

**Prestige Holdings Limited (PHL)**

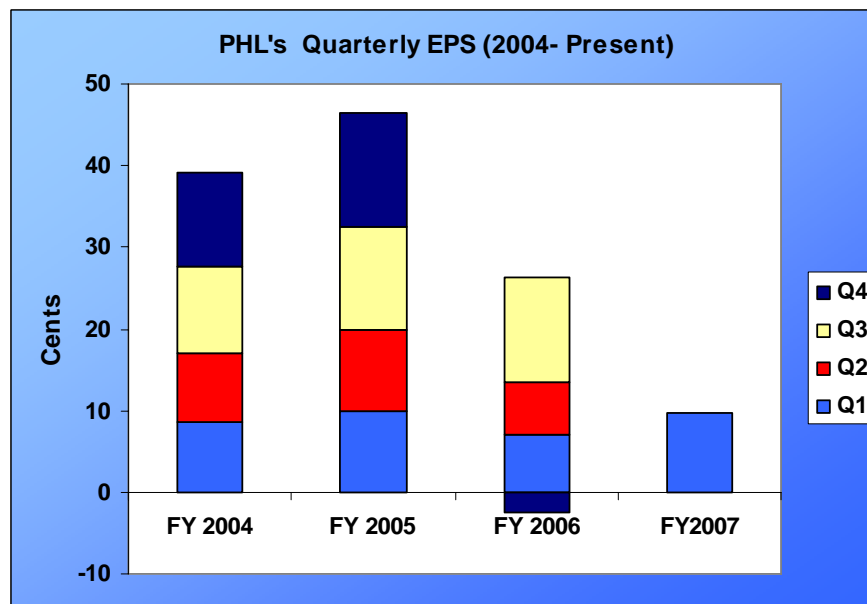
<u>SYMBOL</u>	<u>PHL</u>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>\$5.78</b>
<b>Running EPS</b>	<b>26.5 cents</b>
<b>Projected EPS</b>	<b>45 cents</b>
<b>P/E at Projected EPS</b>	<b>12.84times</b>
<b>Dividend Yield</b>	<b>3.46%</b>
<b>Return on Assets</b>	<b>7.30%</b>
<b>Return on Equity</b>	<b>23.84%</b>

*Results for the First Quarter Ended February 28, 2007*

**Earnings Per Share**

For the First Quarter Ended February 28, 2007 Prestige Holdings Limited (PHL) reported Earnings Per Share (EPS) of 9.7 cents. This EPS was up by a considerable 36.62 per cent or 3 cents on the comparable EPS in Q1'06. However, it is important to note that the Group had suffered significantly in the first quarter of 2006 due to media coverage of the Aspergillus fungus at a small poultry farm in Cumuto which negatively impacted sales in KFC Trinidad and Tobago. Thus, this should be taken into consideration when comparing figures quarter on quarter. The Graph below, **Graph 1**, shows the quarterly EPS for PHL over the period 2004 to present. As can be seen clearly, the year 2006 was indeed a challenging year for PHL with the last quarter ending in negative territory.

**Graph 1**





### Financials

Sales for the period amounted to \$158.48 million, an increase of 13.51 per cent or \$18.87 million on the comparable Sales figure in FY'06. Cost of Sales increased by 13.07 per cent to \$107.44 million resulting in a Gross Profit of \$51.04 for Q1'07 compared to \$44.59 million for Q1'06- an increase of 14.47 per cent.

Operating Restaurant Expenses stood at \$40.07 million compared to \$35.14 million in the corresponding quarter in the last financial year. Thus, Operating Restaurant Profit stood at \$10.97 million, up by \$1.52 million or 16.04 per cent on the corresponding period in FY'06.

For the period under review Finance Costs totaled \$3.07 million, an increase of \$0.69 million or a considerable 29.05 per cent on the Finance Costs for the corresponding quarter in FY'06. Thus, Profit Before Taxation amounted to \$7.89 million up by 35.76 per cent or \$2.08 million on the comparable figure in the last financial year.

The Effective Tax Rate for Q1'07 was 30.65 per cent compared to a Tax Rate of 36.35 per cent for Q1'06. The Profit After Taxation ended the period at \$5.47 million up by a significant 47.92 per cent on the comparable quarter in FY2006.

*Table 1 shows a comparison of financial data for the first quarter of 2007, 2006 and 2005.*

**Table 1**

Prestige Holdings Limited Financial Data Comparison (First Quarter 06/07 and 05/06)							
	Q1 2007 \$'000	\$ Change	%Change	Q1 2006 \$'000	\$ Change	%Change	Q1 2005 \$'000
Sales	158,478	18,865	13.51%	139,613	4,517	3.34%	135,096
Cost of Sales	(107,439)	(12,415)	13.07%	(95,024)	(4,587)	5.07%	(90,437)
Gross Profit	51,039	6,450	14.47%	44,589	(70)	-0.16%	44,659
Operating Restaurants Expenses	(40,073)	(4,934)	14.04%	(35,139)	(4,531)	14.80%	(30,608)
<b>Operating Restaurants Profit</b>	10,966	1,516	16.04%	9,450	(4,601)	-32.75%	14,051
Finance Costs-net	(3,074)	(692)	29.05%	(2,382)	(156)	7.01%	(2,226)
<b>Profit Before Taxation from Operating Restaurants</b>	7,892	824	11.66%	7,068	(4,757)	-40.23%	11,825
Pre-Opening Expenses	-	-		(1,255)	116	-8.46%	(1,371)
Profit Before Taxation	7,892	2,079	35.76%	5,813	(4,341)	-42.75%	10,154
Taxation	(2,419)	(306)	14.48%	(2,113)	1,812	-46.17%	(3,925)
<b>Profit After Taxation</b>	5,473	1,773	47.92%	3,700	(2,529)	-40.60%	6,229
<b>Diluted Earnings Per Share (Cents)</b>	<b>9.7</b>	2.6	36.62%	<b>7.1</b>	(2.8)	-27.99%	<b>9.86</b>



Table 2 shows a comparison of financial data for the fiscal years ended 2003-2006.

Table 2

Prestige Holdings Limited Financial Data Comparison (Year End 2003-2006)							
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000
Sales	583,225	6.35%	548,427	17.58%	466,438	18.50%	393,635
Cost of Sales	(396,101)	7.12%	(369,786)	20.13%	(307,814)	14.11%	(269,747)
Gross Profit	187,124	4.75%	178,641	20.20%	148,624	19.97%	123,888
Operating Restaurants Expenses	(152,645)	19.48%	(127,755)	20.28%	(106,216)	16.99%	(90,787)
<b>Operating Restaurants Profit</b>	34,479	-32.24%	50,886	19.99%	42,408	28.12%	33,101
Finance Costs-net	(10,606)	19.36%	(8,886)	2.37%	(8,680)	-23.92%	(11,409)
<b>Profit Before Taxation from Operating Restaurants</b>	23,873	-43.16%	42,000	24.53%	33,728	55.49%	21,692
Pre-Opening Expenses	(2,397)	74.84%	(1,371)	***	-	***	-
Equity settled arrangements	***		(1,259)	69.45%	(743)	***	-
Profit Before Taxation	21,476	-45.45%	39,370	19.36%	32,985	52.06%	21,692
Taxation	(9,218)	-10.23%	(10,268)	-5.59%	(10,876)	41.61%	(7,680)
<b>Profit After Taxation</b>	12,258	-57.88%	29,102	31.63%	22,109	57.79%	14,012
<b>Diluted Earnings per Share (Cents)</b>	23.90	-48.54%	46.44	18.80%	39.09	41.12%	27.70
Market Price @ Financial Year End	\$5.50	-53.39%	\$11.80	34.09%	\$8.80	120.00%	\$4.00
P/E Ratio @ Financial Year End	23.01		25.41		22.51		14.44
Dividend (Cents)	15.00	-28.57%	21.00	-12.50%	24.00	33.33%	18.00
Dividend Payout Ratio (%)	62.76%		45.22%		61.40%		64.98%
Dividend Yield	2.73%		1.78%		2.73%		4.50%
Net Asset Value	\$1.49	0.00%	\$1.49	23.14%	\$1.21	22.22%	\$0.99
Market to Book Ratio	3.69		7.92		7.27		4.04
Return on Equity	17.73%		38.49%		37.84%		30.62%
Return on Assets	5.17%		11.25%		9.87%		6.60%
Shares Outstanding	60,950,000		60,950,000		60,950,000		60,500,000

### Restaurant Performance

- **KFC-** The Chairman has stated that the 49 KFC restaurants in Trinidad and Tobago and the 11 units in the Dominican Republic are performing very well; both markets having experienced double digit sales growth and improved profitability compared with the first quarter of 2006.
- **T.G.I. Friday's-** The three restaurants in Trinidad have reportedly delivered satisfactory results and the Company will soon be closing the Port of Spain flagship to carry out renovation works with the intention of introducing the latest T.G.I Friday's image to this market. The Chairman has also stated that the restaurant in Santo Domingo, Dominican Republic (DR), maintained its robust growth trends and achieved an excellent profit. The restaurant in Kingston, Jamaica continues to improve in sales and earnings and the Company expects to see a turnaround to profitability this year. However the three restaurants in Puerto Rico continue to be negatively affected by the



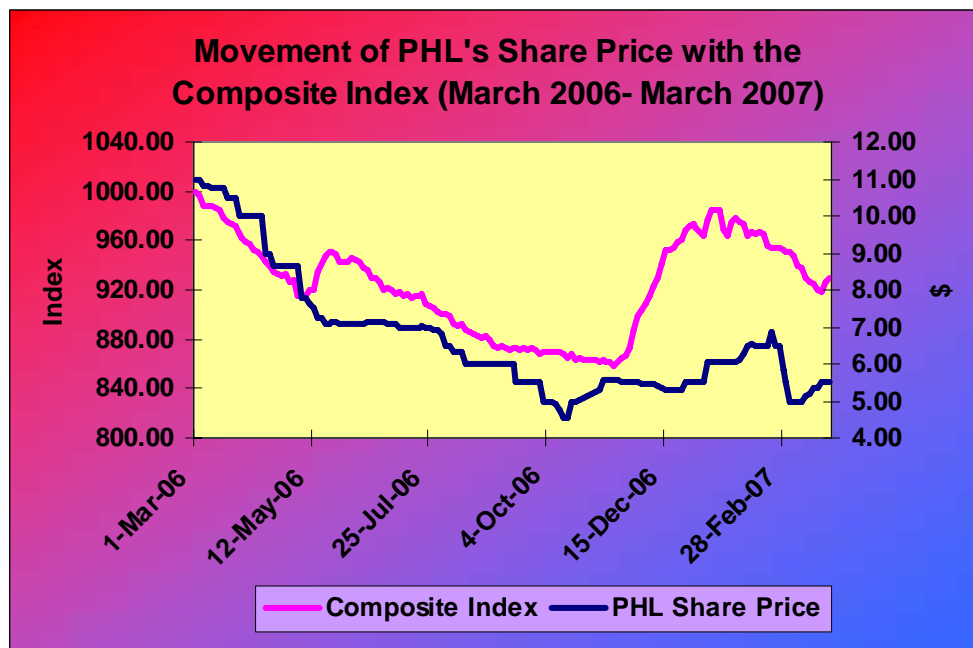
challenging economy in that country. PHL is on track for opening a second unit in the DR and a first restaurant in Barbados in the third quarter.

- **Pizza Hut-** This business performed better than the first quarter of 2006 and the Chairman believes that the trend is positive.
- **Long John Silver-** While this restaurant is being challenged by construction works at the Gulf City Mall and access road to the restaurant, the recent sales trend is also positive.
- **TCBY Treats-** This unit has been closed in West Mall and re-opened in the KFC Westmoorings restaurant to offer easier weekend access. Additionally, the recently launched packaged product sales to supermarkets is improving and performance was reportedly better than in the first quarter of 2006.

### Share Price

Over the last twelve months the share price of PHL trended downward. The share started March 2006 at a price of \$11.00 and closed March 2007 at a price of \$5.53. A drop of almost 50 per cent in share price. This movement was no doubt a reflection of the challenges faced by the Company over the year 2006 and the uncertainty of future results that was carried into the first two months of 2007. (See Graph 2)

Graph 2





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### *Chairman's Statements and Recommendation*

In his report to shareholders, the Chairman stated that- barring any unforeseen adverse events, it is expected that the positive trend of the first quarter will continue for the rest of 2007. PHL is currently trading at a price of \$5.78. In light of the current results and the forward looking statements of the Chairman we are revising our forecasted EPS to 45 cents. At the current price and revised forecasted EPS, this share is trading at a price to earnings multiple of 12.84 times which is attractive for this share. Additionally, using a multiple of 15 times and the forecasted EPS of 45 cents, we estimate a target price of \$6.75 or a return of approximately 14 per cent based on the current price. Thus, using this analysis we recommend a **BUY** on this share.

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