

# MediaHouse Limited

Ticker: MHL - BH  
Sector: Media

Fiscal Year-End: Sept. 30, 2008  
Web Site: [www.mediahouse.com](http://www.mediahouse.com)

<b>Share Price (10/31/08):</b>	\$8.00
<b>Stock Rating:</b>	Buy
<b>Risk Profile:</b>	Moderate
<b>1-Year Price Target:</b>	\$20.00
<b>1-Year Implied ROR:</b>	150.0%

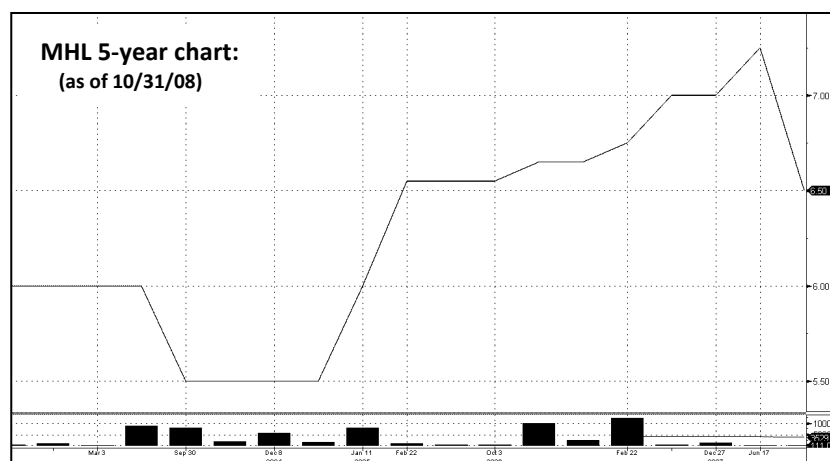
<b>Annual Dividend:</b>	none
<b>Current Yield:</b>	n/a
<b>Payout Ratio:</b>	n/a
<b>Ex-Dividend Date:</b>	n/a
<b>Frequency:</b>	n/a

<b>Shares O/S:</b>	494k
<b>Market Cap:</b>	\$4.0m
<b>BSX Weight:</b>	0.2%
<b>Book Value:</b>	\$16.23
<b>Price/Book:</b>	0.49x

<b>52-Week High:</b>	\$8.00
<b>52-Week Low:</b>	\$6.50
<b>Avg. Monthly Volume:</b>	1.3k

<b>Current P/E Ratio:</b>	1.7x
<b>Shareholder's Equity:</b>	\$8.0m
<b>Total Assets:</b>	\$28.0m
<b>Return on Equity:</b>	31.6%
<b>Return on Assets:</b>	9.0%

Earnings Snapshot	2005	2006	2007	2008E	2009E
<b>EPS:</b>	(\$1.07)	\$2.15	\$4.78	\$7.50	\$8.50
<b>YoY Growth:</b>	n/a	n/a	122.3%	56.9%	13.3%
<b>P/E Ratio:</b>	n/a	2.79x	1.41x	2.50x	2.50x
<b>Fiscal YE Price:</b>	\$5.50	\$6.00	\$6.75		



## Notes:

- MHL has 108,882 in cumulative, redeemable 8% preferred shares outstanding (par value = \$5.)

## Company Description

MediaHouse Limited (MHL) and its subsidiaries are the publishers of the bi-weekly newspaper "The Bermuda Sun", the tourist guides "Preview of Bermuda", and a variety of Caribbean telephone directories. In addition, the company is in the business of high-quality commercial printing (through Island Press), operates an electrical services business, and maintains various internet portals which focus on e-business.

Along with [Bermuda.com](http://Bermuda.com) the company plans to focus on e-business through its purchase of ASP Ltd. The company has been working on a product which enables yellow page directories to be accessible via cell phones. In addition, ASP continued to develop Micromaps, an interactive mapping system which has recently been launched in the market.

## MediaHouse Limited

### 2007 Results

MediaHouse announced an increase in profits of 127% for fiscal 2007 – as net income rose year-on-year from \$1.1 million to \$2.5 million. This translated to an EPS of \$4.78 versus \$2.15 in the year prior. Printing revenue increased an impressive 59.7%, while publishing and other revenues remained relatively flat. Free cash flow improved by 325% year-on-year, resulting in an extremely liquid balance sheet – boasting over \$6.4 million in cash and cash equivalents.

The Global Directories unit continues to exhibit superb performance, with successful subsidiaries now in eight different Caribbean markets. Further, the company has launched new e-business initiatives (i.e. Micromaps – “yellow page” directories over cellphones) which should help to support future growth. The Publishing unit (Bermuda Sun, Preview of Bermuda) has exhibited mildly positive growth in a difficult operating environment.

### Half-Year 2008 Results

The company reported earnings of \$3.9 million, or \$7.95 per share, for the first six months of 2008. Profit growth was 31% year-on-year. MediaHouse earnings are typically “front-end loaded” towards the first half of the year, due principally to the revenue recognition on its directory sales. After successfully penetrating several Caribbean markets with its directory publications, the company is searching for new opportunities in Central and South America. They also reported increased competition in primary markets located in the Eastern Caribbean and Jamaica.

### Forecast and Recommendation

MediaHouse operations have continued to excel in fiscal 2008 after an exceptional year in 2007. Global Directories Limited has emerged as the company’s flagship division for growth and has quickly turned into a publishing powerhouse – with yellow pages directories across the Caribbean and the ability to leverage this content via electronic media initiatives.

Similar to last year, we expect earnings to decline during the second half. Nonetheless, we forecast annual earnings for fiscal 2008 of \$7.50 per share, rising to \$8.50 in fiscal 2009. Due to the tightly-held nature of the stock, we apply a conservative 2.5x multiple to our 2009 EPS estimate and arrive at a one-year target price of \$21.00 and a Buy rating. MHL shares appear undervalued based on a variety of metrics and the last trading price of \$8.00 bears little correlation to our projected valuation of the company. We would note that this stock trades infrequently and is best-suited for the long-term, value-oriented investor.