

Bermuda Container Line

Ticker: BCL - BH
Sector: Transport

Fiscal Year-End: Dec. 31, 2008
Web Site: www.bcl.bm

Share Price (10/31/08):	\$11.00
Stock Rating:	Hold
Risk Profile:	Moderate
1-Year Price Target:	\$11.00
1-Year Implied ROR:	5.1%

Annual Dividend:	\$0.56
Current Yield:	5.1%
Payout Ratio:	28%
Ex-Dividend Date:	02/05/09
Frequency:	Quarterly

Shares O/S:	3.0m
Market Cap:	\$33.0m
BSX Weight:	1.7%
Book Value:	\$10.49
Price/Book:	1.05x

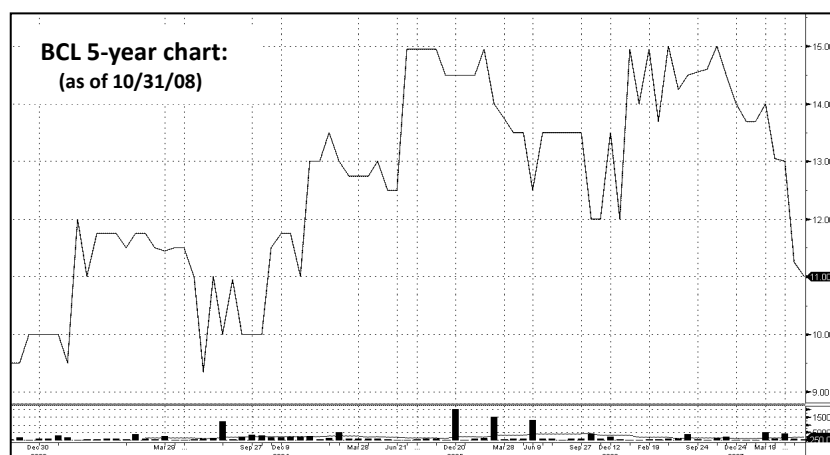
52-Week High:	\$14.60
52-Week Low:	\$11.00
Avg. Monthly Volume:	1.2k

Current P/E Ratio:	5.5x
Shareholder's Equity:	\$31.5m
Total Assets:	\$36.9m
Return on Equity:	19.2%
Return on Assets:	16.4%

Earnings Snapshot	2005	2006	2007	2008E	2009E
EPS:	\$1.15	\$1.47	\$2.01	\$1.42	\$1.51
YoY Growth:	(5.0%)	27.8%	36.7%	(29.4%)	6.3%
P/E Ratio:	12.0x	8.9x	7.0x	7.7x	7.0x
Fiscal YE Price:	\$13.77	\$13.05	\$14.00		

Notes:

- BCL paid a special cash dividend of \$0.55 in Feb. 2008.
- BCL raised its annual dividend by \$0.04 in July 2007.



Company Description

Bermuda Container Line (BCL) operates ocean freight services linking Bermuda with various destinations around the globe. The company runs a weekly route between Hamilton and New Jersey and through its 50% joint venture Somers Isle Shipping Ltd. (SISL), a service between Hamilton and Florida (operating three times per month.) BCL's network of agencies allows for full container loads to be shipped by a variety of freight methods between Bermuda and all key centres across North America.

Bermuda Container Line

2007 Results

BCL reported 2007 net earnings of \$6.0 million, or \$2.01 per share, however, this profit included the \$1.6 million gain on the sale of a terminal facility in New Jersey. Earnings from continuing operations were \$4.4 million, or \$1.48 per share – roughly equal to operating profit in 2006. Total Revenue rose 2.7% year-on-year to \$36.1 million, while expenses increased by the same amount.

The company's Florida freight service (BCL) reported marginally higher freight revenues, while its 50%-owned New Jersey freight service (SISL) showed a healthy revenue gain of 13%. However, vessel-related costs jumped \$920,000 or 21.5% - undermining any possible profit gains from shipping operations.

Half-Year 2008 Results

BCL earned \$1.53 million in the first six months of 2008, a year-on-year decline of 23%. Revenues remained flat at \$17.5 million. Much of the reduction in profits was attributed to a \$133,000 loss in the company's investment portfolio compared to "a healthy return in 2007". Expenses increased by 4.0% to \$16.1 million, largely due to a sharp increase in fuel costs.

Due to the turmoil in world financial markets, BCL management decided to liquidate their investment portfolio during the second quarter. All funds are now held in a diversified portfolio of AAA money market funds and short-term deposits. Given that the portfolio has been earmarked as replacement funds for BCL's aging vessel, "The Oleander", we view this move as a sound one.

Forecast and Recommendation

We expect the difficult economic climate to have a negative economic effect on BCL's operations over the next few quarters, and management has stated that third quarter cargo volumes for both BCL and SISL are down. On the positive side, the company's expense ledger should get some relief in the form of lower fuel costs. There will be negligible contributions made from the company's investment portfolio going forward, as it was prudently shifted to cash and cash equivalents. We forecast EPS of \$1.42 this year and \$1.51 in 2009. We apply a 7.0x multiple to our 2009 estimate for a price target of \$11.00 and a rating of Hold.