

Agostini's Limited

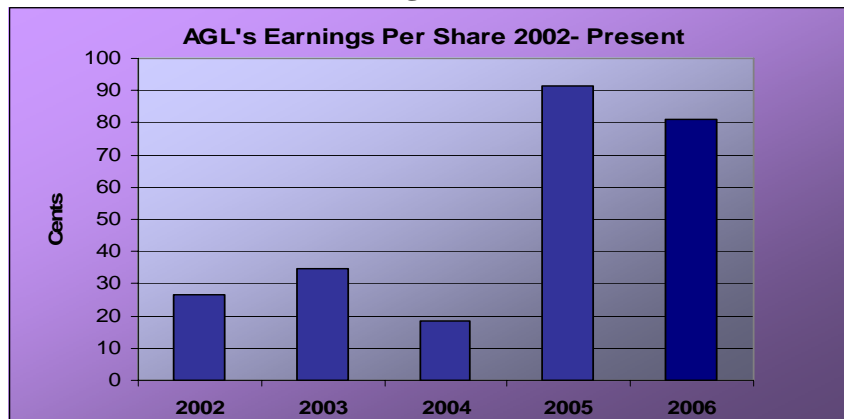
	<u>AGL</u>
RECOMMENDATION	BUY
Current Price	\$10.99
Running EPS (cents)	81.3
Projected EPS (cents)	90.0
P/E at Projected EPS	12.21 times
Dividend Yield	3.18 per cent
Return on Assets	***
Return on Equity	***
*** Balance Sheet not yet published	

Results for the Year Ended September 30, 2006

Earnings Per Share

Agostini's Limited (AGL) reported Earnings Per Share (EPS) of 81.3 cents for the fiscal year ended September 30, 2006. This was 10.56 per cent lower than the 90.9 cents reported in 2005. The fall in EPS was partly as a result of the lower gain of \$1.500 million on revaluation of investment properties in 2006 in accordance with IAS 40, compared to a gain of \$5.677 million in 2005. The latter included gains from the sale of a sinking fund investment. In 2005 the gains contributed approximately 21 cents to the final EPS where as in 2006 it contributed approximately 5 cents. Without these gains the EPS would have moved from approximately 70 cents to 76 cents. An increase of 8.57 per cent.

Figure 1



Financials

Turnover rose 19.24 per cent to \$384.740 million as several of AGL's businesses benefited from the booming economy. Some units however were faced with severe cost inflation and manpower shortages.



The Trading Sector had reasonable revenue growth with its Pharmaceutical, Building Products and Oilfield/Hydraulics Sales and Service businesses delivering excellent top line and bottom line improvements. The Contracting Business however experienced some challenges as there was high labour turnover and a severe shortage of tradesmen.

The Housing sector, though profitable in 2006, produced results below expectations. This unit experienced problems associated with the overheated construction sector in addition to weather delays.

In its Manufacturing Sector, Agos Lighting had another difficult year due primarily to escalating steel prices and labour and productivity shortfalls as a result of high absenteeism, impacting negatively on profit margins.

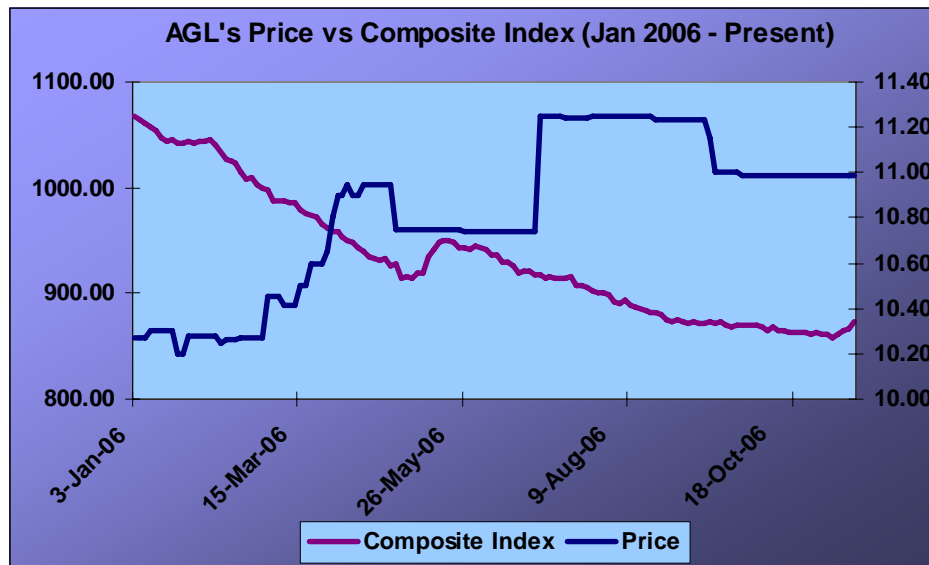
Overall, Operating Profit increased by a smaller margin (compared to Turnover) of 12.24 per cent to \$32.447 million. The Group's Operating Profit Margin moved from 8.96 per cent in 2005 to 8.43 per cent in 2006.

AGL had an increase in Net Finance Costs of 69.18 per cent to \$4.600 million in 2006. The Chairman stated that the refinanced debt is on beneficial terms and the long term debt to equity ratio at 28:72 puts the Group in a strong position to pursue expansion opportunities. After the gains previously mentioned, Profit Before Tax fell 7.91 per cent to \$29.347 million. The Effective Tax Rate moved from 23.06 per cent in 2005 to 25.06 per cent in 2006. Profit After Tax ultimately declined 10.30 per cent to \$21.992 million.

Share Price

Since the beginning of the year, AGL's share price has climbed to a high of \$11.25 where it traded for approximately one month before slipping to its current price of \$10.99. The lowest it has been over the past 52 weeks is \$9.00.

Figure 2

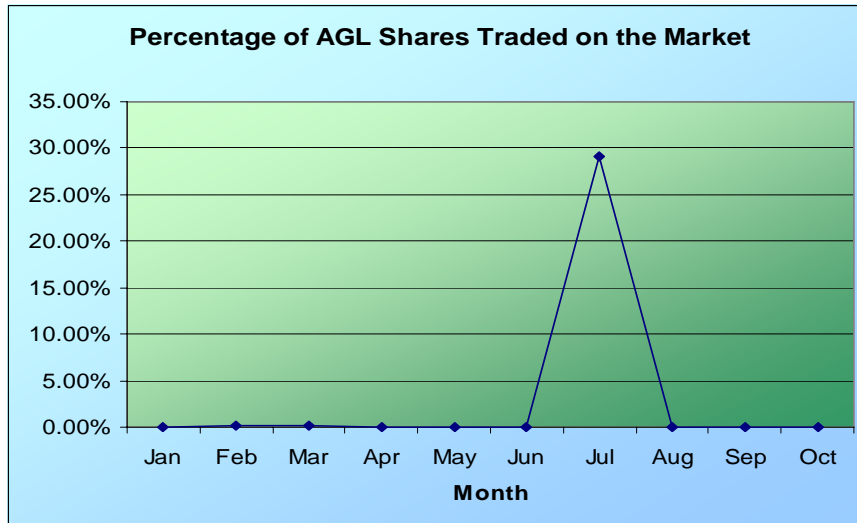




Volumes

With the exception of the month of July, each month has seen AGL commanding less than 1 per cent of the market (see Figure 3). In July, AGL accounted for over 29 per cent of the market as Mouttet Capital Limited sold 3,322,391 shares held in AGL to Home Construction Limited (HCL), a CL Financial Subsidiary.

Figure 3



Change in Substantial Shareholders

As mentioned before, Mouttet Capital sold its shareholding of AGL shares to HCL. In addition, HCL acquired 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 trades in July however 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.

Outlook

Trading & Services

The Chairman expects the Pharmaceutical, Building Products and Oilfield/Hydraulics Supply & Service business units to continue their strong performance. In addition, other departments in the Trading Division have started the year with good performances and expectations.

Housing

The Housing Division and Agos Lighting have strengthened their management teams and systems and are seeing positive results. The Debe Housing Development Project is now 50 per cent completed and the Group expects to substantially deliver this project by the end of 2007. In the high-end market, its Townhouse development at Strathclyde Avenue, Cascade is scheduled for completion in February 2007. Its units at Springbank Avenue in Cascade are 30 per cent completed and its 12 unit Third Avenue, Cascade project is in its 'start up' phase. The Group also



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plans to optimize its investment properties, office and warehousing facilities and expects the process to gain momentum in the current year.

Manufacturing

Substantial management and operational changes were made in the second half of the year. These measures have been producing encouraging results.

Recommendation

Given these results we are currently forecasting Earnings Per Share of 90 cents for the year ended September 30, 2007. At this forecast and the current price of \$10.99, AGL is trading at a price/earnings ratio of 12.21 times. Given that AGL usually trades between 13 to 16 times earnings, we currently recommend a BUY on this share. However, due to the fact that this share is tightly held, there may be some difficulty in acquiring it.

Dividends

The Board has recommended a final dividend of 25 cents per share to be paid on January 29, 2007 to shareholders whose names appear on the register as at December 22, 2006. The ex-dividend date is December 20, 2006. This brings the total dividends paid for FY 2006 to 35 cents per share.

Figure 4

Agostini's Limited Financial Data 2003-2006							
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000
Turnover	384,740	19.24%	322,661	23.45%	261,371	12.84%	231,626
Profit Before Taxation	21,992	-31.31%	32,016	68.68%	18,980	9.85%	17,278
Taxation	-7,355	-200.07%	7,350	33.68%	5,498	21.15%	4,538
Profit After Taxation	21,992	-10.84%	24,666	82.96%	13,482	5.82%	12,740
Net Profit Attributable to Shareholders	21,818	-11.14%	24,553	390.77%	5,003	-46.63%	9,375
Earnings per Share (cents)	81.3	-11.15%	91.5	391.94%	18.6	-46.70%	34.9
Price at Year End	\$ 11.00	22.22%	\$ 9.00	-12.62%	\$ 10.30	71.67%	\$ 6.00
P/E Ratio	13.53	37.50%	9.84	-82.23%	55.38	162.96%	21.06
Dividend (cents)	35.0	6.06%	33.0	266.67%	9.0	-40.00%	15.0
Dividend Payout Ratio	43.05%	*****	36.07%	*****	48.39%	*****	42.98%
Dividend Yield	2.59%	*****	3.67%	*****	0.87%	*****	2.04%
Return on Assets	*****	*****	9.37%	*****	2.18%	*****	4.16%
Return on Equity	*****	*****	18.36%	*****	4.36%	*****	8.44%
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	0.00%	26,843

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