

March 16, 2010

The Gleaner Company Ltd (GLNR)

GLNR Discusses Improved Results for 2009 on Restructuring and Cost Containment Efforts

The Gleaner Company Ltd (GLNR) held an Investor Briefing on March 15, 2010 to discuss its financial results for the year-ended December 31, 2009. The meeting, which was hosted by the Group's Deputy Managing Director, Christopher Barnes was well attended by analysts and guests.

Barnes began the meeting by summarizing the GLNR's financial performance in 2009. He noted that the Group saw a profit turnaround of about JMD 650mm, coming from one of its worst years in 2008 in which it incurred non-cash write-offs associated with its overseas business. Barnes went on to say that 2009's performance reflects the management's decisive actions on restructuring and cost containment. He also mentioned that the most notable event of the year was the decision to divest its ownership in Sangster's Book Stores Ltd, of which the impact is reflected in the current statements. Barnes then handed the microphone to Rudolph Speid, Manager, Group Finance and Procurement to give a more detailed overview of GLNR's results.

Building upon the notion that a Company's strength lies in its Balance Sheet, Speid began his presentation. He explained that the 37% increase in Trades and Other Receivables to JMD 819.45mm was in part due to the payment plan associated with the sale of Sangster's Book Stores Ltd. The sale of the subsidiary also resulted in a significant reduction in Inventories and Goods-In-Transit to JMD 132.03mm from JMD 470.19mm. However, speaking on GLNR's working capital, Speid stated that its net current working capital of JMD 603mm suggests that the Company is still a "healthy business".

Moving to the Income Statement, Speid explained that the Gross Profit Margin rose to 50% in 2009, up from 45% in 2008, as the relatively flat performance in Revenue came against the backdrop of an 8% decline in Cost of Sales. For the Group, GLNR narrowed its (Operating) Loss from Continuing Operations to JMD 4.23mm from JMD 105.42 a year ago. However, for the Company, GLNR swung to an (Operating) Profit from Continuing Operations of JMD 295.91mm compared with a Loss of JMD 110.83. This was mainly driven by a JMD 351.32mm gain from the disposal of its subsidiary.

Putting the numbers into perspective, Speid noted that GLNR's Net Book Value of JMD 2.02B is higher than its Market Value (as at December 31, 2009) of JMD 1.41B - a difference suggesting that the Company's stock is undervalued.

He also highlighted the Group's profit over a 5-year period, stating that there is no clearly defined trend line as profit has inconsistently moved up and down. Breaking down the Group's Turnover, Advertising, the largest contributor to Total Revenue saw a 4.1% increase to JMD 2.16B, while Circulation fell 2.3% to JMD 1.06B.

After Speid's presentation, the Deputy Managing Director discussed the Company's non-financial achievements in 2009. He highlighted that the Sunday Gleaner maintains significant market share with its readership at almost three times that of its nearest competitor. Similarly, The Star has shown consistent growth and is the most read paper on the island, while The Daily Gleaner continues to lead the competition during the week. Turning to the Company's online publication, Barnes boasted that GLNR has just completed the redesign of its website this year and since then has received positive feedback internally and externally. The new website was designed to increase user friendliness and improve ad placements.

With regards to the Group's outlook, Barnes noted that despite improved results, the media house is not out of the woods yet. He stated that its 10% Return on Equity (ROE) is not good in today's market, and that there is no room for complacency. Barnes then opened the floor for questions and comments.

In response to an analyst's question, Barnes stated that the Group's North American operations made a healthy profit while its UK operations broke even. He also mentioned that the increase in Advertising Revenues was due to strong sales effort and not a change in the advertising rates. However on the Circulation side, GLNR increased newspaper prices during the year. While admitting that revenues from its online site are not at a desired level, Barnes indicated that this channel and other online media will be the basis for increased revenue in the future. Therefore the Group is focused on finding ways to generate online revenue in light of the growing challenges associated with the print media industry.

IMPORTANT DISCLOSURES AND CERTIFICATION

The author certifies that this research report accurately states his/her personal views about the subject securities, which are reflected in the ratings as well as in the substance of this report. The author certifies that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Research Analysts employed at Stocks & Securities Ltd (SSL) are compensated from revenues generated by the Firm. Research Analysts do not receive compensation based upon revenues from specific transactions. SSL generally prohibits any Research Analyst and any member of his or her household from executing trades in the securities of a Company that such Research Analyst covers. Additionally, SSL generally prohibits any Research Analyst from serving as an officer, director or advisory board member of a Company that such Analyst covers.

COMPANY SPECIFIC DISCLOSURES

The Analyst/Associate/Member/Company does not hold a position in The Gleaner Company Limited.

OTHER DISCLOSURES

This report is issued and approved for distribution by Stocks & Securities Ltd (SSL), a member of the Jamaica Stock Exchange (JSE), and regulated by the Financial Services Commission (FSC). This report is provided, for informational purposes only, to institutional and retail clients of SSL and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. The securities mentioned in this report may not be suitable for all types of investors. This report does not take into the account the investment objective, financial situation or specific needs of any particular client of SSL. Recipients should consider this report only as a singular factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. The Analysts writing the report is not a person or Company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the report. Before making an investment decision with respect to any security recommended in this report, the recipient should consider whether such a recommendation is appropriate given the recipients particular investment needs, objectives and financial circumstances. SSL recommends that investors independently evaluate particular investments and strategies, and encourage investors to seek the advice of a financial advisor. SSL will not treat non-client recipients as its clients solely by virtue of their receiving this report. Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report. The price of the securities mentioned in this report and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. SSL accepts no liability for any losses arising from the use of information contained in this report, except to the extent that liability may arise under specific statutes or regulations applicable to SSL. All information, opinions and statistical data contained in this report were obtained or derived from public sources that are believed to be reliable, but SSL does not represent that any such information, opinion or statistical data is accurate or complete (with the exception of information contained in the Important Disclosures section of this report provided by SSL or individual Research Analysts), and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice. Nothing in this report constitutes legal, accounting or tax advice. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice on the tax consequences of investments. As with any investment having potential tax implications, clients should consult with their own independent tax adviser. This report may provide addresses of, or contain hyperlinks to, internet websites. SSL has not reviewed the link internet website of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party websites or follow such hyperlinks do so at their own risk.

This report or any portion hereof may not be reprinted, sold, or redistributed without the written consent of SSL.