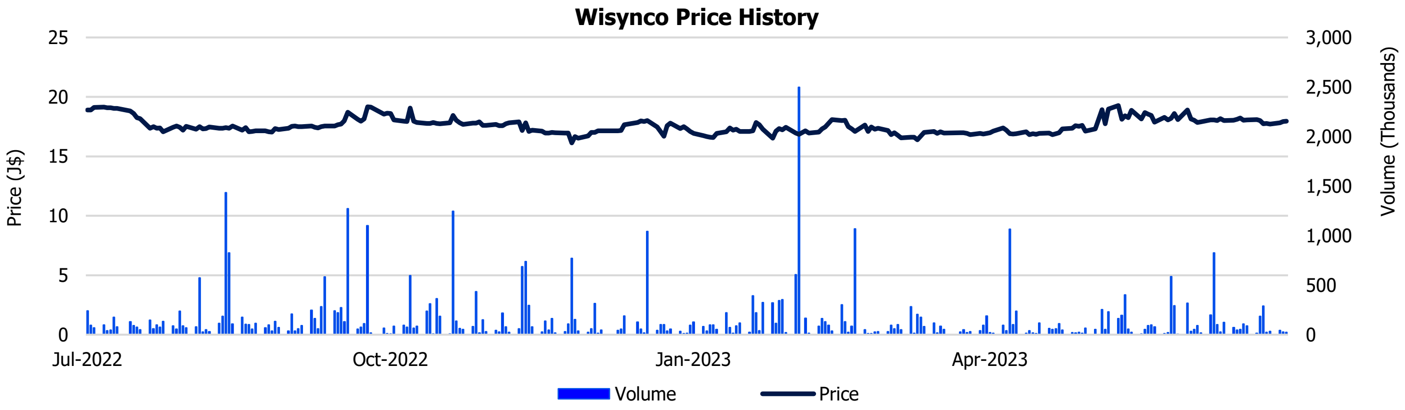
Free cash flow decreased by 87.7% YoY to $296.1 million due to a combination of lower operating cash flow, increased capital expenditure and increased purchases of investment securities.



Trading and Ownership Summary

The table below outlines the top 10 shareholders of Wisynco as at March 31, 2023.

Name	Shares Held	Percentage
Wisynco Group Caribbean Limited	2,776,183,736	73.96%
ATL Group Pension Fund Trustees Nom Ltd	58,408,056	1.56%
GraceKennedy Pension Fund Custodian Ltd. for GraceKennedy Pension Scheme	32,922,285	0.88%
SJIML A/C 3119	31,329,914	0.83%
Sagicor Select Fund Ltd. ('Class C' Shares) Manufacturing & Distribution	30,964,303	0.82%
Guardian Life Limited	29,341,646	0.78%
National Insurance Fund	28,571,979	0.76%
Devon Reynolds	28,123,827	0.75%
Sagicor Pooled Equity Fund	26,913,562	0.72%
Francois Chalifour	24,355,295	0.65%
Total	**3,067,114,603**	**81.71%**



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The chart above displays the movement of Wisynco's stock price over the past year. The stock has remained rangebound in the $17-$20 region over the past year, settling at a closing price of $17.96 as at July 19th, 2023.

According to Bloomberg, Wisynco's float is estimated at 24.21% of the total outstanding shares or 909,396,034 shares, which implies the stock is fairly liquid. The average daily volume traded over the past year was 161,660 while the weighted average price per share was $17.61. This results in a daily average trading value of roughly $2.85 million which we believe is sufficient to accommodate most retail investors without unusually high slippage. Institutional or other large holders may 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
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

WISYNCO was valued using a mixture of a justified Price-to-Book (P/B) model as well as a relative price-to-earnings (P/E) multiple.

For the P/E-based valuation approach, we forecasted forward earnings per share (EPS) of $1.37 for FY 2023. 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 Wisynco Group's peers stood at 14.99x. When this multiple was applied to our forward EPS estimate, this resulted in an estimated fair value of **$20.47.** We also utilized WISYNCO's 4-year average P/E multiple (excluding an outlier year) of 16.97x. When this multiple was applied to our forward EPS estimate, this resulted in a fair value estimate of **$23.17.**

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Recommendation	**OVERWEIGHT**
(as at August 2, 2023)	

For the Justified P/B model, To arrive at a discount rate, we utilized the capital asset pricing model (CAPM), which resulted in an outturn of **15.74%**. We calculated the company's sustainable growth rate based on factors including the company's net profit margin, equity multiplier, total asset turnover and retention ratio, arriving at an outturn of 13.07%. While this might seem quite high, it is a reflection of the fairly high ROAE and the degree to which the company retains earnings that can be used to support the ongoing growth agenda. **Using these inputs, a justified P/B ratio of 3.36x was derived, resulting in a price target of $18.99.**

Finally, in computing an average of these estimates of fair value, the result is a final estimated price target of **$20.88.** Compared to the closing price as at July 19, 2023, of $17.85, this represents a potential upside of 16.96%. The company currently trades at a trailing P/E multiple of 14.08x. Based on its current trading price and our target EPS, the company produces a forward P/E of 13.07x.

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This Analysis and the opinions therein are as at the date of this Analysis.

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