



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.

MONDAY, 30 JULY 2012

Index	Value	Change	% Chg
PSEi	5,219.55	66.99	1.30 ▲
All Shares	3,463.30	29.08	0.85 ▲
Financials	1,285.51	5.8	0.45 ▲
Industrial	7,888.54	86.08	1.10 ▲
Holding Firms	4,376.71	52.81	1.22 ▲
Services	1,780.29	16.81	0.95 ▲
Mining and Oil	23,315.76	153.07	0.66 ▲
Property	1,953.15	41.71	2.16 ▲

JULY

30

2012

WORLD INDICES

Dow Jones	13,075.66	+1.46%
FTSE 100	5,627.21	+0.97%
NIKKEI 225	8,566.64	+1.46%

TRADING SNAPSHOT

Index Movers	Points
Ayala Land Inc.	+13.45
SM Investments Corp.	+11.66
PLDT	+6.69
Aboitiz Equity Ventures	+5.80
ICTSI	+4.91

Index Out-performers	Up
Ayala Land Inc.	4.16%
Philex Mining	3.02%
Meralco	2.92%
ICTSI	2.86%
Jollibee Foods Corp.	2.85%

Index Under-performers	Down
Globe Telecom	0.92%
Robinsons Land Corp.	0.91%
Metro Pacific Investments	0.49%
Semirara Mining Corp.	0.35%
Universal Robina Corp.	0.34%

CALENDAR

Jul 26	Monetary Policy Stance Press Release
Jul 27	May '12 UB, KB NPL
Jul 31	Jun '12 Template on Int'l Reserves and Foreign Currency
Aug 07	Jul'12 CPI, Inflation Rate



PSEi Index

27 Jul 2012:	5,219.55 + 66.99
Value T/O, net	Php 3,184 million
52-week High	5,403.16
Low	3,715.01
Foreign Buying:	Php 3,004 million
Foreign Selling:	Php 3,361 million



HEADLINES

US stocks rally on hopes that the Fed will announce more stimulus

Ø US stocks rallied last Friday (July 27) as hopes that the Federal Reserve and the European Central Bank will announce more stimulus soon pushed stocks higher. All three major indices posted huge gains with the Dow rising 1.46%; the S&P, 1.91%; and the Nasdaq, 2.24%. The Fed and the ECB are expected to hold key meetings next week. According to Bloomberg report, ECB President Mario Draghi will meet with Bundelbank President Jens Weidmann to discuss several measures to help the euro zone. Despite Friday's surge, earnings released within the day disappointed investors with Facebook hitting an all-time low after posting its results.

Megaworld launches project in Bonifacio Global City

Ø Megaworld announced that it had launched an uptown condominium project in Bonifacio Global City which the company expects to generate P4.5B in revenues for the developer. Dubbed the Uptown Ritz, it is the second project Megaworld had launched in its 15-hectare Uptown Bonifacio integrated development. Average price of the units is P135,000 per square meter with unit sizes ranging from 78 square meters to 182 square meters. This means that the lowest priced unit will be about P11M. Construction of the 45-story condominium is expected to begin before the end of the year, while completion is targeted in June 2017.

Leisure and Resorts World declares cash dividends

Ø LR announced the declaration of cash dividends amounting to P0.04 per share payable to common shareholders on record as of September 28, 2012, on October 23, 2012. Ex-date for the said dividends is on September 25, 2012. In addition, the company also declared cash dividends amounting to P0.035 per share payable to shareholders on record as of February 28, 2013 on March 25, 2013. Ex-date will be on February 25, 2013.

Century Properties to build P4 billion residential property in Quezon City

Ø Century Properties will be building 8 mid-rise towers collectively called The Residences at Commonwealth by Century. The P4.1 billion project is the company's first in the affordable housing category. The company will be taking advantage of the increasing purchasing power of the lower middle class as well as the low interest rate environment. The first building, Osmena West, will be 11 stories with 200 units and is expected to be completed in 2015. As part of Century Properties' goal to "redefine standards" for living in Quezon City, the project will include The Orchard, a multi-level clubhouse with unique amenities like a daycare center, a dance studio, screening room and many more.

VLL to issue P2.5B in Homebuilder Bonds

Ø Vista Land and Lifescapes announced that its Board authorized the company to offer and issue Homebuilder Bonds of up to P2.502B. Final issue size, interest rate, and other relevant terms and conditions of the Bonds will be decided by the management.

Dividends Calendar

CODE	STOCK	CASH	SPLITS	RIGHTS	EX-DIVIDEND	RECORD	PAYABLE	ANNOUNCED
LAND	20%				TBA	TBA	TBA	15-May-2012
CDC	10%				TBA	TBA	TBA	07-May-2012
NIKL	50%				TBA	TBA	TBA	28-Mar-2012
ATN	2%				TBA	TBA	TBA	28-Dec-2011
EEL		0.025			27-Nov-2012	03-Dec-2012	28-Dec-2012	23-Mar-2012
ACPA		11.1			25-Oct-2012	30-Oct-2012	25-Nov-2012	09-Dec-2011
FJP		0.05			03-Oct-2012	08-Oct-2012	02-Nov-2012	17-Jul-2012
PERC		0.1			18-Sep-2012	21-Sep-2012	17-Oct-2012	26-Apr-2012
EEL		0.025			29-Aug-2012	03-Sep-2012	27-Sep-2012	23-Mar-2012
PPREF		2.382			13-Aug-2012	16-Aug-2012	05-Sep-2012	07-Mar-2012
FJP		0.07			09-Aug-2012	14-Aug-2012	07-Sep-2012	17-Jul-2012
ABA		0.1			08-Aug-2012	11-Aug-2012	07-Sep-2012	19-Jul-2012
ABA				Abacus Goldmines common shares as would be equivalent to P0.10 per share - prop. div.	08-Aug-2012	11-Aug-2012	TBA	19-Jul-2012
MB		0.05			03-Aug-2012	08-Aug-2012	03-Sep-2012	12-Jul-2012
ACPA		11.1			26-Jul-2012	31-Jul-2012	25-Aug-2012	09-Dec-2011
IPO		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		0.010618854			23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012

Source: Technistock

CURRENCIES

US, Dollar	42.0940
Japan, Yen	0.5381
UK, Pound	66.0455
Hong Kong, Dollar	5.4261
EU, Euro	51.7083
Bahrain, Dinar	111.6611
Saudi Arabia, Rial	11.2248
China, Yuan	6.5936

As of 7/27/2012

COMMODITIES

NYMEX		
Crude	88.28	+0.42%
Futures		
%NY Gold		
Spot (\$/t oz.)	1,577.50	+0.03%
Silver Comex		
(\$/t oz.)	26.93	-0.33%
London		
Copper Spot	7,413.25	+0.21%

As of 07/25/2012





Philippine National Bank (PNB)

Buy

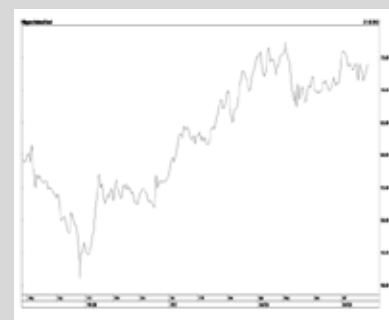
MONDAY, 30 JULY 2012

Company Snapshot

Price (P)	73.90
Price Target (P)	100.00
Shares O/S (million)	662
Market Cap (P million)	48,939
52-week High (P)	77.80
Low (P)	41.00
12-mo Avg. Value T/O (P'm)	43.577
Shareholders	
Lucio Tan Group	80.0%
Free float	20.0%

Price Performance

	1m	6m	12m
PNB	+4.1%	+17.3%	+24.4%
PSEi	-0.7%	+11.5%	+16.4%



Merger Underway

- 1/3 Done.** Last Friday, PNB and Allied Bank obtained approval for their planned merger from the Philippine Deposit Insurance Corporation (PDIC). PDIC's approval marks a milestone, as the merger plan of both banks has persistently been hobbled by regulatory and political issues, here and abroad. PDIC's approval is subject to certain conditions, which the merging entities will probably disclose in a few days. Following PDIC's approval, the banks will have to secure the approvals of Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC).
- 4th Biggest.** PNB, on a standalone basis, is currently the 5th largest local bank. When it merges with Allied Bank, it would become the 4th biggest local bank, with Total Assets of ~P550B and more than 600 branches. Considering the management and operational challenges that it would have to hurdle before it can be competitive with the Big 3 (BDO, BPI and MBT), we think that the merged bank would be up for sale to willing takers. The merged bank would be an attractive takeover target for any of the Big 3 since the winning acquirer would emerge as the undisputed biggest bank in the country.
- Accelerated Clean-up.** BSP has recently allowed the one-time write-off vs. retained earnings of losses (i.e. Deferred Charges) incurred by local banks during the 1998 Asian Financial Crisis. PNB might be a possible beneficiary of this move, as it had P4.8B in Deferred Charges as of YE2011. Availing of the one-time write-off will accelerate PNB's clean-up efforts and would result into a cleaner and stronger balance sheet.

Considering these, we maintain our BUY on PNB.

Financial and Valuation Highlights

in P'million	2009A	2010A	2011A	2012E	2013E
Net Revenues	15,212	16,627	16,699	25,033	26,179
Operating Expenses	10,726	9,925	11,119	19,395	19,810
PPOP	4,486	6,702	5,579	5,638	6,369
Net Income	2,200	3,536	3,873	3,528	4,084
ROE	7.3%	11.0%	10.7%	4.4%	4.3%
ROA	0.8%	1.2%	1.3%	0.7%	0.7%
EPS	3.30	5.31	5.73	3.00	3.47
BVPS	46.59	50.31	59.16	78.30	81.77
PE	7.35	11.96	10.23	24.60	21.30
P/BV	0.52	1.26	0.99	0.94	0.90

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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	Assets	Loans	Deposits
2011A PNB	316,284	126,249	237,533
2011A Allied Bank	200,101	97,504	147,110
2012E PNB-Allied Bank	553,272	234,941	403,258

Amounts in millions

Sources: Company data, Wealth Securities estimates





GMA Network, Inc. (GMA7)

Company Update

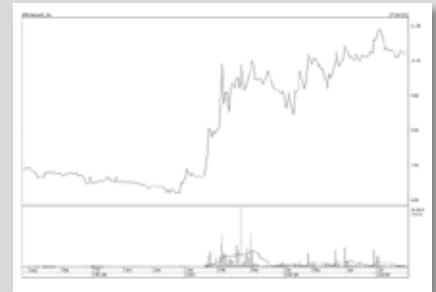
MONDAY, 30 JULY 2012

Company Snapshot

Price (P)	10.20
Price Target (P)	10.66
Shares O/S (million)	3,361
Market Cap (P million)	34,283
52-week High (P)	11.00
Low (P)	6.18
12-mo Avg. Value T/O (P'm)	9.88
Shareholders	
Majority – 3 Families	80.0%
Free float	20.0%

Price Performance

	1m	6m	12m
GMA7	+0.0%	+10.8%	+48.3%
PSEi	-1.0%	+8.8%	+6.4%



Priced in?

- Ø **P52.5 billion offer.** Several news reports have already surfaced regarding the price at which PLDT (thru Mediaquest Holdings) will buy GMA Network. The telecom giant was said to have offered P52.5 billion – valued in terms of enterprise value - to the major shareholders for 100% stake of the leading network. The three families, Gozon (24%), Duavit (28%), and Jimenez (28%), own a combined 80% of GMA-7.
- Ø **Minor complication.** The implied valuation would have been a straightforward calculation had GMA7's capital structure involved only common equity shares. Its structure, however, included preferred shares which reportedly carry 5x voting power. Furthermore, these preferred shares can be converted into common shares at a ratio of 1:1.
- Ø **Striking a balance.** Our simulations offer two realistic scenarios, applicable in the short-term. Pricing scenarios stem from the reported value, which may also change as the final amount has not been officially announced. Scenario 1 tries to capture the remaining upside potential while Scenario 2 tries to highlight the prospective downside risk.
- Ø **Scenario 1.** In this simulation, the preferred shares are valued at P7.5 billion (7.5 billion shares x P0.20 x 5), which factors the voting premium. The net value attributable to common shareholders, including the PDRs, works out to be P10.66. Considering the current trading levels of GMA7, it appears that the market is pricing in this "before conversion" scenario.

Simulation of GMA Network Purchase

in P'million	Scenario 1	Scenario 2
Enterprise value	52,500	52,500
Less: Debt obligations	-	-
Preferred shares	7,500	-
Equity value	45,000	52,500
Shares outstanding (w/ PDRs)	4,223	11,723
Value per common share, Php	10.66	4.48

Source: Company data, Wealth Securities estimate, various news reports

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- Ø **Scenario 2.** The second valuation scenario, on the other hand, appears contrarian but offers a rational perspective as it is akin to the contentious Digitel acquisition where the value left to minority holders for tender offer was unexpectedly low. In this simulation, the preferred shares are simply converted into common shares. The end result shows enormous dilution as the shares will increase by 2.8x to 11.7 billion shares. The implied value only works out to be P4.48 – the same price minority shareholders would be paid in the event of a tender offer.

- Ø **“Cost and effect”.** If the first scenario will indeed be the valuation method used, we estimate that PLDT will shell out an additional P5.2 billion as payment to minority shareholders. Conversely, it is also the same amount the group will save if it will opt to convert preferred into common shares. In the same manner, the three families will end up with more as they increase ownership to 93%. In the end, PLDT will have to balance the cost and its effect. While the transaction could potentially be accretive for the PLDT group in the long-run (and for the acquired GMA7, for that matter), it pays to review the short-term implications of the pending deal.

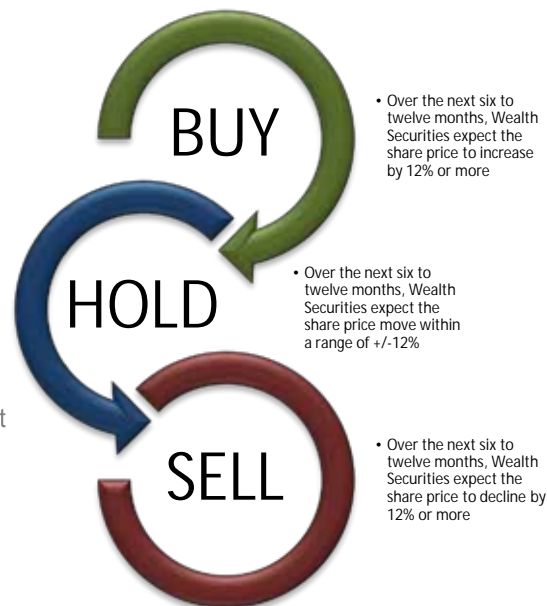
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