

Trinidad Cement Limited (TCL)

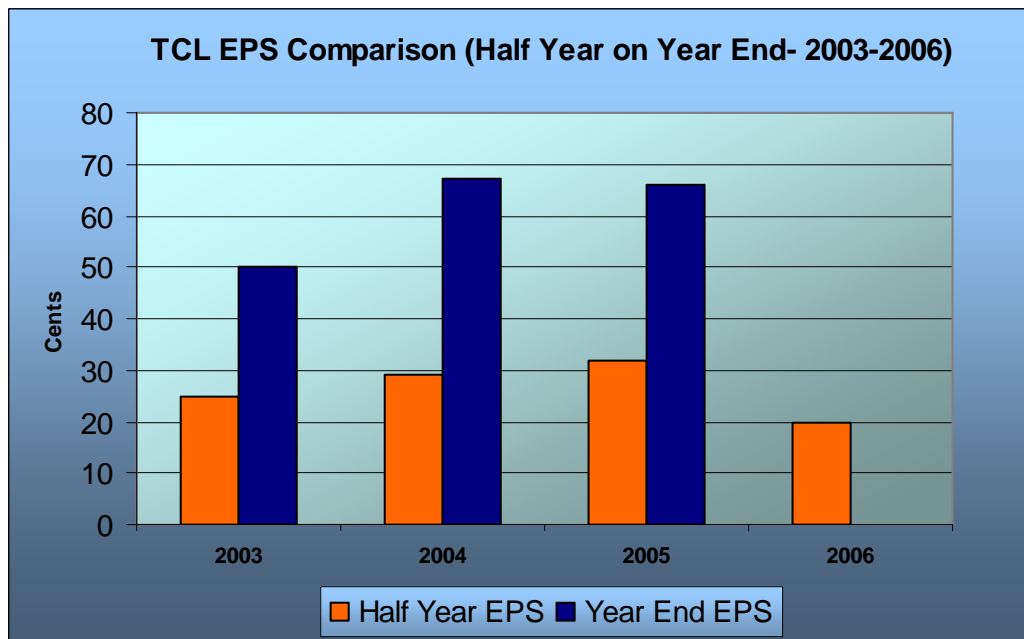
	TCL
RECOMMENDATION	SELL
Current Price	\$6.90
Running EPS	\$0.54
Projected EPS	\$0.52
P/E at Projected EPS	13.27
Dividend Yield (FY 2005)	1.50%
Return on Assets	2.82%
Return on Equity	7.86%

Results for the Half Year Ended June 30, 2006

Earnings Per Share

For the Half Year ended June 30, 2006 Trinidad Cement Limited (TCL) reported a diluted EPS of 20 cents. This was 37.5 % or 12 cents lower than the comparable EPS in 2005. (See **Graph 1**) The Chairman has attributed this fall in EPS to its subsidiary, Caribbean Cement Company Limited, which encountered quality problems in the first quarter followed by increased energy costs in the second. The EPS for the Half Year ended 2006 was the lowest that TCL has seen for a half year in the last four years.

Graph 1





Financials

Revenue for the half year amounted to \$837.81 million, an increase of \$110.25 million or 15.15% on the comparable half year in 2005. Q2 2006 on Q2 2005, this was an increase of \$50.65 million or 13.15%. However, due to the higher costs previously mentioned, the Company's Operating Profit was down by \$53.05 million or 36.5%.

Net Finance Costs also increased by a significant 23.72% to \$59.44 million, thus Profit before Tax was negatively affected, decreasing by 66.24% to \$32.85 million. Q2 2006 on Q2 2005, this was a decrease of \$26.97 million or 50.01%.

While the Effective Tax Rate was 12.67% for the comparable Half Year in 2005, the current period benefited from a Tax Credit of \$8.82 million which contributed 21.16% to Profit after Tax. Thus, the Profit after Tax figure stood at \$41.66 million, which despite the tax credit was lower than the prior year period by \$43.30 million or 50.96%.

Table 1 shows a Financial Comparison over the period 2004-2006.

Table 1

TCL Financial Data (2004-2006)								
	YE 2005	%Change	YE 2004	% Change	YE 2003	HYE 2006	HYE 2005	% Change
Revenue	1,429,834	7.51%	1,329,900	15.08%	1,155,671	837,811	727,566	15.15%
Operating Profit	183,930	-39.52%	304,098	15.21%	263,956	92,284	145,333	-36.50%
Finance Costs	97,131	-7.27%	104,750	15.48%	90,709	-59,438	-48,042	23.72%
Profit Before Taxation	86,799	-56.46%	199,348	15.07%	173,247	32,846	97,291	-66.24%
Provision for Taxation	66,968	-530.50%	-15,556	-56.86%	-36061	8,816	-12,328	-171.51%
Profit After Taxation	153,767	-16.34%	183,792	33.97%	137,186	41,662	84,963	-50.96%
EPS	66	-1.49%	67	34.00%	50	20	32	-37.50%
P/E Ratio	15	25.00%	12	0.00%	12	15	19	-22.26%
Dividend	15	-25.00%	20	11.11%	18			
Dividend Payout Ratio	22.73%	-23.85%	29.85%	-17.08%	36.00%			
Dividend Yield	1.50%	-39.52%	2.48%	-17.33%	3.00%			
Net Asset Value	\$4.56	7.29%	\$4.25	17.08%	\$3.63			
Market to Book Ratio	2.19	15.87%	1.89	14.55%	1.65			
Shares Outstanding	249,765,136	0.00%	249,765,136	0.00%	249,765,136			

* Running EPS used to calculate P/E for Half Year Financials

Dividends

The Board of Directors has decided not to pay an interim Dividend for the 2006 Half Year, in order to consolidate the Group's cash position, due to its intensive capital programme.



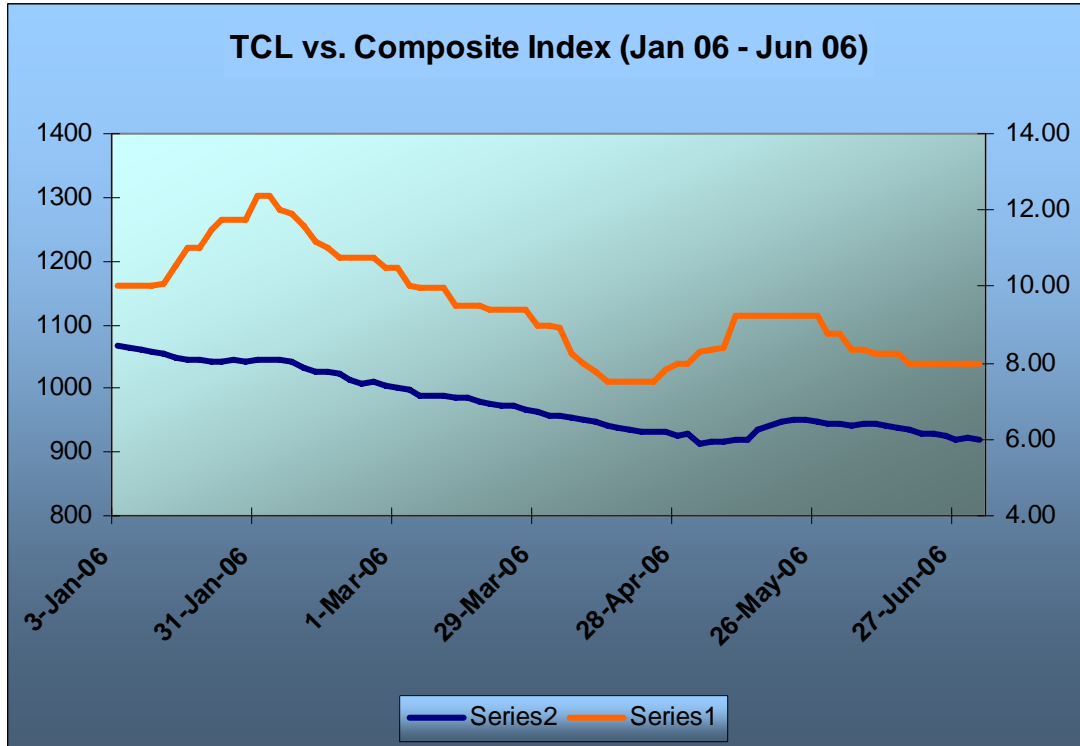
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Share Price

The shares of TCL began the year at a price of \$10.00 and grew to a peak of \$12.40 by the end of the first month. Since then, the shares have been following the Composite Index in its downward trend, with small increases from time to time. The shares of TCL are currently trading at a price of \$6.90. (See Graph 2)

Graph 2



Recommendation

TCL's performance for the first half of 2006 was poor when compared to previous financial years. While there may be improvement in the second half of the year, we do not expect the year end results to be as high as previous years and have lowered our Forecasted EPS to \$0.52. At the current price of \$6.90 and lower forecasted EPS of \$0.52, the shares are trading at a P/E multiple of 13.27 times. Historically, this Company trades in a band of 11 to 15 times, and with the current results there may be some downward pressure on the share price. Thus, in light of these current fundamentals we recommend a SELL on this share.

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