

West Hamilton Holdings Limited

Ticker: WHHL - BH
Sector: Real Estate

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

Share Price (10/31/08):	\$12.00
Stock Rating:	Hold
Risk Profile:	High
1-Year Price Target:	\$12.00
1-Year Implied ROR:	2.3%

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

Shares O/S:	1.4m
Market Cap:	\$17.3m
BSX Weight:	0.9%
Book Value:	\$6.16
Price/Book:	1.95x

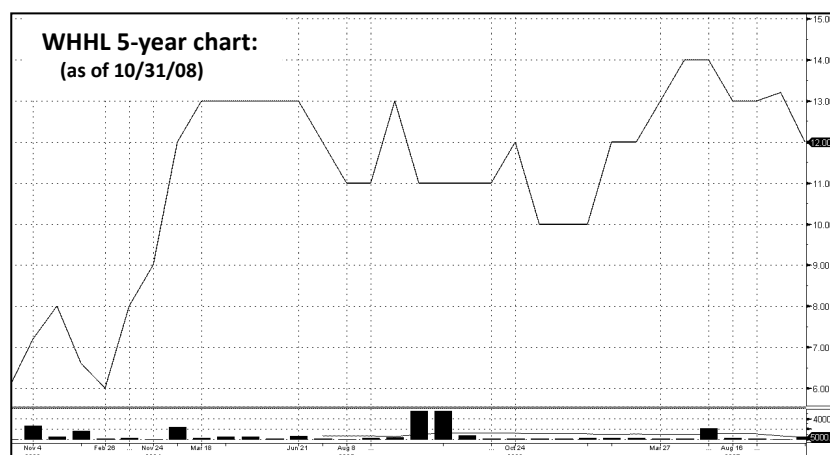
52-Week High:	\$12.00
52-Week Low:	\$13.25
Avg. Monthly Volume:	2.1k

Current P/E Ratio:	32.1x
Shareholder's Equity:	\$8.9m
Total Assets:	\$9.0m
Return on Equity:	6.1%
Return on Assets:	6.1%

Earnings Snapshot	2005	2006	2007	2008E	2009E
EPS:	\$0.70	\$0.47	\$0.37	\$0.28	\$0.20
YoY Growth:	(1.4%)	(32.9%)	(21.3%)	(24.3%)	(28.6%)
P/E Ratio:	15.7x	27.7x	35.1x	42.9x	60.0x
Fiscal YE Price:	\$11.00	\$13.00	\$13.00		

Notes:

- WHHL distributed a 5-for-1 stock split in Sept. 2007.
- WHHL discontinued its dividend during the second half of 2007.



Company Description

West Hamilton Holdings Limited (WHHL) is a real estate development company which owns and operates a commercial property on Pitts Bay Road in Hamilton. Commercial space in its edifices is generally let under medium and long-term leases. Last year, the company initiated a vast reconstruction project, which includes the demolition of its Bakery Building and plans to develop 153,000 square feet of new floor space situated in four five-storey buildings arranged around the existing Belvedere Building.

West Hamilton underwent a corporate restructuring on September 7, 2007 whereby old shares in the company were retired, with shares in a new holding company issued on a 5-for-1 basis.

West Hamilton Holdings Limited

2007 Results

The company reported net income in 2007 of \$540,000, a 21% decrease from 2006 earnings of \$680,000. Earnings per share were \$0.37 vs. \$0.47. Revenues increased marginally year-over-year while operating expenses grew 25% mainly due to higher employee costs and extra professional fees. WHHL's quarterly dividend was discontinued after the second quarter payment in order to conserve cash.

Half-Year 2008 Results

For the first half of 2008, West Hamilton Holdings reported net income of \$236,000, or \$0.16 per share, compared to \$265,000, or \$0.18 per share, in the first half of 2007. Revenues declined 30% year-over-year mainly because revenue was generated only by Belvedere leaseholders. At the end of 2007, all non-Belvedere tenants vacated their leases to allow for demolition of the other buildings. The company's operating margin was lower during the first half of 2008 (28% vs. 32%), which caused operating income to decline 39% year-over-year. Due to the recognition of some non-operating income during the first half of this year, net income fell by only 11%.

Forecast and Recommendation

West Hamilton Holdings broke ground on its property in early 2008 with the demolition of the buildings surrounding the Belvedere Building. The first phase is expected to be completed by early 2010 and includes the development of the underground infrastructure for the entire complex, an underground parking structure, and the construction of the first building to the east of the Belvedere Building. The budget for the entire complex is \$120 million.

Looking forward, we don't expect to see much improvement in the company's revenue or earnings. With the loss of the non-Belvedere tenants, the company expects a decline in revenue of approximately 20% in 2008. An independent appraisal from 2002 estimated the value of West Hamilton's property and buildings at \$24 million, or nearly \$17.00 per WHHL share. The assessment is admittedly outdated given subsequent changes in the Bermudian real estate market as well as the demolition of the Bakery Building.

WHHL shares last traded at \$12, or a 29% discount to the 2002 appraised value. Although we admire the company's bold development plan, the project carries too much risk at the present – given the weakening Bermudian economy and deteriorating fundamentals in the real estate market. LOM rates the stock a Hold with a price target of \$12.