



# THE WEALTH VAULT

A Product of Wealth Securities, Inc.

16 Aug 2011

## MORNING NOTES

### PSEi performance

PSEi Index 15 Aug 2011:	4,332.63	+ 10.90
Value T/O, net	Php 3,086 million	
52-week High	4,563.65	
Low	3,371.10	
Foreign Buying:	Php 1,794 million	
Foreign Selling:	Php 2,211 million	

### Regional performance

Dow Jones	: 11,482.90	+ 213.88
FTSE 100	: 5,350.58	+ 30.55
Nikkei 225	: 9,086.41	+ 122.69

### Trading snapshot

Index Movers	Points
ICTSI	+4.98
SM Investments Corp.	+4.46
Lepanto Mining A	+3.05
Lepanto Mining B	+2.84
Banco De Oro	-2.39

Index Out-performers	Up
Lepanto Mining B	4.52%
ICTSI	3.85%
Lepanto Mining A	3.42%
SM Investments Corp.	1.73%
Robinson Land Corp.	0.98%

Index Under-performers	Down
Manila Water Company	1.86%
Banco De Oro	1.33%
SM Prime Holdings	1.20%
Megaworld	1.03%
Philex Mining	0.90%

### Calendar

Aug 16	SGI ASM Jul' 11 Overall BOP Position, GIR and NIR of BSP
Aug 19	SLI ASM
Aug 25	Q3 Business Expectations Survey

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## HEADLINES

### US stocks gain as news of Google deal buoy the market

US stocks gained for a third day on Monday (Aug 15) as news that Google is offering to buy out Motorola Mobility fueled a rebound on stocks. All three major indices posted gains with the Dow, S&P and the Nasdaq ending 1.90%, 2.18%, and 1.88% respectively. The Google news made investors more optimistic about the market as acquisition activity are viewed as a sign of a recovering economy as companies are willing to shell out cash to put higher stakes on the economy. Reports that the Japanese economy shrank less than expected amid the earthquake and tsunami that started a nuclear crisis also added to the positive investors' sentiment. Signs indicating that the market had already started to stabilize after a week-long of heavy selling also added more confidence to investors although analysts warn that more volatility might still be ahead. Shares of Motorola Mobility Holdings gained 55.8% after the news hit the market, pulling along with it shares of other cellphone companies such as Blackberry and Nokia which rose 10.4% and 17.4% respectively. Among other deals, Time Warner said that it will pay US\$3B for Insight Communications Co. while Cargill said that it will buy Provimi of the Netherlands for US\$2.16B.

### BSP – Remittances hit record high in June despite global risks

Data from the BSP showed that remittances from OFW's hit a monthly record high of US\$1.74B in June (+7% YoY) despite political tensions in MENA and the debt crisis in Europe. This brings the total remittances for the first half of the year to US\$9.64B, 6.3% higher than what was recorded in the same period last year. The BSP attributes the jump in remittances to a continued demand for Filipino workers abroad due to the diversity of their skills. Seasonal trends and a strengthening peso might have also contributed to the high inflow as June marks the starting of classes in the country.

### FGEN, EDC reports net loss for 1H'11

First Gen Corp. and Energy Development Corp reported net losses yesterday due to EDC's Northern Negros plant impairment. First Gen reported an attributable net loss of US\$13.3M while EDC reported a net loss of P2.3B. EDC and FGEN explained that the net loss was largely due to the one time Php5 billion impairment charge for EDC's Northern Negros Geothermal Power Plant (NNGP) in Negros Occidental which resulted from the scaling down of the plant's sustainable capacity to 5MW to 10MW from its previously rated capacity of 49.4MW. It was however pointed out that the impairment charge will not affect EDC's ability to declare dividends. A decline in revenues of FG Hydro which operates the Pantabangan-Masiway hydroelectric plant due to limited water availability also contributed to the weak numbers. EDC further reported that its recurring net income also decreased by 57.8% to P2B due to lower contributions from FG Hydro, absence of steam sales from Bacman and higher operating expenses. FGEN on the other hand reported 6.3% higher consolidated revenues reflecting the higher dispatch and fuel prices of the 1,000MW Santa Rita and the 500MW San Lorenzo natural gas power plants.

## Please Read!

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**ABS-CBN posts 26% drop in earnings to P1.68B for the first half of the year**

- ABS-CBN announced in a briefing yesterday that its net income for the first half of the year fell 26% YoY due to an absence of political advertisements which bolstered its results a year ago. Consolidated revenues likewise declined 18% to P13.88B from a year ago. Advertising revenues accounted for P8.8B (-24%YoY) of the said total while consumer sales accounted for the rest (P5.1B, -4% YoY). The drop in net earnings came even as the figures already include a one-time P674M gain from the sale of Sky Cable Philippine Depository Receipts to SCC Communications, Ltd., although ABS argued that removing the effects of the one-time gain and the P3.1B revenues generated from political ads last year, the company's net earnings would have resulted in a 19% gain YoY. This however does not take into consideration the fact that political ads air times last year could have been occupied by other advertisements in this year's results. EBITDA of the company likewise fell 21% to P4B. The company further reported that total operating and other expenses dropped by 9% partly as a result of the lower cost of sales and services and general and administrative expenses as the company's continued effort to manage and control expenses started to pay off. "Capital expenditure and film and program rights acquisition for the first half of 2011 amounted to P2.1 billion, P542M or 34% higher than the level of spending from previous year. Additional equipment was purchased to increase the company's capacity to produce additional new programs."

**Cebu Pacific 1H2011 Revenues up 12%, 1H2011 Net Income slides 23%**

- CEB announced that its Revenues increased to P16.7B (+12% YOY). This was driven by steady increases in passenger revenue and 84% YOY increase in ancillary revenues. However, the increase in Revenues was offset by the 29% increase in Expenses, which ended at P14.6B for 1H2011. This was mainly driven by a 51% increase in Aviation Fuel Expense. Other Income / Expenses for 1H2011 ended at P608M, reversing the P475M loss for 1H2010. This was driven by FX gains, Fuel hedging gains and higher Interest Income. This resulted to EBIT of P2.7B (-13% YOY). CEB's Provision for Taxes was higher for 1H2011 vs. 1H2010, resulting in P2.4B Net Income (-23% YOY).

**JFC net income lower by 8% for first semester**

- Jollibee reported that its net income for the first half of the year declined by 8.3% to P1.31B due to higher costs of raw materials as well as higher costs of financing arising from higher charges from debts related to acquisitions. Sales however rose 15.3% to P29.55B while combined sales from company owned stores and franchise stores rose 15.6% to P39.21B. For the second quarter, earnings dropped 4% while revenues grew 16%. Cost of sales jumped 18% eating away gains from the higher sales figures. "Our price adjustments and cost improvement were not yet sufficient to cover the increase in the prices of raw materials and other costs of operations," JFC Chief Financial Officer Ysmael Baysa said in yesterday's disclosure.

**Fitch affirms CHIB, SECB ratings**

- Fitch ratings said in a statement that it is keeping a stable outlook for Security Bank Corporation and China Banking Corporation. Fitch said it affirms SECB's long-term foreign-currency issuer default rating at 'BB', long-term national ratings at 'AA-(phl),' and viability rating at 'bb.' Fitch also affirms CHIB's long-term foreign-currency issuer default rating at 'BB', long-term national ratings at 'AA-(phl),' and viability rating at 'bb.'

**Alliance Global Group, Inc. reports P9.65B in earnings for first semester**

- Alliance Global Group, Inc announced in a disclosure to the PSE yesterday that it had managed a record half-year revenues of P33.59B, translating into a half year net profit of P9.65B. "We are pleased to announce our best half-year results ever, with revenues up 58 percent, and profit up a hundred percent," said AGI Chief Financial Officer Dina Inting. The figures however include a nonrecurring gain of P3.35 billion from the acquisition of a subsidiary during the period. The recurring portion of the earnings translates into a YoY profit growth of 31 percent. Megaworld contributed to 41% of AGI's total revenues which reported P15.75B (+70% YoY) in revenues for the first half of the year. Megaworld's net income amounted to P5.16B representing a 131% increase from last year.

**Vista Land reports 21% jump in net income**

- Vista Land & Lifescapes, Inc., reported a 21% increase in net income for the first half of the year to P1.7B while revenues also increased 21% to P6.6B. Sales also remained strong, registering a 19% growth to P12.1B. The company also said that it expects full year sales to hit record levels of P24B. "Vista Land is on a solid growth footing. The sustained increase in our real time sales over the last eight quarters confirms that our company has adopted the appropriate strategy to meet the underlying demand in the domestic property sector." said Vista Land President and Chief Executive Officer Manuel Paolo Villar. "We were quick to react to the steadily improving market sentiment and we have adopted an aggressive project pipeline for the coming years."

**JG Summit Holdings posts 26.3% decline in earnings for 1H**

- JG Summit Holdings posted a 26.3% decline in earnings to P5.98B for the first half of the year as higher costs of fuel and commodity prices hurt its airline and food businesses. Core earnings likewise dropped 15.2% to P9.71B while EBITDA also contracted 6.5% to P18B. For the second quarter, earnings dropped by 4.19% to P3.2B as cost of sales and operating expenses jumped 31% to P22B and 16.83% to P8.54B respectively compared to last year. Revenues for the second quarter however gained 17% from figures recorded last year.

**DMCI profits rise 26% to P5.3B**

- DMCI reported that its net profit for the first semester of the year amounted to P5.3B, representing an increase of 26% from numbers recorded last year, as strong revenues from its mining, real estate, electricity and water businesses offset weaker results of its construction business. Mining was reported to be the key contributor to the strong results as higher coal prices and higher shipment of nickel ores bolster its results. Net income from coal and nickel sales amounted to P1.82B (+160% YoY) and P342M (+166% YoY) respectively while the company's real estate, power, and water businesses contributed P845M, P850M, and P946M respectively.

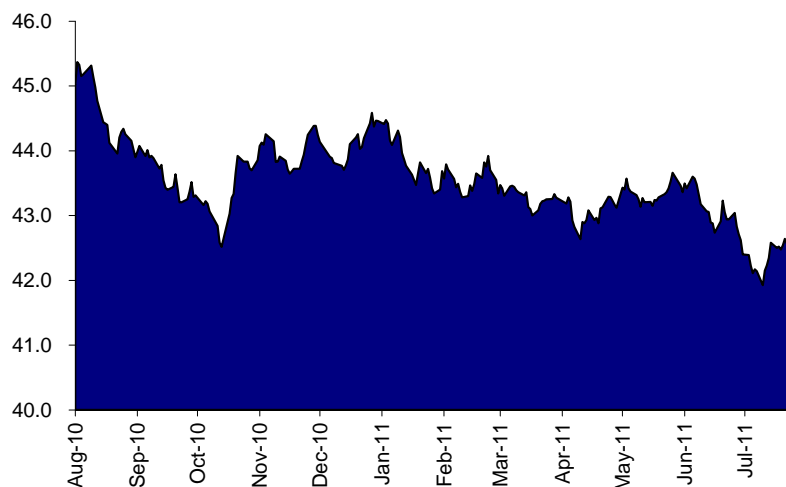
### Robinsons Land Corp. 1<sup>st</sup> semester net profit grows 18% to P3.05B

- Robinsons Land Corp. reported that its net income for the first semester of the year amounted to P3.05B, representing an increase of 18% from last year's figure. Combined real estate and hotel revenues amounted to P9.27B, up 17% from P7.95B last year. The company's commercial center division contributed 48% of its total revenues amounting to P4.6B (+8% YoY) while the company's residential division contributed 32%. RLC's office division on the other hand contributed 10%, amounting to P976.3M (+15% YoY). It's hotel division also contributed 10% or P912.4M (+5% YoY).

### Philex – Padcal mine life extended to 2010

- PX announced yesterday that, based on the evaluation of Padcal's remaining reserves as of June 30 which amounted to 85.6M tons, the life of the mine can be extended by an additional 3 years. The original plan estimated the mine to last only until September 2017, which was now pushed forward to December 2020. The company also announced that the Philex Petroleum Corporation (PPC) shares which were declared as part of its property dividend will be distributed on August 18 along with a cash dividend of PhP 0.052/share. Entitled PX shareholders are entitled to 1 PPC share for every 8 PX shares they had before the ex-date. Of the 1.7B shares of PPC to be listed by way of introduction, 598,626,045 of these will be distributed as a property dividend. PX will still own about 65% of PPC after distribution of said shares.
- We think that higher gold prices made the extraction of lower grade ore more feasible, allowing for such extension of mine life. While this is a positive development for PX, its primary growth driver will be coming from previously untapped deposits, as well as the recently spun-off oil assets. We reiterate our HOLD rating.*

### Php versus US\$ : 1-Year Price Chart



Source: Philippine Dealing and Exchange Corp.