

# West Hamilton Holdings Limited

Ticker: WHHL - BH  
Sector: Real Estate

Fiscal Year-End: Dec. 31, 2006  
Web Site: none

Share Price (09/30/07): \$13.00  
Stock Rating: Strong Buy  
Risk Profile: Moderate  
1-Year Target Price: \$17.00  
1-Year Implied ROR: 32.9%

Annual Dividend: \$0.28  
Current Yield: 2.15%  
Payout Ratio: 59%  
Ex-Dividend Date: 11/01/07  
Frequency: Quarterly

Shares O/S: 1.44m  
Market Cap: \$18.8m  
BSX Weight: 0.66%  
Book Value: \$4.58  
Price/Book: 2.84x

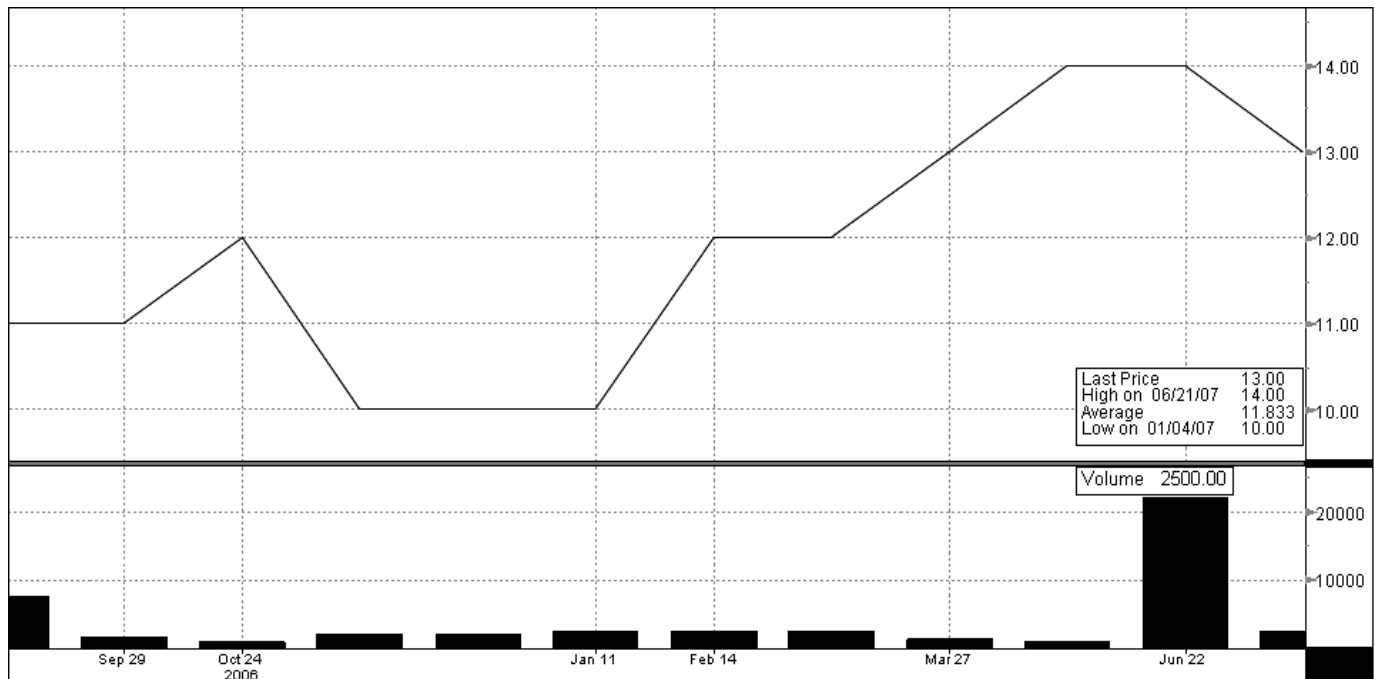
52-Week High: \$14.00  
52-Week Low: \$10.00  
Avg. Monthly Volume: 3,400

Current P/E Ratio: 27.54x  
Shareholder's Equity: \$6.6m  
Total Assets: \$6.7m  
Return on Equity: 10.3%  
Return on Assets: 10.2%

	2004	2005	2006	2007E
EPS:	\$0.71	\$0.70	\$0.47	\$0.41
YoY Growth:	n/a	(1.4%)	(33.0%)	(13.1%)
P/E Ratio:	12.61x	15.63x	27.54x	41.00x
Fiscal YE Price:	\$9.00	\$11.00	\$13.00	

Notes: WHHL distributed a 5-for-1 stock split in September 2007  
WHHL raised its annual dividend by \$0.08 in February 2006

## WHHL 1-year price/volume chart:



## West Hamilton Holdings Limited

### 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.

### 2006 Results

The company reported net income for fiscal 2006 of \$683,000, a 33% decrease from 2005 earnings of \$1.0 million. Disregarding one-time items, including a \$263,000 charge for the demolition of the Bakery Building, earnings were down very slightly year-on-year. With the progressive retirement of its formerly income-producing properties, the company's revenue and earnings have experienced a corresponding downturn over the past three years. Nonetheless, West Hamilton continues unabated down its visionary path to develop a state-of-the-art commercial and residential "multiplex" property on the periphery of downtown Hamilton.

In its year-end financials, West Hamilton reported that a 2002 independent appraisal had estimated its property value at \$24 million. Standard accounting conventions prevent this asset from being recognized at current market levels and consequently, the property is carried on the balance sheet at the diminutive net book value of \$1.7 million.

### Forecast and Recommendation

In our discussions with management, we came away impressed with the company's development plan, which is modeled after similar "mixed use" urban realty projects in North America. Fundamental to this plan is the creation of "West Hamilton Services", a property management company that will provide an all-encompassing "turnkey solution" by catering to the future tenant's every conceivable need. Examples might include telecommunications systems procurement and servicing, modern security systems, and concierge services such as laundry, dry cleaning, couriers, and meal catering.

With regards to timeline, West Hamilton plans to "break ground" on Building 'A' in early 2008, with planned occupancy in the fall. Further, most of the infrastructure work (i.e. foundations, utility hookups) on the remaining three structures should be completed by this time. Occupancy commitments for the first building currently stand at 50%, with the remainder expected in short course. The company retains an option to demand the concurrent completion of Building 'B', should demand warrant.

West Hamilton's recent decline in earnings should be taken with a "grain of salt" so-to-speak. Valuation of the shares has less to do with current earnings and more to do with approximating the underlying value of its corporate assets, namely the two-plus acres of property on Pitts Bay Road, along with the Belvedere Building. The 2002 property appraisal corresponds approximately to a net asset increase of \$22 million, or \$15-per-share above currently-reported balance sheet figures. Admittedly, these dated numbers need be revised slightly for the demolition of the Bakery Building, in addition to any subsequent changes in real estate value. Given the appreciation in Bermuda's real estate market over the past five years, we would infer a moderate-to-healthy gain in this respect. As the company is virtually free of debt, our rough calculations result in a net asset value of \$20 per share of WHHL. We apply a 15% discount to this figure and arrive at a one-year target price of \$17.00. LOM rates WHHL as a "strong buy", noting that the company represents one of the few opportunities for the common investor to gain exposure to the potentially lucrative commercial real estate market in Bermuda.