

The Bermuda Press (Holdings) Limited

Ticker: BPH - BH
Sector: Media

Fiscal Year-End: Sept. 30, 2006
Web Site: none

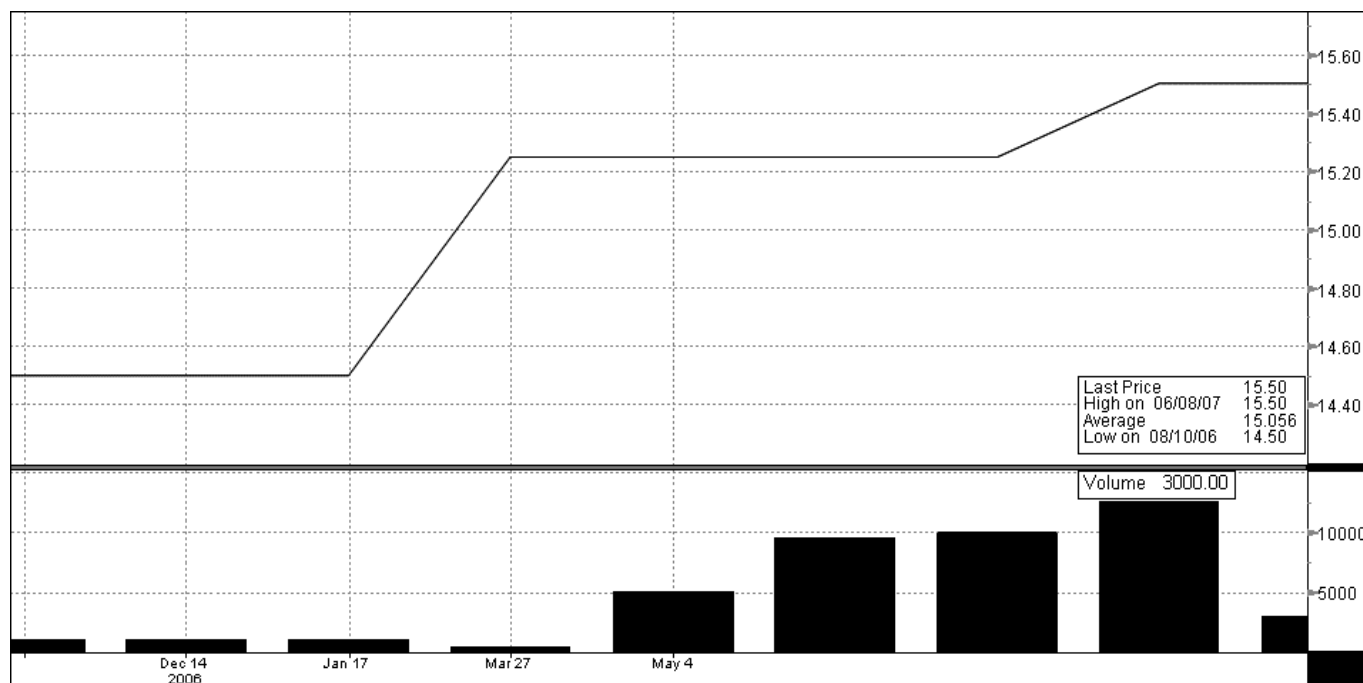
Share Price (09/30/07):	\$15.50	Annual Dividend:	\$0.76	Shares O/S:	1.38m
Stock Rating:	Hold	Current Yield:	4.90%	Market Cap:	\$21.4m
Risk Profile:	Moderate	Payout Ratio:	46%	BSX Weight:	0.75%
1-Year Target Price:	\$16.00	Ex-Dividend Date:	12/13/07	Book Value:	\$20.53
1-Year Implied ROR:	8.1%	Frequency:	Quarterly	Price/Book:	0.75x

52-Week High: \$15.50
52-Week Low: \$14.00
Avg. Monthly Volume: 1,200

Current P/E Ratio: 9.28x
Shareholder's Equity: \$28.3m
Total Assets: \$44.1m
Return on Equity: 8.1%
Return on Assets: 5.2%

	2004	2005	2006	2007E
EPS:	\$2.48	\$1.78	\$1.67	\$1.75
YoY Growth:	127.5%	(28.2%)	(6.2%)	4.8%
P/E Ratio:	5.04x	7.44x	8.68x	9.00x
Fiscal YE Price:	\$12.50	\$13.25	\$14.50	

BPH 1-year price/volume chart:



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Company Description

Bermuda Press Holdings (BPH) and its subsidiaries are the publishers of two longstanding Bermuda newspapers, "The Royal Gazette" (published daily) and "The Mid-Ocean News" (published weekly.) The Royal Gazette's division, Crown Communications, publishes "RG Magazine" and "The Bottom Line" business magazine. The company also owns retail operations in Bermuda, including The Stationery Store and Artcetera. The Bermuda Press Limited, a subsidiary of BPH, is engaged in commercial and quick-printing services through Pronto Print Limited and Chameleon Print Express. Office Solutions supplies commercial office products and equipment. Through its division, Crown House Properties Ltd., BPH owns and rents two commercial properties in downtown Hamilton.

2006 Results

BPH reported record sales for fiscal 2006 of \$34.1 million, representing a 4.3% rise over 2005 revenue of \$32.7 million. Net income for the year was \$2.3 million, representing a marginal 5.8% decline from 2005 net earnings of \$2.5 million. Publishing and retail revenue grew by 3.2%, commercial printing revenue by 7.6%, rental income by 3.1%, and other revenues by 12.6%. Unfortunately, none of this sales growth transferred to the bottom line due to rising expenses, mainly in the publishing segment.

Forecast and Recommendation

Bermuda Press Holdings operates in an intensely-competitive environment and faces some formidable challenges going forward, including:

- The transformation of its online content into revenue-generating enterprises, such as video streaming, podcasts, and RSS feeds. The company's current practice of offering The Royal Gazette for "free" online may not be helping its subscribership numbers or its newsstand sales. However, this model is necessary in order to leverage content into profitable digital ventures.
- Increased labour costs and the retention of valued staff, in addition to rising printing and materials costs.
- Competitive market conditions in the office products and equipment sector.
- Competitive markets for commercial and retail printing.

The sales growth exhibited by Bermuda Press Holdings over the past three fiscal years is noteworthy, however this progress has been accompanied by a corresponding escalation in expenses. While shares of BPH continue to trade at a significant discount to their book value of \$20.50, there appear to be few near-term catalysts on the horizon to unlock significant value for shareholders.

By applying a 9.00x multiple to our fiscal 2007 operating EPS estimate of \$1.75, we generate a target price for BPH of \$16.00 per share. LOM Securities rates Bermuda Press Holdings Limited as a "hold". We would note that the company may well elect to increase its dividend payout ratio going forward and that shares of BPH – with a current yield approaching 5% – represent a low-risk holding for the income-oriented investor.