

Unilever Caribbean Limited

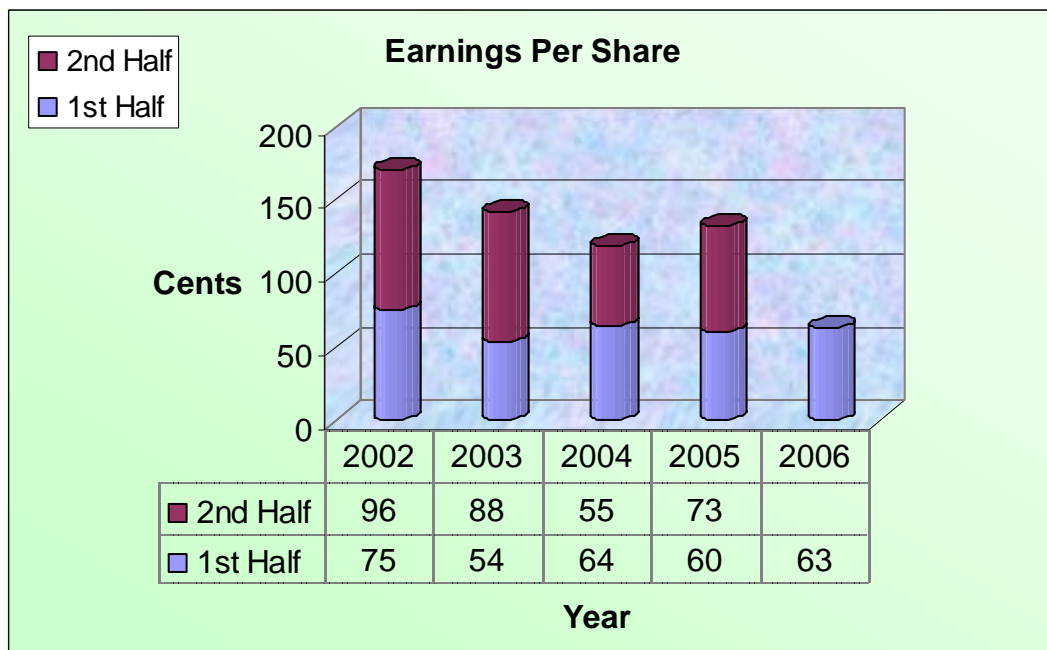
	UCL
RECOMMENDATION	BUY
Current Price	\$18.00
Running EPS	\$1.36
Projected EPS	\$1.45
P/E at Projected EPS	12.41
Estimated Dividend Yield	6.39 per cent
Return on Assets	15.31 per cent
Return on Equity	46.11 per cent

Results for the Half Year Ended June 30, 2006

Earnings Per Share

After two years of transition, the Chairman’s expectation of the return to the strong steady growth of years before has not materialized in the first half of the year. Hefty expenses stemming from continued improvement to its information technology as well as un-planned one off costs has unfortunately impacted Net Profit. The result was minimal growth in Earnings Per Share (EPS) of 5.00 per cent from 60 cents for HY 2005 to 63 cents for HY 2006 (See Figure 1).

Figure 1





Financials

Net Turnover grew by 11.79 per cent to \$191.472 million as the Company experienced healthy growth in all its key categories. Cost of sales increased by a smaller margin of 10.75 per cent to \$108.584 million, to lead to growth of 13.18 per cent in Gross Profit to \$82.888 million.

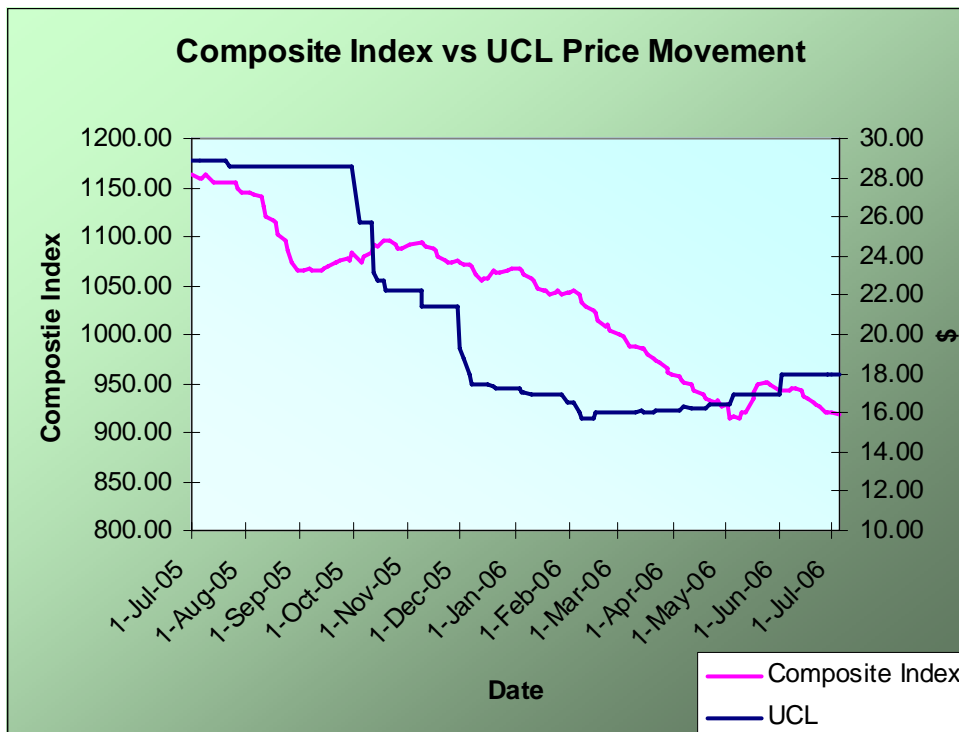
The Company's Operating Expenses increased by 20.06 per cent due in large part to the reasons mentioned before. Unfortunately, a breakdown of these Expenses was not disclosed and so, we are unable to say what impact the one off costs had on the operations. The rise in Operating Expenses lead to a 2.60 per cent drop in Operating Profit from \$22.246 million (HY 2005) to \$21.668 million (HY 2006).

The Effective Tax Rate fell from 29.80 per cent to 23.21 per cent no doubt in part to the drop in the Corporate Tax Rate from 30 per cent to 25 per cent. The drop in the Effective Tax Rate enabled Profit After Tax to record growth of 6.54 per cent from \$15.617 million (HY 2005) to \$16.638 million (HY 2006).

Moving into the second half of the year, the Chairman expects continued growth in its sales and a gradual tapering off of IT expenditure. In addition, given that the Company witnessed some unplanned one-off costs in the first half, we are still approximating overall growth for the year of approximately 10 per cent. Hence, we are maintaining our previously forecasted EPS of \$1.45.

Share Price

Figure 2





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The share price of UCL witnessed vast fluctuations over the past 52 weeks trading as high as \$28.59 and as low as \$15.75. For the month of June however, the share remained at \$18.00 with small volumes being traded (see Figure 2).

Recommendation

At the current price of \$18.00 and the forecasted EPS of \$1.45 the share is currently trading at a price/earnings ratio of 12.41. Given that this share usually trades in the range of 12 to 16 times earnings, we currently recommend UCL as a BUY.

Dividends

The Board of Directors has declared an interim dividend of 35 cents to be paid on August 25, 2006. Approximating a total dividend \$1.20, this share currently has an attractive dividend yield of 6.39 per cent.

Financial Data (2002-2006)

	2002	%	2003	%	2004	%	2005		HY 2005	HY 2006	%
	\$000's	Change	\$000's	Change	\$000's	Change	\$000's		\$000's	\$000's	Change
Turnover	402,042	-8.61%	367,429	-7.08%	341,422	3.31%	352,721		171,282	191,472	11.79%
Profit Before Taxation	70,386	-26.89%	51,461	-15.64%	43,410	0.18%	43,488		22,246	21,668	-2.60%
Taxation	25,506	-44.33%	14,198	-14.80%	12,097	-28.29%	8,675		6,629	5,030	24.12%
Profit After Taxation	44,880	-16.97%	37,263	-15.97%	31,313	11.18%	34,813		15,617	16,638	6.54%
Earnings Per Share (cents)	171	-16.96%	142	-16.20%	119	11.76%	133		60	63	5.00%
Price at Year End	\$27.00	12.26%	\$30.31	-4.32%	\$29.00	-40.41%	\$17.28				
Price/Earnings Ratio	15.79		21.35		24.37		12.99				
Dividend (cents)	205	-14.63%	175	-37.14%	110	4.55%	115		35	35	0.00%
Dividend Payout Ratio	119.88%		123.24%		92.44%		86.47%				
Dividend Yield	7.59%		5.77%		3.79%		6.66%				
Net Asset Value per Share	\$3.79	-16.62%	\$3.16	-17.41%	\$2.61	8.43%	\$2.83				
Market to Book Ratio	7.12		9.59		11.11		6.11				
Shares Outstanding 000's	26,244		26,244		26,244		26,244				

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