

**Dehring, Bunting & Golding (DBG)**

	<b>DBG</b>
<b>RECOMMENDATION</b>	<b>HOLD</b>
<b>Current Price</b>	<b>TT\$2.10</b>
<b>Running EPS</b>	<b>TT\$0.22</b>
<b>Projected EPS</b>	<b>TT\$0.24</b>
<b>P/E at Projected EPS</b>	<b>8.75 times</b>
<b>Return on Assets</b>	<b>2.06 per cent</b>
<b>Return on Equity</b>	<b>17.64 per cent</b>

**Results for the Year Ended March 31, 2007**

*All Figures quoted in Jamaica Dollars unless otherwise stated*

**Earnings Per Share**

For the Year Ended March 31, 2007, Dehring Bunting & Golding Limited (DBG) reported Earnings Per Share (EPS) of \$2.27, down 20.07 per cent or \$0.57 on the corresponding period in fiscal 2006. **Figure 1** and **Figure 2** shows DBG's EPS over the period 2005 to 2007.

**Figure 1**

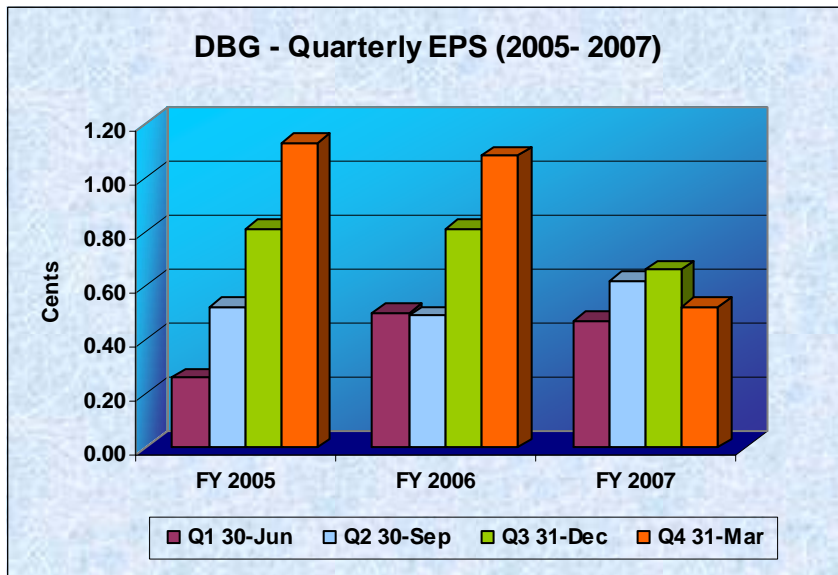




Figure 2

		FY 2005	FY 2006	FY 2007
Q1	30-Jun	0.26	0.50	0.47
Q2	30-Sep	0.52	0.49	0.62
Q3	31-Dec	0.81	0.81	0.66
Q4	31-Mar	1.13	1.08	0.52
Total		<b>2.72</b>	<b>2.88</b>	<b>2.27</b>

## Financials

Net Interest Revenue for the period under review was \$854.915 million, up \$81.071 million or 10.48 per cent on the previous financial year. This was as a result of strong portfolio volume growth primarily in the Company's managed fund and loan portfolios. DBG's loan portfolio, driven by the excellent performance of its Merchant Bank, increased 38.5 per cent to \$3.700 million when compared to the same period last year. In addition, the Company's recently launched consumer finance initiative – EASY OWN – has met all of the Company's expectations and it is expected that this will continue in the future.

Year on year, Other Operating Revenue fell a significant 28.38 per cent or \$295.640 million from \$1.042 billion to \$745.959 million. This was mainly as a result of the decrease in Gains on Securities Trading which was down a considerable 48.73 per cent or \$332.564 million to \$349.922 million. Fees and Other Income also fell 13.83 per cent or \$32.189 million to \$200.554 million. However, Foreign Exchange Gains was up a substantial \$69.113 million or 54.69 per cent to \$195.483 million. Other major profit centers showing credible performances included the brokerage and unit trust units which showed fee income of \$201 million for the year.

Ultimately, Net Revenue amounted to \$1.601 billion for FY2007 compared to \$1.815 billion reported last year. This figure was down 11.82 per cent or \$214.569 million from FY2006. Operating Expenses for the twelve month period stood at \$900.772 million, down a minimal 3.04 per cent or \$28.242 million from the prior year.

Profit Before Taxation for FY2007 was \$700.102 million, down 21.02 per cent or \$186.327 million from FY2006. For the period under review, DBG benefited from a Tax Credit of \$2.853 million while Taxation for the same period in the last fiscal amounted to \$4.110 million. As such, Net Profit After Taxation fell an outstanding 20.33 per cent or \$179.364 million to \$702.955 million. Additionally, Q407 on Q406, this figure was down a substantial 52.24 per cent or \$175.371 million from \$335.707 million in Q406. As stated by the CEO, Mr. Peter Bunting, the results should be taken in the context of some extraordinary gains which were recognized in 2006 and which did not recur in 2007. These gains amounted to approximately \$221.1 million and if excluded from the results of last year would have resulted in the Company showing year over year profit growth of 6 per cent.



West Indies Stockbrokers Ltd.  
1<sup>st</sup> Floor, Albion Plaza,  
22-24 Victoria Avenue,  
Port of Spain.  
Tel: 625-9473; Fax: 627-5002

Equity Research Team  
Gia Singh (Ext 2264)  
[gias@wisett.com](mailto:gias@wisett.com)  
Nancy Chen (Ext 2225)  
[nancyc@wisett.com](mailto:nancyc@wisett.com)

Table 1 shows DBG's Financial Data Comparison for the financial period 2005-2007

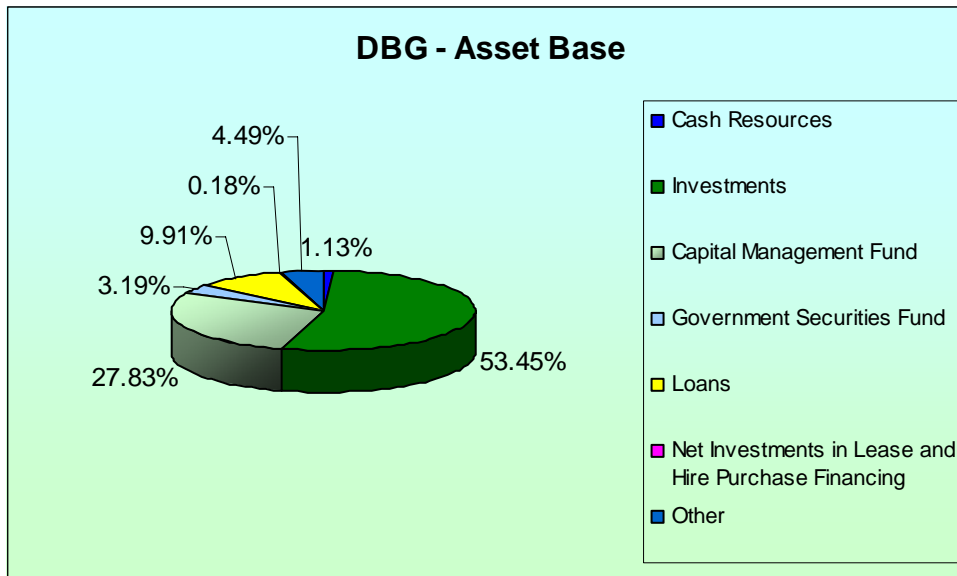
Table 1

DBG Historical Financial Data Comparison 2005- 2007					
	YE 2007 J\$000's	% Change YE'07 -YE'06	YE 2006 J\$000's	% Change YE'06 -YE'05	YE 2005 J\$000's
Interest Revenue	3,482,659	11.79%	3,115,428	2.41%	3,042,202
Interest Expense	(2,627,744)	12.22%	(2,341,584)	-2.93%	(2,412,238)
<b>Net Interest Revenue</b>	<b>854,915</b>	<b>10.48%</b>	<b>773,844</b>	<b>22.84%</b>	<b>629,964</b>
Gains on Securities Trading	349,922	-48.73%	682,486	32.05%	516,830
Foreign Exchange Gains	195,483	54.69%	126,370	-34.89%	194,084
Fees and Other Income	200,554	-13.83%	232,743	-26.29%	315,768
<b>Other Operating Revenue</b>	<b>745,959</b>	<b>-28.38%</b>	<b>1,041,599</b>	<b>1.45%</b>	<b>1,026,682</b>
Net Revenue	1,600,874	-11.82%	1,815,443	9.59%	1,656,646
<b>Operating Expenses</b>	<b>(900,772)</b>	<b>-3.04%</b>	<b>(929,014)</b>	<b>9.85%</b>	<b>(845,693)</b>
<b>Profit Before Taxation</b>	<b>700,102</b>	<b>-21.02%</b>	<b>886,429</b>	<b>9.31%</b>	<b>810,953</b>
Taxation	2,853	-169.42%	(4,110)	-50.55%	(8,311)
<b>Net Profit After Taxation</b>	<b>702,955</b>	<b>-20.33%</b>	<b>882,319</b>	<b>9.93%</b>	<b>802,642</b>
<b>EPS (J\$)</b>	<b>2.27</b>	<b>-20.07%</b>	<b>2.84</b>	<b>7.17%</b>	<b>2.65</b>
<b>EPS (TT\$)</b>	<b>0.22</b>	<b>-22.50%</b>	<b>0.28</b>	<b>3.75%</b>	<b>0.27</b>
Market Price @ Financial Year End (TT\$)	2.20	29.41%	1.70	-24.44%	2.25
P/E Ratio @ Financial Year End	10.00		5.99		8.22
Dividend (J\$)	0.86	0.00%	0.86	0.00%	0.00
Dividend (TT\$)	0.08	-3.04%	0.09	0.00%	0.00
Dividend Payout Ratio	37.89%		30.28%		***
Dividend Yield	3.79%		5.06%		***
Net Asset Value (J\$)	14.25	21.28%	11.75	60.74%	7.31
Net Asset Value (TT\$)	1.38	17.59%	1.18	55.61%	0.76
Market to Book Ratio	1.59		1.45		2.98
Return on Equity	17.64%		31.04%		45.85%
Return on Assets	2.06%		2.99%		3.08%
Shares Outstanding	309,258,639		303,194,744		290,385,731

### Assets & Liabilities

Total assets increased 23.53 per cent from \$30.572 billion in FY2006 to \$37.766 billion in FY2007. The two major contributors to this growth were Net Investments in Lease and Hire Purchase Financing, up 133.68 per cent to \$69.725 million and Capital Management Fund, up 49.01 per cent to \$10.511 billion. The composition of DBG's asset base is shown in **Figure 3**.

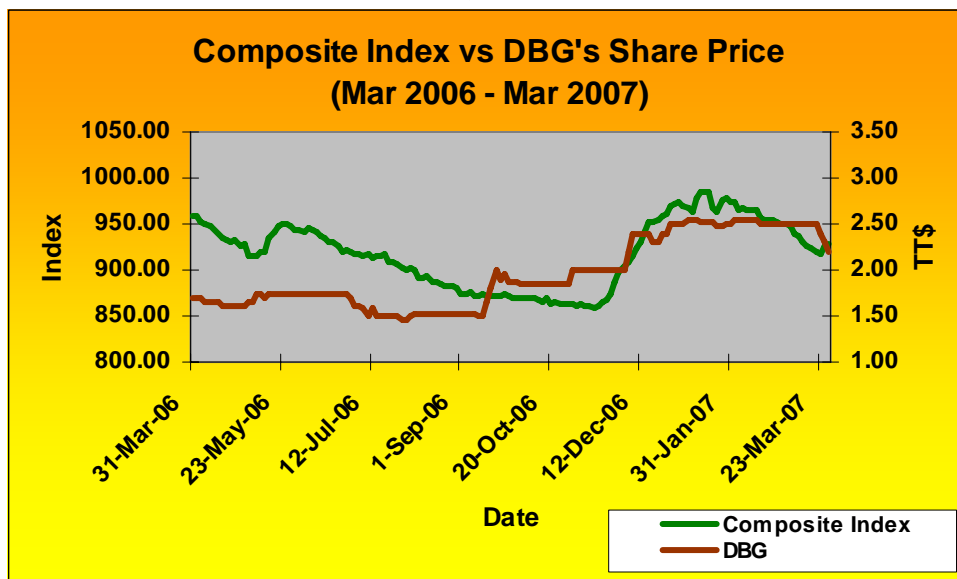
Figure 3



### Share Price

For FY2007, DBG's share price traded as high as TT\$2.55 and as low as TT\$1.45. The share price started the year at a price of TT\$1.70 and subsequently traded between TT\$1.45 and TT\$1.75 to mid-September. The price then rose sharply from TT\$1.65 on September 15 to TT\$1.99 on September 20; a 20.61 per cent increase in share price in two trading days. This increase in share price came after the news that the Bank of Nova Scotia was possibly set to acquire DBG. DBG's share price then traded in the range of TT\$1.85 and TT\$2.00 before rising again sharply from TT\$2.00 on December 1 to TT\$2.40 on December 6. The price subsequently closed the year at TT\$2.20. In Jamaica, this share closed at \$24.90 (See Figure 4).

Figure 4

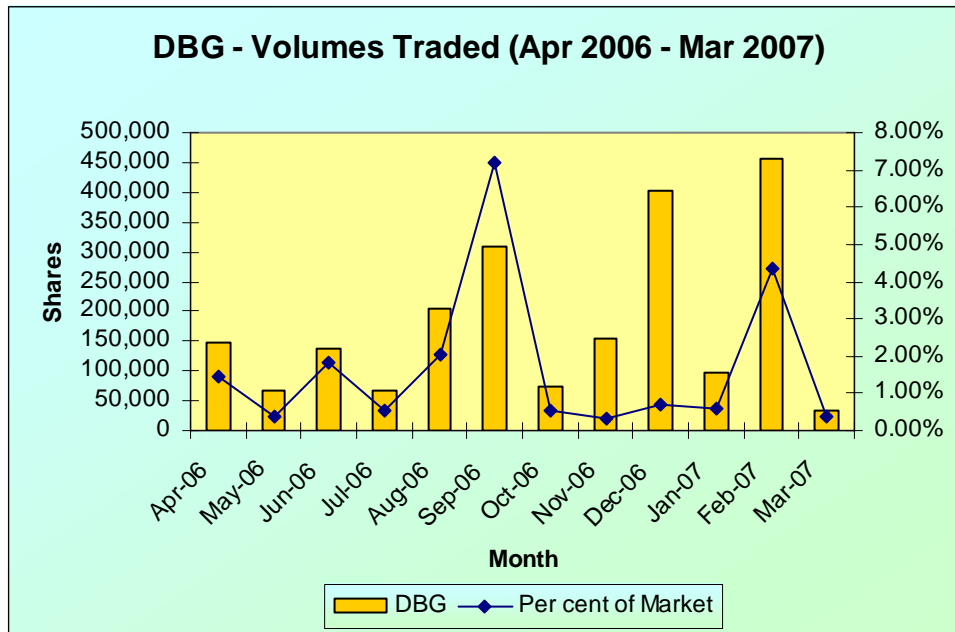




**Volumes**

DBG has seen relatively small volumes traded in comparison to the rest of the market. Volumes generally accounted for less than 5 per cent of total monthly trades. September 2006 saw the largest percentage (7.17 per cent) of DBG shares traded in relation to the market while November 2006 saw the lowest percentage (0.34 per cent). FY2007 saw 2,146,270 shares change ownership with February 2007 being the most active as 455,192 shares changed hands. March was the slowest month with 32,797 shares crossing the floor (See Figure 5).

**Figure 5**



**Outlook and Recommendation**

For the financial year, DBG demonstrated its commitment to tight cost management as its productivity ratio (non-interest expenses as a percentage of total revenue) was 56.3 per cent which was significantly better than the international benchmark of 60 per cent. Also, as the newest member of the Scotiabank Group, the Company expects that the year ahead will provide exceptional opportunities for all stakeholders and remains committed to maintaining the highest levels of integrity and service quality to its customers.

DBG last closed at a price of TT\$2.10 on the local stock market. We are forecasting an EPS of TT\$0.24 for fiscal 2008. At this forecast and the current price, these shares are trading at a price/earnings multiple of 8.75 times. As DBG typically trades between 7 to 11 times we recommend a HOLD on this share.

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