



Equity Research: Trinidad & Tobago

Agostini's Limited AGL

NM08 Results

Earnings Per Share

For the Nine Months Ended June 30, 2008, Agostini's Limited (AGL) reported Earnings Per Share (EPS) of 75 cents, the same as that of the corresponding period in fiscal 2007. Q308 on Q307, the Group's EPS was up a noteworthy 31.6 per cent or 6 cents from 19 cents to 25 cents.

According to the Chairman, the Business Units in the Trading and Services Divisions continued to deliver excellent results, namely Agostini Marketing, Agostini Pharmaceutical, Agostini's Fastening Systems and Rosco Petrovance. However, the Housing and Lighting sectors had disappointing results which counteracted these gains.

Financial Highlights (NM08 on NM07):

- Turnover, up 21.4 per cent or \$72.5 million to \$412.4 million
- Operating Profit, down 5.3 per cent or \$1.6 million to \$28.9 million
- Net Finance Costs, down 6.6 per cent or \$0.2 million to \$2.6 million
- Profit After Taxation, down 2.2 per cent or \$0.5 million from \$20.4 million to \$19.9 million

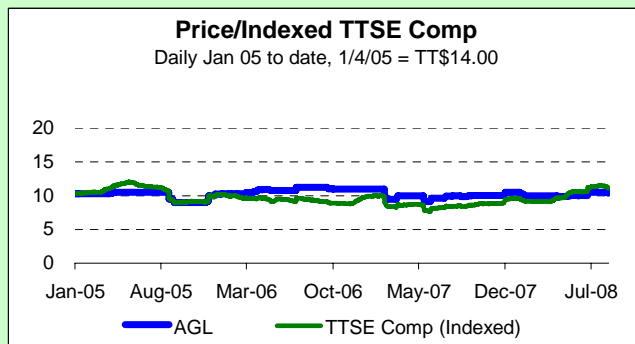
Financial Highlights (Q308 on Q307):

- Turnover, up 24.6 per cent or \$25.1 million to \$127.1 million
- Operating Profit, down 1.4 per cent or \$0.1 million to \$8.1 million
- Net Finance Costs, down 89.0 per cent or \$0.8 million to \$0.1 million
- Profit After Taxation, up 24.4 per cent or \$1.3 million from \$5.4 million to \$6.7 million

Acquisition of Hand Arnold (Holdings) Limited

As at July 31, 2008, AGL received acceptances for in excess of 5.5 million ordinary shares of Hand Arnold (Holdings) Limited at a price of \$20.50 per share. This represents 91.7 per cent of the outstanding shares of the Company. In the event that 100 per cent of the shares are acquired, the total value of the acquisition will be \$123 million.

Date	5-Sep-08
Recommendation	BUY
Price (TT\$)	10.35
Target Price (TT\$; 12 months)	11.50
52 week high - low (TT\$)	10.50 - 9.85
Market cap. (TT\$MM)	277.8
Float cap. (TT\$MM)	53.4



On 12/31/04 the TTSE Comp was at 1,074.

Period	YE09E	YE08E	YE07A	Chnge. %
(\$MM)				
Group Turnover	620	539	449	20.0%
Operating Profit	51	46	40	15.0%
PBT	46	41	38	7.9%
EPS				
- Q1	N/A	0.30	0.28	7.1%
- Q2	N/A	0.20	0.28	-28.6%
- Q3	N/A	0.25	0.19	31.6%
- Q4	N/A	0.40	0.28	42.9%

Period	Q408E	Q308A	Q307A	Chnge. %
(\$MM)				
Group Turnover	127	127	102	24.5%
Operating Profit	17	8	8	0.0%
PBT	14	9	7	28.6%
EPS				
	0.40	0.25	0.19	31.6%

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On an annualized basis, the Directors anticipate that this acquisition will enhance Group Sales and Net Earnings by approximately \$290 million and \$12 million respectively before taking into account acquisition costs.

The Chairman has indicated that the purchase of Hand Arnold will be financed initially by currently arranged lines of credit held by the Group. However, the Company intends to have a Rights Issue in late September 2008, subject to obtaining regulatory approval, to partially finance this acquisition.

The table below illustrates the total purchase consideration financed at various levels of debt. The following assumptions were made:

- Interest calculation assumed a 10 per cent finance charge and an effective tax rate of 25 per cent
- \$1 million in acquisition costs
- Rights issue offered at a discount of 10 per cent of the current trading value (AGL Share price as at September 5 was used in calculations)

% of Acquisition Financed by Debt	100%	75%	50%	25%
Debt (\$MM)	123	92.25	61.50	30.75
Equity (\$MM)	-	30.75	61.50	92.25
Hand Arnold Estimated PAT (\$MM)	12	12	12	12
Interest Expense (\$MM)	(9.23)	(6.92)	(4.61)	(2.31)
Acquisition Costs (\$MM)	(1)	(1)	(1)	(1)
	1.77	4.08	6.39	8.69
AGL Estimated PAT '09 (\$MM)	34	34	34	34
Forecasted PAT '09 (\$MM)	35.77	38.08	40.39	42.69
No. of AGL shares issued for Rights Issue (MM)	-	3.30	6.60	9.90
AGL Issued Share Capital (MM)	26.84	26.84	26.84	26.84
Revised Issued Share Capital (MM)	26.84	30.14	33.44	36.74
Forecasted EPS '09 (Stand Alone)	\$1.26	\$1.26	\$1.26	\$1.26
Forecasted EPS '09 (Pro Forma)	\$1.33	\$1.26	\$1.21	\$1.16
Accretion/(Dilution) to EPS - \$	0.07	-	(0.05)	(0.10)
Accretion/(Dilution) to EPS - %	6%	-	(4%)	(8%)

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This acquisition will allow AGL to further expand its distribution and trade activities through increased product offerings. Additionally, the enlarged Group will also benefit from synergies arising from the complementary businesses which ultimately should reduce the Company's operating costs.

As previously mentioned, the Chairman has advised that the purchase will be initially financed by credit lines. In light of this and as evidenced in the analysis above, this acquisition is expected to increase AGL's EPS for fiscal 2009 to approximately \$1.33. The acquisition will thus enhance the Group's EPS by approximately 6 per cent or 7 cents for fiscal 2009.

However, subject to obtaining the regulatory approval for the planned Rights Issue in late September, this acquisition could potentially accrue or dilute the Group's EPS based on the level of debt to equity financing undertaken. As seen in the table above, the larger the percentage of the acquisition that is financed by the Rights Offering, the greater the potential for dilution of the Group's EPS.

To illustrate, let us assume that the Rights Issue will be used to finance 25 per cent of the acquisition (75 per cent financed by debt). Assuming an estimated \$12 million PAT from Hand Arnold, interest expense of roughly \$6.92 million and acquisition costs of approximately \$1 million, Hand Arnold's PAT after acquisition costs is estimated at \$4.08 million. This figure combined with our projected PAT total for fiscal 2009 of \$34 million for AGL would reflect a forecasted PAT (pro forma) of \$38.08 million. In this instance, the acquisition would neither accrue nor dilute AGL's EPS.

Should AGL use the Rights Issue, however, to finance 75 per cent of the acquisition (25 per cent financed by debt) a forecasted PAT (pro forma) of \$42.69 million would be derived. In this scenario, AGL's pro forma EPS would be diluted by 8 per cent or 10 cents to about \$1.16.