



WEALTH SECURITIES

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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, 29 March 2012

Index	Value	Change	% Chg	
PSEI	5,067.66	10.44	0.2056	↓
All Shares	3,434.88	0.83	0.0242	↓
Financials	1,257.47	2.09	0.1665	↑
Industrial	7,687.22	24.96	0.3236	↓
Holding Firms	4,216.87	10.59	0.2505	↓
Property	1,880.77	14.58	0.7693	↓
Services	1,737.18	8.75	0.5062	↑
Mining & Oil	25,968.73	1.27	0.0049	↓

MARCH

29

2012

WORLD INDICES

Dow Jones	13,126.20	-0.54%
FTSE 100	5,808.99	-1.03%
NIKKEI 225	10,182.60	-0.71%

TRADING SNAPSHOT

Index Movers	Points
Jollibee Foods Corp.	-7.93
Ayala Corp.	-6.52
PLDT	+6.16
SM Prime Holdings	-4.56
SM Investments Corp.	+3.48

Index Out-performers	Up
Manila Water Company	2.16%
JG Summit Inc.	1.54%
Aboitiz Power	1.06%
Aboitiz Equity Ventures	1.02%
SM Investments Corp.	0.83%

Index Under-performers	Down
Jollibee Foods Corp.	6.55%
Ayala Corp.	2.97%
SM Development Corp.	2.95%
Cebu Air Inc.	2.60%
DMCI Holdings	2.55%

CALENDAR

Mar 20	TA ASM
Mar 22	TEL, EG SSM
Mar 23	Q4'11 Balance of Payments
Mar 29	Monetary Policy Issues Highlights report (BSP)



PSEi Index

28 Mar 2012:	5,067.66	- 10.44
Value T/O, net	Php 3,989 million	
52-week High	5,145.89	
Low	3,715.01	
Foreign Buying:	Php 3,733 million	
Foreign Selling:	Php 3,345 million	



HEADLINES

US stocks decline as oil and material prices fall

➤ US stocks declined yesterday (Mar 28) as sharp declines in oil futures and metal prices weigh on the market. All three major indices incurred sizeable losses with the Dow declining 0.54%; the S&P, 0.49%; and the Nasdaq, 0.49%. US crude oil futures declined as the US and the EU discussed the possibility of releasing strategic oil reserves. In addition, a weaker than expected on US durable goods order also weighed on the market. Gold and copper prices dropped as a result. Issues tied to energy and material prices were the biggest drag yesterday with Caterpillar, Inc. declining 3.52% to US\$104.26. Exxon Mobil Corp. and Chevron Corp. fell 0.9% and 1.1% respectively. Meanwhile, Apple stocks hit yet another new high of US\$621.45 before closing at US\$617.62.

San Miguel Corp. posts 13% drop in profits

➤ Conglomerate San Miguel Corp reported net income of P17.5B, for all of 2011, down 13% against P20.1B last year. 2010's numbers however included one-time gains from power acquisitions. Excluding the one-time gains, SMC's core net income grew by 36% to P17.3B from P12.7B the previous year. Consolidated recurring EBITDA grew 47% to 77.2B. Consolidated sales revenues for 2011 also rose to P536B, 116% higher than the P246B recorded in 2010.

GMA Network, Inc. declares cash dividends

➤ GMA Network, Inc. announced that its Board approved the declaration of P0.40 cash dividends per share payable to shareholders on record as of April 16, 2012 on May 9, 2012. Ex-date for the said cash dividends is on April 11, 2012. Based on GMA7's closing price of P9.05, this translates to a yield of ~4.4%.

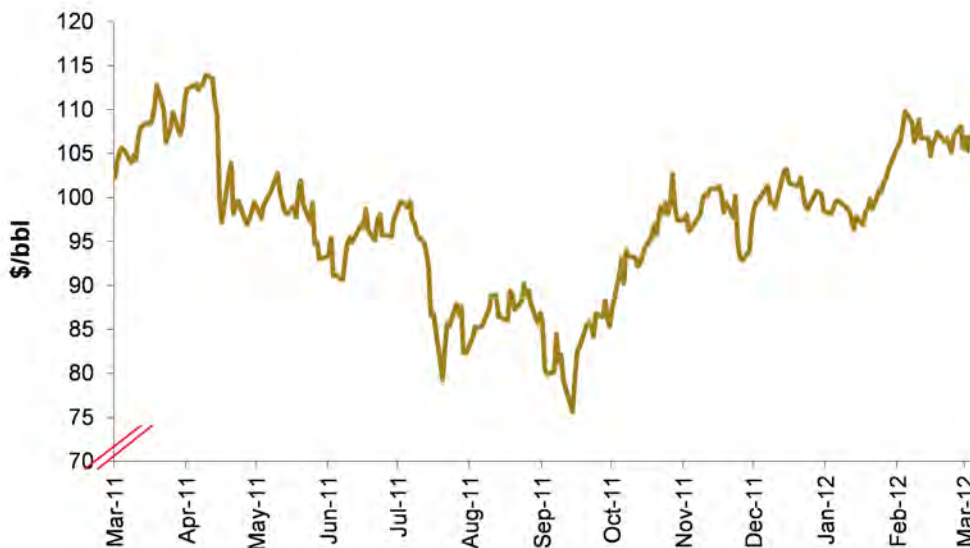
Nickel Asia Corp. hikes income by 129%; declares cash and stock dividends

- Nickel Asia Corp. announced that its attributable net income for 2011 increased 129% to P3.54B from P1.55B the previous year. On a per share basis, this translates to P2.64 compared to P1.49 in 2010. EBITDA likewise increased by 83% to P7.23B. Nickel Asia said that the higher earnings in 2011 was a result of improved nickel prices as well as significantly higher sales of nickel ore. This enabled the company's revenues to grow by 52% to P12.69B. Total volume of nickel ore sold and delivered in 2011 also reached 10.39WMT compared to 8.34WMT in 2010.
- In light of the strong results, NIKL's Board approved the declaration of P0.80 cash dividends per share payable to shareholders on record as of April 16, 2012 on May 11, 2012. In addition, NAC also declared stock dividends amounting to 50% of the company's outstanding common shares. Record and payment dates for the stock dividends will be set by the SEC upon their approval.

RCBC completes buy of First Malayan Leasing and Finance Corp.

- Rizal Commercial Banking Corp. said yesterday that it had completed the purchase of a total of 448,528,296 common shares or around 97.7% of the outstanding capital stock of First Malayan Leasing and Finance Corp. from Pan Malayan Management & Investment Corp., House of Investments, Inc., and other sellers. The transaction value includes an equity infusion of P163M into Malayan Leasing.

Nymex Crude 1-Yr Price Chart



Source: Bloomberg

CURRENCIES

US, Dollar	42.9420
Japan, Yen	0.5167
UK, Pound	68.5354
Hong Kong, Dollar	5.5303
EU, Euro	57.2288
Bahrain, Dinar	113.9110
Saudi Arabia, Rial	11.4506
China, Yuan	6.8084

As of 3/28/2012

COMMODITIES

NYMEX		
Crude	107.33	+0.28%
Futures		
%NY Gold	1,685.10	-0.02%
Spot (\$/t oz.)		
Silver Comex	32.59	-0.52%
(\$/t oz.)		
London	8,563.50	-0.12%
Copper Spot		

As of 3/27/2012



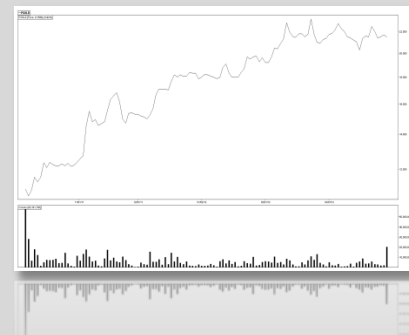


Puregold Price Club (PGOLD)

Upgrade Earnings and Target

Company Snapshot

Price (P)	21.50
Price Target (P)	25.50
Shares O/S (million)	2,766
Market Cap (P million)	59,469
52-week High (P)	23.60
Low (P)	17.78
12-mo Avg. Value T/O (P'm)	125.48
Shareholders	
Majority	77%
Free float	23%



Price Performance

	1m	6m	12m
PGOLD	+1.18%	+72.00%	N/A
PSEi	+4.38%	+17.25%	+28.40%

Value Accretive Acquisition

- **S&R acquisition finalized via equity share swap.** The board of directors of Puregold approved the acquisition of Kareila Management Corporation, a company wholly owned by the Co family which owns 100% and operates S&R Membership Shopping. The acquisition will be through a share swap, with Puregold offering 450 shares for every 1 Kareila share, implying an equity value of approximately P16.5 billion. The value was based on the closing share price of P21.50 on 26 March 2012. This transaction will result in the issuance of approximately 766 million new shares of PGOLD to the Co Family which will own approximately 77% of the expanded shares in PGOLD.
- **Value enhancing deal.** We believe that the transaction is value-accretive for PGOLD on two fronts: (1) **Margins.** Focused on the middle to upper class consumers, S&R is a high margin yielding business. It ended FY11 with a net margin of 9.9%. The additional six stores from S&R should be immediately accretive to Puregold whose net margin last year was at a modest 3.96%. Our adjusted FY12 numbers imply that net margins will rise by 100bps to 5.1%. (2) **Valuation.** The table below shows the valuation accretion. From 19.7x forward earnings estimate, the combined PGOLD and S&R yield an 18.7x multiple. We believe there is still room for upside considering the rich valuations of PGOLD's peers in Thailand.

Financial and Valuation Highlights

in P'million	2009A	2010A	2011A	2012E	2013E
Net Sales	24,112	29,108	38,988	62,526	75,185
Gross Profit	2,219	3,531	5,535	9,158	10,950
EBITDA	755	1,264	2,673	5,226	6,303
Net Income	131	510	1,545	3,178	3,662
EPS (P)	0.11	0.40	0.97	1.15	1.32
EPS Growth	0.0%	263.6%	142.5%	18.4%	15.2%
Gross Margin	9.2%	12.1%	14.2%	14.65%	14.56%
EBITDA Margin	3.13%	4.34%	6.86%	8.36%	8.38%
Net Margin	0.54%	1.75%	3.96%	5.08%	4.87%
P/E (x)	195.45	53.75	22.16	18.71	16.24

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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Impact of Puregold and S&R Combination

	Equity value	Net Income		Implied PER	
		2011a	2012f	Trailing '11	Forward '12
PGOLD	43,000	1,545	2,178	27.8	19.7
S&R	16,478	660	1,000	25.0	16.5
Pro-forma	59,478	1,545	3,178	38.5	18.7

Source: Company, Wealth Securities estimates

Note: Equity values are based on the P21.50 transaction value.

- **Upgrading TP to P25.50.** We are increasing our target price on PGOLD from P24.00 to P25.50, translating into a forward P/E of 22x. Since Puregold caters to a broader spectrum of the market, we believe that the company's premium pricing (against the PSEi and versus market leader SM) becomes more attainable and warranted. Relative to the regional comparables Siam Makro and Big C Supermart, which are trading at 25.6x and 28.1x respectively, we think that our 22x target estimate (18% discount) remains highly conservative. We reiterate our Buy rating on PGOLD.

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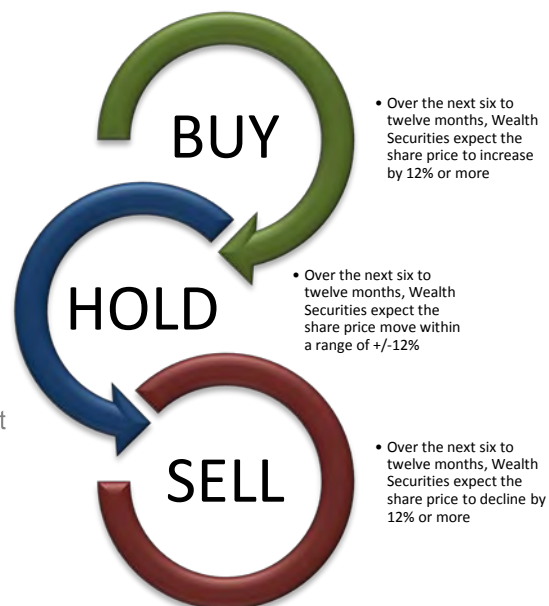
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RATINGS DEFINITION



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