



WEALTH SECURITIES

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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.

WEDNESDAY, 01 February 2012

Index	Value	Change	% Chg	
PSEi	4,682.44	37.95	0.8171	↑
All Shares	3,175.47	28.01	0.8899	↑
Financials	1,052.57	9.67	0.9272	↑
Industrial	7,247.37	73.38	1.0229	↑
Holding Firms	3,739.70	47.77	1.2939	↑
Property	1,692.89	28.86	1.7343	↑
Services	1,724.59	6.57	0.3795	↓
Mining & Oil	25,967.07	160.47	0.6218	↑

WORLD INDICES

Dow Jones	12,632.90	-20.81
FTSE 100	5,681.61	+10.52
NIKKEI 225	8,802.51	+9.46

TRADING SNAPSHOT

Index Movers	Points
SM Prime Holdings	+12.94
SM Investments Corp.	+5.70
PLDT	-4.95
Meralco	+4.65
DMCI Holdings	+3.75

Index Out-performers	Up
SM Prime Holdings	7.19%
DMCI Holdings	4.19%
Meralco	4.01%
Robinsons Land Corp.	2.63%
Manila Water Company	2.19%

Index Under-performers	Down
Belle Corp.	2.24%
Energy Development Corp.	1.06%
PLDT	0.65%
First Gen Corp.	0.30%
Ayala Land Inc.	0.22%

CALENDAR

Jan 19	Monetary Stance Press Release
Jan 25	FGEN ASM
Jan 31	Dec'11 Template on Inter'l Res., Foreign Exch. Liquidity
Feb 02	Q3'11 Inflation Report



PSEi Index

31 Jan 2011:	4,682.44	+ 37.95
Value T/O, net	Php	4,755 million
52-week High	4,747.90	
Low	3,705.18	
Foreign Buying:	Php	3,384 million
Foreign Selling:	Php	3,411 million



HEADLINES

US stocks end flat on weaker than expected economic reports

➤ US stocks ended relatively flat yesterday (Jan 31) as weaker than expected economic reports weighed on the market. The Dow and the S&P ended with slight losses of 0.16% and 0.05% respectively while the Nasdaq ended green with a slight gain of 0.07%. Stocks incurred losses early in the session after the US government reported that home prices and business activity in the US Midwest had missed expectations while consumer confidence had dropped unexpectedly. Losses however were pared later in the day as the market continued to show resilience. The S&P managed to form a “golden cross” momentarily yesterday signaling a bullish mid-term momentum. Corporate earnings meanwhile remained mixed with Exxon Mobil declining 2% after reporting earnings which just narrowly beat estimates. Pfizer on the other hand reported earnings that topped expectations. Pfizer however trimmed its 2012 outlook prompting its stocks to decline by 0.8%.

Cebu Pacific to launch long haul flights in Q3 2013

➤ In a press release, Cebu Pacific announced that it will launch budget long haul flights in the third quarter of 2013. CEB said that it will lease 8 Airbus A330-300 aircrafts to serve destinations which are beyond the range of its current A320 fleet. The A330s have a range of up to 11 hours and will allow the airline to serve destinations such as Australia, Middle East, parts of Europe, and the United States. No specific destinations on what CEB plans to add to its current flight network had been disclosed yet although Cebu Pacific president and CEO Lance Gokongwei said that they are considering Hawaii and Guam as potential routes. He further clarified that CEB is looking to add 1 million passengers from the planned long haul flights when the first four of the A330s arrive in 2014. The last four of the A330s will be completely delivered by 2016.

GMA signs output agreement with FOX International

- GMA Network Inc. announced yesterday that its subsidiary, GMA Worldwide, Inc. had signed a three year output agreement with Fox International Channels, a subsidiary of News Corp. The deal comprises of a minimum of 350 hours' worth of locally produced programs and 25 feature films to be aired through Fox Channels in 2012. The programs were reportedly to be aired in Filipino rather than dubbed.

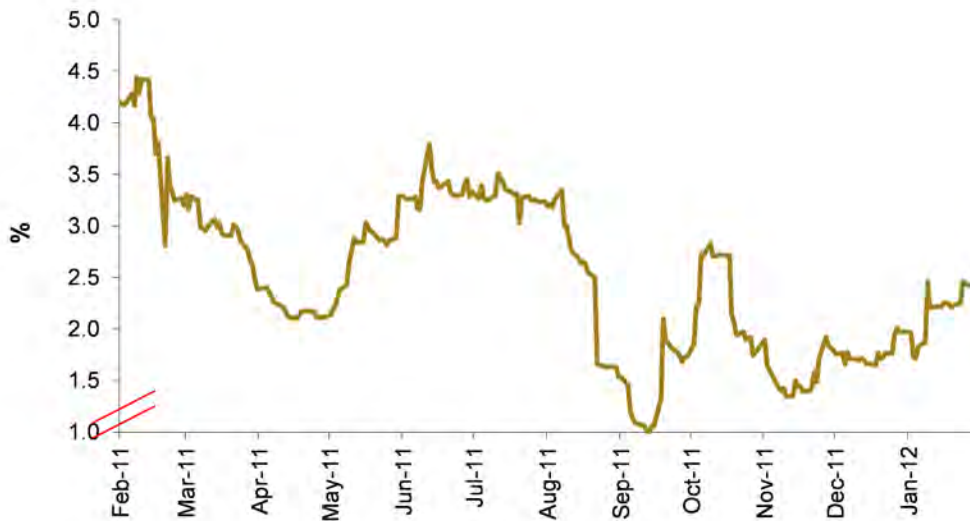
FPH completes transfer of 2.66% stake in MER to Beacon Electric

- First Philippine Holdings said yesterday that through its wholly owned subsidiary, First Philippine Utilities Corporation, the company had completed the transfer of its 2.66% stake or 30 million shares of Manila Electric Company (MER) to Beacon Electric Asset Holdings, Inc by means of a block sale in the Philippine Stock Market.

PLDT and DGTL Boards approve to convert bonds due 2014 to Digital shares

- In separate disclosures to the PSE, PLDT and Digital announced that their respective Boards had authorized to exchange 78.83% of Zero Coupon Exchangeable Bonds due 2014 into 14,640,761,750 DGTL shares. The bonds were originally issued by Digital Capital Philippines, Ltd. and now held by PLDT. The bonds had an issue value of US\$190M and a face value of ~US\$590M.

PDS 1-Year Tenor Yield: 12-month period



Source: Philippine Dealing and Exchange Corp.

CURRENCIES

US, Dollar	42.946
Japan, Yen	0.563
UK, Pound	67.4596
Hong Kong, Dollar	5.5371
EU, Euro	56.4225
Bahrain, Dinar	113.951
Saudi Arabia, Rial	11.4513
China, Yuan	6.7834

As of 1/31/2011

COMMODITIES

NYMEX		
Crude	98.78	-0.78%
Futures		
NY Gold		
Spot (\$/t oz.)	1,730.00	-0.20%
Silver Comex		
(\$/t oz.)	33.44	-1.47%
London		
Copper Spot	8,413.25	-1.15%

As of 1/30/2011



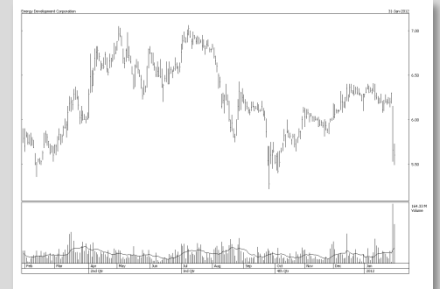


Energy Development Corp. (EDC)

Reduce Target; Maintain Buy

Company Snapshot

Price (P)	5.60
Price Target (P)	6.85
Shares O/S (million)	18,750
Market Cap (P million)	105,000
52-week High (P)	7.06
Low (P)	5.22
12-mo Avg. Value T/O (P'm)	174.5
Shareholders	
First Gen Corp.	47.0%
Free float	45.0%



Price Performance

	1m	6m	12m
EDC	-11.0%	-17.5%	-3.3%
PSEi	+7.1%	+4.0%	+20.6%

Moving forward... and back

- **Delayed yet again.** Bacman's reopening was pushed back again citing plant specific issues. Its recently signed one year 60-MW supply deal with Batelec II will stay but the output would be sourced from EDC's other plants. This includes the possibility of getting alternative supply from WESM, which may mean reduced margin for the said contract. With this development, we mildly trimmed our earnings projection by 10% for FY12. We had not factored in a huge resumption in Bacman before, hence, the mild reduction in our estimates. As for the Palinpinon and Tongonan plants shutdown, we were advised that these are planned maintenance shutdowns and will not result in the reduction of topline. We were more concerned with the larger impact of these two plants had both facilities been declared incapable of delivering output. No change in our view with Tongonan and Palinpinon plants.
- **Credibility challenged.** But beyond the reduction in profits, the greater issue here, in our view, is the company's ability to deliver targets. In the meantime, while management is again targeting Bacman to come online by September, we are not factoring any contribution from this plant in the medium-term. Hence, our 3-step valuation approach yields a lower price target of P6.85 from P8.00.

Valuation Method

	Before	Now
Replacement cost	8.13	6.76
DCF	8.45	7.06
10x EV/EBITDA	7.35	6.75
Wtd Avg Target	8.00	6.85

Financial and Valuation Highlights

in P'million	2009A	2010A	2011A	2012E	2013E
Revenues	20,417	24,902	26,677	31,279	29,896
EBITDA	8,311	9,899	9,400	17,118	17,576
Net profit	3,312	4,116	2,083	7,957	8,012
EPS (P)	0.18	0.22	0.11	0.42	0.43
EPS Growth	+152%	+24.3%	-49.4%	+282.0%	+0.7%
ROE	11.8%	13.8%	6.9%	24.3%	20.8%
P/E (x)	31.7	25.5	50.4	13.2	13.1
P/B (x)	3.6	3.4	3.5	2.9	2.5
EV/EBITDA (x)	17.0	14.5	15.0	8.7	8.5
Dividend yield	2.2%	2.1%	2.9%	1.9%	2.3%

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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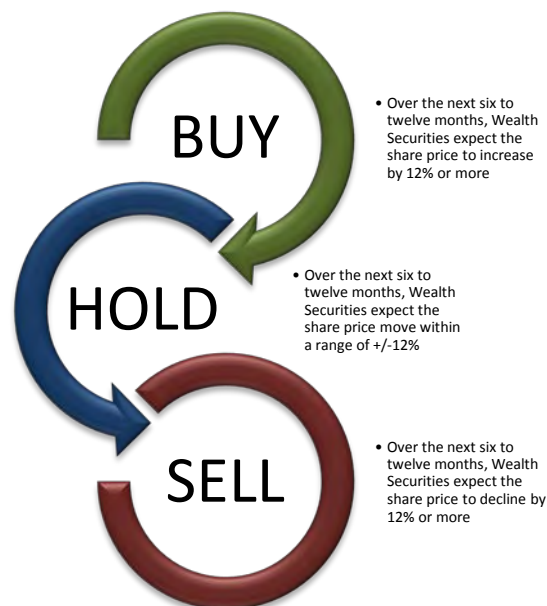
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RATINGS DEFINITION



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