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**Prestige Holdings Limited**

	<b><u>Prestige Holdings Limited</u></b>
<b>RECOMMENDATION</b>	<b><u>SELL</u></b>
<b>Current Price</b>	<b>\$7.10</b>
<b>Current Running P/E</b>	<b>17.75</b>
<b>Running EPS</b>	<b>39.99 cents</b>
<b>Projected EPS</b>	<b>30 cents</b>
<b>Dividend Yield (FY 2005)</b>	<b>1.78%</b>
<b>Return on Assets</b>	<b>31.88%</b>
<b>Return on Equity</b>	<b>35.43%</b>

**Half Year Ended May 31, 2006**

Prestige Holdings Limited (PHL) reported diluted Earnings Per Share (EPS) of 13.44 cents for the half year ended May 31, 2006 down 32.43 per cent from 19.89 cents for the similar period in 2005. The second quarter was in fact less profitable than the first quarter as 6.37 cents was earned in Q2 compared to 7.06 cents in Q1. Also, in comparison to Q2-2005, PHL's EPS fell by 36.11 per cent.

One of the reasons the Company's earnings continue to be pressured is in part due to depressed sales in its flagship KFC operations as a result of the panic over the Aspergillois fungus. Reports of the virus became public in January 2006. Since then, the Company's sales have suffered significantly though the Chairman indicated that some improvement has been seen since March 2006.

Also impacting negatively on sales was the two week Government shut down in Puerto Rico due to a budget deficit. The standstill saw approximately 95,000 Government workers (approximately 8 per cent of the population) being laid off without pay which resulted in weekly sales in the Company's TGI Friday's operations initially falling by about 20 per cent.

Growth in Company's sales was therefore weak and grew minimally 4.03 per cent to \$280.858 million. Cost of Sales grew 5.18 per cent to \$190.404 million leading to a marginal increase in Gross Profit of 1.71 per cent to \$88.936 million. Though the Company's Pizza Hut operations continue to experience significant cost increases, PHL is exploring alternative supply channels to address the increase.

Operating Restaurants Profit declined by 28.49 per cent to \$18.957 million as Operating Restaurants Expenses witnessed a 14.53 per cent increase to \$71.497 million. Finance Costs increased 22.59 per cent to \$5.693 million while Profit Before Tax net of Pre-Opening Expenses and Equity Settled Arrangements dropped 42.60 per cent to \$11.367 million. A reduction in the Company's effective tax rate from 37.23 per cent to 34.35 per cent cushioned the bottom line as Profit After Taxation showed a 39.97 per cent decline to \$7.462 million.

The Company's performance was also negatively impacted by the fact that KFC is suffering from a labour shortage particularly in North Trinidad. PHL however continues to use creative approaches to redress this imbalance and mitigate its effect on its performance. In addition, the expansion of the TGI

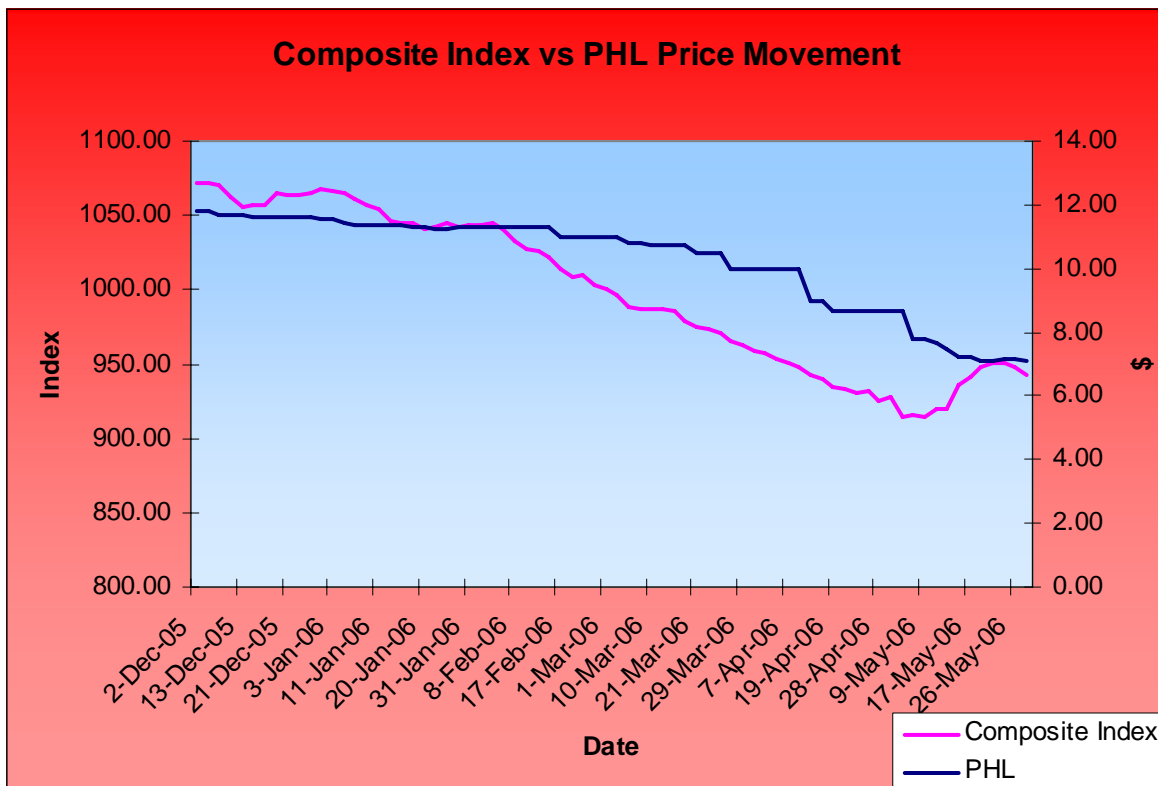


Friday's outlet in Puerto Rico has brought substantial costs to the Company. PHL however expects the three unit TGI operation on this island to become profitable as it achieves critical mass.

On a positive note, PHL is continuing on its expansion drive with a new branch of KFC expected to be opened in September 2006 in Arima. An outlet was also recently opened in the Dominican Republic where the existing restaurants have continued to deliver improved results. The Company also expects to open a new TGI Fridays operation in Barbados and a second unit of Long John Silver's in Trinidad.

At the current price of \$7.10, PHL is trading at a running price/earnings ratio of 17.75. Given that at the half year the Company earned 13.44 cents per share, which is only 28.97 per cent of last year's final EPS, and the fact that the Chairman himself stated that the Company does not expect to achieve the profit level of 2006, we are revising our EPS downward to 30 cents. At this forecasted EPS, the Company is currently trading at 23.67 time earnings which is high for a Company, not only in the trading sector, but also in the market. Hence, at the current price of \$7.10, we recommend a SELL on this share.

**Figure 1**



**Figure 2**





**Figure 3**

<b>Prestige Holdings Limited</b>	<b>YE '04 \$'000</b>	<b>YE '05 \$'000</b>	<b>% Change</b>		<b>HYE '05 \$'000</b>	<b>HYE '06 \$'000</b>	<b>% Change</b>
Sales	456,438	548,427	20.15%		269,968	280,858	4.03%
Cost of Sales	307,814	369,786	20.13%		(181,032)	(190,404)	5.18%
<b>Gross Profit</b>	<b>148,624</b>	<b>178,641</b>	<b>20.20%</b>		<b>88,936</b>	<b>90,454</b>	<b>1.71%</b>
Operating Restaurants Expenses	106,216	127,755	20.28%		(62,426)	(71,497)	14.53%
<b>Operating Restaurants Profit</b>	<b>42,408</b>	<b>50,886</b>	19.99%		<b>26,510</b>	<b>18,957</b>	<b>-28.49%</b>
Finance Costs-net	8,680	8,886	2.37%		(4,644)	(5,693)	22.59%
Profit Before Taxation from Operating Restaurants	33,728	42,000	24.53%		21,866	13,264	-39.34%
Profit Before Taxation net of Pre-Openings Expenses and Equity Settled Arrangements	32,985	39,370	19.36%		19,804	11,367	4.03%
Taxation	10,876	10,268	-5.59%		(7,373)	(3,905)	-47.04%
<b>Profit After Taxation</b>	<b>22,109</b>	<b>29,102</b>	<b>31.63%</b>		<b>12,431</b>	<b>7,462</b>	<b>-39.97%</b>
EPS (Basic) cents	39.95	47.50	18.90%		20.21	13.75	-31.96%
EPS (Diluted) cents	39.09	46.44	18.80%		19.89	13.44	-32.43%
Price/Earnings Multiple	22.51	25.41					
Dividend (cents)	24	21					
Dividend Payout Ratio %	61.40	45.22					
Dividend Yield %	2.73	1.78					
Net Asset Value	\$ 1.12	\$ 1.37					
Market to Book Ratio	7.86	8.61					
Shares Outstanding	60,950,000	60,950,000					

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