

Point Lisas Development Corporation Limited (PLIPDECO)

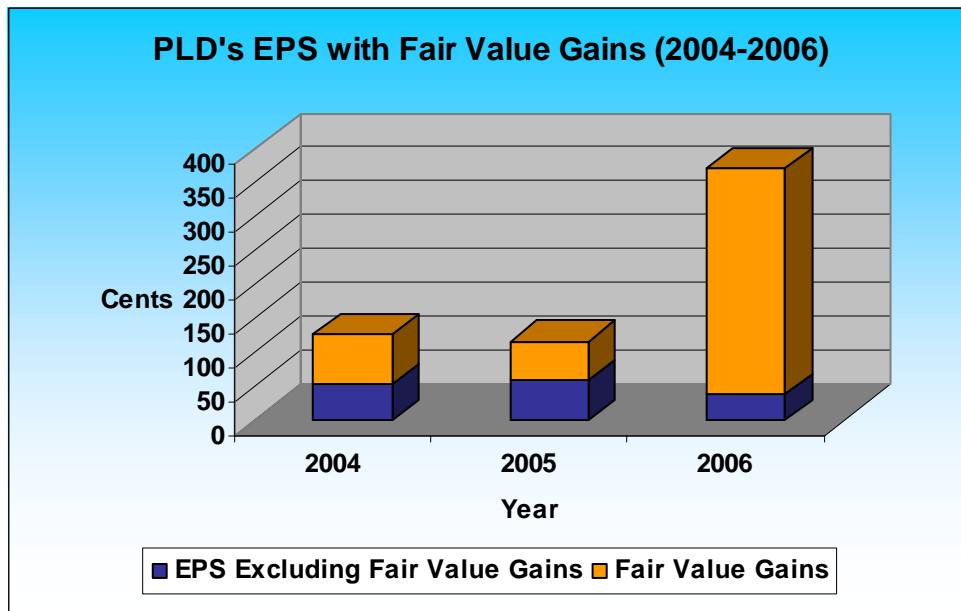
	<u>PLD</u>
RECOMMENDATION	BUY
Current Price	\$8.00
Running Earnings Per Share	\$3.72
Forecasted Earnings Per Share	\$4.10
P/E at Projected EPS	1.95 times
Dividend Yield at Estimated Dividend	0.75%
Return on Assets	9.48%
Return on Equity	13.00%

Results for the Year Ended December 31, 2006

Earnings Per Share

Point Lisas Development Company Limited (PLIPDECO) reported Earnings Per Share (EPS) of \$3.72 for the year ended December 31, 2006. While this represents a significant increase of 220.69 per cent, it is important to note that the main contributor to the EPS was Unrealised Fair Value Gains of \$132.180 million or \$3.34 per share. If these gains were removed from the EPS for both years, it becomes evident that the Company actually had a challenging year as the EPS would have fallen 34.48 per cent from 58 cents (2005) to 38 cents (2006). The Chairman in his statement related the difficult year to the Company's transformation work at Port of Point Lisas. **Graph 1** below shows PLD's EPS with Fair Value Gains over the period 2004 to 2006.

Graph 1





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Financials

Despite the disappointing bottom line (excluding Fair Value Gains), PLIPDECO experienced modest growth in its core business as Turnover rose 8.18 per cent to \$208.981 million. This was due to an increase in Port tariffs, better revenue from its tug and towage company (PLIPWIJS) and a rise in container throughput at the Port of Point Lisas. A smaller increase in Direct Costs of 6.38 per cent or \$64.438 million resulted in growth of 9.01 per cent in Gross Profit to \$144.543 million.

As mentioned before, unrealized Fair Value Gains stood at \$132.180 million which was actually 473.95 per cent higher than 2005's Fair Value Gains of \$23.030 million. The Company's Operating Expenses rose 11.31 per cent to \$107.436 thereby further eroding growth in its core business. Administrative Expenses in fact rose 5.68 per cent to \$62.333 million. Other Operating Expenses however increased by a larger amount of 20.16 per cent to \$45.103 million stemming from costs pertaining to port equipment repairs, higher maintenance and depreciation costs. Operating Profit including Fair Value Gains rose 186.37 per cent to \$169.287 million. Without the Fair Value Gains, the Company's Expenses would have reduced growth in Operating Profit to 2.84 per cent to stand at \$37.107 million for 2006. Investment Income rose 26.03 per cent to \$6.521 million while Finance Costs increased 13.70 per cent to \$23.834 million.

Profit Before Taxation ultimately stood at \$151.974 million up 250.77 per cent. However, if the Fair Value Gains are excluded, PLIPDECO's Profit Before Tax would show a fall of 2.47 per cent to \$19.794 million. The Effective Tax Rate was at 2.96 per cent for 2006 while the Company had a Tax Credit of \$2.582 million for the previous year.

Ultimately, Profit After Tax rose 221.26 per cent to \$147.482 million. However, excluding the Fair Value Gains PLIPDECO's bottom line declined 33.11 per cent to \$15.302 million.

Table 1 shows PLIPDECO's Financial Data Comparison for the financial period 2004-2006

Table 1

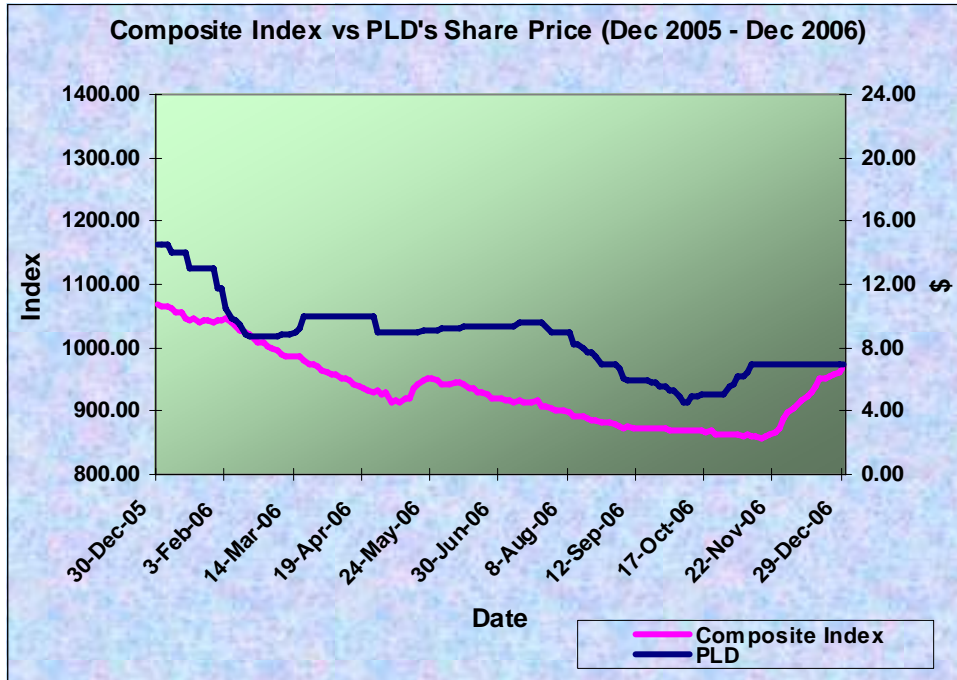
PLIPDECO Year End Financial Data (2004-2006)					
	YE 2006	% Change '05-'06	YE 2005	% Change '04-'05	YE 2004
Turnover	208,981	8.18%	193,171	3.17%	187,230
Gross Profit	144,543	9.01%	132,600	-1.51%	134,635
Unrealized Fair Value Gains	132,180	473.95%	23,030	-20.37%	28,920
Expenses	107,436	11.31%	96,516	7.08%	90,132
Operating Profit	169,287	186.37%	59,114	-19.49%	73,423
Profit Before Taxation	151,974	250.77%	43,326	-24.30%	57,236
Profit for the Period	147,482	221.26%	45,908	-8.17%	49,990
EPS	\$3.72	220.69%	\$1.16	-7.94%	\$1.26
Market Price @ Financial Year End (TT\$)	\$6.93	-52.21%	\$14.50	-32.87%	\$21.60
P/E Ratio @ Financial Year End	1.86		12.50		17.14
Dividend	\$0.15	-28.57%	\$0.21	0.00%	\$0.21
Dividend Payout Ratio (%)	4.03		18.10		16.67
Dividend Yield (%)	2.16		1.45		0.97
Net Asset Value	\$30.39	13.14%	\$26.86	3.67%	\$25.91
Market to Book Ratio	0.23		0.54		0.83
Return on Equity (%)	13.00		4.39		5.02
Return on Assets (%)	9.48		3.15		7.29
Shares Outstanding	39,625,684		39,625,684		39,625,684



Share Price

The share price of PLD started the year at its high of \$14.50 and subsequently started its decline to a price of \$8.70 on February 15. The price then traded between \$8.70 and \$10.00 from mid-February to August 8 before descending to its low of \$4.50 on October 4. The share price then rose and closed the period at \$6.93 on December 29, 2006 (See Graph 2).

Graph 2



Dividends

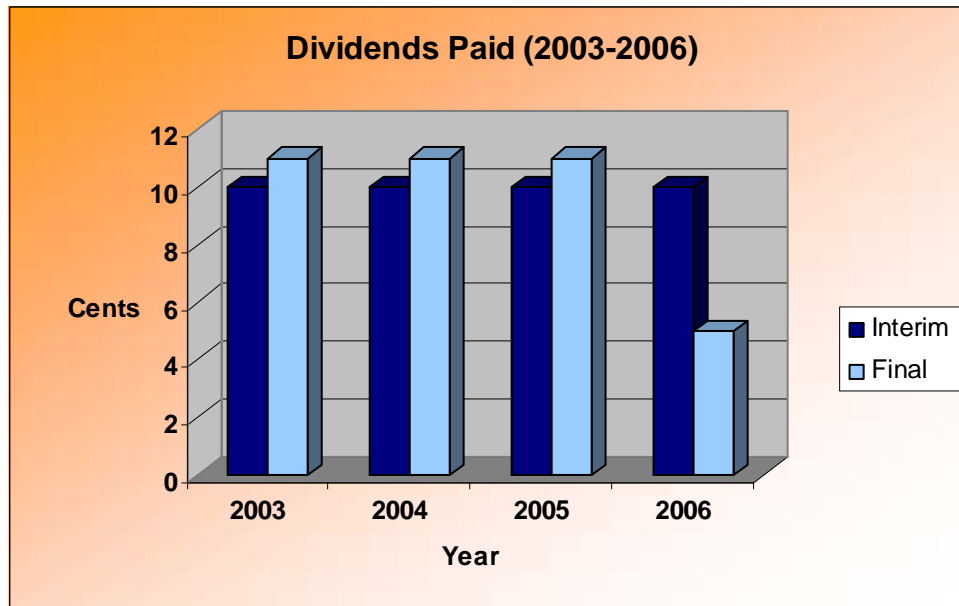
The Board has recommended a final dividend of 5 cents per share. Once approved, this would bring the total dividends paid for FY 2006 to 15 cents compared to 21 cents for 2005. Graph 3 shows PLD's dividends paid over the period 2003 to 2006.



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Graph 3



Outlook & Recommendation

The shares of PLIPDECO are currently trading at a price of \$8.00. At a forecasted EPS of \$4.10 and the current price, this share is trading at a very low price/earnings ratio of 1.95 times. However, it should be noted that a significant amount of the profits of the Company resulted from unrealized gains. Nevertheless, PLIPDECO has traditionally traded in the band of 13 to 24 times. Thus, based on fundamentals, we recommend a **BUY** on this share.

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