

# Stevedoring Services Limited

Ticker: STVD - BH  
Sector: Transport

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

<b>Share Price (10/31/08):</b>	\$7.00
<b>Stock Rating:</b>	Hold
<b>Risk Profile:</b>	Moderate
<b>1-Year Price Target:</b>	\$6.50
<b>1-Year Implied ROR:</b>	(4.3%)

<b>Annual Dividend:</b>	\$0.20
<b>Current Yield:</b>	2.9%
<b>Payout Ratio:</b>	23%
<b>Ex-Dividend Date:</b>	12/12/08
<b>Frequency:</b>	Quarterly

<b>Shares O/S:</b>	1.2m
<b>Market Cap:</b>	\$8.7m
<b>BSX Weight:</b>	0.4%
<b>Book Value:</b>	\$7.42
<b>Price/Book:</b>	0.94x

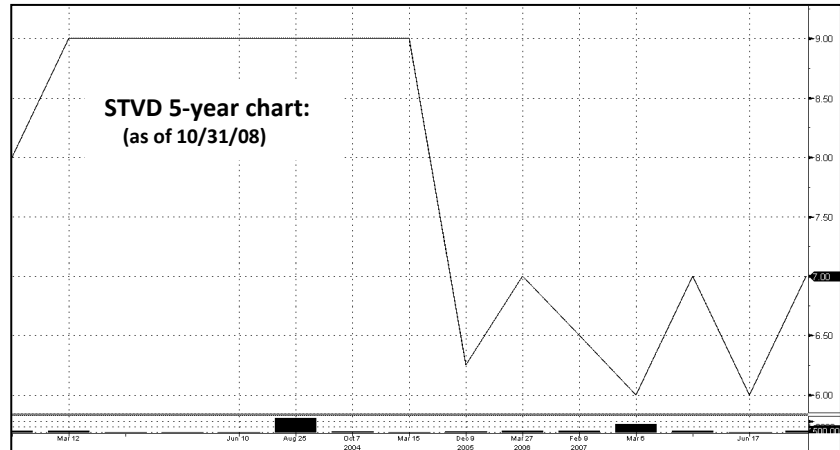
<b>52-Week High:</b>	\$7.50
<b>52-Week Low:</b>	\$6.00
<b>Avg. Monthly Volume:</b>	0.3k

<b>Current P/E Ratio:</b>	8.1x
<b>Shareholder's Equity:</b>	\$9.2m
<b>Total Assets:</b>	\$11.4m
<b>Return on Equity:</b>	12.6%
<b>Return on Assets:</b>	9.7%

Earnings Snapshot	2006	2007	2008	2009E	2010E
<b>EPS:</b>	\$0.95	\$0.26	\$0.87	\$0.55	\$0.65
<b>YoY Growth:</b>	3.3%	(72.6%)	234.6%	(36.8%)	18.2%
<b>P/E Ratio:</b>	7.37x	25.00x	6.90x	12.73x	10.00x
<b>Fiscal YE Price:</b>	\$7.00	\$6.50	\$6.00		

**Notes:**

- STVD reduced its annual dividend by \$0.20 in Sept. 2007.



**Company Description**

Stevedoring Services Limited is in the business of both loading and unloading ship container loads and assorted freight, operating at the Hamilton Docks in Bermuda. In 2006, the company renegotiated its Terminal License for a 5-year term, with a renewal option for an additional 5 years. In 2007, the company announced the pending year-end closure of its LCL (Less than Container Load) operations at the #7 Cargo Terminal.

## Stevedoring Services Limited

### 2008 Results

Stevedoring Services reported revenue in 2008 of \$11.8 million, a 2.0% increase from 2007. Gross margin declined from 48.6% to 46.6% while other operating expenses declined 14%. Lower operating expenses in 2008 principally relate to restructuring charges taken in 2007 due to the closure of Stevedoring's LCL operations. This resulted in net income growth for the year of 229% to \$1.1 million from \$0.3 million in 2007. Earnings per share therefore increased to \$0.87 from \$0.26. The company moved 1% fewer containers than in 2007 and commented that import volumes may have reached maturity. Management predicts that future growth will be stagnant and that maintaining profitability will be a constant challenge.

### Half-Year 2009 Results

The company reported net income of \$0.37 million for the first half of 2009, a 45% decrease from the first half of 2008. Earnings per share were \$0.30 vs. \$0.46 a year ago. Revenue decreased 14% to \$5.6 million year-over-year as a direct result of lower cargo volumes, the loss of stripping revenues, and lower cruise ship tie up income. Expenses for the same period decreased 11% to \$5.2 million. The company commented that they expect to see further reductions in cargo volume in the coming months due to the slowing local and global economies.

### Forecast and Recommendation

The Corporation of Hamilton granted Stevedoring a 6% rate increase on its general tariff and the ability to pass through some of its overtime labor costs to customers. The changes will become effective January 1, 2009, and will help the company offset some of the sluggish cargo volumes and creeping expenses. Until the rate increase takes effect, we expect that the lower results seen in the first half of this year (fiscal 2009) are likely to intensify in the second half before easing in fiscal 2010. We therefore rate STVD shares a Hold and apply a 10.0x multiple to our 2010 EPS estimate of \$0.65 to arrive at our target price of \$6.50.