

**Agostini's Limited**

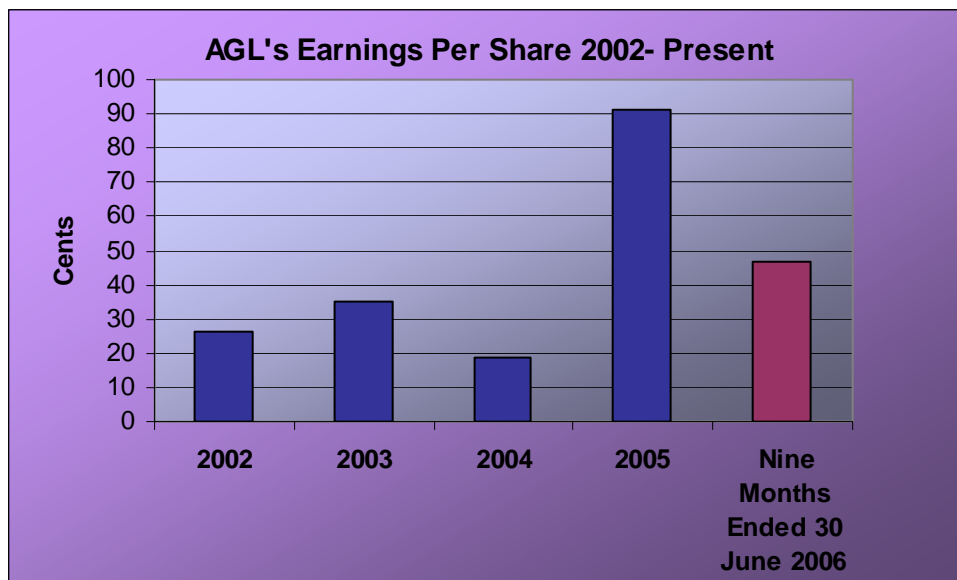
	<u>AGL</u>
<b>RECOMMENDATION</b>	<b>SELL</b>
<b>Current Price</b>	<b>\$11.25</b>
<b>Running EPS</b>	<b>\$0.80</b>
<b>Projected EPS</b>	<b>\$0.70</b>
<b>P/E at Projected EPS</b>	<b>16.07</b>
<b>Dividend Yield (FY 2005)</b>	<b>3.67%</b>
<b>Return on Assets</b>	<b>6.45%</b>
<b>Return on Equity</b>	<b>12.59%</b>

*Results for the Nine Months Ended June 30, 2006*

***Earnings Per Share***

For the nine months ended June 30, 2006 Agostini's Limited and its Subsidiary Companies (AGL) reported an Earnings per Share of \$0.47, an increase of 11.9% or \$0.05 on the prior comparable period. However, for the three months ended June 30, 2006 the EPS was down by 29.41 % when compared to Q3 2005, moving from \$0.17 to \$0.12. Also notable, is the fact that the EPS for 2005 included an exceptional gain which contributed \$0.21 to the final EPS of \$0.92. The Graph below shows the EPS of Agostini's Limited over the period 2002 to Present.

**Graph 1**

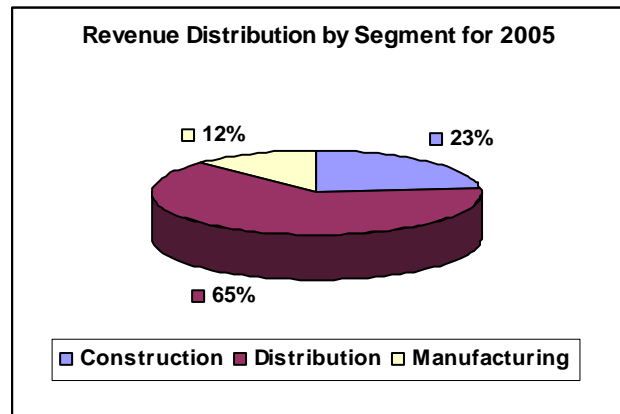
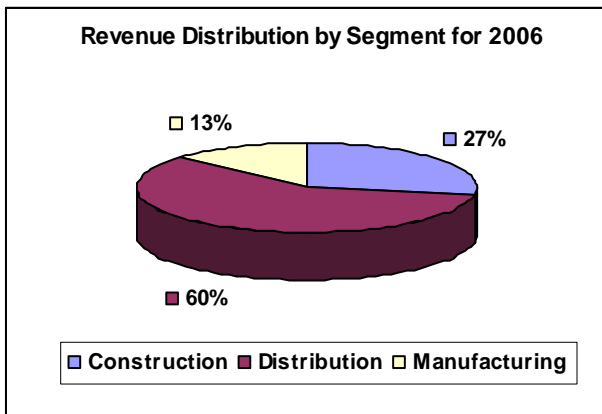




**Financials**

Turnover for the nine month period amounted to \$272.95 million, an increase of 20.03% or \$45.54 million on the comparable prior year period. AGL’s Distribution Segment was the major contributor to Turnover, adding 59.31% or \$161.87 million to the total figure. While this segment performed reasonably well, it was still below the expectations of the Group. The Construction Segment followed with a contribution of \$74.96 million or 27.46% while Manufacturing made up the balance with \$36.11 million or 13.23%.

The Pie Charts below show the Percentage of Revenue Contribution by each Segment for 2005 and 2006.



Nine months on nine months, Profit before Taxation (PBT) increased by 8.30% or \$1.33 million to \$17.37 million. However, three months (2006) on three months (2005), PBT decreased by \$2.26 million or 33.88%, from \$6.67 million to \$4.41 million. The Chairman has attributed part of these hampered results to problems of late steel deliveries and labour absenteeism at Agos Lighting. Additionally, weather and materials shortages have negatively affected the pace of housing construction and as such, the Housing Division has also continued to be a challenge to the Company.

The Effective Tax rate for the period was 27.12% compared to 29.25% in the prior corresponding period. Nine months on nine months, Profit after Taxation was up by 11.57% or \$1.31 million to \$12.67 million. After deducting Minority Interests of \$0.13 million, the Profit Attributable to Shareholders amounted to \$12.53 million, an increase of \$1.25 million or 11.08% on the prior comparable period.

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



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**Table 1**

Agostini's Limited Financial Data 2003-2006								
	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000	Nine Months ended 30/06/06	Nine Months ended 30/06/05	% Change
Turnover	322,661	23.45%	261,371	12.84%	231,626	272,948	227,404	20.03%
Profit Before Taxation	32,016	68.68%	18,980	9.85%	17,278	17,370	16,039	8.30%
Taxation	7,350	33.68%	5,498	21.15%	4,538	4,710	4,692	0.38%
Profit After Taxation	24,666	82.96%	13,482	5.82%	12,740	12,660	11,347	11.57%
Net Profit Attributable to Shareholders	24,553	390.77%	5,003	-46.63%	9,375	12,534	11,284	11.08%
Earnings per Share (cents)	91.5	391.94%	18.6	-46.70%	34.9	0.47	0.42	11.90%
P/E Ratio	9.84	-82.23%	55.38	162.96%	21.06			
Dividend (cents)	33.0	266.67%	9.0	-40.00%	15.0			
Dividend Payout Ratio	36.07%	*****	48.39%	*****	42.98%			
Dividend Yield	3.67%	*****	0.87%	*****	2.04%			
Net Asset Value per share	\$5.67	31.25%	\$4.32	1.89%	\$4.24			
Market to Book Ratio	1.59	-33.19%	2.38	37.57%	1.73			
Shares Outstanding '000	26,843	0.00%	26,843	0.00%	26,843			

***Chairman's Outlook***

While the Distribution Divisions, including the Oilfield Services unit, are benefiting from the robust economy in Trinidad and Tobago, all business segments are challenged by high employee turnover and the tight labour market. The Company is addressing the controllable issues at Agos Lighting and the Housing Division. However, the Chairman does not expect improved results in the current year.

***Changes in Substantial Interests***

On July 17, 2006, Mouttet Capital Limited sold 3,322,391 shares held in Agostini's Limited (AGL) to Home Construction Limited (HCL), which is a subsidiary of CL Financial Limited. HCL also acquired an additional 167,639 shares from other parties on the same day. As at November 18, 2005, CL Financial held 5,958,488 shares in AGL which represented a shareholding of approximately 22 per cent. The recent trades however have increased CL's stake to approximately 35 per cent. Other substantial shareholders in AGL include Universal Investments Ltd/Proteus Ltd, G.M. Agostini and R.A. Bernard. It is interesting to note that approximately 77% of the shares outstanding in AGL are owned by substantial shareholders.



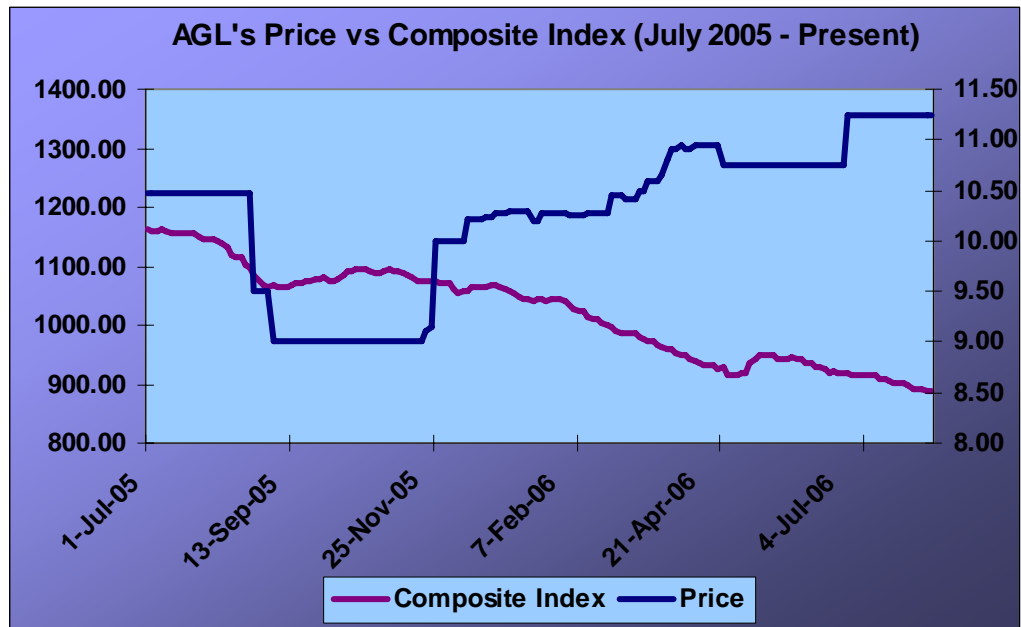
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### Share Price

Over the 52 week period (July 2005 to June 2006) the share price of AGL has seen a high of \$10.95 and a low of \$9.00. However, two days after the 52 week period, on July 5, 2006, the price jumped from \$10.74 to \$11.25, an increase of 4.75%. Since then the share price has held its ground and the shares have been trading firmly between \$11.24 and \$11.25. (See Graph 2)

**Graph 2**



### Recommendation

The shares of Agostini's Limited are currently trading at a price of \$11.25 and usually trades at a P/E multiple in the band of 10 to 12 times. Given the current results and forward looking statements of the Chairman, we have revised our Forecasted EPS to \$0.70. At this forecasted EPS and the current price, these shares are trading at a high multiple of 16.07 times, which is out of its traditional P/E range. As such, we have revised our recommendation of a HOLD to a SELL.

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