

Berger Paints Trinidad Limited (BER)

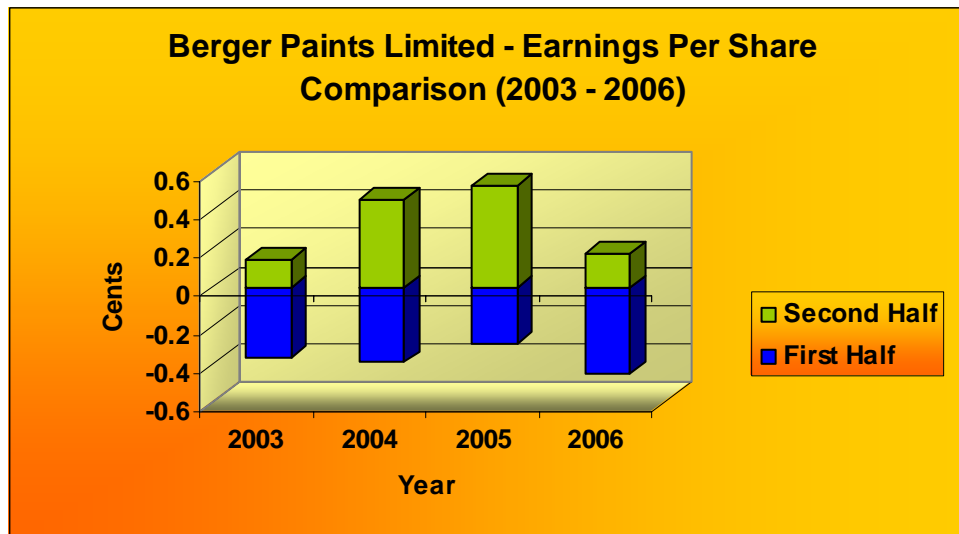
RECOMMENDATION	SELL
Current Price	\$3.40
Running EPS	-\$0.27
Projected EPS	\$0.07
P/E at Projected EPS	48.57 times
Dividend Yield	5.59%

Results for the Year Ended December 31, 2006

Loss Per Share

For the year ended December 31, 2006, Berger Paints Limited (BER) reported a Loss of \$1.401 million. This represents a fall of \$2.631 million or 213.87 per cent from the previous financial year and converts to a Loss Per Share of \$0.27. At the end of the first half of fiscal 2006, a Loss Per Share of \$0.45 was reported and as such, a minimal gain was realized between the half year and year end results of \$0.18. It can be seen in **Graph 1** below that BER tends to make losses in the first half of the year and subsequently turnaround in the second half.

Graph 1





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Financials

Revenues amounted to \$45.247 million for fiscal 2006, an increase of \$6.499 million or 16.77 per cent compared to the corresponding period for 2005. According to the Chairman, this significant growth was due to lucrative marketing launches of new products resulting in successful product integration both in the local and domestic markets.

While healthy sales revenues were recorded for the year, these figures were diluted by high increases in Raw Material Input costs as Cost of Sales rose by 23.03 percent or \$5.683 million to \$30.358 million. This led to a lower increase in Gross Profit which amounted to \$14.889 million for fiscal 2006, an increase of 5.80 per cent or \$0.816 million from the prior year.

Rising Operating Expenses stood at \$16.045 million for fiscal 2006 and was up by 15.62 per cent or \$2.168 million on the comparable period in 2005. Included in this was Marketing and Customer Service Expenses which totaled \$0.874 million for fiscal 2006, up 119.09 per cent or \$0.475 million from the previous period. Additionally Advertising and Promotion Expenses increased by \$0.816 million to \$2.445 million or 50.13 per cent from fiscal 2005. The Chairman however stressed that these high Advertising and Promotional costs were not expected to recur in the next fiscal year. This ultimately resulted in an Operating Loss for fiscal 2006 of \$1.156 million. This figure represents a significant fall of 693.33 per cent from fiscal year 2005's Operating Profit of \$0.195 million.

Table 1 below shows the Year End Financial Data for Berger over the period 2004-2006.

Table 1

Berger Paints Trinidad Limited -Year End Financial Comparison (2004-2006)					
	YE 2006	% Change '05-'06	YE 2005	% Change '04-'05	YE 2004
Revenue	45,246,776	16.77%	38,747,718	-0.29%	38,859,870
Cost of Sales	(30,358,217)	23.03%	(24,675,521)	2.53%	(24,066,666)
Gross Profit	14,888,559	5.80%	14,072,197	-4.87%	14,793,204
Expenses	(16,045,046)	14.37%	(14,029,481)	-0.39%	(14,084,478)
Operating Profit/(Loss)	(1,156,487)	-693.33%	194,916	-79.84%	966,626
Profit/(Loss) Before Taxation	(1,463,254)	-256.54%	934,728	9.43%	854,186
Taxation	62,675	-78.77%	295,281	-159.74%	(494,318)
Net Profit/Loss for the period	(1,400,579)	-213.87%	1,230,009	241.79%	359,868
Earnings per Share/(Loss per Share)	(0.27)	-212.50%	0.24	242.86%	0.07
Market Price @ Financial Year End	\$3.40	-1.45%	\$3.45	7.81%	\$3.20
P/E Ratio @ Financial Year End			14.38		45.71
Dividend	\$0.19	0.00%	\$0.19	11.76%	\$0.17
Dividend Payout Ratio (%)			79.17		242.86
Dividend Yield	5.59		5.51		5.31
Net Asset Value	5.31	-7.81%	5.76	2.31%	5.63
Market to Book Ratio	0.64		0.60		0.57
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



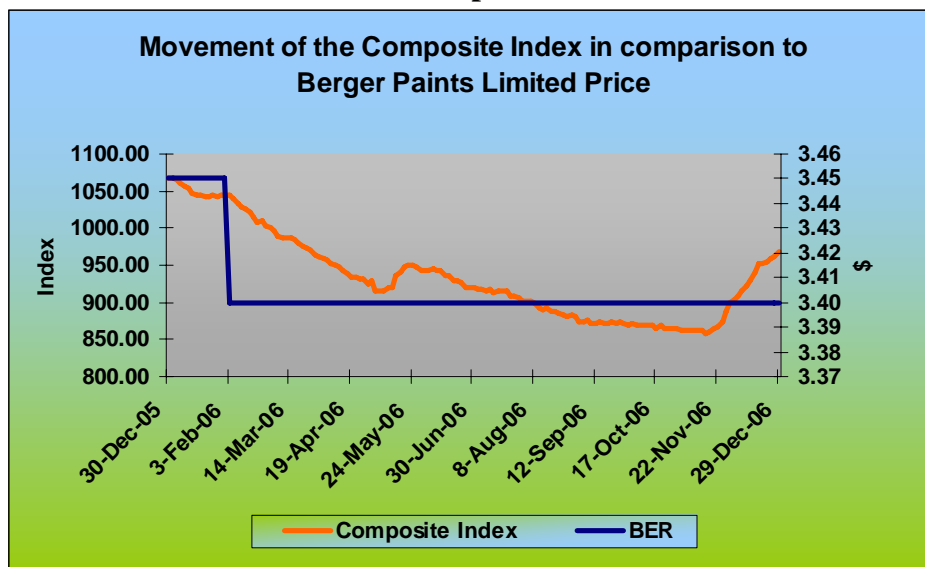
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Share Price

At the beginning of the financial year, the share price of Berger was trading at \$3.45 and continued trading at this price for 15 trading days. On February 3, 2006, the share price dropped to \$3.40 and has been trading consistently at this price for the rest of the financial year. BER shares are not very liquid as only 24 per cent of the outstanding share capital is available to the public, the remaining 76 per cent 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 seen in **Graph 2**, there is no direct relationship between the Composite Index and BER’s share price.

Graph 2



Chairman’s Statements and Dividends

The Chairman in his review has stated that the profitable gains expected from the heavy expenditure for the year will not be recognized until a future date but is optimistic that these returns will be realized from the initiatives undertaken. The Board of Directors has recommended a dividend of 19 cents per share, which is equal to the dividends paid for fiscal 2005.

Recommendation

BER is currently trading at a price of \$3.40. Given these results we are forecasting an Earnings Per Share (EPS) of \$0.07 for fiscal 2007. At WISE’s forecasted EPS and the current price, BER is trading at a very high price to earnings multiple of 48.57 times. Thus, we continue to recommend a **SELL** on this share.

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