

**Equity Research Team**

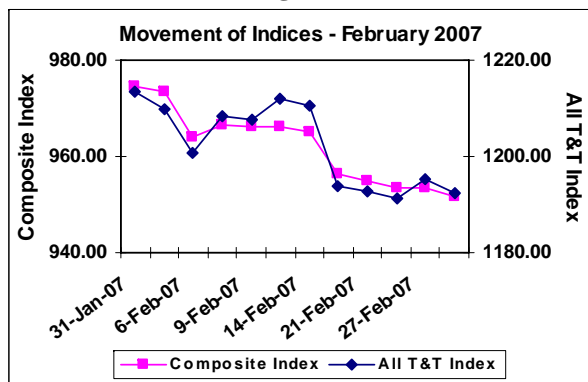
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Carnival festivities resulted in eleven trading days in the month of February versus fourteen trading days in the month of January. Consequently, the volumes traded fell by a significant 34.60 per cent from 16,100,966 in January to 10,530,138 in February. Additionally, the value of shares traded also saw a fall moving from \$315,382,655 to \$277,000,162, a decline of 12.17 per cent.

Unlike the positive market sentiment experienced in January, the last month saw both Indices ending in negative territory. (See Figure 1) The Composite Index lost 22.93 points or 2.35 per cent to close at 951.6281, while the All T&T fell 21.09 points or 1.74 per cent to end the month at 1,192.3802. This was further highlighted in the advance to decline ratio which stood at 11 to 14 at month's end.

**Figure 1**



For the second month in a row National Commercial Bank Jamaica (NCBJ) took the title of volume leader, trading 2,295,541 shares or 21.80 per cent of the market.

Also for the second month in a row, Republic Bank Limited (RBL) was the second volume leader, following closely with 21.45 per cent of all trades or 2,258,917 shares traded. While Sagicor Financial Corporation (SFC) was the third volume leader with 880,506 changing hands or 8.36 per cent of the market.

The major advance for February was PLIPDECO (PLD) which rose \$1.80 or 24.62 per cent to close at \$9.11. Readymix Limited was next in line, advancing 88 cents or 20.85 per cent to end the month at \$5.10. While the third major advance for the month went to One Caribbean Media (OCM) - this share climbed \$2.89 or 14.37 per cent to \$23.00.

Jamaica Money Market Brokers (JMMB) also kept its position, being the major decline for a consecutive month. The share fell 57 cents or 34.13 per cent to end at a price of \$1.10. In Jamaica, this share dropped JMD2.40 or 19.20 per cent to close at JMD10.10. The second major decline for the month was Guardian Holdings Limited (GHL), which fell \$4.99 or 18.84 per cent to \$21.50. During the month of February this share fell as low as \$20.00. While Agostini's Limited (AGL) was the third major decline, down 14.01 percent or \$1.54 to end at \$9.45.

The Jamaican market ended the month in much the same waters as the local market, with all three Indices declining. The Market Index declined by 9.44 per cent to close at 92,949.43; the Select Index fell by 4.85 per cent to 2,722.33 while the All Jamaican Composite dropped 5.06 per cent to end at 99,258.32.

Trading activity saw 161,697,903 shares changing ownership, an increase of 19.82 per cent on January's volume of 134,948,549 shares traded. The value of shares traded amounted to over JMD2,052,554,932 compared to the previous month's value of JMD1,490,085,844. Advances were outnumbered by declines in a ratio of 9 to 27.

Cable and Wireless Jamaica Limited (CWJA) was the volume leader with 54,643,215.00 shares traded or 33.79 per cent of the market. After being the major decline in January, the Ciboney Group Limited (CBNY) made a complete turnaround and ended the month of February as the major advance up 50 per cent to JMD0.06. GHL was the major decline in Jamaica,

ending the month at a price of JMD221.00- a fall of 23.79 per cent.

**Scotiabank (Trinidad & Tobago) Limited**  
**Results for the First Quarter Ended January 31, 2007**

Scotiabank (Trinidad & Tobago) Limited (SBTT) continued to report commendable results in its First Quarter ended January 31, 2007. The Bank's Earnings Per Share (EPS) increased 26.02 per cent to 52.3 cents compared to Q1-FY06's EPS of 41.50 cents. According to the Managing Director, the performance reflects a commitment to shareholders to a sound execution of SBTT's strategic initiatives. These initiatives comprise excellent sales and service, product diversification and an efficient operating platform leveraging technology.

SBTT's performance was driven by its top line as Net Interest Income rose 18.80 per cent to \$143.988 million. Other Income rose 25.63 per cent to \$53.646 million resulting in Net Interest & Other Income increasing 20.58 per cent to \$197.634 million.

The growth in top line was complimented by expenditure control as the Group saw a relatively smaller increase in Non Interest Expenses of 13.53 per cent to \$77.465 million for Q1-FY07. Of this total, Salaries and Staff Benefits comprised 49.32 per cent remaining as the major component. Premises & Technology accounted for 21.35 per cent while Other Expenses made up 22.36 per cent. The Group also saw a 134.09 per cent drop in Loan Loss Expenses from a charge of \$2.370 million (Q1-FY06) to a credit of \$0.808 million (Q1-FY07).

The Bank's strong performance drove Income Before Taxation up 25.61 per cent to \$120.169 million. The Effective Tax Rate rose from 23.46 per cent (Q1-FY06) to 23.26 per cent (Q1-FY07) resulting ultimately in an increase in Income After Tax of 25.95 per cent to \$92.219 million.

On the Balance Sheet, the Bank's Assets grew 10.77 per cent to \$10.182 billion from its recent financial year ended October 31, 2006 with Net Loans to Customers contributing 76.44 per cent. On the liabilities side, Total Liabilities (excluding Deferred Tax Liability) rose 12.01 per cent to \$8.753 billion

over the same period. Of this total, Deposits comprised 82.57 per cent.

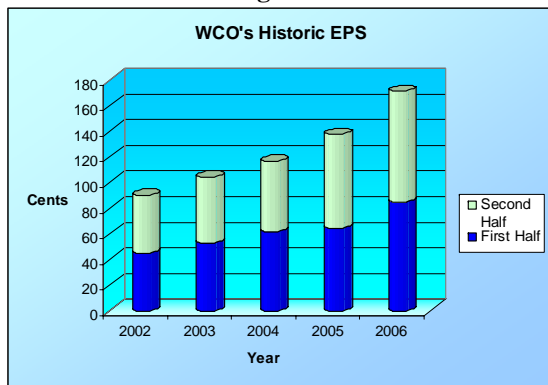
The Directors have resolved to pay a first interim dividend of 21 cents per ordinary share on March 27, 2007 to shareholders on record as at March 06, 2007.

As a result of this performance, we are revising our forecasted EPS from \$2.05 to \$2.15. At the current price of \$32.77 and this forecasted EPS, SBTB is trading at a price/earnings ratio of 15.24 times. Given that this share usually trades within the range of 13 to 15 times earnings, this share is fully valued at its current price and so we recommend a **HOLD**.

### The West Indian Tobacco Company Limited Results for the Year Ended December 31, 2006

The West Indian Tobacco Company Limited (WCO) reported Earnings Per Share (EPS) of \$1.71 for the year ended December 31, 2006. This EPS was in line with expectations and was driven by increased sales performance in both the domestic and contract manufacturing markets. The Company also benefited from improved productivity in Operations. As can be seen from Figure 2, this is the fifth consecutive year of growth for this Company. For this year, the two halves brought in approximately the same amount of earnings per share as 84.99 cents was earned per share in the first half compared to 86.01 cents per share in the second half (See Figure 2).

Figure 2



WCO's successful bottom line was driven by its core operations as Net Turnover rose 14.89 per cent to

\$446.032 million. In comparison to Net Turnover, Cost of Sales rose by a smaller margin of 7.53 per cent to \$129.457 million resulting in an increase in Gross Profit of 18.20 per cent to \$316.605 million. The Company's Gross Profit Margin moved from 69.00 per cent (2005) to 70.98 per cent (2006).

Expenses were generally controlled with Administrative Expenses rising 10.84 per cent to \$55.656 million while Other Operating Expenses rose 10.66 per cent to \$57.500 million. Distribution Costs however rose 18.63 per cent to \$8.219 million. The mix of top line growth and operating expenditure control resulted in a 22.97 per cent increase in Operating Profit to \$195.230 million. The Company's Operating Profit Margin rose from 40.89 per cent in 2005 to 43.77 per cent in 2006.

To a lesser significance were increases in Interest Income (up 332.88 per cent to \$1.909 million) and Finance Costs (up 125.22 per cent to \$2.777 million). The net of these two items did little to affect the bottom line.

Ultimately, Profit Before Tax rose 23.04 per cent to \$194.362 million while the Effective Tax Rate fell marginally from 26.73 per cent to 26.05 per cent. Profit After Tax increased 24.18 per cent to \$143.733 million while its Net Profit Margin rose from 29.81 per cent (2005) to 32.22 per cent (2006).

The Directors will recommend a final dividend of 85 cents per share at its Annual Meeting on March 29, 2007. If approved, this will bring the total dividends paid for the year to \$1.68 per share and would mean that WCO's Dividend Payout Ratio stands at 98.25 per cent. Once approved, the final dividend will be paid on April 17, 2007 to shareholders on record as at April 11, 2007.

Given these commendable results and the continued positive outlook for the economy, WISE is forecasting an EPS of \$2.00 for the year ended December 31, 2007. At this forecast and the current price of \$24.66, WCO is trading at a price/earnings ratio of 12.33 times. Given that this share trades as high as 15 times earnings which would mean that its target price is \$30.00, we continue to recommend a **BUY** on this share.

### WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT FEBRUARY 28, 2007

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
<b>Bank</b>						
FirstCaribbean	70.0	80.0	33.0	11.49	2.87	14.36
NCB Jca	21.0	26.0	6.0	2.15	2.79	8.27
RBTT Fin Hold	268.0	280.0	125.0	32.40	3.86	11.57
Republic Bank	401.0	530.0	265.0	80.00	3.31	15.09
Scotiabank	178.7	215.0	85.0	32.77	2.59	15.24
<b>Non-Bank Fin</b>						
ANSA Fin & Merch	121.0	120.0	32.0	19.00	1.68	15.83
Capital & Credit	19.3	13.0	2.5	1.47	1.67	11.31
DB&G	27.5	26.0	7.0	2.50	2.80	9.62
Guardian Holdings	185.0	0.00	35.0	21.50	1.63	0.00
JMMB	11.0	7.0	1.5	1.10	1.36	15.71
National Enterprises	81.0	65.0	60.0	8.00	7.50	12.31
Sagicor Financial Corp	163.0	135.0	40.0	13.75	2.91	10.19
<b>Conglomerates</b>						
Ansa Mcal Ltd	261.0	325.0	80.0	47.03	1.70	14.47
Bdos Ship & Trad	138.0	156.0	60.0	16.51	3.63	10.58
GraceKennedy	53.3	60.0	10.0	5.75	1.74	9.58
Neal and Massy	337.0	400.00	120.0	48.44	2.48	12.11
<b>Trading</b>						
Agostini's Ltd	81.3	90.0	37.0	9.45	3.92	10.50
Furness Trinidad	47.0	60.0	0.0	6.15	0.00	10.25
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.59	0.34	118.00
L J Williams Ltd. - 'B'	8.0	5.0	2.0	1.30	1.54	26.00
Prestige Holdings	23.9	35.0	15.0	5.85	2.56	16.71
<b>Property</b>						
PLIPDECO	116.00	55.00	21.0	9.11	2.31	16.56
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
<b>Manufacturing</b>						
Angostura Holdings	180.0	20.0	12.0	4.60	2.61	23.00
Berger Paints	24.0	7.0	19.0	3.40	5.59	48.57
Flavorite Foods	54.0	54.0	21.0	5.10	4.12	9.44
National Flour Mills	8.6	-58.0	8.0	1.50	5.33	0.00
One Caribbean Media	131.0	160.0	80.0	23.00	3.48	14.38
Readymix WI	-210.0	100.0	3.0	5.10	0.59	5.10
Trinidad Cement	66.0	60.0	8.0	7.25	1.10	12.08
Trinidad Publishing	91.0	130.0	40.0	21.16	1.89	16.28
Unilever Caribbean Ltd	133.0	145.0	120.0	21.00	5.71	14.48
WITCO	171.0	200.0	196.0	24.66	7.95	12.33

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