



Stock Market Weekly



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One Caribbean Records Solid Half Year Returns

One Caribbean Media (OCM) released favourable half year results which were reflective of the merger between media houses Nation Group and CCN. The company's performance mirrored the strong growth in the local economy as well as improved market share in Barbados which boosted revenue and other income. As a result sales climbed 113% to TT\$202 million when compared to pre-merger figures in this period in 2005. Although it may be difficult to compare intra period performance the Gross Margin is a good indicator of the overall impact of the merger on the entity. Gross Profit Margins rose from 31% in 2005 to 37% on a 12 month trailing basis. Growth was mainly concentrated in the print sector as the Express newspaper and TV6 both surpassed half year targets and maintained market dominance while the Nation Newspaper remained on top of the market and met half year targets. The radio broadcaster, Starcom Network improved market share by 4% to 77%.

Costs associated with the merger caused administration expenses to balloon to TT\$25 million and marketing expenses jumped an astounding 762%. These expenses which are key indicators of the Group's integration process are expected to decrease substantially over the next half of 2006 and should be monitored by management considering that competitor Trinidad Publishing remains faithful to containing operational efficiency. We expect Net margin's to show an improvement going forward as the Group moves down the cost curve; the margin fell from 23% to 20%. Despite this increase in overheads the Operating Margin inched up to 25% from 24%.

The Group reported lower ROA and ROE figures of 7.7% and 9.2% but this was mainly a reflection of the increase in assets and equity arising from the inclusion of the Nation Group. Net Profits was 66% of total Net Profits for 2005 and amounted to TT\$33.4 million for the half year compared to TT\$16.5 million in 2005. Non-Current assets increased by 344% pushing Total Assets to TT\$865 million. Additional shares were issued as part of the ESOP plan. Earnings per share which includes unallocated ESOP shares and shares resulting from the Merger was up 42% to TT\$.51 from TT\$.36 in the prior period. Debt ratios fell by almost half on a jump in Share Capital which includes the Employee share options.

Both the Barbados and Trinidad markets are expected to continue their growth pattern as Cricket fever in Barbados heightens in anticipation of Cricket World Cup in 2007. Recently S&P revised Barbados's outlook

from negative to stable in anticipation of lower general government debt and higher growth prospects in 2007. Advertising revenues in Barbados is expected to peak in the last quarter of 2006 into mid 2007. During this period record tourist arrival numbers are expected and should also bode well for Nation's property rental segment. In Trinidad the television and newspaper segments are expected to remain the Group's top revenue earners given increased advertising around the Christmas season and advertising campaigns for Local and General elections in 2007. Competition however is already encroaching on the overall market as the new CNMG television recently aired, bringing total operational local television stations to 8.

OCM's results are indeed promising and a good showing is expected for end of year results, however the planned issue of 3,000,000 shares in the final quarter could dilute shareholders earnings. The stock remains one of the more highly favoured on the local exchange with a trading frequency of 73% better than Trinidad Publishing's 52%. Using the Price to sales, Price to book and Dividend Discount valuation models we project a price in the range of TT\$23.00 and \$24.51 for the media Group to the end of its financial year.

Regional Market Review

Less shares traded on the TTSE in this period however the value improved from TT\$14.2 million to TT\$19.8 million. The TTSE Composite lost 6.6 points to close at 907.79 points while the All T&T retreated by 1.4%. Top advancers were Readymix and TCL while Guardian lost 8.6% of its value followed closely by Plipdeco which fell 6.3% to TT\$9.00.

It was the cross-listed stock which remained in good favour with investors as Sagicor and JMMB accounted for 47% of the 2.1 million shares traded. In other news NFM is due to under go both strategic and structural changes as the Government has plans to turn over its holdings in the flour manufacturer to the private sector. NFM along with BWIA are two loss making companies the Government intends to liquidate. The company will soon implement a new business plan, new management and a VSEP package; the costs associated with the latter are expected to be quite significant. In addition a new flour mill was commissioned and is expected to improve efficiency, productivity and quality at lower costs.

Although the BSE Composite fell by .4% to close at 980.47 points the Local Index posted positive yet marginal returns as the cross-list stocks continue to weigh on the overall market. With an advance decline ratio of 4 to 1; the sole decline was from RBTT which fell 3.2%. Lower trading volumes characterized this week's market activity with 186,110 shares changing hands of which BS&T contributed 49%.

In Jamaica, Caribbean Cement Company (CCC) increased cement prices by 12% on higher fuel cost shocking not only the construction market but also the Government. Cement was raised to J\$370/bag a move Cabinet insists is insensitive given the companies' inability to meet local demand. On the other hand the stock appreciated 22%

after the news was released. Another top advancer was Jamaica Broilers which jumped 15%, constrained only by the circuit breaker, after the JBG board announced its intent on entering the Ethanol business. The Ethanol Production facility is expected to be completed by May 2007 and will be financed by both debt and equity. This venture is expected to generate J\$4.4 billion in revenue and would be more profitable than the broilers business. Stocks losing the most traction during this period were Mayberry Investments, Gleaner and Courts. After a short rally in the prior week the JSE recorded a marginal decline to close at 82,001.43. Market volume amounted to 15 million units with Life of Jamaica accounting for 21% of all trades. The stock is currently trading at a P/E of 9.7 times compared to its 14 times average.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	907.79	-0.94	-1.33	-14.91	-21.38
All Trinidad	1138.35	-1.39	-2.61	-13.93	-21.11
JSE Index	82,335.48	0.02	-4.02	-20.64	-24.00
All Jamaica	78,757.24	0.05	0.20	-23.80	-28.35
JSE Select	2,190.47	0.02	1.34	-23.07	-24.77
BSE Composite	980.47	-0.45	0.99	-5.26	-4.47

Current Happenings

- Gov't to sell NFM Shares
- OWTU predicts fuel shortage if Petrotrin fails to resume operations
- Barbadian cost of living too high
- Cabinet alarmed at cement price hike
- Jamaica Broilers investing j\$1.1 billion in Ethanol plant

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1268.88	0.72	1.46	0.01	3.24
Nasdaq Composite	2073.90	-0.33	-2.80	-7.57	-4.28

German Dax	5565.76	0.48	0.93	1.92	14.93
FTSE 100	5851.20	1.27	2.99	2.99	11.01
Nikkei 225	15005.24	3.48	-0.97	-6.87	27.57

International Market Review

The world's biggest oil company Exxon Mobil released impressive half year results as energy prices and production pushed profits up US\$10.4 billion or 36%. This is the best results since the acquisition of Mobil Corp in 1999. Similarly the second largest oil company BP Plc and ConocoPhillips (USA 3^d largest) also benefited from favourable oil prices with profit increases of 30% and 65%. The recent oil price hikes however seem to be driven by threats to supply as opposed to strengthening demand. Equity benchmarks rallied in this period with the exception of the U.S Nasdaq Index. The S&P 500 and Dow Jones benchmarks were up by more than 1.5% regaining losses made in the prior period. Similarly the European Equity markets rallied, outperforming its Asian counterparts.

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