

**Berger Paints Trinidad Limited (BER)**

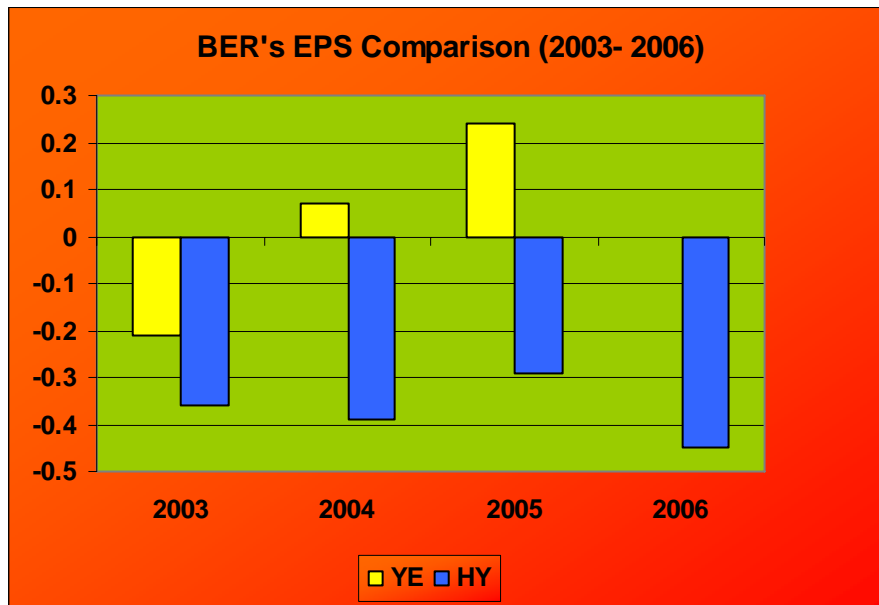
	<b>BER</b>
<b>RECOMMENDATION</b>	<b>SELL</b>
<b>Current Price</b>	<b>\$3.40</b>
<b>Running EPS</b>	<b>\$0.08</b>
<b>Projected EPS</b>	<b>\$0.07</b>
<b>P/E at Projected EPS</b>	<b>48.57 times</b>
<b>Dividend Yield</b>	<b>5.59%</b>

***Results for the Half Year Ended June 30, 2006***

***Loss Per Share***

For the six months ended June 30, 2006 Berger Paints Trinidad Limited (BER) reported a Net Loss of \$2.32 million. This translates into a Loss per Share of \$0.45 and an increase of 54.30% in trading losses, on the comparable half year period in 2005. As can be seen from **Graph 1**, it is the trend for Berger to make Losses in the first half of the year and then to recover to positive territory in the second half, the only exception being in 2003. In 2003, the Company suffered from a 15% drop in sales in addition to a charge of \$3.1 million arising from the adoption of a new policy regarding the treatment of stock obsolescence. The half year loss per share for 2006 however, is the largest that the Company has seen from 2003 to date.

**Graph 1**





### Financials

While Net Sales improved by 14.72% to \$17.64 million, this has not filtered down to the bottom line as Operating Margins for the period were severely depressed by higher Raw Material costs and Operating Expenses. Thus, the Operating Loss for the period amounted to \$1.61 million and was 83.63% higher than the Half Year Loss in 2005. Depreciation Expense amounted to \$0.66 million and was 13.50% higher in comparison to the prior half year period.

The Effective Tax Rate for the period amounted to 2.64%, while the Rate for the same period in 2005 stood at 3.54%.

Table 1 shows a Half Year Financial Comparison of Berger over the period 2004-2006

Table 1

Berger Paints Trinidad Limited -Half Year Financial Comparison (2004-2006)					
	HYE 2006	% Change '05 -'06	HYE 2005	% Change '04 -'05	HYE 2004
Net Sales	17,635,320	14.72%	15,372,744	2.72%	14965284
Operating Profit/(Loss) before Depreciation	(1,605,596)	83.63%	(874,371)	-26.64%	(1,191,858)
Depreciation	(658,726)	13.50%	(580,399)	-11.71%	(657,345)
Profit/(Loss) before Taxation	(2,264,322)	55.65%	(1,454,770)	-21.33%	(1,849,203)
Taxation Provision	(59,872)	16.12%	(51,559)	0.54%	(51,282)
Net Profit/Loss for the period	(2,324,194)	54.30%	(1,506,329)	-20.74%	(1,900,485)
Earnings per Share/(Loss per Share)	(0.45)	55.17%	(0.29)	-21.62%	(0.37)

Table 2 shows a Year End Financial Comparison of Berger over the period 2003-2005

Table 2

Berger Paints Trinidad Limited -Year End Financial Comparison (2003-2005)					
	YE 2005	% Change '04 -'05	YE 2004	% Change '03 -'04	YE 2003
Net Sales	38,747,718	-0.29%	38,859,870	10.24%	35,251,287
Operating Profit/(Loss) before Depreciation	2,097,909	-2.38%	2,149,149	914.92%	211,756
Depreciation	(1,163,181)	-10.18%	(1,294,963)	-8.84%	(1,420,510)
Profit/(Loss) before Taxation	934,728	9.43%	854,186	-170.67%	(1,208,754)
Taxation Provision	295,281	-159.74%	(494,318)	-465.91%	135,094
Net Profit/Loss for the period	1,230,009	241.79%	359,868	-133.52%	(1,073,660)
Earnings per Share/(Loss per Share)	0.24	242.86%	0.07	-133.33%	(0.21)
Market Price @ Financial Year End	\$3.45	7.81%	\$3.20	6.67%	\$3.00
P/E Ratio @ Financial Year End	14.38		45.71		
Dividend	\$0.19	11.76%	\$0.17	0.00%	\$0.17
Dividend Payout Ratio (%)	79.17		242.86		
Dividend Yield	5.51		5.31		5.67
Net Asset Value	5.76	2.31%	5.63	-1.40%	5.71
Market to Book Ratio	0.60		0.57		0.53
Return on Equity	4.19		1.23		
Return on Assets	2.89		0.86		
Shares Outstanding	5,161,444		5,161,444		5,161,444



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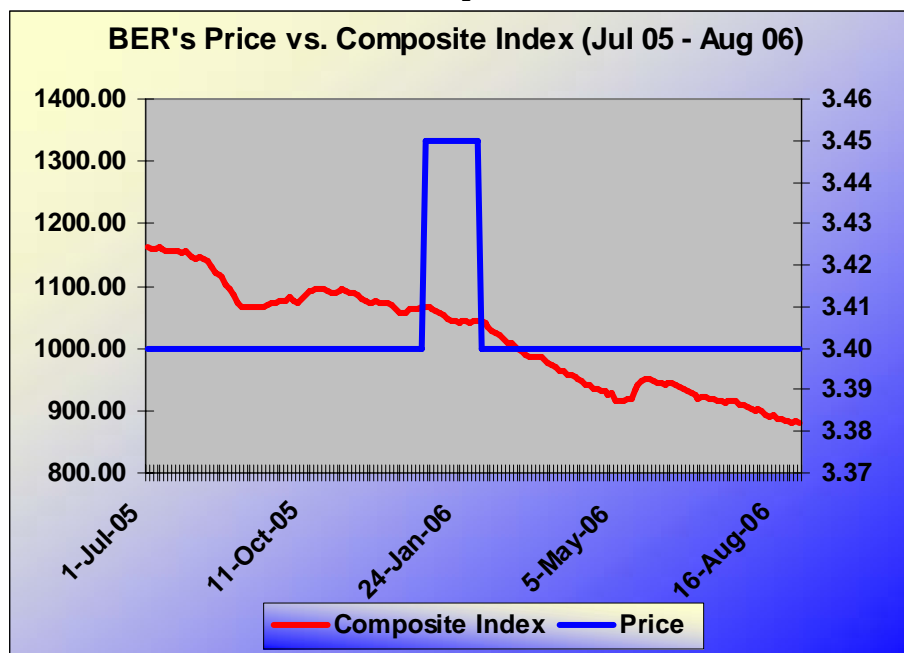
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**Share Price**

The share price of Berger has traded steadily at \$3.40 over the period July 2005 to August 2006, with the exception of a 5 cents jump in price on December 30, 2005 to \$3.45; which lasted for 15 trading days before returning to the \$3.40. The change in price was brought about by a small trade of 1,000 shares on December 30, 2005. However, the shares of BER are not very liquid as only 24% of the outstanding share capital is available to the public, the remaining 76% lies in the hands of two substantial shareholders, namely : Lewis Berger (Overseas Holdings) Limited (70%) and Colonial Life Insurance Company Limited (6%). Thus, these shares are not traded very regularly and small trades can have large price impacts.

As can be seen from **Graph 2**, there is no direct relationship between the Composite Index and BER’s share price.

**Graph 2**



**Chairman’s Outlook**

The Chairman has stated that operational adjustments are now being effected to restore margins and ensure a return to profitability in the second half of the year. He has also stated his expectations of intense trading activity in the second half of the year.

**Recommendation**

The shares of Berger are currently trading at \$3.40. At our forecasted EPS of \$0.07 and the current price, this share is trading at a very high multiple of 48.57 times. The average P/E multiple for this sector falls in the range of 12 to 17 times. As such, we maintain our recommendation of SELL.

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