



## WEALTH SECURITIES

Backed by a research group of analysts with over 25 years of experience in equity securities

Consistently ranked among the top 20 brokerages in the Philippines since opening in 1986

Recipient of the Euro Money Award for Excellence as the "Best Domestic Securities House in the Philippines"



## THE WEALTH VAULT

A Product of Wealth Securities, Inc.

THURSDAY, 12 January 2012

Index	Value	Change	% Chg	
PSEi	4,645.86	84.78	1.8588	↑
All Shares	3,151.11	44.68	1.4383	↑
Financials	1,036.98	8.11	0.7882	↑
Industrial	7,371.01	7.10	0.0964	↑
Holding Firms	3,656.28	59.44	1.6526	↑
Property	1,614.29	52.58	3.3668	↑
Services	1,753.65	55.28	3.2549	↑
Mining & Oil	25,439.43	505.83	2.0287	↑

JANUARY

12

2012

### WORLD INDICES

<b>Dow Jones</b>	12,449.50	-13.02
<b>FTSE 100</b>	5,670.82	-25.88
<b>NIKKEI 225</b>	8,447.88	+25.62

### TRADING SNAPSHOT

Index Movers	Points
PLDT	↑ 33.01
SM Investments Corp.	↑ 12.95
Ayala Land	↑ 11.12
SM Prime Holdings	↑ 6.35
Metrobank	↑ 3.32

Index Out-performers	Up
PLDT	4.45%
SM Investments Corp.	4.39%
Ayala Land	4.15%
Robinsons Land Corp.	3.94%
Cebu Air, Inc.	3.92%

Index Under-performers	Down
Semirara Mining Corp.	1.48%
First Gen Corp.	1.46%
Manila Water Company	1.17%
Energy Dev't Corp.	0.95%
Aboitiz Power	0.81%

### CALENDAR

<b>Jan 10</b>	Nov' 11 KB Loans
<b>Jan 10</b>	Oct' 11 FDI
<b>Jan 12</b>	MMI SSM
<b>Jan 13</b>	Dec'11 CB Accts. statistics



### PSEi Index

11 Jan 2011:	4,645.86	+ 84.78
Value T/O, net	Php	6,607 million
52-week High	4,656.27	
Low	3,705.18	
Foreign Buying:	Php	4,452 million
Foreign Selling:	Php	2,509 million



## HEADLINES

### US stocks end mostly flat ahead of Europe debt auction

➤ US stocks ended mostly flat in yesterday's (Jan 11) trading as investors await results of a European debt auction scheduled in the next two days. The Dow ended red with a slight loss of 0.10%, while the S&P and the Nasdaq gained 0.03% and 0.31% respectively. Stocks opened lower after Fitch ratings warned that the European Central Bank might need to buy more euro zone debt to avoid a collapse of the euro. Fitch's warnings sent European stocks and the euro lower. US stocks however held firm near their 5-month highs after gaining back most of the early losses. Nonetheless, analysts' warn that unfavorable results of the scheduled bond auction of Italy and Spain might hurt sentiments on the stock market and signal a sharp pullback. Material companies were among yesterday's best performers after Credit Suisse upgraded its forecast on some of the companies included in the sector. In company news, Chevron Corp. fell 2.3% after the company reported its 4Q`11 outlook. Croc's on the other hand soared 16.4% after announcing that it expects 4Q`11 earnings to beat expectations.

### Ayala Land to infuse P12.5B more to Nuvali

➤ Ayala Land, Inc. announced that it is infusing P12.5B more to its Nuvali project in Sta. Rosa, Laguna. This will be on top of the P8.8B already invested on the 1,860 hectare property, which is already 45% developed. Ayala Land said that Nuvali remains a key driver of its high end brand, Ayala Land Premiere, and is currently making plans to introduce its Amaia brand within the complex. Amaia brand is ALI's low income segment brand. In addition, ALI also said that it is investing P180M to put up Xavier School Nuvali within the complex, which will be a 15-hectare, 4 building establishment. The said school is expected to start classes by June this year.

## Petron Corporation Board approves investment in ExxonMobil

- In a disclosure to the PSE, Petron Corporation announced that its Board had approved the company's plan to invest in its ExxonMobil downstream business in Malaysia. No details on the amount and percentage sharing had been disclosed yet. San Miguel Corporation, Petron's parent company had recently moved to acquire three subsidiaries of ExxonMobil Corp. in Malaysia for US\$610M.

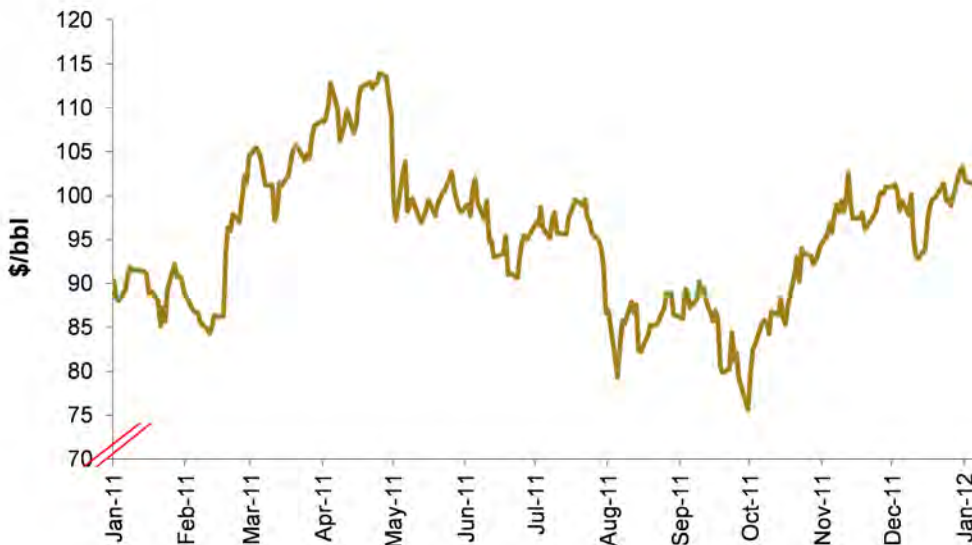
## San Miguel Corp. to sell stake on banking arm

- In an interview with the BusinessWorld, an official of San Miguel Corp. confirmed that the company is selling 60% of its stake on Bank of Commerce to the CIMB Group, Malaysia's second largest bank. The official, who wished anonymity, said that the price would be within P180 to P200 per share. San Miguel Corp. currently owns 76.4% stake in Bank of Commerce through San Miguel Properties and SMC Group Retirement Funds.

## Nickel Asia posts 51% hike in shipments for FY2011

- See separate WealthSec report.

### Nymex Crude 1-Yr Price Chart



Source: Bloomberg

## CURRENCIES

US, Dollar	43.9780
Japan, Yen	0.5724
UK, Pound	68.0999
Hong Kong, Dollar	5.6632
EU, Euro	56.1863
Bahrain, Dinar	116.6618
Saudi Arabia, Rial	11.7262
China, Yuan	6.9640

As of 1/11/2011

## COMMODITIES

NYMEX		
Crude	100.87	↓ 1.34%
Futures		
NY Gold		
Spot (\$/t oz.)	1,639.20	↑ 0.48%
Silver Comex		
(\$/t oz.)	30.03	↑ 0.50%
London		
Copper Spot	7,767.00	↑ 0.44%

As of 1/11/2011

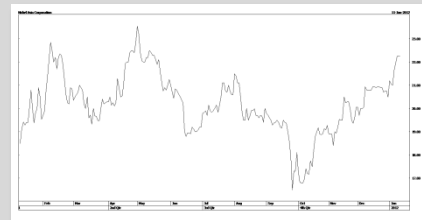


# Nickel Asia Corporation (NIKL)

Hold

## Company Snapshot

Price (P)	22.25
Price Target (P)	23.06
Shares O/S (million)	1,340
Market Cap (P million)	29,811
52-week High (P)	23.70
Low (P)	15.04
12-mo Avg. Value T/O (P'm)	54.4
Shareholders	
Sumitomo Metal Mining	25%
Free float	21%



## Price Performance

	1m	6m	12m
NIKL	+7.0%	+12.2%	+20.3%
PSEi	+8.2%	+6.2%	+15.2%

## Pricing Power to Offset Weak Nickel Prices

- **2011 Revenues in-line.** NIKL disclosed its 2011 revenues yesterday. At Php 12.1B, it is just about 3% below our forecast. Given significantly lower nickel prices in 2H11, we expected revenues to underperform, hence our change in recommendation from BUY to HOLD.
- **Chinese demand is the catalyst.** As we mentioned last year, demand from China is likely to drive the price of industrial metals, including nickel. While it seems that Europe is headed into a recession and the US will be experiencing low growth at best, nickel demand from China has remained robust. The company also announced that it signed an agency agreement with Mitsubishi Corporation of China for the sale of about 800,000 WMT of ore to the Chinese market in 2012. This is a major step in NIKL's strategy of increasing its network in China.

### Earnings and Valuation Highlights

in P'million	2008A	2009A	2010A	2011A	2012E
Revenues	5,827	4,687	8,336	12,478	11,141
EBITDA	2,361	1,103	3,873	6,641	4,695
Core net profit	179	303	1,479	2,701	2,059
EPS (P)	n/a	n/a	1.43	2.02	1.54
Earnings growth	n/a	69%	388%	83%	-24%
EBITDA margin	41%	24%	46%	53%	42%
P/E (x)	n/a	n/a	15.6	11	14.4
P/B (x)	n/a	n/a	2.0	1.7	1.5
EV/EBITDA (x)	n/a	n/a	17.1	18.4	17.1
Dividend yield	n/a	n/a	n/a	2%	2%

Source: Wealth Securities estimate, company data

A = Actual calendar/fiscal year results; C = Bloomberg consensus; I = Annualized interim results; E = Wealth Securities estimates

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- **Increase in payable nickel a boon to NIKL.** Note that as a result of the Japanese earthquake, there were fears that NIKL will have excess ore inventory since PAMCO would not be able to buy nickel ore for a few months. As one of NIKL's largest customers, this was met with much negativity. However, the Chinese market was not only able to absorb the supply, but it paid a higher price as well. In response to the strong competition from China, PAMCO and Sumitomo Metal Mining (SMM – owns about 25% of NIKL) decided to increase the percentage of payable nickel for high grade saprolite ore, subject to the condition that LME nickel prices trade within the range of \$8-\$10/pound. If it does, then the payable nickel for 2% nickel grade and 1.8% nickel grade ore will increase by 20% and 40%, respectively.
- **Major shareholders continue to buy.** Every month, SMM continues to buy shares, accumulating about 3% of NIKL just last year. In December alone, it bought 1,288,600 shares at an average price of PHP 20.80/share. Its stake now amounts to 25.31% of total shares outstanding. This is a sign of SMM's confidence in NIKL's future prospects in spite of the delay in the completion of the Taganito HPAL plant. Once completed, this will be a significant earnings driver for the company.
- **HOLD rating under review.** As a result of this material change in the company's contracts, we will review our 2012 forecast. While NIKL was able to sell its ore at an average of \$10.54/pound of payable nickel last year, nickel prices are currently at \$8.8/pound. So long as nickel prices do not drop below \$8/pound and keeping everything else constant, NIKL should be able to offset the lower price of nickel this year. For now, however, we retain our HOLD rating.

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## RATINGS DEFINITION



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