



Ansa McAl: Exceeding Expectations in 2005

Ansa McAl's significant strides to maintain dynamism together with an economic backdrop of healthy sustained growth propelled the Region's largest conglomerate to record value beyond its own expectations for 2005. Ansa McAl now has the largest asset base in the Conglomerate sector (TT\$6.8 billion), ahead of GraceKennedy and Neal and Massy. Profits before tax jumped 45% to TT\$645 million in 2005 and Earnings per Share (EPS) exceeded "Vision 2006" targets. Revenue showed a healthy improvement of 18% to TT\$3.5 billion, which was mainly attributed to the buoyancy of the Automotive and Distribution segment followed by Brewing and Manufacturing. Given favorable economic conditions and the Group's successful expansionary efforts, management proposed a more ambitious outlook for its "Vision 2010". The intention is to grow EPS by 92% to TT\$5.00 and achieve a share price of TT\$100.00.

Profitability indicators showed all round improvement in 2005. ROE and ROA grew by 22% and 7.8%, respectively. Profit attributable to shareholders was boosted by improving efficiency levels after recording flat growth over the previous four years and despite a 17% hike in the Group's effective tax rate. The contribution from Associate companies improved by 64% pushed by the performance of the A.S. Bryden Group, which focused on boosting distribution efforts. These results represented the first full year of results from the new acquisition under the Manufacturing umbrella.

On the balance sheet, Ansa McAl's debt ratios increased slightly as a result of the TT\$200 million Pan Caribbean brewery upgrade undertaken in 2005 as well as the A.S. Bryden Acquisition in Barbados. Despite this the company seems to be fairly attentive to maintaining a safe debt position which translates into greater financial flexibility.

Ansa McAl seems to be up to the challenge of strengthening its position in key sectors and growing its "timber" through the launch of the Ansa McAl leadership and Development Program with UWI, wherein the company is set to nurture its own workforce. Additionally, the local economy is expected to maintain an average 6% growth rate over the next three years which should auger well for the company's well diversified sectors especially the manufacturing and media segments which are directly dependent on economic growth. The main contributors to the Brewery and Manufacturing Sector continue to perform well. The recent up grade to the breweries should increase capacity and export potential with liquid expansion expected to begin this year.

Additionally the Caribbean Roof Tile Company, a joint venture between Ansa McAl and Boral Limited in which Ansa holds a 50% interest, is expected to soon commence exports to the U.S. market. Demand for roofing materials is currently high in Florida which suffered extensive roof destruction from hurricane damages in 2005. Additionally, in the Group's quest to expand its Caribbean manufacturing base the company acquired the assets of Reed Monza which will be consolidated into the Ansa Polymer packaging business. Along these same lines upgrades are being implemented to expand into Central America. The new Abel, Bestcrete and Penta value shops are also expected to start contributing positively to revenues given the construction boom evident in the Caribbean. Bestcrete also upgraded its plant for increased capacity to add a further 1.2 million blocks per month.

In the Automotive and Distribution sector, the company launched two new brands in 2005, namely the Land Rover and Jaguar, with both brands exceeding budgeted expectations. Also, Mc Eneaney won the Cable and

Wireless fleet contract, the largest auto fleet in Barbados, which is also expected to bode well for healthy profits. In the area of finance, the Ansa Merchant Bank acquisition of Tatil is yet to bear fruit as the anticipated synergies initially associated with the takeover is yet to contribute significantly to the sector. The recently launched Ansa Secured Fund on the other hand is already exceeding expectations. Media services was propelled by returns from Trinidad Publishing which recorded a stellar 2005 performance, buoyed by healthy economic growth, growth in print revenue and strong maintained networks

Overall, the Group seems well poised for continued growth and presence in the Caribbean as the Conglomerate continues to lay the foundation for more sustainable exports in the Extra Regional countries so as to remain competitive in an increasingly competitive Single Caribbean Market and Economy. Currently trading at TT\$40.11, we have projected an EPS of TT\$2.92 for Ansa McAl 2006. Using a justified P/E approach, price to sales and price to book valuation methods, we have projected Ansa Mc Al's fair value in the range of TT\$44.71 to TT\$45.61.

Regional Market Review

At the end of March 2006, the local stock market fell below the "1000" resistance barrier to 958.6 points - a level last seen in September of 2004 - and shedding 10.1% of its value. The Advance /Decline ratio was 7 to 24 with 3 stocks remaining unchanged. Trading volumes were almost 25% less than the first quarter of 2005 as a bearish mode continued to plague the market. Overall equity demand slowed and institutional investors refrained from heavy investments. Topping price advances were SavInvest India Asia Fund (15%) followed by OCM (8.3%) which was pushed by the news of a merger between CCN and Nation Corporation; Witco inched up 5.2%. Stocks losing ground were Guardian Holdings which fell 37.5%, Plipdeco which underperformed for the greater part of the quarter with overall losses of 31%, and GraceKennedy (30%). P/E multiples continued to slide with the fall off in prices especially for stocks like Guardian Holdings, National Enterprises, RBTT, GraceKennedy and Sagicor, which now offer more viable investment opportunities. Additionally arbitrage opportunities between Jamaica and Trinidad are also emerging given the increasing number of cross listed stocks on either market.

The first quarter was marked by an upsurge in mergers and acquisitions in the Barbados market relating to Sagicor, FCIB, Nation Corporation (now OCM) and soon to be re-listed Sunbeach Communications. However higher interest rates and rising inflation weighed on investor confidence in the Barbados equity markets. The Local Index and the Cross-List Index slipped by .02% and .07%, respectively. Small volumes seemed to dampen market activity and determined price movements. Cave Shepherd was the most heavily traded for the period accounting for 23% of total trades and the second best return of 19.7% in terms of price appreciation.

Top Decliners

ARI	-10.2%
SFC	-8.8%
CWBL	-8.0%

Top Advancers

ICBL	27.0%
CSP	8.8%
ARI	8.2%

Source: CMMB Research Centre

During the coming months more market interest is expected to be generated with the re-listing of Sunbeach Corporation which was suspended from trading in 2004 as well as the listing of CCMB, DB&G, OCM and DFCH.

Jamaica continued to lag its peers despite healthy financial results reported by some listed companies. The JSE Composite and ALL JA Composite fell by 16.4% and 17.3%, respectively. This bearish mode scared off potential stock listings including First Global and Pulse Investments negatively affected the performance of Supreme Ventures which listed in February but has since declined by 30%. Volumes traded in the first quarter of 2006 were 66% less than the same period in 2005. Despite good corporate results attention was focused mainly on the outcome of party elections and the economic policies advocated by the new prospect for the leading party PNP and also on the worsening crime situation. Similar to Trinidad, company P/E's continue to fall in line with declining stock prices; overall market P/E has since fallen to 10.7 times. The second quarter is

also expected to pattern that of the first.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	958.04	-0.43	-3.90	-10.20	-17.84
All Trinidad	1,169.51	-0.55	-4.25	-11.57	-20.27
JSE Index	85,351.81	0.62	-10.82	-17.73	-24.38
All Jamaica	84,386.76	0.29	-6.58	-18.36	-31.00
JSE Select	2,291.31	-0.10	-9.13	-19.53	-29.33
BSE Local	3,923.90	0.00	-0.16	-0.16	1.27

Current Happenings

- CMMB CLI projects good economic growth for April
- BWIA asks government for extension to finalise new collective agreements
- Barbados records tourism upturn of 4.2% for first two months of 2006
- Jamaica's US\$1.6 billion remittances outstrip, tourism and bauxite
- Lee Chin buys United General Insurance Company (UGI) stake

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,305.93	0.98	3.57	2.93	11.03
Nasdaq Composite	2,345.36	1.77	4.21	4.53	17.79
Dow Jones	11,203.85	0.44	3.10	3.29	7.51
German Dax	6,013.85	2.09	5.11	10.13	38.51
FTSE 100	6,004.70	-9.96	-8.79	-5.94	22.63
Nikkei 225	17,292.91	9.06	10.40	7.33	48.21

International Market Review

Strong global expansion continued to buoy the performance of the G3 economies. The MSCI World Index improved by 6.8% for the first quarter of 2006. The U.S. equity Benchmark S&P 500 Index improved by 2% to close the quarter at 1,294.87 points better than the decline of 2% for the comparable period in 2005. Similarly, The Dow Jones Index mirrored the performance of the S& P while the tech savvy Nasdaq outperformed its peers with a return of 4.3% compared to a decline of 7.1% in the first quarter of 2005. The quarter was littered

by volatile returns as the Federal Reserve continued to indicate that interest rate increases were coming but further reports that this monetary tightening could slow by mid year helped to push the Finance, Construction and technology sectors. The outlook for the U.S for the second quarter remains positive.

The European markets performance was characterized by takeover speculation and better than expected corporate results. The star performing benchmark was the German Dax which yielded a return of 9%. The Euro Stoxx Index also improved 7% over the prior year. The Asian markets remained in a bullish mode. The Hang Seng and Nikkei grew 5% and 6%, respectively. This bullish trend is expected to continue into the second quarter of 2006.

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