

The Bermuda Press (Holdings) Limited

Ticker: BPH - BH
Sector: Media

Fiscal Year-End: Sept. 30, 2007
Web Site: none

Share Price (10/31/08):	\$11.00
Stock Rating:	Buy
Risk Profile:	Low
1-Year Price Target:	\$13.00
1-Year Implied ROR:	25.1%

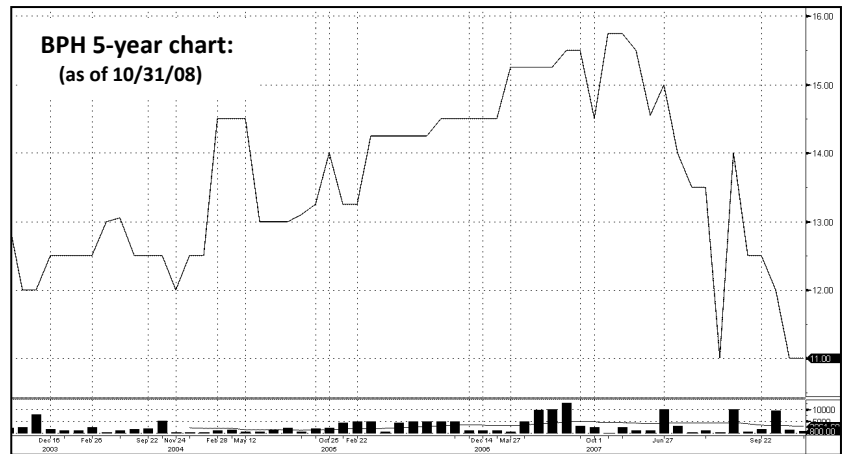
Annual Dividend:	\$0.76
Current Yield:	6.9%
Payout Ratio:	39%
Ex-Dividend Date:	12/12/08
Frequency:	Quarterly

Shares O/S:	1.4m
Market Cap:	\$15.2m
BSX Weight:	0.8%
Book Value:	\$21.94
Price/Book:	0.50x

52-Week High:	\$15.75
52-Week Low:	\$11.00
Avg. Monthly Volume:	4.0k

Current P/E Ratio:	5.6x
Shareholder's Equity:	\$30.3m
Total Assets:	\$43.7m
Return on Equity:	9.6%
Return on Assets:	6.7%

Earnings Snapshot	2005	2006	2007	2008E	2009E
EPS:	\$1.78	\$1.67	\$1.96	\$1.88	\$1.92
YoY Growth:	(28.2%)	(6.2%)	17.4%	(4.1%)	2.1%
P/E Ratio:	7.4x	8.7x	7.4x	5.9x	7.0x
Fiscal YE Price:	\$13.25	\$14.50	\$14.50		



Company Description

Bermuda Press Holdings (BPH) and its subsidiaries are engaged in a variety of business lines related to publishing and printing, with headquarters in Hamilton, Bermuda.

BPH is the holding company for the following operations:

- **Crown Communications** – publisher of “The Royal Gazette” (daily newspaper), “The Mid-Ocean News” (weekly), “RG Magazine” and “The Bottom Line” business magazine.
- **The Bermuda Press Limited** – commercial and quick-printing services through Pronto Print Limited and Chameleon Print Express.
- **Retail operations** – in downtown Bermuda, including “The Stationery Store” and “Artcetera”.
- **Office Solutions Limited** – supplier of commercial office products and equipment.
- **Crown House Properties** – commercial property rentals in downtown Hamilton.

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2007 Results

Bermuda Press (Holdings) Ltd. reported fiscal 2007 earnings of \$2.7 million, or \$2.96 per share – a 17% gain over fiscal 2006 earnings of \$2.31 million. Revenues rose 4.8% year-on-year, from \$34.1 million to \$35.7 million. Total expenses climbed by 5.9%, largely due to an escalation in payroll costs.

The company used its significant cash flow to pay down debt, as total liabilities fell 18.7% year-on-year, from \$14.1 million to \$11.4 million. Shareholder's Equity increased 6.7% year-on-year, from \$28.4 million to \$30.3 million.

Divisional revenue analysis is as follows:

- **Publishing** revenue up 6.9%, from \$24.1m to \$25.8m
- **Commercial printing** revenue down 4.9%, from \$7.34m to \$7.0m
- **Rental** revenue up 18.2%, from \$2.03m to \$2.4m

Despite the competitive, slow-growth nature of the publishing business, lower demand for commercial printing, and higher payroll costs, the company managed to post solid earnings and revenue growth – well above its 5-year annual compound growth rate of 4%.

Forecast and Recommendation

After a successful fiscal year, Bermuda Press Holdings (as with most companies) faces a challenging operational environment going forward. The effects of the 2008 financial crisis (including recessionary declines in consumer spending and layoffs in the insurance industry) will have marked effects on the Bermudian economy, and hence, the company's subscriber base, advertising revenues, and commercial print demand. Nonetheless, Bermudians are amongst the most well-read persons in the world, and will continue to look towards *The Royal Gazette* and its sister publications as a prime source of information during these difficult economic times.

After the October sell-off in worldwide equity markets, BPH shares have traded down to a recent price of \$11.00. We find the stock attractive at these levels, given the solid fundamentals of the company and its strong balance sheet. At this price, BPH shares are trading at precisely one-half of book value, with a yield approaching 7%. With a dividend coverage ratio of 2.5x, the company has ample room to raise its annual dividend.

We apply a 7.0x multiple to our 2009 earnings estimate of \$1.92 to generate a one-year price target of \$13.00. BPH shares are rated Buy. We would note that the stock is extremely illiquid and investment is best suited for the long-term investor.