

# Devonshire Industries Limited

Ticker: DEVON - BH  
Sector: Consumer Products

Fiscal Year-End: March 31, 2008  
Web Site: [www.bermudapaint.bm](http://www.bermudapaint.bm)

Share Price (10/31/08):	\$13.00
Stock Rating:	Hold
Risk Profile:	Moderate
1-Year Price Target:	\$12.00
1-Year Implied ROR:	0.0%

Annual Dividend:	\$1.00
Current Yield:	7.7%
Payout Ratio:	86%
Ex-Dividend Date:	11/28/08
Frequency:	Semi-Annual

Shares O/S:	442k
Market Cap:	\$5.7m
BSX Weight:	0.3%
Book Value:	\$6.31
Price/Book:	2.06x

52-Week High:	\$14.00
52-Week Low:	\$12.00
Avg. Monthly Volume:	0.9k

Current P/E Ratio:	11.2x
Shareholder's Equity:	\$2.8m
Total Assets:	\$3.0m
Return on Equity:	15.8%
Return on Assets:	14.6%

## Notes:

- DEVON paid a special cash dividend of \$0.50 in August 2007.

Earnings Snapshot	2006	2007	2008	2009E	2010E
EPS:	\$0.90	\$1.16	\$1.00	\$0.95	\$1.10
YoY Growth:	(15.1%)	28.9%	(13.8%)	(5.0%)	15.8%
P/E Ratio:	16.0x	12.0x	13.8x	13.7x	11.0x
Fiscal YE Price:	\$14.41	\$13.97	\$13.75		



## Company Description

Devonshire Industries Limited and its subsidiary, Bermuda Paint Company, are engaged primarily in the manufacture and sale of paint and paint-related products. The company maintains ownership in a co-operative laboratory in Cleveland, Ohio, which aids in the development of its high-quality paint products. The company's retail store "Bermuda Paint" is located on Watlington Road in Devonshire.

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### 2008 Results

Devonshire Industries reported fiscal 2008 revenue of \$3.53 million, down 3.0% from 2007 revenue of \$3.64 million. Expenses rose 5.5%, resulting in lower operating margins and a 13.1% decline in profits, from \$509k to \$440k. Free cash flow, however, increased year-on-year by \$100,000. The company used these funds to pay investors a special dividend of \$0.50 per share in August 2007.

### Forecast and Recommendation

Given the recent economic decline, we foresee marginal weakness for the company's core business of selling paint and paint-related products. Our estimates for fiscal 2009 earnings per share are \$0.95, rising to \$1.10 in fiscal 2010. We apply an 11.0x multiple to the 2010 EPS estimate for a target price of \$12.00. We would comment that DEVON shares are extremely illiquid and offer an attractive dividend yield of 7.7% at current trading levels. The company has now paid an annual dividend of \$1.00 for over 10 years and we expect this practice to continue for the near future.