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THE WEALTH VAULT

A Product of Wealth Securities, Inc.

TUESDAY, 10 JULY 2012

Index	Value	Change	% Chg
PSEi	5,263.74	-98.94	1.84 ▼
All Shares	3,490.50	-36.98	1.05 ▼
Financials	1,299.11	-25.35	1.91 ▼
Industrial	7,850.51	-117.55	1.48 ▼
Holding Firms	4,490.63	-81.37	1.78 ▼
Services	1,785.83	-26.58	1.47 ▼
Mining and Oil	24,728.31	-716.35	2.82 ▼
Property	1,927.60	-49.12	2.48 ▼

JULY

10

2012

WORLD INDICES

Dow Jones	12,736.29	-0.28%
FTSE 100	5,627.33	-0.62%
NIKKEI 225	8,920.86	+0.27%

TRADING SNAPSHOT

Index Movers	Points
Ayala Land Inc.	-12.62
Metrobank	-8.03
PLDT	-7.25
ICTSI	-7.24
Bank of the Philippine Islands	-6.16
Index Out-performers	
	Up
Semirara Mining Corp.	1.01%
Manila Water Company	0.59%
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--	--
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Index Under-performers	
	Down
Meralco	5.26%
ICTSI	3.99%
Ayala Land Inc.	3.57%
Alliance Global Inc.	3.21%
JG Summit Inc.	3.17%

CALENDAR

Jul 02	PEC ASM
Jul 03	FOOD ASM
Jul 11	GTCAP ASM
Jul 12	SGP, MB, ABA, IMP ASM



PSEi Index

09 Jul 2012:	5,263.74 - 98.94
Value T/O, net	Php 2,889 million
52-week High	5,403.16
Low	3,715.01
Foreign Buying:	Php 1,318 million
Foreign Selling:	Php 1,476 million



HEADLINES

US stocks decline on weak economic data from Asia and Europe

Ø US stocks declined yesterday (Jul 09) as investors try to gauge the impact of slowing growth in Asia and weakening demand in Europe to American companies. All three major indices declined with the Dow declining 0.28%; the S&P, 0.16%; and the Nasdaq, 0.19%. Alcoa reported second quarter earnings after trading last night, marking the start of the second quarter earnings season. Shares of the company ended 0.3% higher in regular trading and rose 2% in extended trading after the company reported earnings that beat estimates. Alcoa posted a net loss in the second quarter although the results beat analysts' estimates. In Asia, machinery orders in Japan fell in May, while inflation in China eased to a 29-month low as demand in Europe and United States fall. In Europe, Spanish 10-year bond yields rose above 7%, a level seen by many as unsustainable.

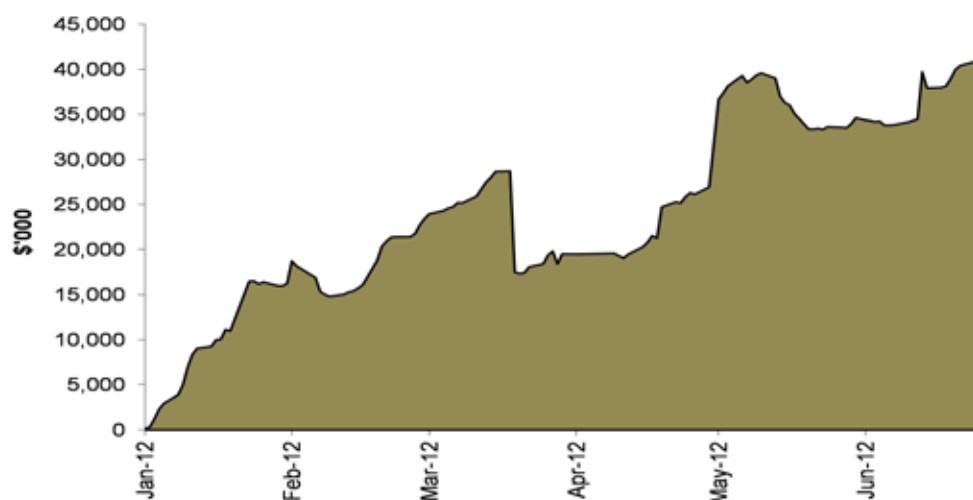
SMIC upsizes retail bonds to P15B

Ø In a disclosure to the PSE, SM Investments Corp. announced that it had increased the size of its retail bond issue to P15B from the initial size of P10B due to strong demand from both retail and institutional investors. The issue consists of 6.000% Series C bonds due 2019 and 6.9442% Series D bonds due 2022. The bonds were purchased by a wide spectrum of investors ranging from individuals in the retail market, to banks, investment funds, pension funds, insurance companies and other corporates. The strong market response prompted the joint issue managers and joint lead underwriters to exercise the company's oversubscription option. The offer period for the SM bonds opened on June 27, 2012 and closed on July 6, 2012. The issue date is on July 16, 2012. SM's bonds are rated PRS Triple A by PhilRatings.

JFC delays international expansion of Mang Inasal

Ø Jollibee Foods Corp. Chairman and CEO Tony Tan Caktiong told reporters yesterday that the company will delay bringing Mang Inasal abroad to the middle of 2013 instead of this October. Tan said that the delay was due to a limitation of human resources as the company is still expanding aggressively in the Philippines. He meanwhile said that sales growth should be softer in the second quarter, while operations in China continue to be a challenge for the company despite the recent decline in commodity prices.

Foreign Buying-Selling : YTD



Source: PSE

Dividends Calendar

CODE	STOCK	CASH	SPLITS	RIGHTS	EX-DIVIDEND	RECORD	PAYABLE	ANNOUNCED
ACPA		11.1			26-Jul-2012	31-Jul-2012	25-Aug-2012	09-Dec-2011
IFO		0.06			24-Jul-2012	27-Jul-2012	09-Aug-2012	29-Jun-2012
MFIN	1.06%				23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012
MFIN		0.0106189			23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012
MWIDE		0.13			17-Jul-2012	20-Jul-2012	15-Aug-2012	26-Jun-2012
JGS		0.16			13-Jul-2012	18-Jul-2012	13-Aug-2012	28-Jun-2012
CEB		1			13-Jul-2012	18-Jul-2012	13-Aug-2012	28-Jun-2012
COAT		0.12			13-Jul-2012	18-Jul-2012	13-Aug-2012	18-Jun-2012
I		0.1995			09-Jul-2012	12-Jul-2012	07-Aug-2012	06-Jul-2012
RFM				1 Philow n share for every 77 RFM shares held - prop. div.	06-Jul-2012	11-Jul-2012	TBA	27-Jun-2012

Source: Technistock

CURRENCIES

US, Dollar	41.9510
Japan, Yen	0.5274
UK, Pound	65.1709
Hong Kong, Dollar	5.4099
EU, Euro	51.6920
Bahrain, Dinar	111.2788
Saudi Arabia, Rial	11.1869
China, Yuan	6.5843

As of 7/09/2012

COMMODITIES

NYMEX		
Crude	84.45	-3.18%
Futures		
%NY Gold		
Spot (\$/t oz.)	1,608.50	-0.67%
Silver Comex		
(\$/t oz.)	27.07	-2.27%
London		
Copper Spot	7,534.50	-2.14%

As of 07/06/2012





Price Performance

	1m	6m	12m
AGI	+7.41%	+6.81%	+0.00%
BLOOM	21.97%	-80.53%	252.98%
BEL	+7.43%	+3.69%	+7.66%
LR	-13.50%	+32.90%	-22.93%
PSEi	+5.40%	+15.41%	+20.29%

Coming Soon: Competition

- Ø **New players setting up.** The gaming industry is becoming more exciting with the expected opening of Bloomberry Resorts Corporation's (BLOOM) Solaire Manila by 1Q13 and Belle Corporation's (BEL) Belle Grande Manila around 4Q of the same year. With about 650 gaming tables and 3,000 slot machines combined, the opening of these two casinos shall put Philippine Integrated Resorts (IRs) in the map, thus bolstering the country's status as a key gaming destination in Asia.
- Ø **Regulatory environment seen to improve.** The seeming conflicting personality of PAGCOR – an entity with powers of a regulator and assets of an operator – has been negatively viewed by foreign would-be industry partners. This concern is expected to be addressed as Senate Bill 3187 is envisaged to abolish PAGCOR and create a new agency with purely regulatory functions. Through this piece of legislation, the government is likewise expected to exit from operating its 13 casinos.
- Ø **PPP in the gaming industry.** The NEDA recently approved the 5.2-km NAIA Expressway project, an elevated airport tollroad which will allow faster access to the Entertainment City. The project, which is estimated to cost P13.58 billion, is part of the government's Public-Private Partnership initiative. As direct beneficiaries of the infrastructure and therefore stakeholders in the project, the four licensees are expected to contribute a billion pesos each. The amount will form part of their US\$1 billion investment commitment.
- Ø **Industry outlook.** As a sector, Philippine IRs holds considerable promise. With the infrastructure upgrade, job creation, and the tourist arrivals the Entertainment City will bring, the gaming industry is expected to significantly contribute to the country's accelerated economic growth. On a topline basis, we expect the private IRs to generate some US\$1.35 billion in gaming revenues for 2013 (from ~US\$370 million in 2010). The challenge, in our view, is how to bring in foreign players on a sustainable basis since, at present, the grind market still accounts for a considerable portion of the pie.



	Market Cap	Target	EV/EBITDA, x		PER, x	
	(in P'm)	Price	2013F	2014F	2013F	2014F
Alliance Global	121,391	12.75	5.4	4.8	8.0	7.1
Bloomberry	110,769	10.20	12.4	9.2	17.6	12.3
Belle Corporation	53,853	7.40	n/a	7.7	n/a	9.3
Leisure & Resorts World	8,499	10.80	11.7	6.2	7.0	6.3
RP Gaming Average			9.8	7.0	10.9	8.8

	Market Cap	EV/EBITDA, x		PER, x	
	(in P'm)	2012F	2013F	2012F	2013F
Galaxy Entertainment	10,377	10.4	8.5	14.3	12.4
SJM Holdings	10,431	10.0	8.8	13.9	12.6
Wynn Macau	11,714	14.6	13.1	16.6	14.4
Sands China	24,297	15.5	11.7	23.1	16.1
MGM China	5,606	10.3	8.9	13.7	12.3
Macau Gaming Average		12.2	10.2	16.3	13.6

- Ø **AGI: Feeling the pressure.** The entry of new and potentially larger rivals is exerting pressure on the Resorts World Manila (RWM) of Alliance Global Group, Inc. (AGI). This has been reflected in the recent under-performance of its share price relative to those of emerging IRs. We believe that there is value created in the widening of the NAV discount. At an estimated 20% discount to NAV, our P12.75 target price presents some 11% upside (even after factoring in a 10% conglo discount). Note, however, that AGI could lose momentum considering the potential migration of traffic into the newer IRs.
- Ø Longer-term, AGI is already preparing for its second casino which is 3x the size of RWM. Called the Resorts World Bayshore (RWB), it will sit on a 30.5-ha property and is estimated to cost some US\$1.1 billion. Expected to be completed some time in 2015, RWB may open at about the same time as the fourth licensee holder Universal Entertainment Corp. It has already commenced ground works and targets to open in 1Q15. **HOLD.**
- Ø **BLOOM: The niche player.** Bloomberry Resorts Corp. (BLOOM) is the only pure casino play among the listed IR companies. As the first to compete against AGI's RWM upon its opening in 1Q13 (presently 70% completion rate), the company will be targeting the high-rollers. About 30% of its 300-table gaming facility will be dedicated to VIPs, both direct and via junkets. Solaire Manila will also showcase a 500-room all-suites hotel and four villas. The latter having a floor size of ~600sqm each and will be solely for VIPs' complementary use.
- Ø BLOOM has engaged the services of Global Gaming Asset Management (GGAM) to operate Solaire Manila. The three principals behind GGAM are said to have a century's worth of casino management experience. Their strong relationships with Asian gaming operators will be the key driver in attracting VIP customers and junket operators. In exchange for their services, GGAM will be entitled to a share in the EBITDA (i.e., VIP and junket-related contribution) and an equity stake of about ~9% in the company.
- Ø BLOOM could be reporting better margins than its peer newcomer Belle considering its performance-based sharing agreement with GGAM. In the absence of a true gaming partner like Genting and Melco, BLOOM could likewise be more profitable than AGI (which has an effective 46% share in RWM) and Belle. BLOOM is trading at 12.1x forward EV/EBITDA, substantially ahead of most Macau IRs. **HOLD.**

- Ø **BEL: New Crown jewel.** Belle recently announced that it will be teaming up with Melco Crown Entertainment Ltd. (MPEL) for the continued development and operation of Belle Grande. The entry of MPEL not only addresses the overhang on Belle (given its agreement with LR), but also dramatically changes the complexion on Belle Grande now that a foreign brand will be attached to its name. While the details of their agreement are expected to be announced after two months, we presume that MPEL will take in the role of LR, which calls for a 50% share of the EBITDA. We understand that a US\$320 million loan facility will be made available to MPEL out of its US\$580 million expected total investment.
- Ø Outlook-wise, we think that with the Melco tie-up, a renewed Belle Grande (which could be renamed to add the Melco brand) may have a better fighting chance against the first mover advantage of RWM and the gaming niche that Solaire Manila exudes. As the third player in the industry, it could potentially be the biggest (typical SM strategy) among the three gaming entities given Melco's direct tie-ups with junket operators and VIPs. As for its agreement with LR, we understand that the new deal will be adjusted towards BEL's in a manner that will be equitably rewarding also to LR. Our revised NAV/share values BEL at P7.40/share after factoring in a 25% NAV discount. **BUY.**
- Ø **LR: Less Role (but still) Lucrative Returns.** The entry of MPEL similarly changes the dynamics in LR's participation in the casino venture. With MPEL as the new operating partner, LR is expected to be relegated to a less exciting, but an equally profitable role, in our view. From an operator sharing half of the EBITDA, we understand that LR will be allowed to acquire a 30% interest in the value of the casino property. This will likewise lengthen its participation in Belle Grande, as the previously signed 10-year operating contract will effectively be extended up to the remaining life of the license. LR would likely raise debt for the acquisition, but we believe that profitability will mildly be affected. Our simulation translates to a P1.15 EPS (full year operations in FY14). Our price target of P10.80 (based on 2014F numbers) implies a 33% upside from the current levels. **BUY.**



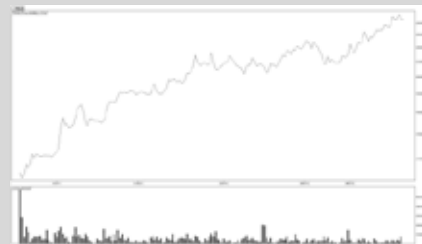
Puregold Price Club. (PGOLD)

Downgrade to Hold TP: Php31.25

TUESDAY, 10 JULY 2012

Company Snapshot

Price (P)	28.70
Price Target (P)	31.25
Shares O/S (million)	2,766
Market Cap (P million)	80,490
52-week High (P)	30.15
Low (P)	17.78
30-day Avg. Value T/O (P'm)	75.37
Shareholders	
Majority	77%
Free float	23%



Price Performance

	1m	6m	12m
PGOLD	+16.67%	+59.44%	N/A
PSEi	+5.40%	+15.41%	+20.29%

Downgrade to Hold due to Valuations

Ø **Very Strong Start** Puregold Price Club (PGOLD) has risen more than 60% ytd and returned 240% since it debuted in the exchange last October 2011, outperforming the rise of the PSE Index's 20% ytd. We believe the outperformance is warranted due to being the purest proxy for the growing consumption demand in the Philippines. Recall that last March 15, 2012, we initiated coverage of the stock at Php20.30 with a BUY recommendation. We liked the stock because we argued that PGOLD was the only pure retail play listed in the exchange with a strong earnings growth profile and with huge macroeconomic forces benefitting the higher consumption spending such as the rising workforce in the BPO scene and the resilient inflow of OFW remittances.

Ø **More Puregold Stores Serving You** As of 5M2012, PGOLD has built a store network composed of 131 outlets, broken down into 106 PGOLD stores, 19 Parco Supermarkets and 6 S&R membership shopping clubs. We believe that PGOLD's roll-out profile is on track and that the company has actually been delivering well on its promises. Despite the very aggressive expansion, 1Q2012 net margin still came in at 4.37%, 22 bps higher than our estimate of 4.15%. Recall that we mentioned after finalization of the equity share swap that the S&R deal was value accretive (See March 29, 2012 "Value Accretive Acquisition")

Financial and Valuation Highlights

Amounts in P'million	2009A	2010A	2011A	2012E	2013E
Net Sales	24,112	29,108	38,988	66,127	78,782
Gross Profit	2,219	3,531	5,535	9,662	11,453
EBITDA	755	1,264	2,673	5,550	6,626
Net Income	131	510	1,545	3,286	3,769
EPS (P)	0.11	0.4	0.97	1.19	1.36
EPS Growth	0.00%	263.60%	142.50%	22.5%	14.7%
Gross Margin	9.20%	12.10%	14.20%	14.61%	14.54%
EBITDA Margin	3.13%	4.34%	6.86%	8.39%	8.41%
Net Margin	0.54%	1.75%	3.96%	4.97%	4.78%
P/E (x)	260.91	71.75	29.59	24.16	21.06

Sources: Company data, Wealth Securities estimates

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

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Ø **Parco Acquisition Deal** On May 30, 2012, Puregold acquired 100% of the equity of Gant Group of Companies, the holding company of the Ong family for six subsidiaries operating the 19 branches of Parco Supermarkets, for Php760 Mil. This was financed internally with an implied 2012 E P/E of 7.6X. We are positive in the deal, and believe that it is EPS accretive by 3.6 cents, as Parco represented a similar business model with PGOLD and enjoys a strong loyal customer base comprising of C and D customers and resellers in areas of operation. We further note the advantages reaped not just by economies of scale but by cost savings from store openings of PGOLD. We estimate that PGOLD spends approximately Php100-120 Mil for each store opening as management guidance was at Php3 Bil for opening of 25 stores/yr. With cheap acquisitions, PGOLD effectively captures higher sales and benefits with an increase in net margins as soon as synergy of its operations begin.

Parco Supermarket Financial Performance			
in P'million	2009A	2010A	2011A
Net Sales	2,154	2,942	3,601
Gross Profit	182	244	324
EBITDA	39	39	29
Net Income	18	7	-5
Gross Margin	8.4%	8.3%	9.0%
EBITDA Margin	1.8%	1.3%	0.8%
Net Margin	0.8%	0.2%	-0.1%

Source: Wealth Securities estimate, company data

Ø **Increasing TP to P31.25 but Downgrading to Hold** As we noted in our previous reports (*See: Pure Retail Play, Mar. 15, 2012 & Value Accretive Acquisition, Mar 29, 2012*), we recommended buying PGOLD while it was trading between Php19 to Php22 as it was the best proxy to invest in the Philippines' retail segment. However, at its current price of Php28.70, PGOLD is trading at 21.1X FY2013 P/E and 24.11X FY2012 P/E. Consequently, we downgrade our rating to HOLD as we view the company's current valuation as unattractive. Because of the fantastic run in PGOLD's share price, the pure retail play has become a premium-priced retail play. Nonetheless, we remain bullish on the company's strong organic store expansions and the strong ability of management to expand via favorable acquisitions. Considering this, we prefer to buy PGOLD on pullbacks or on dips rather than at current prices. We forecast FY2013 Sales and Net Income to grow to Php78 Bil and Php3.77 Bil respectively. With this, we revise our target price to Php31.25, based on FY2013 E P/E multiple of 22.5X and our revised 2013E EPS of P1.39. At our target price, PGOLD trades at par with its regional peers. We believe that PGOLD warrants this multiple, considering its ability to deliver strong revenue growth while maintaining relatively high margins.

Upside risks to our target price include faster than expected store openings, higher than average net ticket price for PGOLD, S&R and faster than forecasted profitability in newly acquired Parco.

Regional Comparable Peers

Name	FY2013 Rev Growth(1 Yr)	FY2013 Fwd P/E	FY2013 Net Margin
Puregold	19.14%	21.06	4.78%
Siam Makro	12.38%	25.62	2.63%
Big C Supercenter	47.92%	28.07	4.78%
China Resources Enterprise	35.24%	23.68	2.95%
Zhongbai Holdings	16.79%	18.16	1.75%
Wumart Stores	19.60%	21.86	4.71%
Average	25.18%	23.08	3.60%

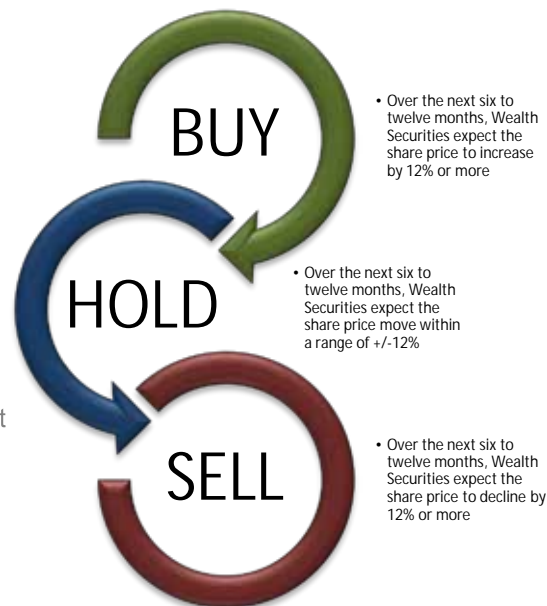
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RATINGS DEFINITION



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