

Prestige Holdings Limited

	PHL
RECOMMENDATION	HOLD
Current Price	\$5.11
Running EPS	\$0.24
Projected EPS	\$0.35
P/E at Projected EPS	14.60 times
Projected Dividend	\$0.15
Dividend Yield	2.94 per cent
Return on Assets	5.17 per cent
Return on Equity	17.73 per cent

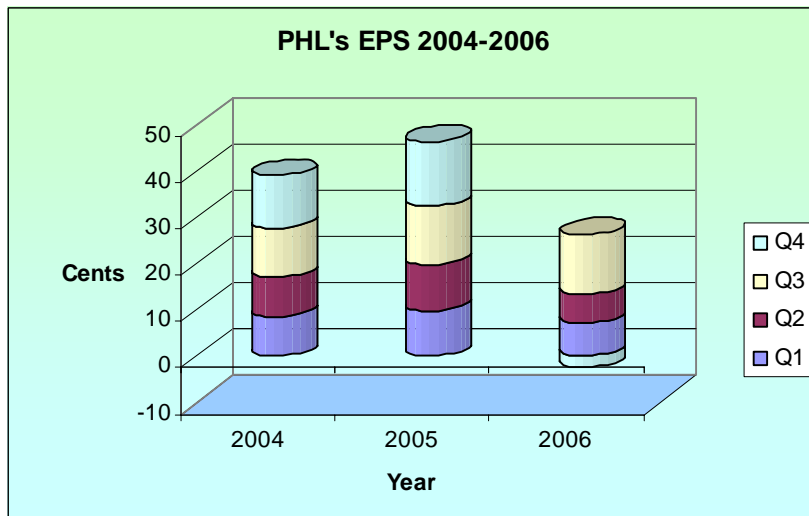
Results for the Year Ended November 30, 2006

Earnings Per Share

In what was described as the most challenging year for the Company since its Initial Public Offering (IPO), Prestige Holdings Limited (PHL) reported Earnings Per Share (EPS) of 23.9 cents for the year ended November 30, 2006. This was 45.49 per cent less than the previous year's EPS of 46.4 cents. The Chairman attributed the lackluster results to two main reasons:

1. The media scare at the beginning of its financial year which originated from the Aspergillosis virus. This resulted in a significant fall in its flagship's (KFC) sales and profits.
2. Severe labour shortages and cost inflation as a result of the rapid growth in the Trinidad & Tobago economy.

Figure 1





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The fourth quarter was in fact the worst performing quarter reporting a loss of approximately 2.52 cents per share (See Figure 1). This quarter included exceptional charges of \$3 million due to marketing and advertising activities that were targeted at KFC sales recovery efforts. This resulted in a loss of approximately 5 cents per share.

Financials

The Company's Sales increased 6.35 per cent to \$583.225 million while its Cost of Sales rose 7.12 per cent to \$396.101 million. This resulted in a 4.75 per cent increase in Gross Profit. A notable rise in Operating Restaurants Expenses of 18.32 per cent to \$152.645 million resulted in a 30.52 per cent drop in Operating Restaurants Profit to \$34.479 million. These results were generated from an average of 76 operating restaurants compared to 74 restaurants in 2005. The Group ended the year with 79 restaurants in operation. Net Finance Costs rose 19.36 per cent to \$10.606 million.

Profit Before Taxation from Operating Restaurants declined 41.40 per cent to \$23.873 million while Pre-Opening Expenses rose 74.84 per cent to \$2.397 million. The combination of small growth and large expenditure resulted in a 45.45 per cent drop in Profit Before Tax to \$21.476 million. The Effective Tax Rate rose considerably from 26.08 per cent in 2005 to 42.92 per cent in 2006. Ultimately, Profit After Tax fell 57.88 per cent to \$12.258 million.

Restaurant Performance

(a) KFC

In 2006, two new KFC restaurants were built bringing the total to 50 units in the Trinidad & Tobago market. The Chairman has stated that current sales from this brand have been restored to normal levels and are improving. Additionally, measures have also been put in place to deal with the severe labour shortages and judicious price adjustments have been implemented to counter food input increases, all with very positive results. In the Dominican Republic, the economy continues to be stable and the KFC brand is performing well. PHL recently opened its eleventh KFC restaurant in this market and is looking towards further growth.

(b) TGI Fridays

The TGI Fridays' operations in Trinidad, Santo Domingo (Dominican Republic) continued to produce outstanding results. A second restaurant is expected to be opened in the city of Santiago in 2007.

Its restaurant in Kingston Jamaica, has seen improved sales and PHL expects this unit to be profitable in 2007 after two years of heavy losses. A third restaurant in San Juan, Puerto Rico was opened in September 2006 and the Company has stated that it has now established a base for profitability and growth in this market. The recent government fiscal crisis adversely affected the restaurant industry and building of its planned fourth unit in 2007 is subject to market recovery. Its first restaurant in Bridgetown, Barbados has finally commenced construction after long delays in obtaining the required building approvals.

(c) Pizza Hut

Its Pizza Hut business suffered similar labour shortages and cost inflation challenges as with KFC and profitability fell short of plan. The Company is however experiencing a turnaround to acceptable performance levels in the current year to date.

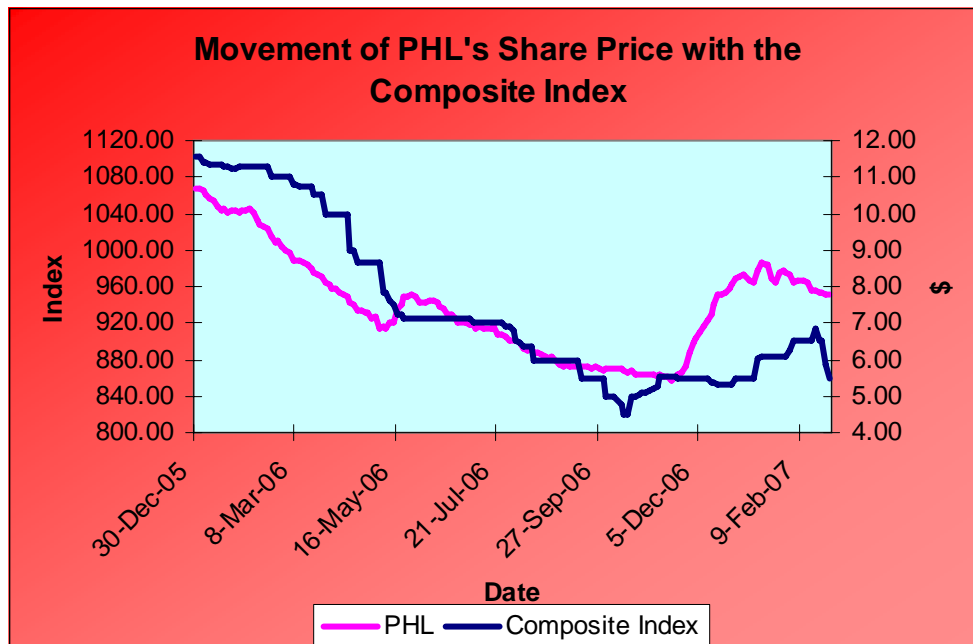
(d) Long John Silver's

The Long John Silver's brand has received good market acceptance and PHL expects profitable growth in this business unit. The performance of TCBY Treats was below expectation but it expects with increased penetration of the grocery segment these results would be improved.

Share Price

The share price of PHL trended downward for the majority of the calendar year as it opened at \$11.57 and closed at \$5.50. The movement of this Company's share price no doubt reflects the challenges that were faced by the Company over the year. The share traded as low as \$4.52 in October 2006 but subsequently rebounded to a price of \$6.87 in February 2007 before again taking negative strides on account of the release of its year end results (See Figure 2).

Figure 2

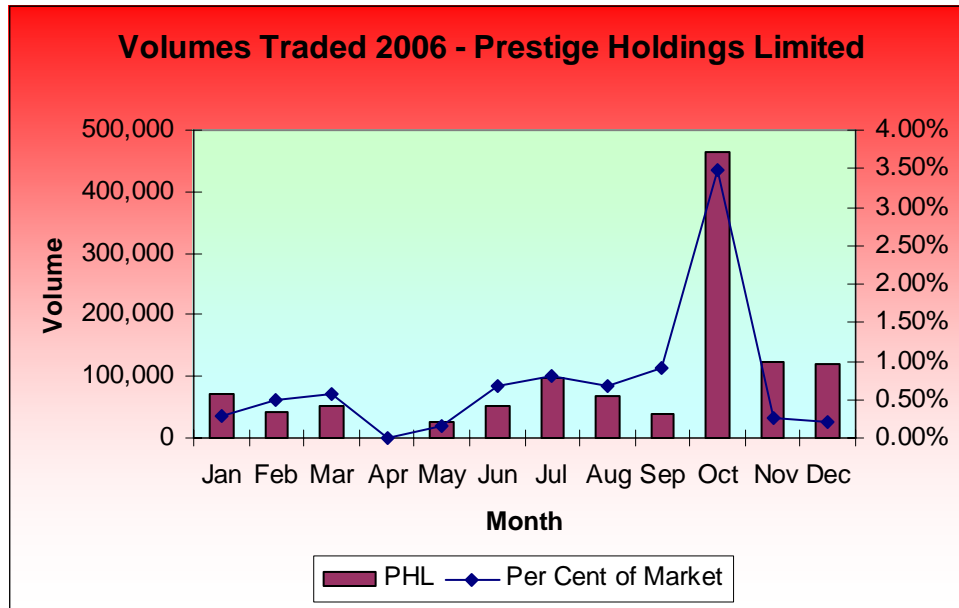


Market Activity

PHL commanded a very small volume of the market on a monthly basis as can be seen in Figure 3. This share is in fact a very illiquid share as over 70 per cent is held by substantial interests.



Figure 3



Outlook & Recommendation

The Chairman has stated its KFC business which is the major source of its developmental capital has substantially recovered from the challenges of 2006 and expects its other business units to deliver better results in 2007.

Given the challenges faced by the Company we are forecasting Earnings Per Share of 35 cents for the year ended November 30, 2007. At this forecast and the current price of \$5.11, PHL is trading at a price/earnings ratio of 14.60 times. Considering that this ratio is just under the midpoint at which it usually trades we have changed our recommendation from a SELL to a HOLD. At the end of the first quarter we would reassess this recommendation after seeing the extent of the recovery.

Dividends

The Board has recommended a final dividend of 8 cents per common share which would bring the total dividends payable for the financial year 2006 to 15 cents compared to 21 cents in 2005. Once approved, the final dividend will be paid on May 11, 2007.



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Figure 4

Prestige Holdings Limited Financial Data Comparison (Year End 2003-2006)							
	YE 2006 \$'000	% Change '05 -'06	YE 2005 \$'000	% Change '04 -'05	YE 2004 \$'000	% Change '03 -'04	YE 2003 \$'000
Sales	583,225	6.35%	548,427	17.58%	466,438	18.50%	393,635
Cost of Sales	(396,101)	7.12%	(369,786)	20.13%	(307,814)	14.11%	(269,747)
Gross Profit	187,124	4.75%	178,641	20.20%	148,624	19.97%	123,888
Operating Restaurants Expenses	(152,645)	19.48%	(127,755)	20.28%	(106,216)	16.99%	(90,787)
Operating Restaurants Profit	34,479	-32.24%	50,886	19.99%	42,408	28.12%	33,101
Finance Costs-net	(10,606)	19.36%	(8,886)	2.37%	(8,680)	-23.92%	(11,409)
Profit Before Taxation from Operating Restaurants	23,873	-43.16%	42,000	24.53%	33,728	55.49%	21,692
Pre-Opening Expenses	(2,397)	74.84%	(1,371)	***	-	***	-
Equity settled arrangements	***		(1,259)	69.45%	(743)	***	-
Profit Before Taxation	21,476	-45.45%	39,370	19.36%	32,985	52.06%	21,692
Taxation	(9,218)	-10.23%	(10,268)	-5.59%	(10,876)	41.61%	(7,680)
Profit After Taxation	12,258	-57.88%	29,102	31.63%	22,109	57.79%	14,012
Diluted Earnings per Share (Cents)	23.90	-48.54%	46.44	18.80%	39.09	41.12%	27.70
Market Price @ Financial Year End	\$5.50	-53.39%	\$11.80	34.09%	\$8.80	120.00%	\$4.00
P/E Ratio @ Financial Year End	23.01		25.41		22.51		14.44
Dividend (Cents)	15.00	-28.57%	21.00	-12.50%	24.00	33.33%	18.00
Dividend Payout Ratio (%)	62.76%		45.22%		61.40%		64.98%
Dividend Yield	2.73%		1.78%		2.73%		4.50%
Net Asset Value	\$1.49	0.00%	\$1.49	23.14%	\$1.21	22.22%	\$0.99
Market to Book Ratio	3.69		7.92		7.27		4.04
Return on Equity	17.73%		38.49%		37.84%		30.62%
Return on Assets	5.17%		11.25%		9.87%		6.60%
Shares Outstanding	60,950,000		60,950,000		60,950,000		60,500,000

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