



## Ansa Merchant rolling with the punches

Two years post-merger and earnings from Ansa Merchant Bank Limited (AMBL) are yet to fully reflect the anticipated organic growth and operational efficiency. Profit after tax amounted to TT\$49.1 million in the first half of 2006 almost flat compared with TT\$51.9 million in the first half of 2005. Earnings per share (EPS) for first half 2006 contracted to TT\$0.52 from the restated TT\$0.62. Although both revenue streams of Merchant Banking and Insurance Operations were higher in 2006 the insurance segment continued to squeeze operating profit based on extraordinary and unexpected claims. Management does not expect the extraordinary claims to continue in the second half of 2006.

The Banking segment faced challenges posed by narrowing interest rate spreads and adverse movements in bond prices but managed to improve its revenue flow and contribution to operating profit. Income from merchant banking totaled TT\$82.6 million in the first half of 2006, well above the TT\$54.3 million recorded in the period ended June 2005. Its contribution to operating profit grew from 35% in 2005 to 47% in half year 2006.

With regard to the Insurance segment, income rose to TT\$145.8 million in the first six months of 2006 compared with TT\$119 million in the corresponding period of 2005. The contribution of Insurance operations fell sharply to 52% of operating profit in 2006 from 65% in 2005. Overall, AMBL's operating profit margin, measured by operating profit to revenue, fell to 25.4% from 29.5% and net profit margin moved down from 25.6% to 21.8%.

Ansa Merchant is operating in an environment of increasing competition both in the Insurance and Banking arenas and more companies are likely to start offering the mix of Insurance and Merchant Banking services to obtain a competitive edge. Sagicor is an example of this strategy. Further revenue diversification is planned in the area of mutual funds given the success of The Ansa Secured Fund and AMBL could include more international options going forward. An international fund would be welcomed given the increasing competition in the mutual fund industry, declining yields in the fixed income market and the lackluster performance of the regional equity markets.

On the balance sheet side, a negative impact of TT\$26 million in other reserve movements caused shareholders' equity to slide by 10% in the six month period. On a year-on-year basis, the fall in net income resulted in flat ROE and ROA ratios which are at 10.9% and 3.3% respectively. On the other end, the company's debt ratios worsened in the period as total debt to equity jumped from 130% to 252% as Total liabilities (TT\$3.2 million:2006, \$2.6 million: 2005) grew at a faster pace than shareholder's equity.

Ansa Merchant maintains the lowest trading frequency in the Non-Banking Finance Sector, trading at a mere 39% of the time. The stock has a trailing EPS of TT\$1.17 and is currently priced at TT\$19.49 with a P/E of 16.6 times which is substantially above the sector's 7.8 times and the overall market's 12.8 times.

### Regional Market Review

The recent 3,000,000 share issue by One Caribbean Media Market activity is expected to boost market activity both on the TTSE and the BSE. The long awaited "A" common shares are being issued at TT\$20.00 and B\$6.35. The stock is currently trading at TT\$24.27 and B\$3.89 on the respective exchanges. Local equity benchmarks posted flat returns on lower traded volumes and values. The Composite and All T&T Indices closed with 872.89 and 1,096.34 points each. Volumes (1.47 million units) traded showed a 26% improvement on increasing demand for the local Cement Manufacturer, TCL which accounted for 41% of units changing hands. Momentum for Dehring, Bunting and Golding continued this week with a 13% weighting in total traded volume, at the close of trade on 22 September, values contracted by 28% as a result of retreating share prices on increasing traded volumes. The advance /decline ratio ended with 7 declines and 9 advances while 17 shares remained unchanged.

On 20 September, SBTT's price was adjusted to \$25.50 based on the issue of 58 million shares unto the initial listing based on the recent 2 to 1 bonus issue; share certificates are expected to be distributed to shareholders on October 19<sup>th</sup>. National Flour Mills advanced the most (14.4%) as the stock continued to trade below its Book Value making it an attractive option in light of management's 18 month turnaround and projected 4% increase in operating profit margin in the next year. GraceKennedy and Trinidad Publishing also rose 5.5% and 2.6% in value. Stocks losing ground were Capital and Credit Merchant Bank (9.7%), Plipdeco (4.4%) and Angostura Holdings (3.4%). In other news Angostura increased its holding in Vodka and wine producer, Belvedere S.A; the CL Group increased its holdings to 64.8%, of which Angostura owns 46.9%. The EUR 165 million transaction was financed through the sale of Cruzan International last year as the Group focused more on European and Asian market penetration. In addition Belvedere recently acquired 100% shareholding in Marie Brizard S.A.; together the companies generated sales in the range of EUR 843 million and net operating profits of EUR 36 million. Sales on an international level are improving as the company continues to focus on building brand equity and increasing International brand investments however earnings growth is projected to be modest in the medium term based on heavy investment in the Group's global expansion and marketing thrust which is expected to taper off in 2008.

In Barbados, the equity gauge recorded a marginal gain of .2% on positive price movement from 5 shares; to close at 966.29 points. Trading activity in terms of volumes jumped 54% on increasing demand for shares like Sagicor, Goddard Enterprises and Almond Resorts. OCM's share issue in Barbados is also stirring interest among investors despite the fact that the issue price of B\$6.35 is almost twice the current market value and the fact that no tax benefits can be derived from this investment considering that it is a Trinidad entity. This together with the reopening of the Fortress Growth Fund on 2 October is already raising hopes for new stock listings on the BSE. A possible listing in the next 6 weeks would mean that OCM could be the first listing on the BSE for the year followed by Duty as listing for Duty Free Caribbean Holdings (DFCH). The top three stocks gaining value in this period were BFL, CWBL and BNKS.

In Jamaica, strengthening economic conditions, slowing inflation and falling oil prices encouraged the Bank of Jamaica to reduce open market instruments by 20 basis points. Meanwhile, more acquisitions drove activity and share price appreciation in the market. Rumors of a delisting for Mayberry shares were denied by MIL executives and replaced by assurances of its strong hold in the financial industry. The company recently acquired 49% interest in Access Financial Services Limited. Subsequently, the stock appreciated by J\$.20 seemingly in response to the news. On this same note, Jamaica Producers is considering a buyout offer posed by the American Dole Food Company. Under the offer obligations Producers must either accept or repurchase Dole's 35% interest in the company (JPDF) which Dole currently owns. JPG however may be more interested in acquiring the other 65% which is estimated to be around J\$2 billion in value. The Jamaican stock indices declined marginally at the close of trade on 26 September. The Composite Index and All Jamaica Index closed with 85,510.34 and 85,526.44 points, a marginal decline of .6% and 1.2% respectively. On 22 September the JSE welcomed its second listing for the year when NCB Capital Markets listed its preference shares at J\$3.00 per unit. The oversubscribed NCBCM Preference Stock Offer successfully raised J\$300 million for the company. Trading volumes retreated in this period but Cable and Wireless stayed on top moving 16% of total volumes traded while Life of Jamaica followed in a close second. In terms of advances Salada Foods was up by 22.3% followed by CCC (8.3%)

**Table 1: Regional Market Performance**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	872.89	0.02	-0.98	-18.18	-18.74
All Trinidad	1,096.34	-0.12	-1.03	-17.10	-17.63
JSE Index	85510.34	-0.58	3.92	-17.58	-16.93
All Jamaica	85526.44	-1.17	8.28	-17.26	-14.43
JSE Select	2325.83	-1.23	6.75	-18.32	-13.87
BSE Composite	966.29	0.16	-1.52	-6.64	-7.06

### Current Happenings

- Region's growth higher than 2005
- Angostura increases Belvedere stake to 45.67%

- Minister of Foreign Affairs resigns with no official explanation
- Barbados to sign on to the Eastern Caribbean Gas Pipeline Project; to purchase natural gas from T&T
- Barbados Government issues Bond to raise B\$10 million
- Jamaica's Finance Ministry returning to the Money Market to raise funds to meet budgetary requirements.
- NCB Capital Markets lists preference shares
- Jamaica Producers considering buyout offer from American Dole Food Company

**Table 2: International Market Performance**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,336.35	0.84	3.11	5.32	9.93
Nasdaq Composite	2,261.34	0.38	5.66	0.78	6.59
Dow Jones Industrial	11,669.39	0.48	3.41	7.58	11.74
German Dax	5,960.63	0.10	2.57	9.16	19.26
FTSE 100	5,873.60	0.13	-0.09	3.38	7.71
Nikkei 225	15,557.45	-1.03	-2.39	-3.44	16.16

## International Market Review

U.S. stock-index futures advanced on growing confidence the pace of consumer and business spending will sustain economic growth. All three U.S benchmarks rallied adding at the end of trade on 26 September, The S&P advanced by .8% while the NASDAQ and Dow Jones inched were up by less than half a percentage point. In other news, Economists expect the Commerce Department report to record an improvement in demand for durable goods in August. This could indicate that business investments are increasing which could help buoy a slowing economy. Housing sales also weakened as demand for mortgages is slowing. German stocks rose after consumer confidence in Europe's largest economy reached a 5-year. Consumers spent more before sales taxes increase in January, boosting growth and squeezing unemployment rate. The German Dax gained 6.25 points to close at 5,960.63 points. Japan's retail sales rose 2 % in August, buoyed by high gasoline prices and lower rainfall, consumer spending is likely to rise on account of a fall off in unemployment levels and rising wages. The Nikkei and Hang Seng both ended in negative territory losing a negligible 1% each.

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