



# C. W. MACKIE PLC (CWM.SL LKR 93.70)



**BARTLEET**  
Strength of a Century



**RELIGARE**  
Values that bind

21<sup>st</sup> September 2023

GICS Industry Group	<b>Retailing</b>
Market cap (LKR 'mn)	3,372
Market cap (USD 'mn)	10
Outstanding equity shares (mn)	36
Public Holding (%) - June '23	11.63%
52-week High/Low (LKR)	115.5 / 77.10
YTD ASPI return (%)	33.0%
YTD Stock return (%)	14.4%
TTM PER	5.3x
PBV	0.9x
One year Beta	0.50
CSE ticker	<b>CWM.N0000</b>



#### Disclaimer

This report has been prepared for general information. Consequently, the recommendations made may or may not be appropriate for your individual circumstances and investment needs and should not be relied upon as a substitute for the exercise of independent judgment. If you have any doubts as to the merits of the recommendation for your personal requirements, you should seek advice from an independent financial advisor

A well-known conglomerate in Sri Lanka that specializes in manufacturing, exporting, and importing a wide range of products.

Began over 120 years ago from Danish investment (since 1900).

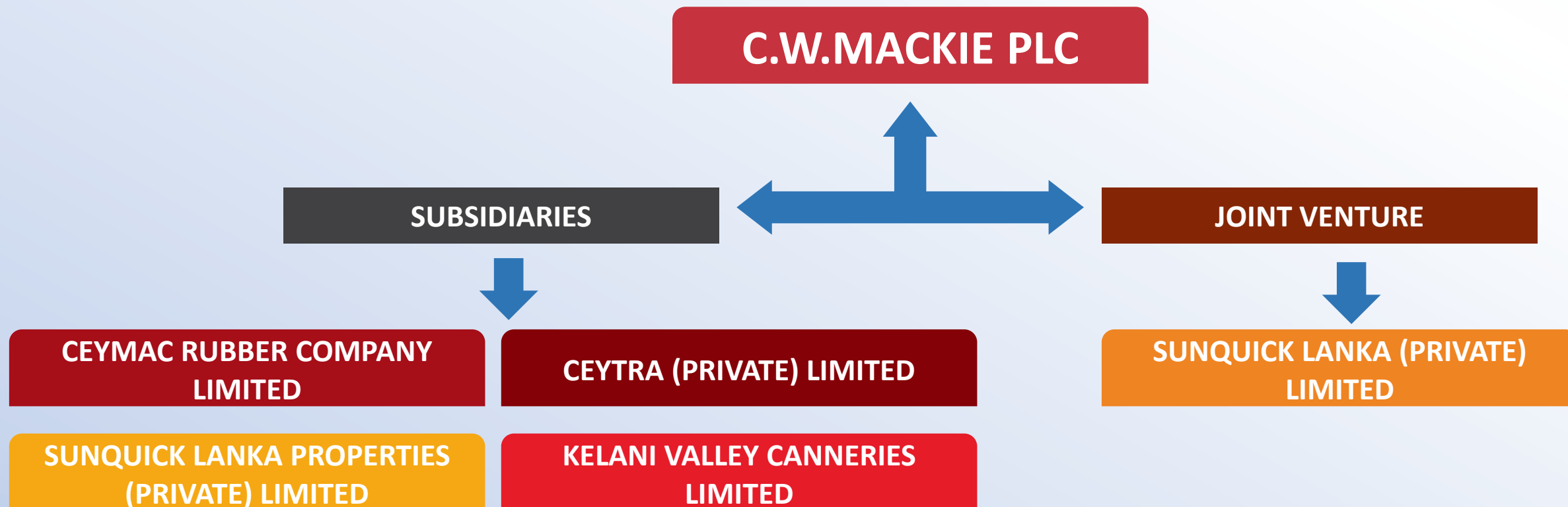
The house for most of the well-known FMCG Products.

In 2010, Lankem Ceylon PLC acquired C. W. Mackie

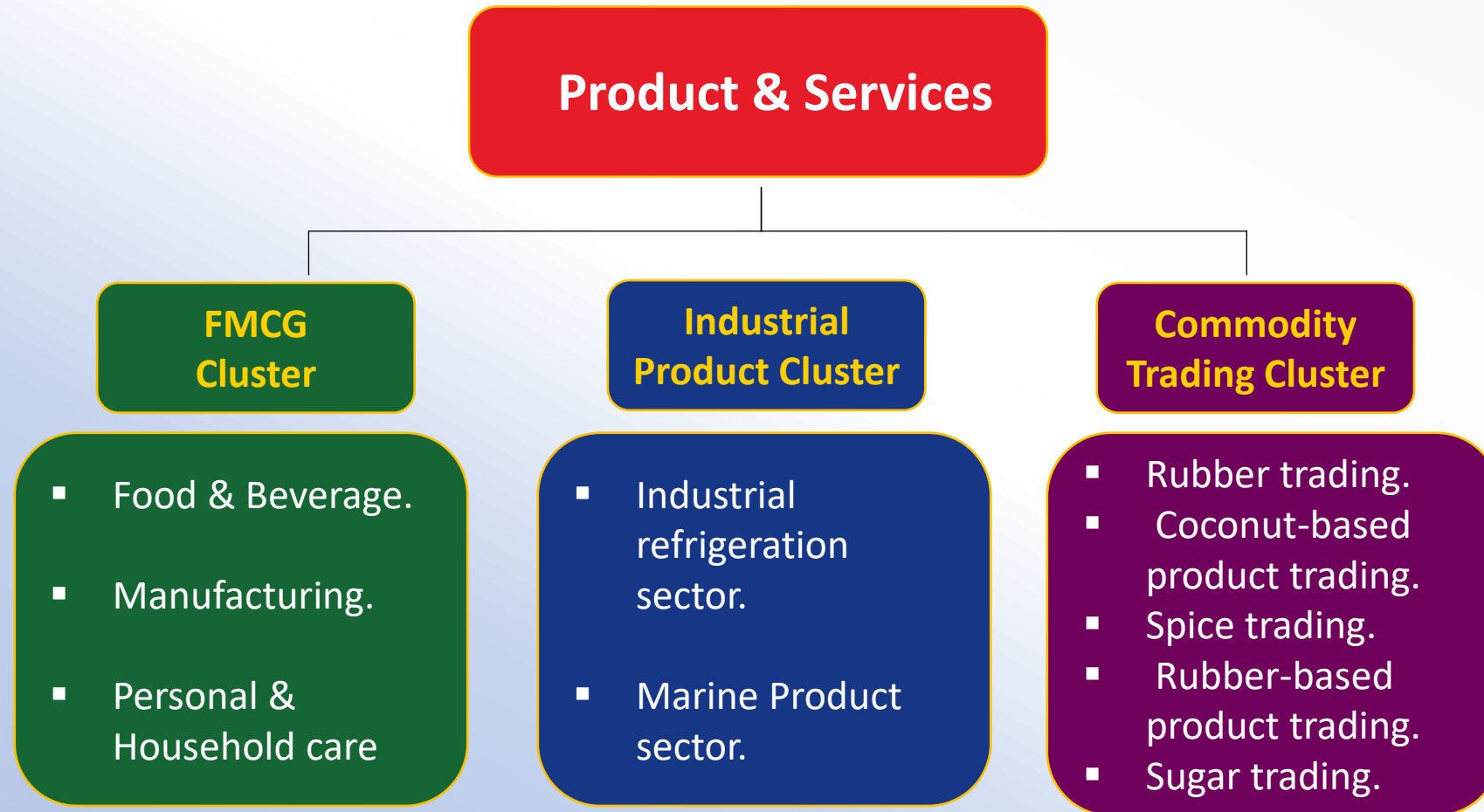
**Announced the best financial results in over 100 years of operation in FY23.**

# Group Structure of C.W.Mackie

The group consists of **four subsidiaries** and **a joint venture**.



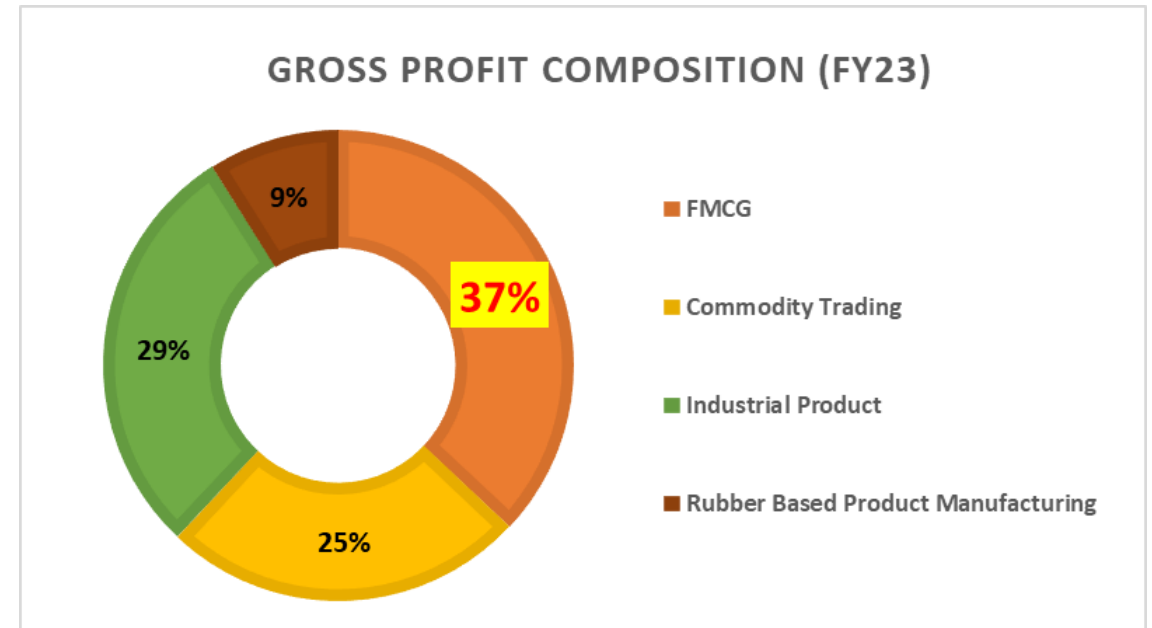
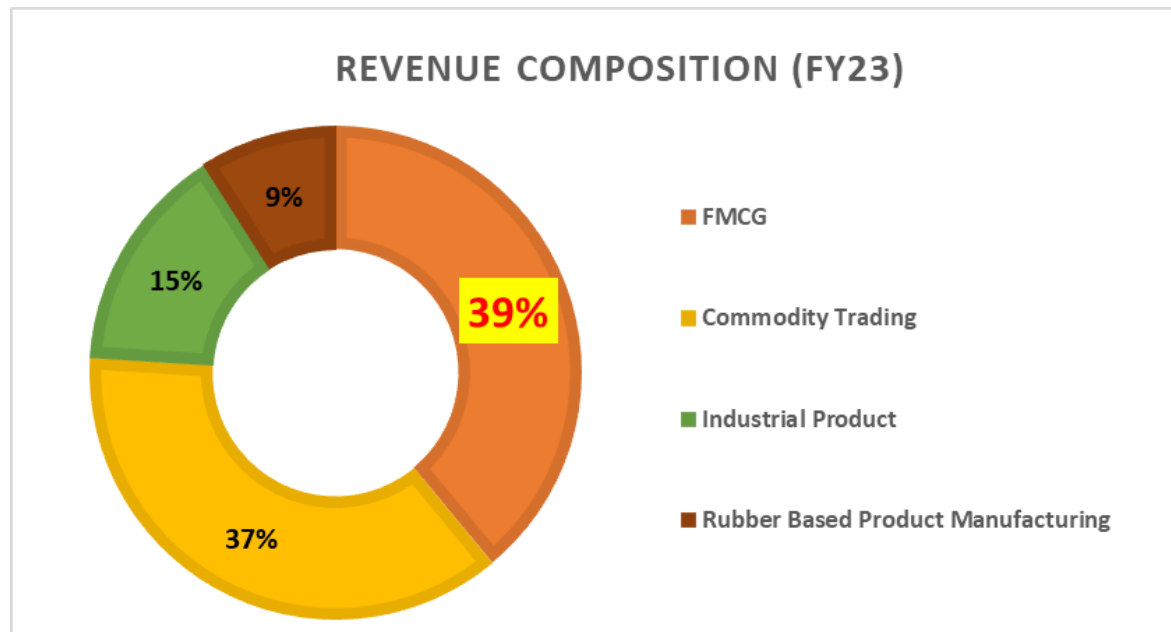
C.W. Mackie PLC consists of three main product clusters: **FMCG**, **Industrial products**, and **Commodity trading cluster**.



# Business Portfolio: Segmental Contribution

FMCG sector was prominent (North Polar) among their sectors through **revenue** and **gross profit**.

Revenue Segments	Commodity trading	Rubber-based products	Industrial products	FMCG
For the year ended 31 March 2023 (Rs.Mn)	7,198	1,683	2,805	7,522
For the period ended 30th June 2023 (Rs.Mn)	1,554	258	645	1,809



**"Scan Product division"** was the largest contributor to the C.W. Mackie PLC top line in FY23.

Scan Products' brand portfolio consists of well-known local and international brands such as Sunquick, Scan Jumbo Peanuts, Kotagala Kahata Tea, Scan brand bottled drinking water, N-Joy Coconut Oil, Star brand Essences & Colourings, Ocean Fresh Tuna, Delish, Forest Farm and KVC brand products.



## Industrial Product



\* A fully import-based operation.

## Commodity Trading

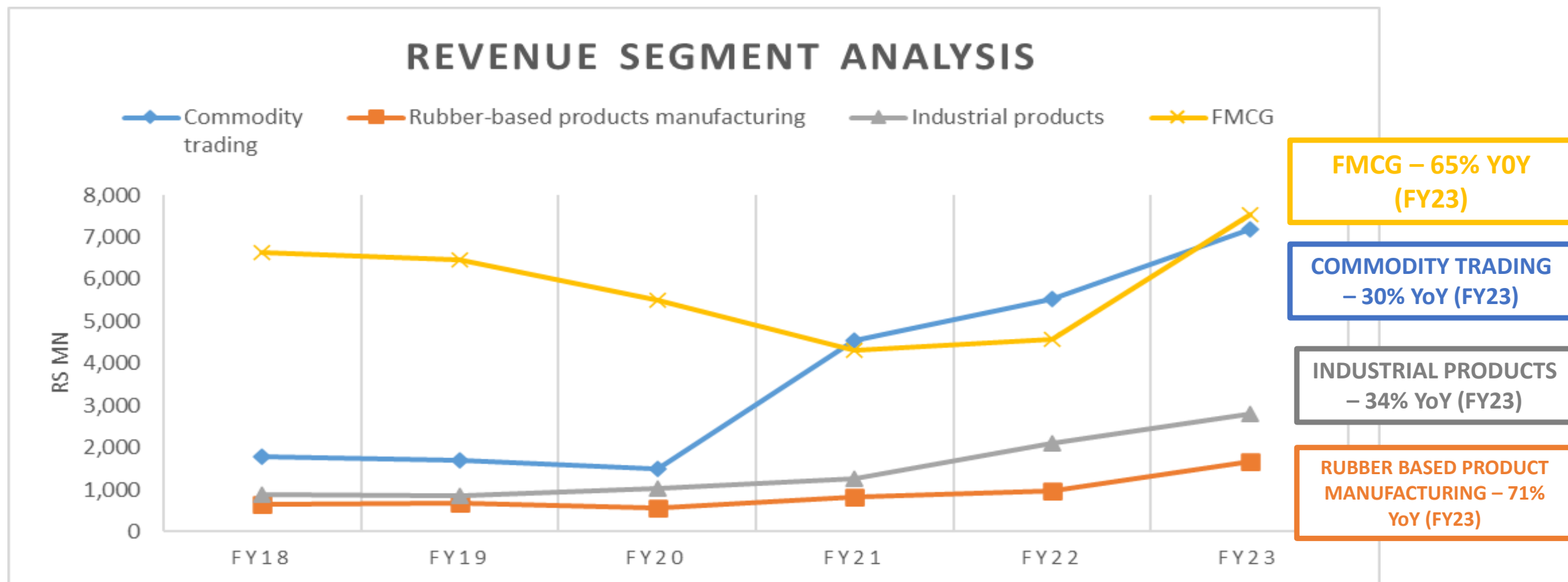


\* The Export Trading Division, and the Sugar Trading Division.

## Rubber based product manufacturing



\* Powered by two manufacturing subsidiaries.



**"The FMCG and commodity trading segments were the highest revenue contributors for CWM, with FMCG showing a 65% revenue growth in FY 23."**



Source: C. W. MACKIE PLC Financials



# Financial Performance at a Glance

	Revenue	GP Margin	EBIT Margin	PATMI	Net Finance Expense
Q1 FY24	LKR (Mn) <b>4,266</b> -3% YoY	<b>15.2%</b> -7.6 ppts YoY	<b>6.0%</b> -7.9 ppts YoY	LKR (Mn) <b>108</b> -72% YoY	LKR (Mn) <b>174</b> +82% YoY
FY 23	LKR (Mn) <b>19,208</b> 46% YoY	<b>20.1%</b> +5.2 ppts YoY	<b>11.2%</b> +5.0 ppts YoY	LKR (Mn) <b>916</b> 86% YoY	LKR (Mn) <b>655</b> >100% YoY

<b>LKR (MN)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>3M FY24</b>
Revenues	9,695	8,593	10,927	13,163	19,208	4,266
<i>Revenue growth (YoY)</i>	-2%	-11%	27%	20%	46%	-3%
Gross Profit	1,284	1,188	1,481	1,959	3,860	649
<i>GP growth</i>	16%	-7%	25%	32%	97%	-35%
GP margin	13.2%	13.8%	13.6%	14.9%	20.1%	15.2%
EBIT	395	138	543	808	2,147	258
<i>EBIT growth</i>	6%	-65%	293%	49%	166%	-58%
EBIT margin	4.1%	1.6%	5.0%	6.1%	11.2%	6.0%
Net Finance Income/ (expenses)	(111)	(125)	(115)	55	(655)	(174)
Profit Attributable to Equity Holders	203	(76)	265	492	916	108
<i>PATMI growth</i>	21%	-137%	450%	86%	86%	-72%
PATMI margin	2.1%	-0.9%	2.4%	3.7%	4.8%	2.5%
EPS (LKR)	5.65	(2.10)	7.35	13.67	25.46	3.01
<b>Outstanding shares (MN)</b>	36	36	36	36	36	36
Shareholder's equity	2,598	2,372	2,600	3,310	3,797	3,905
NAV per share (LKR)	72.18	65.91	72.24	91.98	105.51	108.52
DPS (LKR)	3.50	-	7.00	10.00	12.00	-
<b>Dividend yield</b>	8.7%	0.0%	15.9%	18.2%	14.7%	0.0%
ROE	8.0%	-3.0%	10.6%	16.6%	25.8%	11.4%
Total debt	1,356	1,883	1,730	2,645	2,706	2,706
Gearing	34%	44%	40%	44%	42%	41%
<b>P/E (X)</b>	7.1	<i>nm</i>	6.0	4.0	3.2	7.9
<b>PBV (X)</b>	0.6	0.6	0.6	0.6	0.8	0.9
<b>MPS (LKR)</b>	40.40	38.80	44.00	55.00	81.90	95.00
Enterprise value (mn')	2,859	3,547	3,583	4,771	5,807	6,368
EV/Sales (x)	0.3	0.4	0.3	0.4	0.3	0.4

Continuous revenue growth

GP Margin improvement

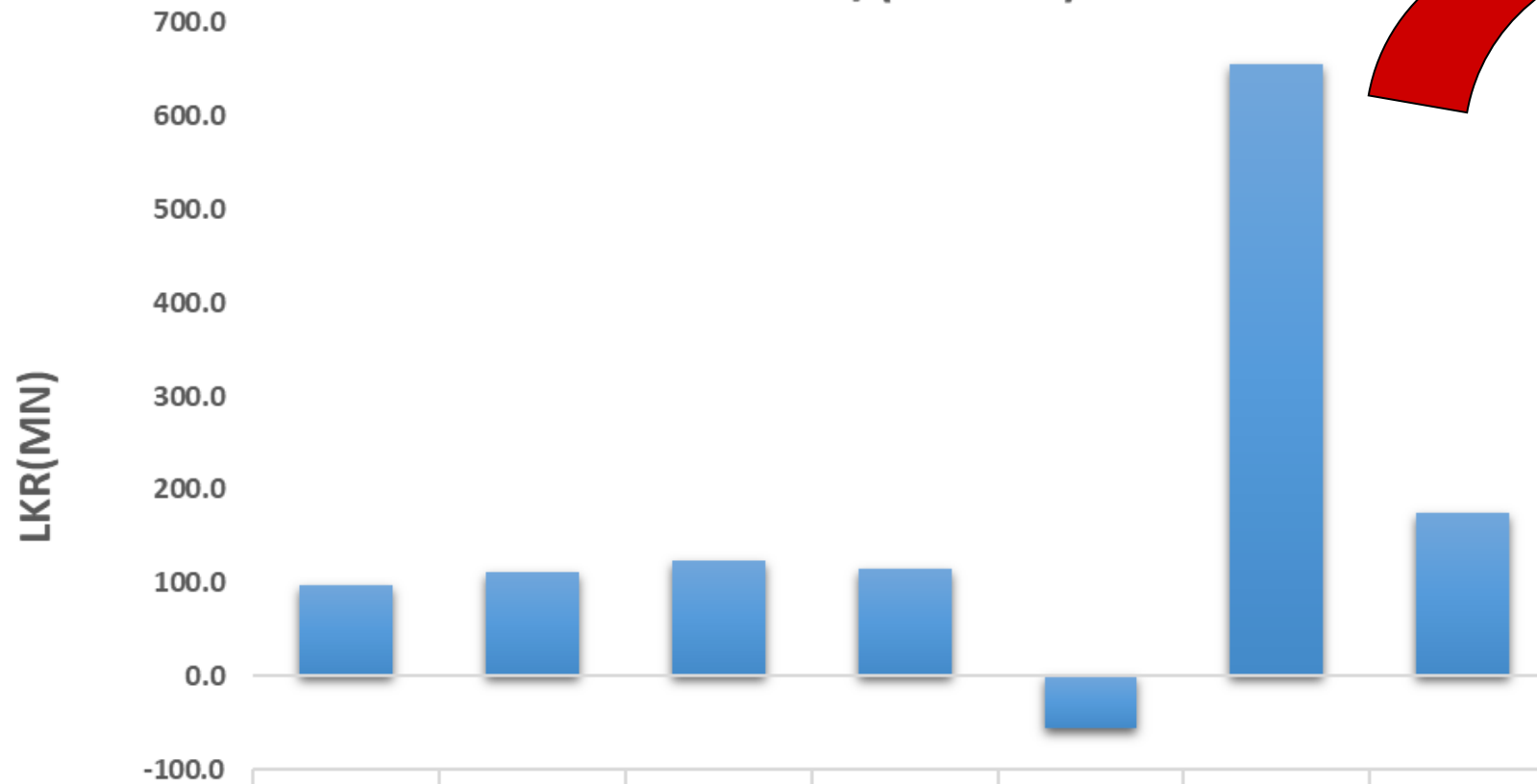
Healthy dividend yield.

Consistent gearing levels.

\*Note: PE and ROE for 3M FY24 are based on annualized earnings

Source: C. W. MACKIE PLC Financials

Net Finance Cost/(income)



**Net finance cost saw a spike in FY23 amidst the higher interest rates and increased debt.**

	FY18	FY19	FY20	FY21	FY22	FY23	3M FY24
Net Finance Cost/(income)	96.7	111.0	124.8	115.2	(55.1)	655.4	174.3



All figures in LKR Mn	FY 23	
	CWM	EMER
Revenue	19,208	2,712
Gross Profit	3,860	536
Gross Profit Margin	20.10%	19.78%
EBIT	2,147	114
EBIT Margin	11.18%	4.21%
Net Finance Income /Expense	-655	17
PATMI	916	74
EPS (LKR)	25.46	0.64
PATMI Margin	4.77%	2.73%
DPS (LKR)	12	0

CWM reported significantly higher revenue in FY23

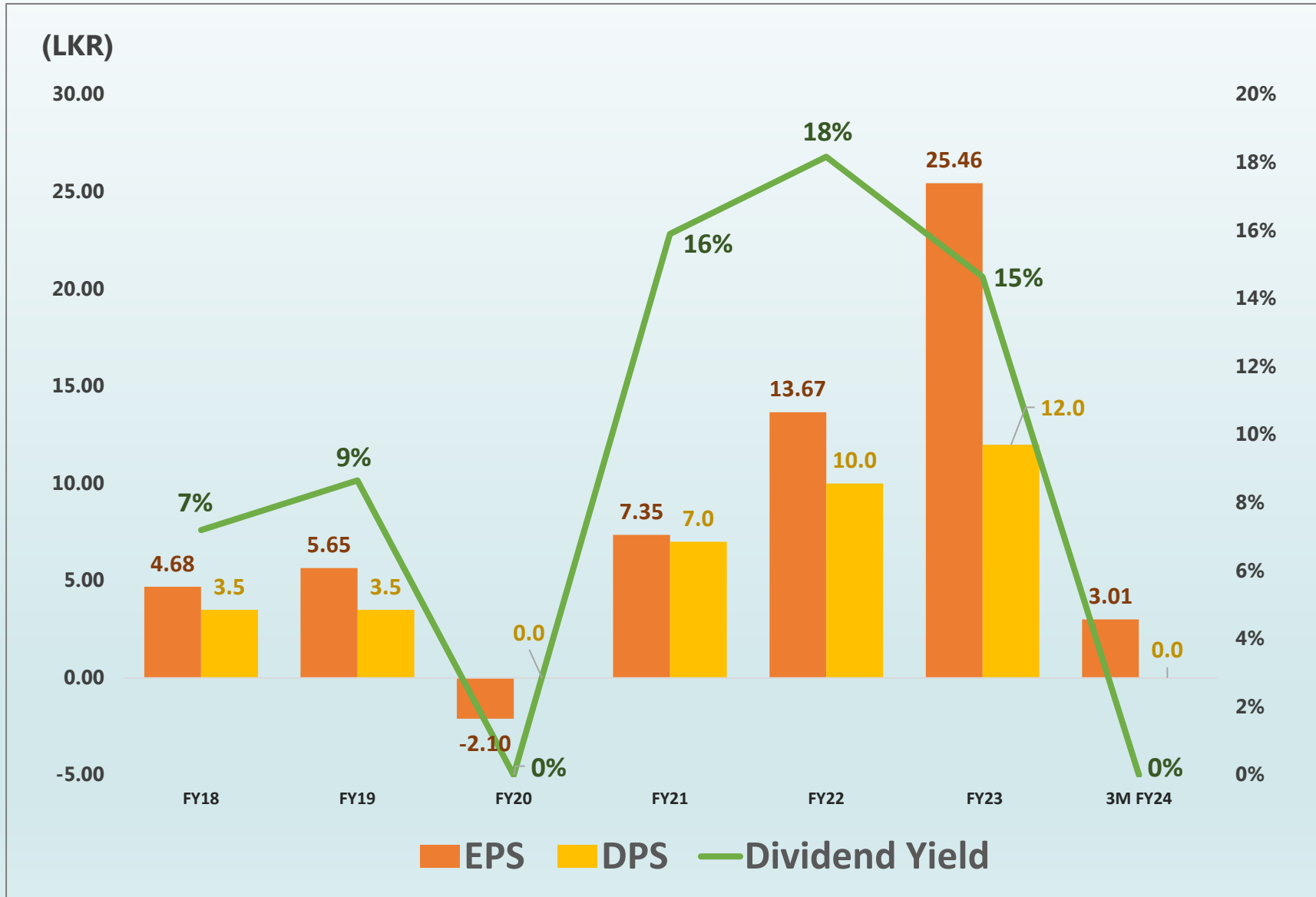
CWM recorded a higher EBIT margin despite posting a similar GP margin to EMER.

However, CWM faced challenges with a higher net finance cost.

CWM showcased a PATMI margin stemming from higher EBIT.

	FY19	FY20	FY21	FY22	FY23	3M FY24
<b>PER(X)</b>	<b>7.1</b>	<i>nm</i>	<b>6.0</b>	<b>4.0</b>	<b>3.2</b>	<b>7.9</b>
<b>PBV(X)</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.8</b>	<b>0.9</b>
<b>Dividend Yield</b>	<b>8.7%</b>	<b>0.0%</b>	<b>15.9%</b>	<b>18.2%</b>	<b>14.7%</b>	<b>0.0%</b>
<b>NAVPS(LKR)</b>	<b>72.18</b>	<b>65.91</b>	<b>72.24</b>	<b>91.98</b>	<b>105.51</b>	<b>108.52</b>
<b>DPS(LKR)</b>	<b>3.5</b>	<b>0</b>	<b>7</b>	<b>10</b>	<b>12</b>	<b>0</b>
<b>Dividend Payout</b>	<b>61.9%</b>	<b>0.0%</b>	<b>95.2%</b>	<b>73.2%</b>	<b>47.1%</b>	<b>0.0%</b>

- Four-year average dividend yield is 12.2% with an average DPO of ~54%.
- CWM PBV stands at 0.9x with a net asset value of LKR 108.52 at the end of 3M FY24.



**Average dividend yield for the last four financial years**

**~12.2%**

**Average payout for the last four financial years**

**~54%**

**Sector dividend yield**

**~4.0%**

Source: CSE & C. W. MACKIE PLC Financials

## Positive Catalysts

- The launch of new locally produced snacks under the popular SCAN brand leverages the company's existing brand.
- The opening of a new RTD manufacturing facility in Horana.
- Improved demand amidst the revival of consumer disposable income and recovery of industrial activities.
- A net beneficiary of rupee depreciation.



## Risks and Challenges faced by the company

- Global recession, disruption in supply chains.
- Restrictions imposed on imports.
- Global supply chain disruptions extending from the Russia-Ukraine war.
- Significant increase in net finance cost.
- constraints due to the surge in chemical prices.



# Top Ten Shareholders as at 30.06.2023

Name of Shareholder	No. of Shares	%
<b>1. Lankem Ceylon PLC</b>	<b>16,006,441</b>	<b>44.48%</b>
<b>2. Seylan Bank PLC/Senthilverl Holdings (Pvt) Limited</b>	<b>8,400,209</b>	<b>23.34%</b>
<b>3. Union Bank of Colombo PLC/Lankem Ceylon PLC</b>	<b>2,137,526</b>	<b>5.94%</b>
<b>4. Sampath Bank PLC/Dr. T. Senthilverl</b>	<b>1,782,575</b>	<b>4.95%</b>
<b>5. Pan Asia Banking Corporation PLC/Lankem Ceylon PLC</b>	<b>1,379,285</b>	<b>3.83%</b>
<b>6. Acuity Partners (Pvt) Limited/Union Investment (Pvt) Limited</b>	<b>950,000</b>	<b>2.64%</b>
<b>7. Corporate Holdings (Pvt) Limited Account No. 1</b>	<b>307,982</b>	<b>0.86%</b>
<b>8. Colombo Fort Investments PLC</b>	<b>247,285</b>	<b>0.69%</b>
<b>9. Colombo Investment Trust PLC</b>	<b>219,060</b>	<b>0.61%</b>
<b>10. Mr. P. P. Anandarajah</b>	<b>155,100</b>	<b>0.43%</b>

*Source : CWM 1Q FY24 Interim Report*



**Important Disclosures** This report was prepared by Strategic Research Limited for clients of Bartleet Religare Securities.

**Special Disclosures** “Special Disclosures” for certain additional disclosure statements (if applicable).

**Intended Recipients** This report is intended only for the use of the individual or entity named above and may contain information that is confidential and privileged. It is intended only for the perusal of the individual or entity to whom it is addressed and others who are authorized to receive it. If you are not the intended recipient of this report, you are hereby on notice that any disclosure, dissemination, distribution, copying or taking action relying on the contents of this information is strictly prohibited and illegal. BRS, is not liable for the accurate and complete transmission of the information contained herein nor any delay in its receipt. If you have received this email in error, please notify us immediately by return email and please destroy the original message.

This report is not intended for citizens (individual or corporate) based in the United States of America. \_

**Analyst Certification** Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that the views expressed in this report reflect his or her personal views about all of the subject companies and all of the securities and No part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. If the lead analyst holds shares of the coverage; that will be listed here.

**General Disclaimers** · This report is strictly confidential and is being furnished to you solely for your information purposes. · The information, tools and material presented in this report are not to be used or considered as an offer or solicitation of an offer to sell or to purchase or subscribe for securities. · SRL has not taken any measures to guarantee in any way that the securities referred to herein are suitable investments for any particular investor. SRL will not under any circumstance, consider recipients as its customers by virtue of them receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is highly recommended that you consult an independent investment advisor if you are in any doubt about such investments or related services. · Further, nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, investment needs or otherwise construes a personal recommendation to you. · Information and opinions presented herein were obtained or derived from sources that SRL believes to be relied upon, but SRL makes no representations or warranty, express or implied, as to their accuracy or completeness or correctness. · SRL accepts no liability whatsoever for any loss arising from the use of the material presented in this report. · This report is not to be relied upon as a substitute for the exercise of independent judgment. SRL may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected absolute return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating. · Past performance should not be taken as any indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. · Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by SRL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities. · SRL may or may not seek to do business with companies covered in our research report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of research produced by SRL. Investors should consider our research as only a single factor in making their investment decision. Any reference to a third party research material or any other report contained in this report represents the respective research organization's estimates and views and does not represent the views and opinions of SRL. SRL, its officers and employees do not accept any liability or responsibility whatsoever with respect to the accuracy or correctness of such information. Further, SRL has included such reports or made reference to such reports in good faith (bona fide).

## Research

Nusrath Mohideen	Head of Research	nusrath@bartleetreigare.com
Heshan Chamika	Assistant Manager - Research	chamika@bartleetreigare.com
Shalini De Silva	Assistant Manager - Research	shalini@bartleetreigare.com
Maheshi Wattegedara	Senior Research/ Economic Analyst	maheshi@bartleetreigare.com
Dilshan Iranga	Research Analyst	iranga@bartleetreigare.com
Shazran Sahib	Intern - Research	shazran@bartleetreigare.com
Asela Sandaruwan	Intern – Research	asela@bartleetreigare.com



# CONTACTS

## HNI/ Retail Sales

Asitha	772663231	asitha@bartleetreligere.com	Samith	772663233	samith@bartleetreligere.com
Asanka (Kandy)	772348165	asanka@bartleetreligere.com	Sewwandi	773528495	sewwandi@bartleetreligere.com
Chandana	778930058	chandanad@bartleetreligere.com	Suganthan	777929349	suganthan@bartleetreligere.com
Dayananda	771315032	dayananda@bartleetreligere.com	Suraj	756158261	suraj@bartleetreligere.com
Duleepa (kandy)	775216116	duleepa@bartleetreligere.com	Tania	777824556	tania@bartleetreligere.com
Duminda	773127037	duminda@bartleetreligere.com	Tharaka (Kandy)	778820494	tharaka@bartleetreligere.com
Hiral	766446149	hiral@bartleetreligere.com	Thivanka	766668393	dilshan@bartleetreligere.com
Indrajith (Bandarawela)	711455992	indrajith@bartleetreligere.com	Vajira	772232389	vajira@bartleetreligere.com
Iresh	774940448	iresh@bartleetreligere.com	Vishvajith	772331355	vishvajith@bartleetreligere.com
Lakmal	772202593	lakmal@bartleetreligere.com	Waruna	775440908	dewaraja@bartleetreligere.com
Lulith (Matara)	772962540	lulith@bartleetreligere.com	Yusri	772441087	ymm@bartleetreligere.com
Mayuraraj	775761691	mayuraraj@bartleetreligere.com			
Milindu (Galle)	773593044	milindu@bartleetreligere.com			
Mohan (Jaffna)	774486172	mohan@bartleetreligere.com			
Nayana	771073215	nayanarasi@bartleetreligere.com			
Nuwan	702583230	nuwan.a@bartleetreligere.com			
Ravitha (Jaffna)	779424830	ravitha@bartleetreligere.com			
Riham	777030703	riham@bartleetreligere.com			
Rockshan (Matara)	772945708	rockshan@bartleetreligere.com			