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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.

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