



## Stock Market Weekly



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### Disappointing final quarter for BS&T

Barbados Shipping and Trading (BS&T) ended 2005 with a reported EPS of BD\$0.63, a 5.5% gain over its 2004 results. Much of this growth was driven by the Group's decision to sell approximately half of its existing shares of Neal & Massy (NML). The resulting net realized and unrealised gains accounted for a good part of the Bds\$0.40 reported for the first quarter. The reduction in the Group's exposure to NML as well as increased share price volatility resulted in relatively flat growth in the Group's "other income". Overall, BS&T reported a net unrealised gain arising from its NML holdings amounting to BDS\$12.92 million.

In terms of its core operations, BS&T also faced significant losses arising from a fire at the DaCosta Manning (DMI) complex located at Sheraton Centre. The subsequent rationalization of operations at DMI resulted in several write-offs and one-off expenses amounting to approximately BD\$10.72 million. The effect of adjusting for the net unrealised gain and one-off expenses resulted in an overall marginal adjustment of BD\$0.02 or EPS of BD \$ 0.61.

Top line growth was marginal with revenues increasing by 3.3% to BD\$679 million. Trading profits increased by 10.4% but in relation to revenues remained flat at 3.25% (2004: 3.06%). In addition, both operating and net profit margins remained flat in 2005 when compared to 2004. This suggests that BS&T continues to struggle with operational efficiency issues. Given the fact that BS&T is the market leader in nearly every segment in which it operates in Barbados, a focus on cutting cost is absolutely vital to promote profitability since growth prospects are limited.

One positive for BS&T was the significant reduction in leverage and consequently interest expenses resulting from the decision to pay down debt with some of the NML gains. In terms of expansion efforts, the Group recently announced the opening of the Morgan Bay hotel (St Lucia) and expects to launch the Casaurina Hotel later this year. The BD\$2.6 million decline in profit from associated companies was attributed to set up costs associated with these ventures.

The outlook for BS&T is moderate since the Group remains highly liquid but continues to face challenges in terms of cost containment. In addition, the reduction of its shareholding in Neal & Massy as well as the recent slippage in NML's share price suggests that the gains from this material revenue stream will be significantly reduced going forward. Positive developments about the two new hotels under the Almond Brand are welcome but the much anticipated information on the progress of the Pierhead Development Project is yet to be disclosed to the public.

BS&T share price fell significantly in 2005 and is now trading at an attractive PE of 10.5 times. However, the share typically trades at the lowest PE in its sector. To this end, BS&T is considered fairly valued in the range of TT\$20.00 to TT\$22.00.

**Table:1 Regional Market Performance**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	1 Year Change (%)
TTSE Composite	1,066.81	0.18	1.06	-0.68
All Trinidad	1,322.53	0.33	0.80	2.66
JSE Index	103,750.13	-1.05	-0.73	2.70
All Jamaica	103,363.34	-1.00	-1.50	5.11
JSE Select	2,847.53	-1.13	-0.42	4.30
BSE Local	3,927.58	0.00	-0.37	6.16

## Regional Equity Market Review

The Trinidad market had a promising start to 2006 as the TTSE Composite Index moved into positive territory (.18%) and trading volumes improved with 7.5 million shares changing hands, better than the previous week. CCN emerged as volume leader trading 2.1 million shares. Both demand for and the price of CCN started climbing in late December 2005 following news that the stock is expected to begin trading as One Caribbean Media this month following a media merger between CCN and Barbados' Nation Corporation. Ansa Merchant Bank came out ahead of the pack in terms of price appreciation improving by 7.5%, ahead of Valpark Shopping Plaza (5.3%) and RBTT Holdings (1.6%). The top decliners for the week in review were Guardian Holdings, GraceKennedy, and National Flour Mills.

In a reversal of recent trends the Jamaican market lost some ground for the week ending January 3<sup>rd</sup> 2006 as all equity indices fell marginally and overall market activity slowed as evidenced by lower trading volumes. Market activity is expected to improve in this quarter as companies begin to publish year end results. The JSE Select Index declined by the most moving down 32.5 points to close at 2,847.53, while the broader JSE Composite and the All Jamaican fell by -1.1% and -1.0%, respectively. The advance: decline ratio deteriorated in comparison to the prior trading week at 8 to 19 with 12 shares remaining unchanged. Total shares traded were 17.9 million, 20% lower than the 23.4 million changing hands the week before. Ciboney shareholders enjoyed a return of 12.5% in the short trade week. Mayberry and Lascelles de Mercado improved 8.6% and 8.8%, respectively. Hardware and Lumber dipped by 10.0%, while Jamaica Money Market Brokers followed closely with a decline of 5.9% and Trinidad Cement retreated by 4.6%.

Barbados recorded little activity over the review week with only one day of trading activity but high volumes of 20.1 million for which ICBL accounted for 99% of all trades. In other news, Goddard Enterprises Limited recently acquired a 51% stake in Jonas, Brown and Hubbard one of Grenada's oldest companies with operations in wholesaling, retailing, food importation and building supplies. Goddards is strengthening its presence in Grenada and is experiencing organic growth in other Caribbean territories such as St. Kitts with the purchase of OD Brisbane and Sons. Sagicor is strengthening its balance sheets with the recent purchase of a 20% holding in FamGuard Corporation, a Bahamian Insurance group, which cost the company BD\$24.8 million for 2 million shares. This purchase should bode well for the company's regional insurance coverage as it continues to penetrate the Caribbean and American markets.

## Current Happenings

- Commercial banks have fulfilled new CBTT requirement to place \$1 billion in an interest-bearing account at the Central Bank.
- Goddard Enterprises Limited acquires Grenadian firm
- Venezuelan government to loan of up to US\$300 million to Jamaica to jump-start the Ocho Rios leg of Highway 2000, as well as finance a major island-wide road repair project,
- **Supreme Ventures to make public offer on January 12<sup>th</sup> at a price of J\$4.81 per share.**

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**Table: 2 International Market Performance**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	1 Year Change (%)
S&P 500	1,268.80	0.85	3.57	6.80
Nasdaq	2,243.74	0.66	3.57	6.45
Dow Jones	10,847.41	0.47	4.21	2.04
German Dax	5,460.68	0.25	3.10	27.27
FTSE 100	5,681.50	-4.95	-3.01	17.22
Nikkei 225	16,111.43	-0.51	3.60	39.88
Hang Seng	14,944.77	-1.04	-1.41	6.40
Eurostoxx	3,614.34	0.26	3.28	21.65

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## International Market Review

U.S. stocks edged higher in choppy trade to open the year, with strength in technology shares supporting the Nasdaq Composite which returned again of 0.66% for the week under review. However, a disappointing profit outlook from Wal-Mart Stores Inc. and broker downgrades for Boeing Co. and Merck & Co. capped gains on the Dow Jones Industrial Average which grew by 0.46%. The S&P index was up 0.84% for the period. In Europe, both the Euro Stoxx and German Dax were up by 0.25%. This has been attributed to gains in energy and auto stocks. Both the Nikkei and Hang Seng ended the week in negative territory as investors took some profit after the strong rally witnessed over the last week.

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