

# Bermuda Aviation Services Limited

Ticker: BAS - BH

Sector: Transport/Conglomerate

Fiscal Year-End: March 31, 2008

Web Site: none

<b>Share Price (10/31/08):</b>	\$5.25
<b>Stock Rating:</b>	Hold
<b>Risk Profile:</b>	Moderate
<b>1-Year Price Target:</b>	\$5.50
<b>1-Year Implied ROR:</b>	10.9%

<b>Annual Dividend:</b>	\$0.32
<b>Current Yield:</b>	6.1%
<b>Payout Ratio:</b>	56%
<b>Ex-Dividend Date:</b>	11/14/08
<b>Frequency:</b>	Quarterly

<b>Shares O/S:</b>	5.1m
<b>Market Cap:</b>	\$26.7m
<b>BSX Weight:</b>	1.3%
<b>Book Value:</b>	\$6.48
<b>Price/Book:</b>	0.81x

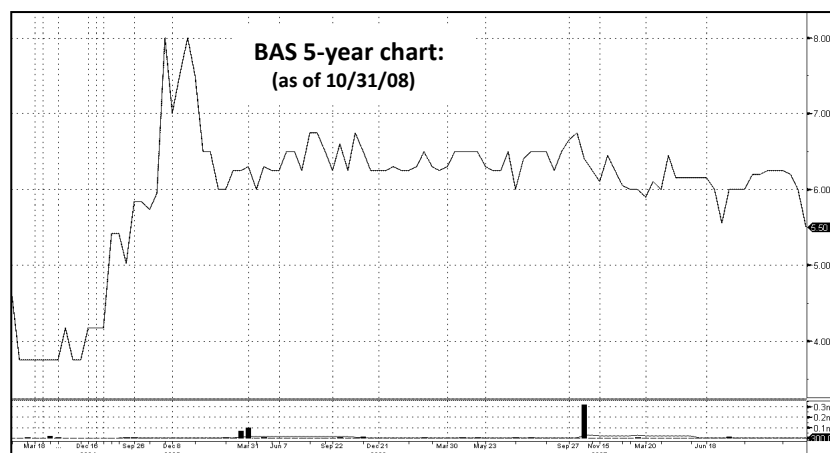
<b>52-Week High:</b>	\$6.45
<b>52-Week Low:</b>	\$4.50
<b>Avg. Monthly Volume:</b>	21.2k

<b>Current P/E Ratio:</b>	9.2x
<b>Shareholder's Equity:</b>	\$32.9m
<b>Total Assets:</b>	\$44.4m
<b>Return on Equity:</b>	8.8%
<b>Return on Assets:</b>	6.5%

Earnings Snapshot	2006	2007	2008	2009E	2010E
<b>EPS:</b>	\$0.56	\$0.67	\$0.57	\$0.65	\$0.70
<b>YoY Growth:</b>	40.0%	19.6%	(14.9%)	14.0%	7.7%
<b>P/E Ratio:</b>	11.3x	9.4x	10.4x	8.1x	8.0x
<b>Fiscal YE Price:</b>	\$6.30	\$6.30	\$5.90		

## Notes:

- BAS omitted its quarterly dividend for August 2007.



## Company Description

Bermuda Aviation Services Limited (BAS) is a holding company for Aircraft Services Bermuda, which provides aircraft, passenger, and cargo handling services at the Bermuda International Airport. Other BAS subsidiaries operate in a broad range of business segments, including automotive parts and services, elevator sales and service, facilities management, cargo and courier services, and computer cabling services and maintenance.

Segmented numbers for fiscal 2008 are as follows (in millions):

<u>Business Segment</u>	<u>Revenue</u>	<u>Earnings</u>	<u>Net Margin</u>
IT Services	\$21.4	\$0.7	3.3%
Cargo Handling	\$14.7	\$1.3	8.6%
Facilities Management	\$8.2	\$1.2	15.0%
Aircraft & Passenger Handling	\$8.0	\$1.1	14.3%
Food & Beverage Wholesaling	\$3.3	\$0.1	3.3%
Automotive Garages	\$2.8	\$0.5	17.9%
Administrative Services	\$0.3	(\$1.4)	n/a

## Bermuda Aviation Services Limited

### 2008 Results

BAS reported fiscal 2008 earnings of \$2.4 million, or \$0.47 per share, a 30% decline from 2007 net income of \$3.1 million, or \$0.67 per share. Non-operating items included a \$700,000 loss on the sale of the Crow Lane Bakery operations and \$200,000 in one-time restructuring costs. Without these items, operating earnings were flat year-on-year at \$3.1 million.

Revenues rose 68% year-on-year, from \$33.4 million to \$66.1 million, as the company enjoyed its first full operating years of new acquisitions Otis Bermuda Ltd. and CCS Ltd. Operating margins were negatively impacted by a competitive market for IT services, higher fuel prices, unfavourable currency exchange rates, and integration costs associated with the two new BAS acquisitions.

### Forecast and Recommendation

After reported mixed results in fiscal 2008, BAS faces a several challenges going forward. On the positive side, the company should benefit from lower fuel costs, more favourable exchange rates, and an increased understanding of its two new business lines. Although Otis Bermuda performed according to plan, CCS reported little profit, despite making significant inroads in market share. Management claims that they have tweaked the company's business model and made some key adjustments that will deliver better results in the future. Global economic pressures could significantly reduce demand for some of the company's key services, including facilities management and the private jet business (which is still embroiled in a lawsuit.)

We are estimating a moderate rebound in operating earnings per share – from \$0.61 last year to \$0.65 in fiscal 2009 and \$0.70 in fiscal 2010. We apply an 8.00x multiple to the 2010 figure for a one-year price target of \$5.50. BAS shares are rated Hold.