

Unilever Caribbean Limited (UCL)

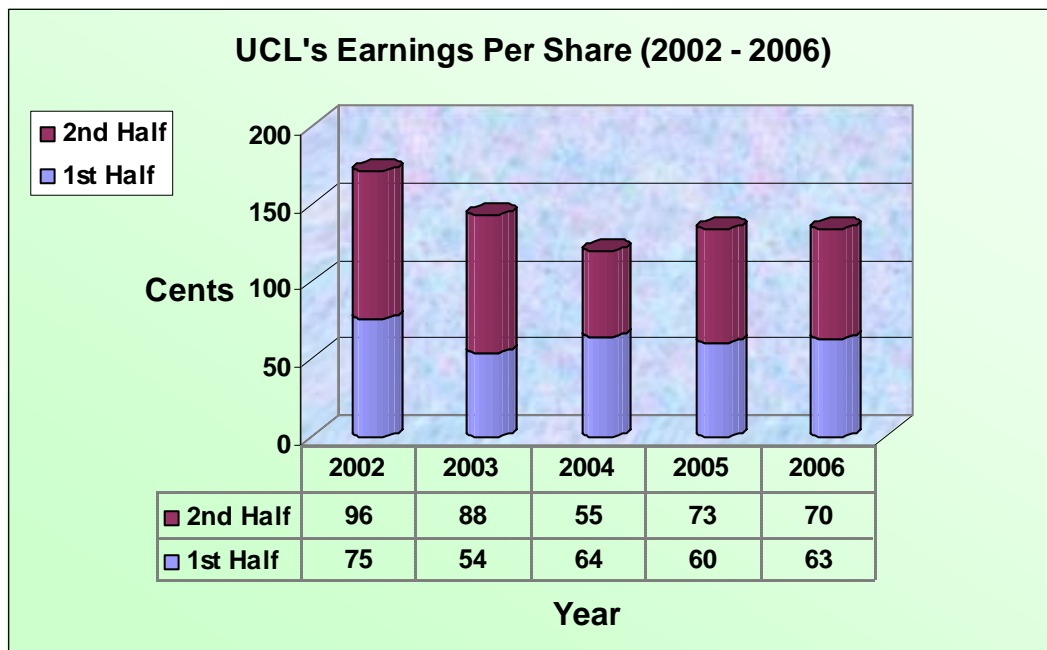
	UCL
RECOMMENDATION	HOLD
Current Price	\$20.00
Running EPS	\$1.33
Projected EPS	\$1.45
P/E at Projected EPS	13.79
Estimated Dividend Yield	6.00 per cent
Return on Assets	13.86 per cent
Return on Equity	42.27 per cent

Results for the Year Ended December 31, 2006

Earnings Per Share

For the Year Ended December 31, 2006 Unilever Caribbean Limited (UCL) reported Earnings Per Share (EPS) of \$1.33 which was flat on the corresponding period in FY05. **Figure 1** below shows UCL's EPS over the period 2002 to 2006.

Figure 1





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Financials

Turnover for the period under review increased by 5.61 per cent or \$19.77 million to \$372.49 million. However Cost of Sales increased by a larger percentage of 7.78 per cent from \$205.60 million to \$221.60 million. Thus, Gross Profit saw a minimal increase of 2.56 per cent or \$3.77 million to \$150.89 million.

While the Company was able to bring down its Administrative Expenses by 2.00 per cent or \$1.08 million to \$52.70 million, other expenses increased significantly. Selling and Distribution Costs amounted to \$36.95 million, an increase of 19.33 per cent or \$5.99 million on the comparable period in FY05, while Marketing Expenses increased by a considerable 27.31 per cent or \$4.63 million to \$21.59 million. Consequently, UCL's Operating Profit fell by 12.71 per cent or \$5.77 million to close FY06 at \$39.66 million.

Net Finance Costs also increased significantly, moving from \$1.95 million in FY05 to \$3.10 million in FY06- an increase of 58.96 per cent. Thus, Profit Before Taxation stood at \$36.57 million, a decrease of 15.91 per cent or \$6.92 million on the corresponding figure for FY05.

The Effective Tax Rate for the period under review was 4.35 per cent compared to a Tax Rate of 19.95 per cent for the last financial year. Also, it was noted in the Chairman's Review that there is an unresolved difference of interpretation of the provisions of IAS 8 regarding the deferred taxation charge. Ultimately, Profit After Taxation ended the period at \$34.98 million up by a marginal 0.47 per cent on the corresponding figure of \$34.81 million for FY05.

Table 1 shows UCL's Financial Data Comparison for the financial period 2004-2006

Table 1

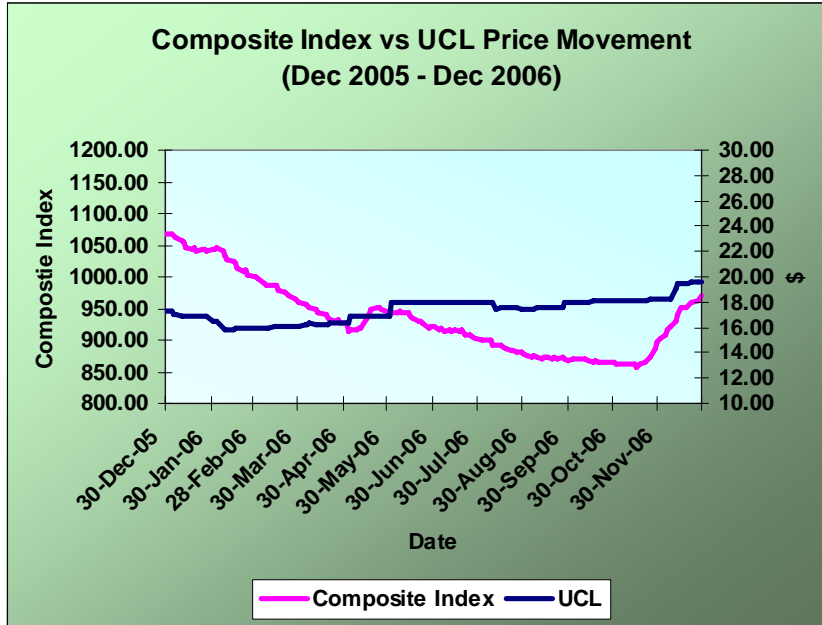
Unilever Caribbean Limited Year End Financial Data (2004 - 2006)					
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000
Turnover	372,492	5.61%	352,721	3.31%	341,422
Profit Before Taxation	36,567	-15.91%	43,488	0.18%	43,410
Taxation	1,591	-81.66%	8,675	-28.29%	12,097
Profit After Taxation	34,976	0.47%	34,813	11.18%	31,313
Earnings Per Share	1.33	0.00%	1.33	11.76%	1.19
Price at Year End	\$19.65	13.72%	\$17.28	-40.41%	\$29.00
Price/Earnings Ratio	14.77		12.99		24.37
Dividend	1.10	-4.35%	1.15	4.55%	1.10
Dividend Payout Ratio	82.71%		86.47%		92.44%
Dividend Yield	5.60%		6.66%		3.79%
Net Asset Value per Share	\$3.47	22.61%	\$2.83	8.43%	\$2.61
Market to Book Ratio	5.66		6.11		11.11
Shares Outstanding	26,243,832		26,243,832		26,243,832



Share Price

The share price of UCL started the year at \$17.28 and trended downward to its low of \$15.75 on February 8. The price then moved in a slow but steady upward trend to \$18.00 on June 2 and continued to trade at this price until August 9. UCL's price then continued its ascent to close the year at its high of \$19.95 (See Figure 2).

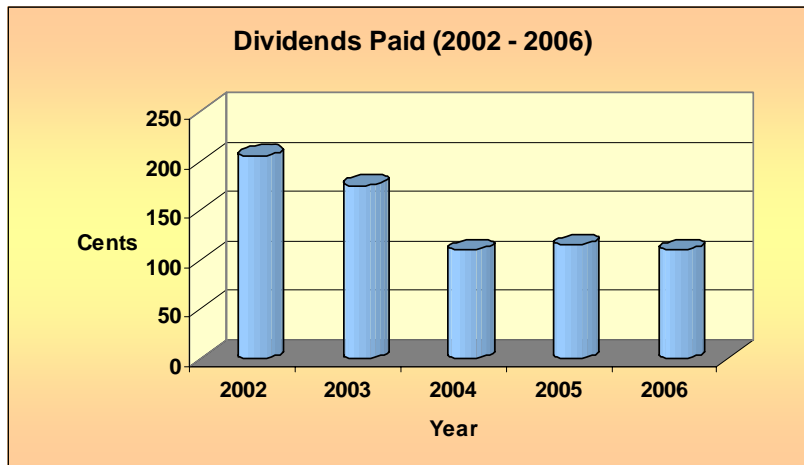
Figure 2



Dividends

The Board of Directors has declared a final dividend of \$0.75 per share, bringing the total dividend for the year to \$1.10 per share (\$1.15 FY05). The final dividend will be paid on May 25, 2007 to shareholders on the register of members at the close of business on May 11, 2007. Figure 3 shows UCL's dividends paid over the period 2002 to 2006.

Figure 3





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Recommendation

The shares of UCL are currently trading at a price of \$20.00. We are forecasting an EPS of \$1.45 for FY07 and using this EPS and the current price, these shares are trading at a price to earnings multiple of almost 14 times. UCL usually traded in the band of 13 to 16 times and as such based on this fundamental analysis we recommend a **HOLD** on this share.

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