



Equity Research: Trinidad &amp; Tobago

## Q108 Results

### Earnings Per Share

Neal and Massy Holdings Limited (NML) reported Earnings Per Share (EPS) of \$1.15 for the First Quarter Ended December 31, 2007. This represented an increase of 36.9 per cent or 31 cents on the comparable period's EPS of \$0.84 in FY07.

### Financials

Group Third Party Revenue was up 14.7 per cent or \$181.1 million to \$1.4 billion when compared to the same period in the previous financial year. Operating Profit rose a significant 27.6 per cent or \$27.9 million to \$129.1 million while Share of Results of Associated Companies and Joint Ventures increased an outstanding 128.3 per cent or \$13.1 million to end Q108 at \$23.4 million.

Thus Profit Before Taxation for the period under review amounted to \$152.5 million, up a noteworthy 36.8 per cent or \$41 million from \$111.5 million in Q107. Q108 on Q107, Profit After Taxation increased a considerable 37.1 per cent or \$29.9 million to \$110.4 million.

### Takeover Bid for BST

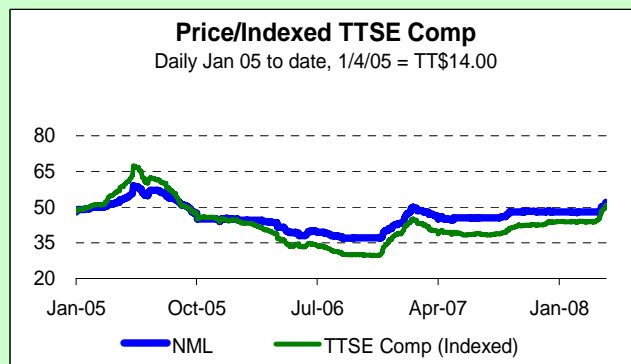
With respect to the Takeover Bid for Barbados Shipping & Trading Company Limited (BS&T), NML received the all clear from the Barbados Securities Commission to take up and pay for the BS&T Shares tendered to the Group. The Cease Trade Order made by the Barbados Securities Commission was lifted on Monday February 18, 2008.

### Outlook

In October 2007, NML acquired Pereira & Company Limited through the purchase of 100% of the Company's business, including its subsidiary, Pereira Finance Corporation. This acquisition will allow NML to further take advantage of Trinidad and Tobago's office equipment market, of which Pereira & Company currently holds the largest share.

Added to this, NML has continued to demonstrate its commitment to maximizing shareholder return as evidenced by the Group's consistent double digit growth over the last four years. Over the period 2003 to 2007, the Group had an average growth rate of approximately 22 per cent. We anticipate that all of the Business Units will continue to perform well in fiscal 2008.

Date	21-Apr-08
Recommendation	<b>BUY</b>
Price (TT\$)	52.57
Target Price (TT\$; 12 months)	61.80
52 week high - low (TT\$)	52.57 - 44.50
Market cap. (TT\$MM)	4,933.2
Float cap. (TT\$MM)	4,385.2



On 12/31/04 the TTSE Comp was at 1,074.

Period	YE08E	YE07A	YE06A	Chnge. %
(SMM)				
Revenue	<b>8,652</b>	5,086	4,202	21.0%
Operating Profit	<b>759</b>	474	402	17.9%
Share of Results of Associated Companies				
PBT		71	32	121.9%
EPS	<b>5.15</b>	4.15	3.37	23.1%
- Q1		0.84	0.64	31.3%
- Q2		0.96	0.72	33.3%
- Q3		0.94	0.71	32.4%
- Q4		1.41	1.30	8.5%

Period	Q208E	Q108A	Q107A	Chnge. %
(SMM)				
Revenue		1,412	1,231	14.7%
Operating Profit		129	101	27.7%
Share of Results of Associated Companies				
PBT		23	10	130.0%
EPS		1.15	0.84	36.9%

### Research team

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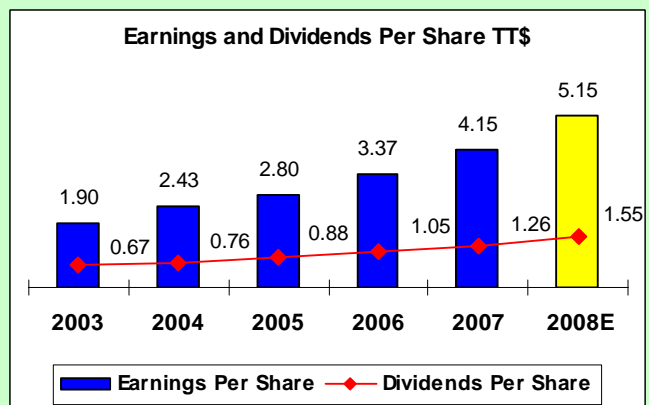
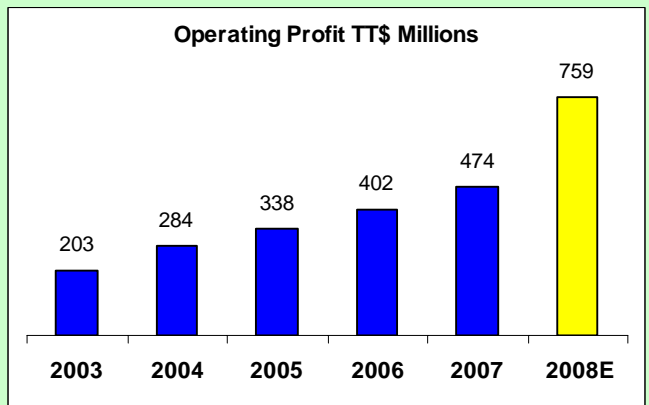
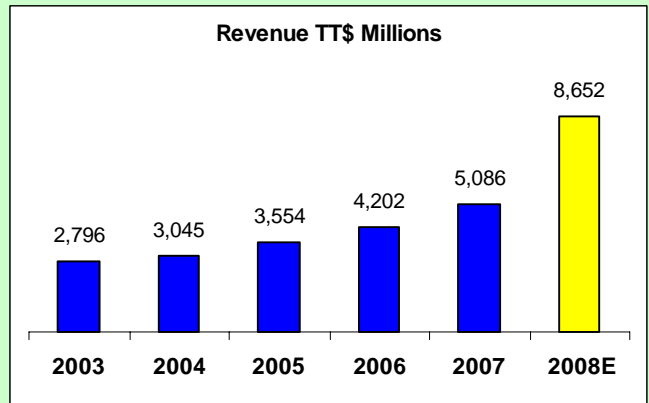
## YE07 Highlights

NML reported admirable results for the year ended September 30, 2007. The Group achieved impressive increases of 21.0 per cent, 18.0 per cent and 25.6 per cent in Revenue, Operating Profit (after Finance Costs) and Profit Before Taxation respectively.

The Retail Distribution and Logistics business unit continues to be the main Revenue driver of the Group accounting for 50.2 per cent or \$2.6 billion of the Group's Revenue, while the Automotive and Industrial Equipment was the second highest contributor with 25.6 per cent or \$1.3 billion to the top line. Year on year, however, the Financial and Other Services segment showed the largest growth in Revenue, increasing 95.6 per cent from \$103.3 million in FY06 to \$202.1 million in FY07. The Energy and Industrial Gases segment showed the second highest Revenue growth, up 48.3 per cent from \$427.4 million to \$634.0 million.

Operating Profit for the period under review amounted to \$473.7 million. The Group's Operating Margin stood at 9.3 per cent compared to 9.5 per cent in the previous year.

For FY08, Revenue, Operating Profit (after Finance Costs) and Profit Before Taxation are estimated to grow at approximately 16 per cent, 23 per cent, and 25 per cent respectively on FY07 figures. These projections were based on historical growth over the last four years.



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### Recommendation

With the recent completion of the takeover of Barbados Shipping & Trading Company Limited (BS&T), NML's bottom line will be enhanced by increased business diversification and a larger regional footprint.

Based on an approximate \$1 billion cash payment to BS&T shareholders, interest expense of roughly \$82 million after tax, and an additional \$125 million in income based on our 2008 forecast for BS&T, our revised PAT figure for FY08 stands at \$538 million. The above interest calculation assumed a 10 per cent finance charge and an effective tax rate of 27 per cent.

NML last closed at a price of \$52.57. In light of the above, we have revised our forecasted EPS for FY08 to \$5.15. At the current price and this revised forecast, NML is trading at a price to earnings multiple of 10.2 times. Additionally, at the forecasted EPS and a multiple of 12 times, this share has an expected one year return of approximately 18 per cent on the current price or a target price of \$61.80. Based on this analysis, we continue to recommend a **BUY** on this share.

Period	YE08E
(\$MM)	
PAT	495
Interest	(82)
	413
97% of BS&T forecast	125
Revised PAT	538
EPS	5.15

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