

One Caribbean Media Limited (OCM)

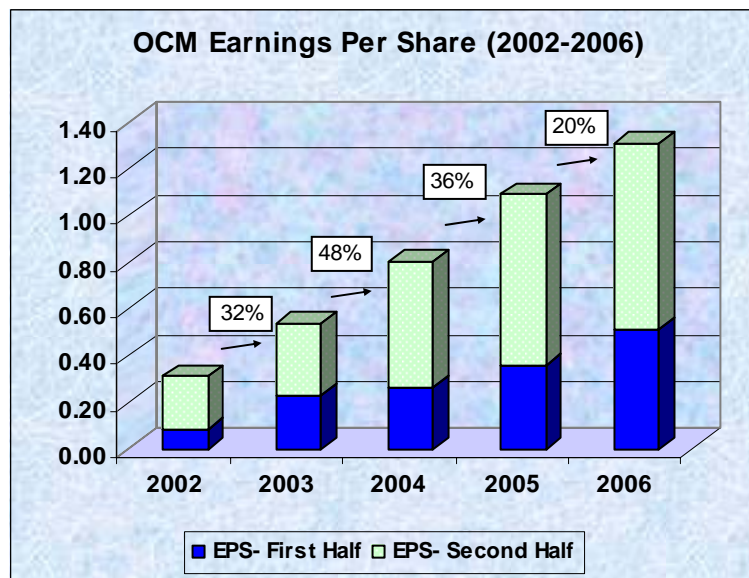
| | <u>OCM</u> |
|-----------------------------|-----------------------|
| RECOMMENDATION | BUY |
| Current Price | \$21.02 |
| Running EPS | \$1.31 |
| Projected EPS | \$1.60 |
| P/E at Projected EPS | 13.14 times |
| Dividend | \$0.80 |
| Dividend Yield | 3.81 per cent |
| Return on Assets | 17.47 per cent |
| Return on Equity | 21.81 per cent |

Results for the Year Ended December 31, 2006

Earnings Per Share

One Caribbean Media (OCM) reported Earnings Per Share (EPS) (inclusive of ESOP) of \$1.31 which was 20.18 per cent higher than 2005's EPS of \$1.09. This, though commendable, was not as high as the growth we have seen in EPS for the three previous years (See Figure 1). The results for this year however, reflect the performance of the Company in the first year of the merger of the Caribbean Communications Network (CCN) Group (Trinidad) and the Nation Group (Barbados). As a result of the merger, the Company's outstanding share capital rose from 46,242,285 (Dec 2005) to 66,215,683 (Dec 2006).

Figure 1





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Financials

OCM's after tax profits showed an increase of 72.05 per cent. The results were driven by strong sales as its Companies met their respective targets and even performed beyond expectations.

According to the Chairman, Sir Fred Gallop, the CCN Group experienced outstanding results with a 20 per cent increase in Profit Before Tax. The Express achieved significant growth in both revenue and profitability with circulation of the Daily and Sunday Express continuing to climb and maintaining market dominance both in copy sales and readership. TV6 also achieved significant growth in revenue and profitability and continues to maintain market dominance both in viewership and revenue. In Barbados, The Nation Group also recorded outstanding results with a 29 per cent growth in Profit Before Tax. In addition, Nation Publishing exceeded its revenue and profitability targets and maintained its market dominance. Starcom Network also performed creditably exceeding its targets and maintaining market dominance. Its Grenadian operations, Grenada Broadcasting Network also exceeded its revenue and profitability targets.

Hence, despite a 79.77 per cent increase in Cost of Sales to \$269.290 million, the Group's Gross Profit grew 163.32 per cent to \$178.572 million driven by an even larger increase in Sales of 105.80 per cent to \$447.862 million.

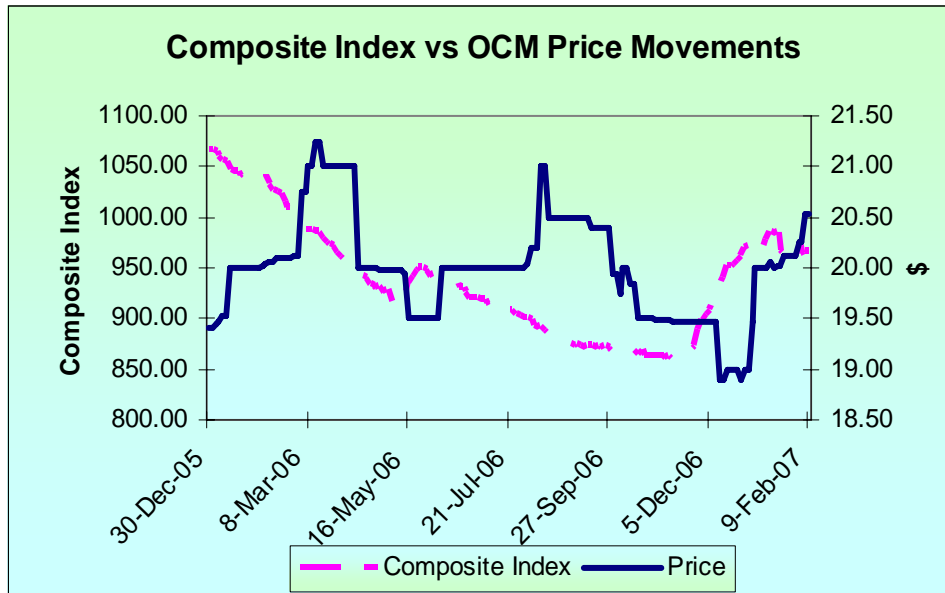
Administrative and Marketing Expenses rose 380.08 per cent and 67.49 per cent to \$61.642 million and \$3.921 million respectively. This resulted in an increase in Operating Profit to \$113.009 million (114.70 per cent). Less significant were increases in Dividend Income to \$0.065 million (80.56) per cent and Interest Income to \$2.969 million (74.34 per cent). Finance Costs increased 120.54 per cent to \$1.051 million while Share of Profit in Associate Companies fell 89.88 per cent to \$0.645 million.

Ultimately, Profit Before Tax rose 75.57 per cent to \$115.637 million. The Effective Tax Rate rose from 22.77 per cent (2005) to 24.88 per cent (2006) and Profit After Tax was up 70.79 per cent to \$86.865 million.

Share Price

Over 2006, OCM traded as high as \$21.25 and as low as \$18.90. The 'high' was met in the earlier portion of the year. The 'low' was seen in the last month of the year, after the market began its upward swing (See Figure 2). The share only started to exhibit positive strides at the start of 2007. OCM in fact does not have any marked effect on the Composite Index as its Capitalization Value is only approximately 1.41 per cent of the Index. While the share exhibited a negative return for 2006 of 2.11 per cent, the five year Compound Annual Growth Rate for this share is 42.34 per cent.

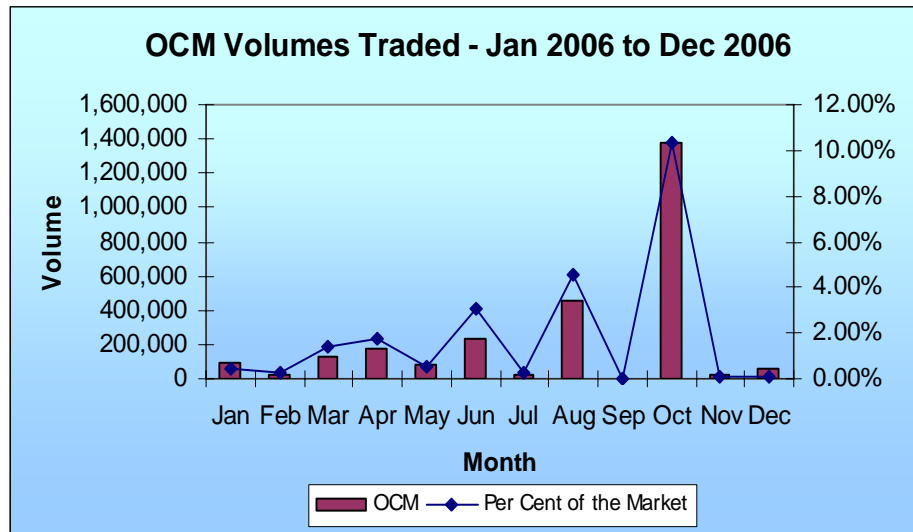
Figure 2



Volumes

OCM saw light trading over the year with the most shares traded in the month of October. In this month, over one million shares traded on one trading day. With the exception of October, OCM generally traded less than 5 per cent of the market.

Figure 3

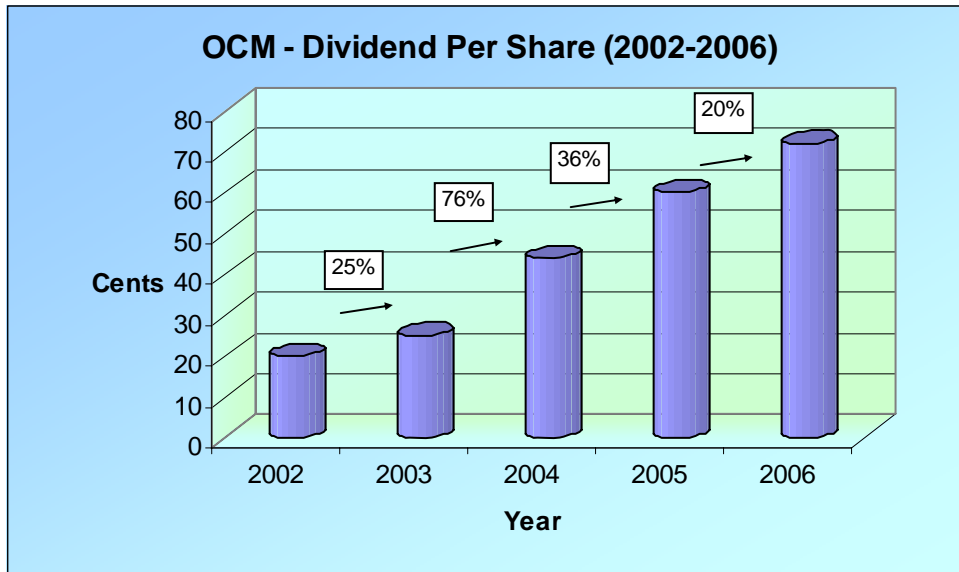


Dividends

The Directors have agreed to pay a final dividend per share of 47 cents on April 30, 2007. This brings total dividends paid per share for the year to 72 cents which represents an increase of 20.00 per cent from FY 2005's total dividends per share of 60 cents. Since 2002, dividends paid by OCM have increased considerably. (See Figure 4)



Figure 4



Outlook & Recommendation

WISE expects OCM to continue to show growth in 2007 as the Company is expected to benefit from advertising revenues driven by the Cricket World Cup together with that of General Elections and recent rate increases. We are currently forecasting EPS of \$1.60 which means that at the current price of \$21.02, OCM is trading at a price/earnings ratio of 13.14 times earnings. This multiple is low for this share and as such we continue to recommend a BUY.



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Figure 5

| One Caribbean Media Limited- Financial Results | | | | | |
|--|----------------------------|----------------|----------------------------|---------------|----------------------------|
| | Audited | | Audited | | Audited |
| | YE 31DEC06 TT\$ '000 | Change | YE 31DEC05 TT\$ '000 | Change | YE 31DEC04 TT\$ '000 |
| Sales | 447,862 | 105.80% | 217,615 | 19.75% | 181,719 |
| Cost of Sales | -269,290 | 79.77% | -149,799 | 12.65% | -132,982 |
| Gross Profit | 178,572 | 163.32% | 67,816 | 39.15% | 48,737 |
| Administrative Expenses | -61,642 | 380.08% | -12,840 | 10.64% | -11,605 |
| Marketing Expenses | -3,921 | 67.49% | -2,341 | 15.43% | -2,028 |
| Operating Profit | 113,009 | 114.70% | 52,635 | 49.94% | 35,104 |
| Dividend Income | 65 | 80.56% | 36 | -29.41% | 51 |
| Interest Income | 2,969 | 74.34% | 1,703 | 233.92% | 510 |
| Finance Costs | -1,051 | 120.54% | 5,117 | 626.98% | -971 |
| Share of Profit in Associate Co's. | 645 | -89.88% | 6,371 | 8.70% | 5,861 |
| Profit Before Taxation | 115,637 | 75.57% | 65,862 | 42.30% | 46,285 |
| Taxation | -28,772 | 91.81% | -15,000 | 51.24% | -9,918 |
| Profit After Taxation | 86,865 | 70.79% | 50,862 | 39.86% | 36,367 |
| Minority Interest | 250 | -51.92% | 520 | 15.30% | 451 |
| Group Profit Attributable to Shareholders | 86,615 | 72.05% | 50,342 | 36.73% | 36,818 |
| EPS - basic | 1.46 | 12.31% | 1.30 | 28.71% | \$1.01 |
| EPS-ESOP | 1.31 | 20.18% | 1.09 | 36.25% | \$0.80 |
| Market Price @ Financial Year End | \$ 18.99 | -2.11% | \$ 19.40 | 84.76% | \$ 10.50 |
| P/E Ratio @ Financial Year End | 14.50 | | 17.80 | | 13.13 |
| Dividend | 0.72 | 20.00% | 0.60 | 36.36% | 0.44 |
| Dividend Payout Ratio (%) | 54.96% | | 55.05% | | 55.00% |
| Dividend Yield (%) | 3.79% | | 3.09% | | 4.19% |
| Net Asset Value | \$ 9.02 | 112.24% | \$ 4.25 | 24.63% | \$ 3.41 |
| Market to Book Ratio | 2.11 | | 4.56 | | 3.08 |
| Return on Equity (%) | 21.81 | | 28.43 | | 26.21 |
| Return on Assets (%) | 17.47 | | 20.15 | | 17.76 |
| Shares Outstanding | 66,215,683 | 43.19% | 46,242,285 | 1.01% | 45,781,129 |

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