

**Readymix(West Indies) Limited (RML)**

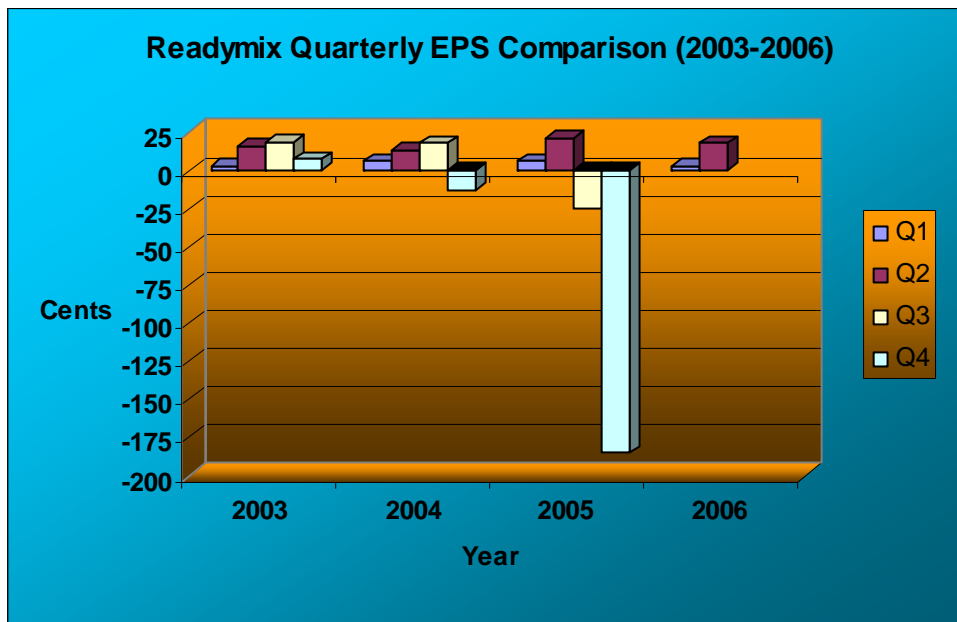
	<u>RML</u>
<b>RECOMMENDATION</b>	<b>Speculative BUY</b>
<b>Current Price</b>	<b>\$3.83</b>
<b>Projected EPS</b>	<b>\$0.50</b>
<b>P/E at Projected EPS</b>	<b>7.66</b>
<b>Dividend Yield (FY 2005)</b>	<b>0.80%</b>
<b>Return on Assets</b>	<b>3.31%</b>
<b>Return on Equity</b>	<b>20.94%</b>

*Results for the Half Year Ended June 30, 2006*

***Earnings per Share***

Readymix (West Indies) Limited (RML) reported an Earnings Per Share (EPS) of 21 cents for the half year ended June 30, 2006. This was 22.22 per cent less than the comparable period last year. This quarter however was much better than the first quarter as 18 cents was earned per share in Q2 resulting in an 85.71 per cent contribution to the EPS for the half year. (See Graph 1) The positive growth quarter on quarter was attributable to Readymix and Precast Concrete Incorporated and signifies that the Company may in fact be in a turnaround mode. Island Concrete NV of St Maarten however continued to record losses for the half year.

**Graph 1**





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### Financials

Revenue rose 33.47 per cent to \$118.236 million while Operating Profit was up 12.58 per cent to \$7.559 million. The smaller increase in Operating Profit was due to an increase in costs, driven by the high cost of imported aggregates into Trinidad and St Maarten. In relation to the corresponding quarter in 2005, Operating Profit was up 11.52 per cent to \$5.273 million.

Profit Before Tax was down 5.40 per cent in comparison to HY 2005 due to a 57.92 per cent increase in Finance costs to \$2.969 million. The Effective Tax Rate rose from 29.99 per cent (HY 2005) to 41.93 per cent (HY 2006) to result in a 21.55 per cent drop in Profit After Tax to \$2.665 million.

Table 1 Shows a Financial Comparison over the period 2003-2006

**Table 1**

Readymix Financial Data (2003-2006)								
	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000	HYE 2006 \$'000	HYE 2005 \$'000	% Change HY05- HY06
Revenue	183,943	20.97%	152,053	9.98%	138,258	118,236	88,253	33.97%
Operating Profit/Loss	-26,093	-700.67%	4,344	-75.82%	17,968	7,559	6,732	12.28%
Finance Cost	-4700	55.63%	-3,020	47.46%	-2,048	-2,969	-1,880	57.93%
Profit Before Tax	-30,793	-2425.76%	1,324	-83.81%	8,178	4,590	4,852	-5.40%
Provision for Tax	4,823	-4257.76%	-116	-95.38%	-2,512	-1,925	-1,455	32.30%
Profit After Tax	-25,970	-2249.83%	1,208	-78.68%	5,666	2,665	3,397	-21.55%
EPS	-210	-2433.33%	9	-79.55%	44	21	27	-22.22%
P/E Ratio			77.22	461.60%	13.75			
Dividend	3	-66.67%	9	-40.00%	15			
Dividend Payout Ratio	-1.43%	-101.43%	100.00%	193.33%	34.09%			
Dividend Yield	0.80%	-37.98%	1.29%	-47.98%	2.48%			
Net Asset Value	\$0.66	-77.16%	\$2.89	-12.42%	\$3.30			
Market to Book Ratio	5.76	140.00%	2.4	31.15%	1.83			
Shares Outstanding	12,000	0.00%	12,000	0.00%	12,000			

### Dividends

The Board of Directors has decided not to pay an Interim Dividend for the half year ended June 30, 2006 in order to consolidate the Group's financial position.

### Share Price

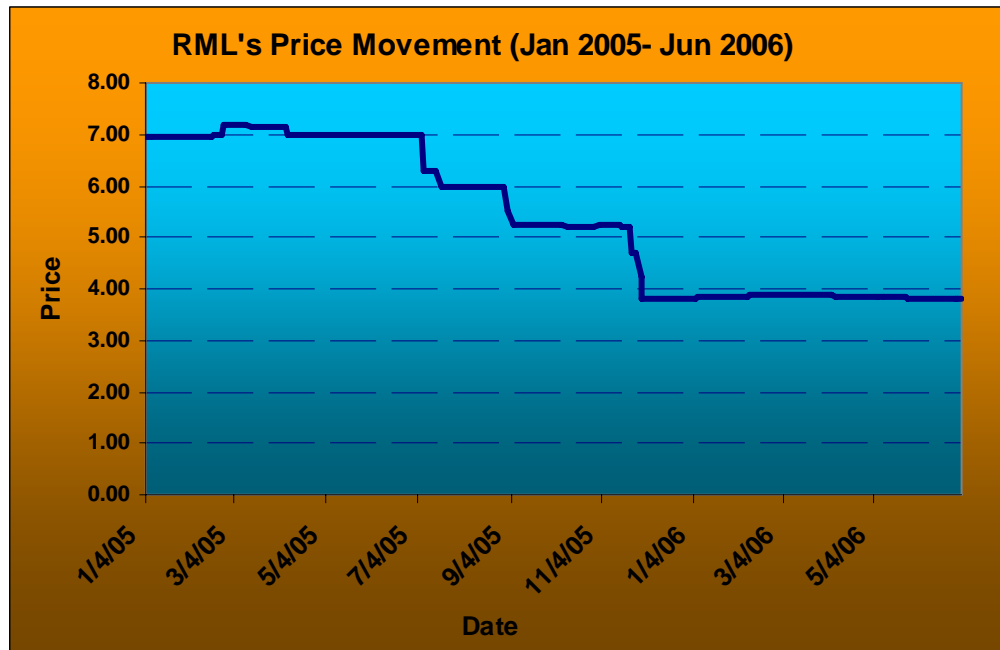
The share price of Readymix closed at a high of \$7.20 on February 25, 2005 and traded at that price for a period of 7 days. However since that period in 2005, the share price of RML has been on a steady decline; flattening off at certain periods before continuing its fall. Currently, the share price of RML is \$3.83, which represents a 46.81 per cent fall from the high of \$7.20. (See Graph 2)



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**Graph 2**



### **Market Synopsis**

In Trinidad, RML is currently quarrying new lands provided by the Government but is yet to determine the overall quality of aggregates available. The Group continues to service all of the high-profile projects throughout Trinidad and Tobago. The Group is enhancing its distribution fleet in Barbados which should be completed by the end of Q3. It is hoped that this would enable them to capture a greater share of the growing market for concrete on that island. In St Maarten, the Group continues to review its operations in key areas, such as: cost and availability of raw materials, pricing of product and organizational restructuring. This is in an effort to reverse the loss position in that country over the next period.

### **Directors Outlook**

The Directors expect the improvement process within the Group to continue into the remainder of 2006. Thus, they remain optimistic about the performance of the Company for 2006.

### **Recommendations**

Given these results we are revising our forecasted EPS to 50 cents. At the current price of \$3.83 and the forecasted EPS of 50 cents, RML is currently trading at a price/earnings ratio of 7.66 times. At this relatively low P/E multiple, we recommend a SPECULATIVE BUY on the premise that the Group would be able to sustain its turnaround mode and manage its costs to result in increased profits.

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