



## 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, 15 March 2012

Index	Value	Change	% Chg	
PSEI	5,050.99	45.24	0.9038	↑
All Shares	3,388.49	22.44	0.6667	↑
Financials	1,265.25	10.67	0.8505	↑
Industrial	7,647.60	90.52	1.1978	↑
Holding Firms	4,106.44	18.64	0.456	↑
Property	1,876.77	48.36	2.6449	↑
Services	1,752.80	4.56	0.2608	↑
Mining & Oil	25,430.84	263.06	1.0238	↓

MARCH

15

2012

### WORLD INDICES

<b>Dow Jones</b>	13,194.10	+16.42
<b>FTSE 100</b>	5,945.43	-10.43
<b>NIKKEI 225</b>	10,050.50	+151.44

### TRADING SNAPSHOT

Index Movers	Points
Ayala Land Inc.	+13.47
Universal Robina Corp.	+6.20
JG Summit Inc.	+4.13
SM Investments Corp.	-8.86
SM Prime Holdings	+3.65

Index Out-performers	Up
Belle Corp.	8.21%
Universal Robina Corp.	5.45%
Ayala Land Inc.	4.12%
First Gen Corp.	3.42%
JG Summit Inc.	3.31%

Index Under-performers	Down
Globe Telecom	3.25%
Cebu Air Inc.	3.09%
SM Investments Corp.	2.12%
Megaworld Corp.	1.61%
Robinsons Land Corp.	0.37%

### CALENDAR

<b>Mar 14</b>	Feb '12 CB Accounts statistics
<b>Mar 15</b>	Jan'12 Remittance press release and statistics
<b>Mar 15</b>	Feb'12 SPEI
<b>Mar 20</b>	TA ASM



### PSEi Index

14 Mar 2012:	5,050.99	+ 45.24
Value T/O, net	Php 5,236 million	
52-week High	5,070.20	
Low	3,705.18	
Foreign Buying:	Php 3,910 million	
Foreign Selling:	Php 3,146 million	



## HEADLINES

### US stocks end flat after Tuesday's huge rally

➤ US stocks ended relatively flat yesterday as investors pause to rethink the recent rally that brought the S&P to four-year highs. The Dow and the Nasdaq gained 0.12% and 0.03% respectively, while the S&P ended red, declining 0.12%. The S&P hit an intraday high of 1,399.42 before retreating back to 1,394.28. Financials were among yesterday's strongest movers after the Fed announced their stress test results on banks late last Tuesday. 15 out of the 19 major banks surveyed passed its tests. Citigroup declined 3.4% after the Fed ruled that the bank cannot afford to raise its dividends. Citigroup was one of the four banks that failed the Fed's stress test. MetLife, another bank that failed the Fed's stress test, slid 5.8%. Other banks which got passing marks from the Fed gained. Bank of America rose 4.1%, while Regions Financial and Zions Bancorporation jumped 6.9% and 10.5% respectively. In other notable movers yesterday, Apple rose for a sixth straight day to US\$589.58, gaining 3.8%.

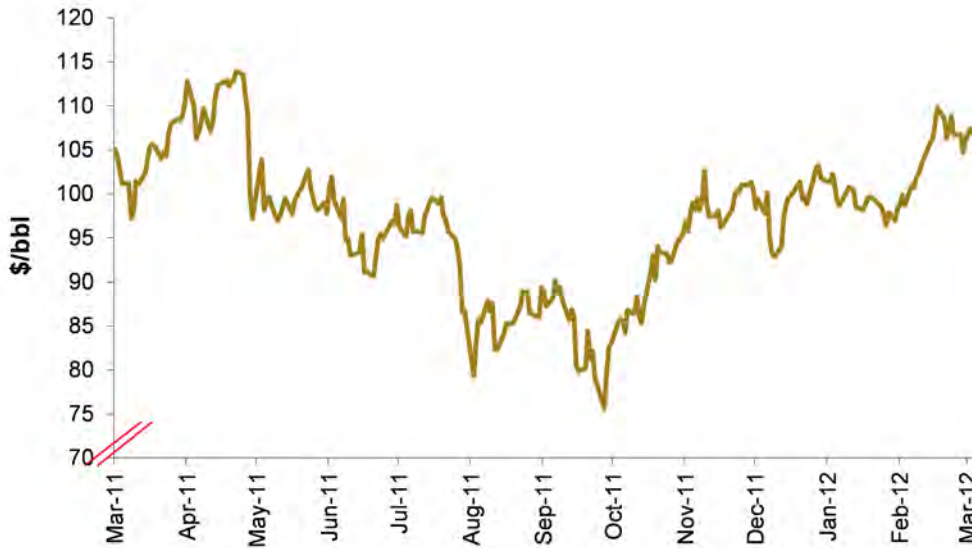
### ICTSI enters into memorandum of agreement to run Nigeria port

➤ International Container Terminal Services disclosed on the PSE that the company had entered into a Memorandum of Understanding with Lekki Port LFTZ Enterprise to negotiate for a sub-concession agreement to develop and operate the port in Ibeju-Lekki, Lagos State, Nigeria. Under the said memorandum of understanding, both companies will have six months to discuss, negotiate, and agree on the terms of the sub-concession agreement to provide the facilities, operations, services, and maintenance of the container terminal for a 20-year period. "The container terminal will have a quay length of 1,200 meters, an initial draft of 14.5 meters with potential for further dredging to 16 meters, and maximum handling capacity 2.5 million TEUs."

## Cebu Pacific posts 47.6% decline in net income for 2011

➤ In a press release, Cebu Pacific announced that its net income for 2011 declined 47.6% to P3.624B from P6.922B the previous year. Pretax net income likewise declined 41.8% to P3.363B from P5.781B. Consolidated revenues grew 16.7% to P33.935B from P29.089B in 2010 driven by increased passenger volume and higher take up from ancillary products. Operating expenses increased 34.3% to P30.408B from P22.639B mainly due to higher fuel costs. Fuel costs, which constitute around 50% of Cebu Pacific's operating expenses, grew 55.2% to P15.221B driven by a 39.3% increase in global market prices of aviation fuel.

### Nymex Crude 1-Yr Price Chart



Source: Bloomberg

## CURRENCIES

US, Dollar	42.5650
Japan, Yen	0.5130
UK, Pound	66.8398
Hong Kong, Dollar	5.4857
EU, Euro	55.6665
Bahrain, Dinar	112.9140
Saudi Arabia, Rial	11.3504
China, Yuan	6.7275

As of 3/14/2012

## COMMODITIES

NYMEX		
Crude	106.71	+0.35%
Futures		
NY Gold		
Spot (\$/t oz.)	1,693.10	-0.41%
Silver Comex		
(\$/t oz.)	33.38	-0.74%
London		
Copper Spot	8,562.00	+1.34%

As of 3/13/2012



# Atlas Consolidated Mining Corp. (AT)

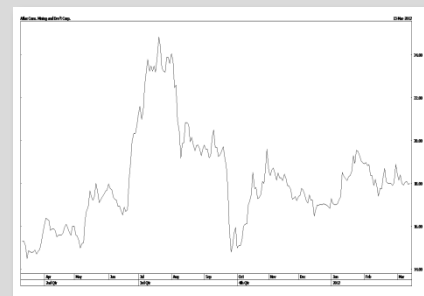
Buy

## Company Snapshot

Price (P)	18.00
Price Target (P)	20.18
Fully diluted Shares O/S (mil)	2,127
Market Cap (P million)	32,383
52-week High (P)	25.20
Low (P)	14.50
12-mo Avg. Value T/O (P'm)	32.45
Shareholders	
Alakor Corporation	20.3%
Free float	41.0%

## Price Performance

	1m	6m	12m
AT	+3.3%	+2.9%	+17.6%
PSEi	+5.8%	+21.6%	+28.9%



## Capacity is Key

- **Copper prices have remained strong, boosting AT's topline.** Although copper prices have not yet reached the highs set in 2011, they have rebounded 20% from their 12-month low. Currently trading at \$3.86/pound, it is 4% higher than the put price of AT's hedges, which are due to expire in the 1<sup>st</sup> half of 2012. Thus, we expect AT's revenues to grow in 2012.
- **Expansions plans to boost revenues even further.** AT's current milling capacity is about 42,000 tpd and they plan to increase this moving forward. They have a short term target of 50,000 tpd and hopefully, by next year, the company's total milling capacity will be 60,000 tpd. In the long term, the company's goal is to increase its capacity to 100,000 tpd.
- **20% capacity expansion fully funded.** To raise its capacity to 50,000 tpd, about 3 secondary crushers and 4 tertiary crushers are required. This will require an outlay of about \$20 million. Note that after issuing about 700 million shares last year, AT was able to raise \$368 million in order to buy CASOP's stake in CCC. After that exercise, it had about \$22 million left, just about enough to fund the purchase of the crushers it needs.

## Financial and Valuation Highlights

in P'million	2009A	2010A	2011E	2012E	2013E
Revenues	4,690	8,851	11,858	12,255	15,222
EBITDA	233	2,549	4,687	5,808	6,809
Core net profit	-2,121	-757	3,688	2,862	3,032
FD EPS (P)	-2.00	-0.71	1.73	1.35	1.43
EPS Growth (%)	-	-	-	-22.4	6.0
ROE (%)	-	-	77.9	35.7	27.7
P/E (x)	-	-	10.2	13.2	12.5
P/B (x)	-	13.1	5.7	4.0	3.0
EV/EBITDA (x)	75.8	20.4	11.1	9.0	7.6
Dividend yield	-	-	-	-	-

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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- **Capacity expansion impact to be felt 2013 onwards.** While AT's expansion plans are laudable, we do not think there will be any significant impact on its earnings this year. We expect the company to start reaping the benefits of additional milling capacity starting next year.
- **Interest expense to start biting this year.** Just last week, CCC completed the issuance of \$300 million worth of debt paying interest semi-annually at 6.5%. This will be used to fund the company's expansion. About \$250 million will be needed to boost the company's milling capacity from 50,000 tpd to 80,000 tpd. That said, we expect the interest expense to hit the bottomline before the company partakes of the fruits of the debt. From this new issuance alone, an additional PhP 838 million interest burden will be added to the company's income statement.
- **Share conversion overhang.** A few days ago, the Spinnaker Group exercised its right to subscribe to 35 million shares of AT at PhP 10/share. While this increases the number of shares outstanding, this is already included in our calculation of EPS, along with all other convertible securities. We used the fully diluted common share base of 2.127 billion shares in our calculation of EPS instead of 1.8 billion, which is the current amount of shares outstanding. Note that the SM group's cost for AT shares is PhP 19.56/share, significantly higher than the share price now.
- **Cutting our price target on lower earnings pending successful execution of AT's expansion plans.** Given the heavy interest burden that AT has to overcome, we are downgrading our 12-month target price to PhP 20.18/share, which translates to 15x 2012 P/E. However, keeping copper prices constant, an upgrade is in order once (1) AT's expansion plans are executed properly and (2) cash costs decrease substantially. That said, because of AT's long term prospects, we maintain a buy recommendation on the stock.

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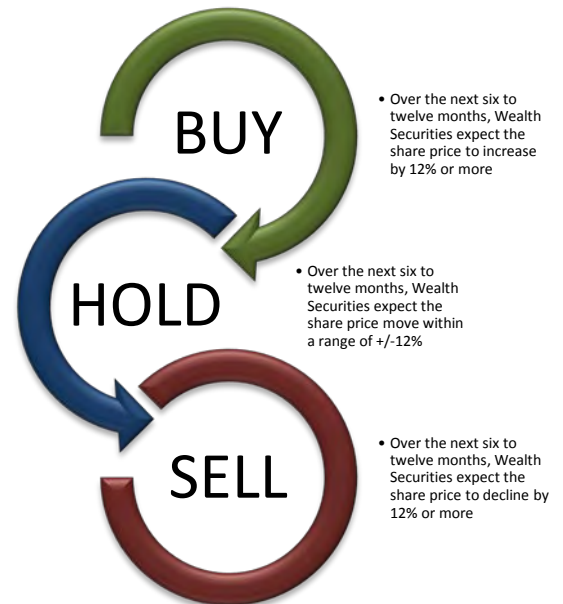
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