

# Stevedoring Services Limited

Ticker: **STVD - BH**  
Sector: **Transport**

Fiscal Year-End: **March 31, 2007**  
Web Site: **www.stevedoring.bm**

<b>Share Price (09/30/07):</b>	\$6.50	<b>Annual Dividend:</b>	\$0.20	<b>Shares O/S:</b>	1.26m
<b>Stock Rating:</b>	Sell	<b>Current Yield:</b>	3.08%	<b>Market Cap:</b>	\$8.2m
<b>Risk Profile:</b>	Moderate	<b>Payout Ratio:</b>	77%	<b>BSX Weight:</b>	0.29%
<b>1-Year Target Price:</b>	\$6.00	<b>Ex-Dividend Date:</b>	12/13/07	<b>Book Value:</b>	\$6.43
<b>1-Year Implied ROR:</b>	(4.6%)	<b>Frequency:</b>	Quarterly	<b>Price/Book:</b>	1.01x

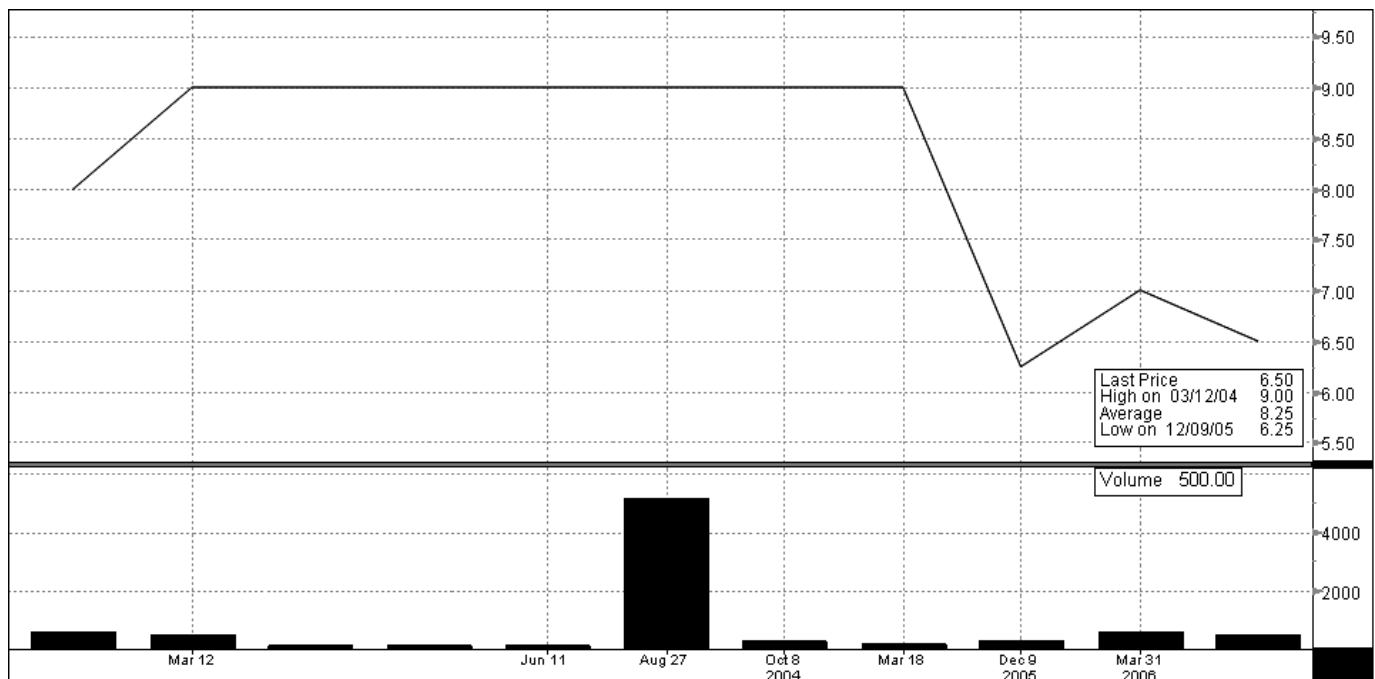
<b>52-Week High:</b>	\$6.50
<b>52-Week Low:</b>	\$6.50
<b>Avg. Monthly Volume:</b>	50

<b>Current P/E Ratio:</b>	25.00x
<b>Shareholder's Equity:</b>	\$8.1m
<b>Total Assets:</b>	\$9.6m
<b>Return on Equity:</b>	4.0%
<b>Return on Assets:</b>	3.4%

	2005	2006	2007	2008E
<b>EPS:</b>	\$0.92	\$0.95	\$0.26	\$0.35
<b>YoY Growth:</b>	12.2%	3.3%	(72.6%)	34.6%
<b>P/E Ratio:</b>	9.78x	6.58x	26.92x	15.00x
<b>Fiscal YE Price:</b>	\$9.00	\$6.25	\$7.00	

Note: STVD reduced its annual dividend by \$0.20 in September 2007

**STVD 5-year price/volume chart:**



## Stevedoring Services Limited

### 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.

### 2007 Results

The company reported net income for fiscal 2007 of \$327,500, or \$0.26 per share, representing a 72% decline from fiscal 2006 earnings of \$1.19 million. Stevedoring also announced a 50% reduction in its quarterly dividend, from \$0.10 to \$0.05 per share. The disappointment in earnings was chiefly due to restructuring costs related to the closure of Stevedoring's LCL operations. The company reports that cargo volumes were relatively flat year-on-year, while operating expenses have continued to rise at an unprecedented pace. Furthermore, Stevedoring announced a forthcoming increase in its rates, so as to maintain the company's profitability and to allow for future investment in expensive capital equipment.

### Forecast and Recommendation

While Stevedoring's services are necessary to keep Bermuda's imports and exports running smoothly (and we hold little doubt regarding the company's viability as a "going concern"), there remain a host of challenges going forward, including:

- The closure of #7 Cargo Terminal at year-end. This termination effectively means that all cargo previously "stripped" on the docks will be transferred inland to other facilities for processing by freight forwarders or their appointed agents.
- A lack of available space to store cargo. Stevedoring reports plans to increase stacking density and/or to remove existing facilities in order to increase freight volume capacity. The closure of Shed #7 (LCL operations) at year-end should help alleviate this problem.
- An ongoing rise in labour, fuel, and electricity costs combined with stagnant container volume growth and negligible rate increases. This combination has had a virtually devastating effect on the company's operating margins.
- Tentative plans by Government to revamp Hamilton's waterfront district. The Corporation of Hamilton's ambitious proposal calls for the relocation of the Hamilton Container Dock and consequently, the operations of Stevedoring Services Limited.

LOM applies a 15.00x multiple to our fiscal 2008 earnings estimate of \$0.35 per share of STVD to arrive at a one-year share price target of \$6.00. We rate Stevedoring Services Limited as a "sell", noting that the stock is extremely illiquid, having traded just 550 shares over the past twelve months.