



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.

TUESDAY, 07 February 2012

Index	Value	Change	% Chg	
PSEI	4,816.33	57.76	1.2138	↑
All Shares	3,244.25	33.56	1.0453	↑
Financials	1,129.98	35.38	3.2322	↑
Industrial	7,323.94	35.89	0.4924	↑
Holding Firms	3,863.75	69.19	1.8234	↑
Property	1,726.41	10.71	0.6242	↑
Services	1,763.10	8.04	0.4581	↑
Mining & Oil	25,993.18	173.47	0.6629	↓

WORLD INDICES

Dow Jones	12,845.10	-17.10
FTSE 100	5,892.20	-8.87
NIKKEI 225	8,929.20	+97.27

TRADING SNAPSHOT

Index Movers	Points
Aboitiz Equity Ventures	+12.96
Metrobank	+11.33
BPI	+10.48
Ayala Corp.	+6.23
Energy Development Corp.	+2.98

Index Out-performers	Up
Metrobank	5.10%
Aboitiz Equity Ventures	4.85%
BPI	3.57%
Cebu Air Inc.	3.02%
Ayala Corp.	2.90%

Index Under-performers	Down
Universal Robina Corp.	3.12%
Philex Mining	1.95%
Jollibee Foods Corp.	1.00%
Metro Pacific Investments Corp.	0.56%
Belle Corp.	0.21%

CALENDAR

Feb 02	Q3 '11 Inflation Report
Feb 07	Jan '12 Rediscount Rate, Fed Funds Rates, GIR
Feb 07	Jan '12 Consumer Price Index
Feb 08	Dec '11 KB Loans Outstanding



PSEi Index

06 Feb 2012:	4,816.33 + 57.76
Value T/O, net	Php 5,583 million
52-week High	4,855.08
Low	3,705.18
Foreign Buying:	Php 3,310 million
Foreign Selling:	Php 4,277 million



HEADLINES

US stocks decline slightly on Greek debt woes

➤ US stocks declined yesterday (Feb 07) as concerns on Europe's debt crisis weighed on the market. All three major indices posted losses with the Dow declining 0.13%; the S&P, 0.04%; and the Nasdaq, 0.13%. Greek leaders yesterday failed to meet a deadline to respond to bailout terms from the European Union and the International Monetary Fund prompting investors to doubt European leaders' capacity to solve the region's debt problems. In addition to worries in Greece, the rapid rally in the stock market left investors wondering whether the market has still room to rally or whether a correction is imminent. In company news, Hasbro Inc. shares rose 2.2% after the company reported fourth quarter earnings that beat estimates. Humana Inc. meanwhile plunged 5.4% after revenues fell below expectations.

BDO starts issuance of senior notes

➤ In an article from the BusinessWorld, BDO President Nestor Tan reportedly said that BDO had had launched the sale of five-year US dollar denominated notes yesterday. BDO reportedly wants to raise US\$200M to US\$250M from the said debt sale to finance the bank's operations and lending activities.

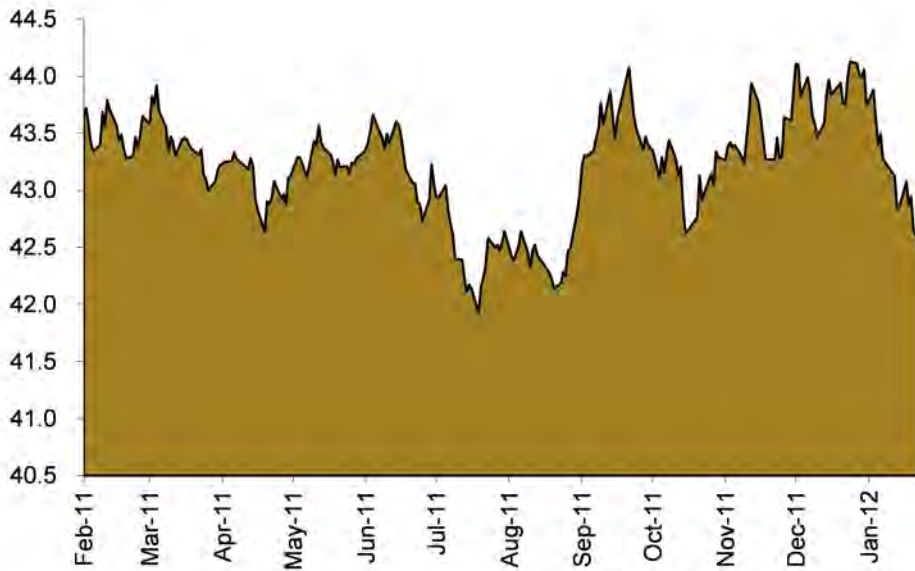
Government to auction off LRT-1 deal next month

➤ Transport Secretary Manuel Roxas III told reporters yesterday that the government is looking to bid out the LRT-1 expansion PPP project by next month. The project is currently being reviewed by NEDA. After being approved by the NEDA, terms of reference on the project can then be written within three weeks and should be ready to be auctioned off by last week of March or early April.

GT Capital Holdings reveals plans to hold P24B IPO

- A filing by George Ty led GT Capital Holdings showed that the company is planning to hold an Initial Public Offering worth P24.6B. Offer period and net proceeds estimates had not been disclosed yet although the company reportedly wants to list a total of 41,217,300 common and preferred shares with an overallotment option of more than 6M shares.

Php versus US\$: 1-Year Price Chart



Source: Philippine Dealing and Exchange Corp.

CURRENCIES

US, Dollar	42.731
Japan, Yen	0.5582
UK, Pound	67.6004
Hong Kong, Dollar	5.5109
EU, Euro	56.1656
Bahrain, Dinar	113.351
Saudi Arabia, Rial	11.3946
China, Yuan	6.7797

As of 2/6/2012

COMMODITIES

NYMEX		
Crude	96.91	-0.95%
Futures		
NY Gold		
Spot (\$/t oz.)	1,719.90	-1.00%
Silver Comex		
(\$/t oz.)	33.65	-0.18%
London		
Copper Spot	8,474.25	-0.76%

As of 2/6/2012

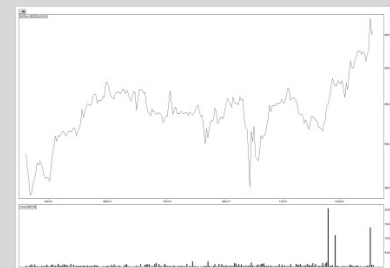


SM Investments Corp. (SM)

Upgrade Target; Hold

Company Snapshot

Price (P)	655.00
Price Target (P)	702.00
Shares O/S (million)	613
Market Cap (P million)	401,188
52-week High (P)	679.00
Low (P)	430.00
12-mo Avg. Value T/O (P'm)	297.0
Shareholders	
Sy Family	78%
Free float	22%



Price Performance

	1m	6m	12m
SM	+4.9%	+1.9%	+1.4%
PSEi	+4.7%	+1.9%	+6.3%

Value enhancing offering

- **Launches convertibles.** SM Investments recently offered a 5-year US\$250 million convertible bond (CB), attracting investors from Asia and Europe. Features of the offering were the following: (1) coupon rate of 1.625%; (2) 3-year put option; (3) yield to maturity of 2.875% with a dividend threshold of 30% payout ratio based on annual income; and (4) conversion premium of 20%. Proceeds will be used as working capital and to refinance existing debts.
- **Beyond P700.** Based on SM's year-to-date VWAP of P639/share and SM's own internal NAV estimate of P650/share, the strike price works out to be well above the P700 level. While this conversion estimate suggests a premium to consensus figures, we think SM deserves a re-rating due to the following reasons: (1) continued resilience of the domestic market; (2) excellent tourism potential; (3) relative valuation strength as evidenced by its subsidiary's retail peer – Puregold; and (4) updated NAV guidance as SM re-appraises its assets next year.

Pricing SM's CBs

VWAP (Jan 2 – Feb 2)	639.4
SM's internal NAV est.	650.0
Avg. est. + 20% premium	773.6

Source: Wealth Securities estimate

Financial and Valuation Highlights

in P'million	2009A	2010A	2011E	2012E	2013E
Revenues	155,376	172,061	197,854	218,019	235,733
EBITDA	34,200	39,400	44,121	47,964	51,625
Net profit	16,025	18,440	21,321	24,321	26,833
EPS (P)	26.16	30.11	34.81	39.71	43.81
EPS Growth	+14.4%	+15.1%	+15.6%	+14.1%	+10.3%
EBITDA margin	22.0%	22.9%	22.3%	22.0%	21.9%
ROE	13.6%	13.8%	14.2%	14.3%	13.9%
BV/share	204.20	231.70	259.36	295.10	334.52
P/B (x)	3.2	2.8	2.5	2.2	2.0
PER (x)	25.0	21.8	18.8	16.5	15.0

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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- **Enhanced free float.** We estimate that SM's shares outstanding would minimally increase by 2.2% upon the conversion of these bonds. Nevertheless, we are not yet imputing this in our NAV calculation. Our updated NAV factors in our upgrades on the target prices of SM's subsidiaries and affiliated companies. We likewise hiked our valuation estimate on the retail segment. We recommend investors to Hold on to SM over the long-term. It is quite likely that the stock will overshoot our P702 price target (i.e., 10% target discount to NAV) given the upside potential of the conversion threshold.

SM's Sum of Parts Computation

Company	Stake	Valuation	SM's Claim	% of EV
Listed investments				
SM Prime	53.0%	250,182	132,596	30%
BDO	38.0%	192,918	73,309	17%
China Bank	20.0%	59,000	11,800	3%
SM Dev't	43.6%	69,952	30,464	7%
Belle Corp	31.9%	57,015	18,188	4%
Highlands Prime	24.0%	4,492	1,078	0%
Atlas Consolidated	17.9%	40,572	7,262	2%
			274,698	63%
Non-listed investments				
Retail			123,158	28%
Tourism			6,512	1%
Hotels + convention			9,250	2%
Comm'l properties + landbank			22,804	5%
			161,724	37%
Enterprise value			436,422	
Net debt / (cash) estimate			(41,000)	
Equity value			477,422	
Value per share			779.46	
Discount to market price			15.5%	

Source: Company, Bloomberg, Wealth Securities estimates

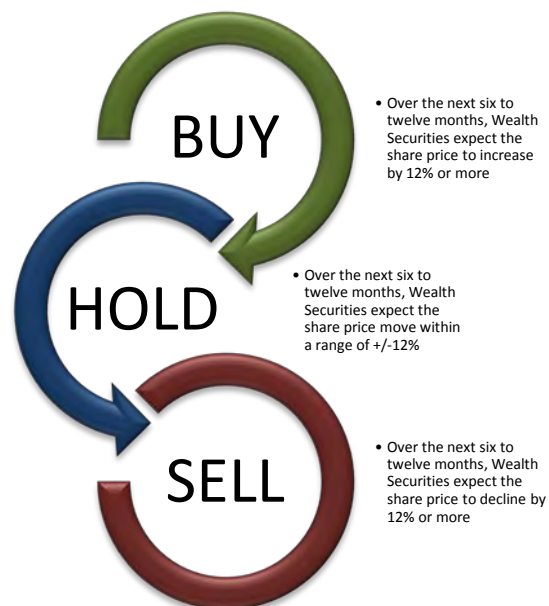
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RATINGS DEFINITION



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