

Kentucky Fried Chicken (Bermuda) Limited

Ticker: KFC - BH
Sector: Consumer Products

Fiscal Year-End: Jan. 31, 2007
Web Site: none

Share Price (09/30/07):	\$7.00	Annual Dividend:	\$0.40	Shares O/S:	592k
Stock Rating:	Hold	Current Yield:	5.71%	Market Cap:	\$4.1m
Risk Profile:	Moderate	Payout Ratio:	60%	BSX Weight:	0.14%
1-Year Target Price:	\$6.00	Ex-Dividend Date:	9/26/07	Book Value:	\$4.29
1-Year Implied ROR:	(8.6%)	Frequency:	Quarterly	Price/Book:	1.63x

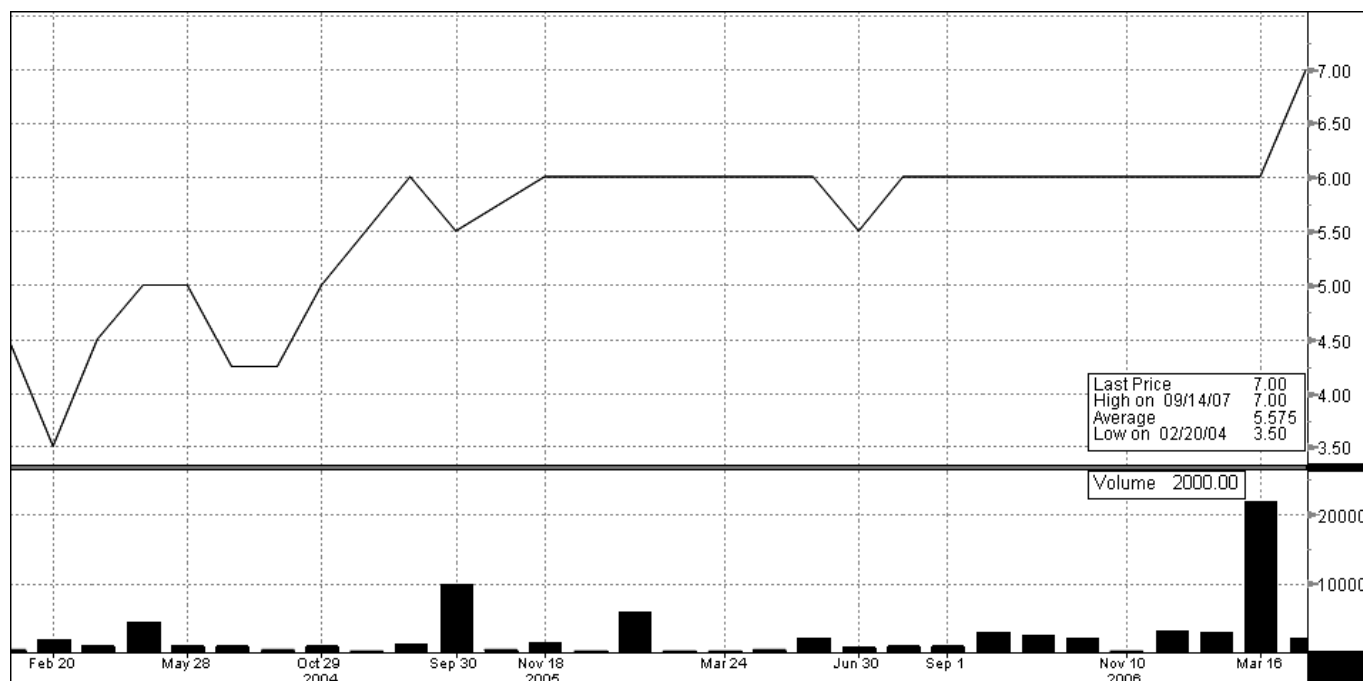
52-Week High: \$7.00
52-Week Low: \$5.75
Avg. Monthly Volume: 3,100

Current P/E Ratio: 10.55x
Shareholder's Equity: \$2.5m
Total Assets: \$2.8m
Return on Equity: 15.5%
Return on Assets: 13.8%

	2005	2006	2007	2008E
EPS:	\$0.83	\$0.86	\$0.66	\$0.65
YoY Growth:	90.7%	4.4%	(23.3%)	(2.0%)
P/E Ratio:	6.04x	6.94x	9.05x	9.00x
Fiscal YE Price:	\$5.00	\$6.00	\$6.00	

Note: KFCB omitted its quarterly dividend payments for March 2007 and August 2007

KFCB 5-year price/volume chart:



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Company Description

Kentucky Fried Chicken (Bermuda) Limited (KFCB) is engaged in the sale of fast food products under a franchise agreement with its parent company, Kentucky Fried Chicken International. KFCB remains the only popular American franchisee in Bermuda, operating for the 36th year at its location on Queen Street in downtown Hamilton.

2007 Results

KFC Bermuda reported earnings for fiscal year-end 2007 of \$393,000, or \$0.66 per share, as compared with earnings for fiscal 2006 of \$512,000, or \$0.86 per share. Sales were more or less flat at \$4.7 million, compared with the \$4.8 million announced the year prior. The company reported that electricity bills, wage and salary increases, and more expensive insurance coverage have combined to drive up expenses.

Half-Year 2008 Results

KFC Bermuda reported net income for the six months ended July 31st, 2007 of \$112,000, compared with net income of \$212,345 for the same period in 2006. Sales were down very slightly year-on-year. The company attributes the decline in profit to a two-week closure in April 2007 for kitchen renovations, in addition to higher food and payroll costs.

Forecast and Recommendation

KFC Bermuda remains the only player in town with respect to “big name” fast food purveyance, however the company has faced some increased competition with the arrival next door of “Mr. Chicken” in February 2007. Like many consumer-oriented firms in Bermuda, KFC Bermuda continues to struggle with rising labour costs and utilities expenses.

We apply a 9.00x multiple to our 2007 operating earnings estimate of \$0.65 to arrive at a one-year price target on KFCB shares of \$6.00 and a recommendation of “hold”.

For disclosure purposes, we note that the chairman of Kentucky Fried Chicken (Bermuda) Limited is also the chairman of LOM (Holdings) Limited.