



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.

WEDNESDAY, 01 August 2012

Index	Value	Change	% Chg
PSEi	5,307.66	29.76 ▲	0.56 ▲
All Shares	3,503.30	11.46 ▲	0.33 ▲
Financials	1,320.32	16.79 ▲	1.29 ▲
Industrial	7,905.82	-13.71 ▼	0.17 ▼
Holding Firms	4,477.78	32.11 ▲	0.72 ▲
Services	1,798.21	11.47 ▲	0.64 ▲
Mining and Oil	23,679.09	91.46 ▲	0.38 ▲
Property	1,998.50	17.6 ▲	0.89 ▲

WORLD INDICES

Dow Jones	13,073.01	-0.02%
FTSE 100	5,692.63	+1.18%
NIKKEI 225	8,635.44	+0.80%

TRADING SNAPSHOT

Index Movers	Points
Metrobank	+8.97
PLDT	+8.35
Ayala Land Inc.	+5.53
Banco De Oro	+5.40
JG Summit Holdings	+3.86

Index Out-performers	Up
Metrobank	3.41%
JG Summit Holdings	2.42%
Banco De Oro	2.22%
DMCI Holdings	1.91%
Ayala Land Inc.	1.63%

Index Under-performers	Down
Globe Telecom	3.29%
Meralco	2.86%
Bank of the Philippine Islands	1.22%
San Miguel Corp.	1.15%
Jollibee Foods Corp.	0.87%

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

31 Jul 2012:	5,307.66 + 29.67
Value T/O, net	Php 4,086 million
52-week High	5,403.16
Low	3,715.01
Foreign Buying:	Php 3,773 million
Foreign Selling:	Php 2,895 million



HEADLINES

US stocks end lower ahead of key Fed and ECB meetings

Ø US stocks fell yesterday (Jul 31) as investors await results of key meetings by the Federal Reserve and the European Central Bank. All three major indices declined with the Dow declining 0.49%; the S&P, 0.43%; and the Nasdaq, 0.21%. The Federal Reserve is set to meet today regarding the state of the economy while the European Central Bank is set to meet on Thursday. Investors are hoping that the Fed and the ECB will announce further action to stimulate their respective economies. In companies, Facebook shares fell 6.1% as a result of lackluster results, while Apple rose 2.1% due to rumors of a new product launch.

SMDC posts 38% hike in net income

Ø SM Development Corp. said that its net income for the first half of the year increased by 38% to P2.7B YoY for a net margin of 22%. EBITDA rose by 32.6% to P2.97B, translating to an EBITDA margin of 25%. Net income from real estate sales on the other hand grew by 31.8% to P2.51B. In terms of sales, home sales for the first half of the year surged by 72% to P19.8B with the number of units sold rising 72% to 8,007 from 4,655 units during the same period last year.

Megaworld to increase investment for Uptown Bonifacio to P65B

Ø Megaworld Corporation, said in a disclosure that it is increasing its investment in a 15-hectare integrated township development called Uptown Bonifacio from P45 billion to P65 billion over the next 20 years due to the strong outlook and demand in Bonifacio Global City. Uptown Bonifacio will feature up to 18 towers, offering a total potential development of 500,000 square meters of residential space, 400,000 square meters of office space and 90,000 square meters of retail space. With a wide range of well-planned offerings, Megaworld Senior Vice President for Marketing Noli Hernandez is confident that Uptown Bonifacio will be the new place to be in the next few years.

TDY Changes Name to LT Group, Trading Suspension Lifted

Ø Tanduy will start trading tomorrow after suspension of one day due to the change in name and corporate structure. Tanduy will now be named LT Group and will include companies under common control by the Lucio Tan group of companies. With the approval by the stockholders of the additional investment of 5,000,000,000 shares by Tangent Holdings Corporation, the Corporation's public ownership percentage will fall below the ten percent (10%) minimum public ownership requirement ("MPO"). Management was further directed to study and recommend measures to enable compliance with the MPO requirement.

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	41.9070
Japan, Yen	0.5361
UK, Pound	65.8359
Hong Kong, Dollar	5.4040
EU, Euro	51.3780
Bahrain, Dinar	111.1651
Saudi Arabia, Rial	11.1746
China, Yuan	6.5691

As of 7/31/2012

COMMODITIES

NYMEX		
Crude	88.06	-1.92%
Futures		
%NY Gold		
Spot (\$/t oz.)	1,615.30	-0.45%
Silver Comex		
(\$/t oz.)	27.96	-0.60%
London		
Copper Spot	7,551.50	+0.20%

As of 07/31/2012





BDO Unibank (BDO)

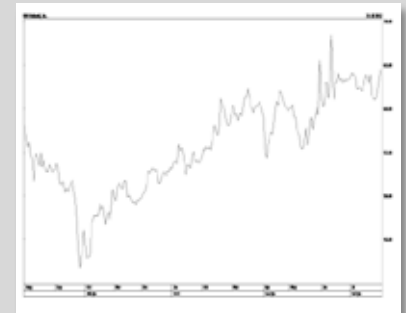
Buy

Company Snapshot

Price (P)	64.45
Price Target (P)	75.50
Shares O/S (million)	3581
Market Cap (P million)	230.787
52-week High (P)	68.40
Low (P)	41.50
12-mo Avg. Value T/O (P'm)	242.604
Shareholders	
SM Investments	41%
Free float	41%

Price Performance

	1m	6m	12m
PNB	+1.7%	+19.2%	+11.7%
PSEi	+1.2%	+13.4%	+17.9%



Clear Growth Trajectory

- Ø **BDO Delivers in 1H2012.** BDO reported that its 1H2012 Net Income reached P5.8B, 15% higher YOY. This was driven by a 2% YOY increase in Net Interest Income to P17.2B, and a 7% YOY increase in Non-Interest Income to P11.2B. Operating Expenses increased by 8% YOY to 19.4B, while Provisions for Losses decreased by 30% YOY to P2.5B. In the table below, we summarize how BDO's 1H2012 results have fared vs. our FY2012 estimates.

	1H2012A	FY2012E	% of FY2012E
Net Interest Income	17.2	42.6	40%
Non-Interest Income	11.2	19.6	57%
Trading Income	3.2	3.0	107%
Operating Expenses	19.4	39.5	49%
Provisions for Losses	2.5	5.0	50%
Net Income	5.8	12.5	46%

Sources: Company data, Wealth Securities estimates

While the bank's 1H2012 Non-Interest Income is trending above our forecasts primarily because of higher Trading Gains, its 1H2012 Net Interest Income is lagging below our forecasts. Operating Expenses and Provisions for Losses are both in-line with our expectations. If Net Interest Income re-accelerates in 2H2012, we think that BDO can meet its FY2012 Net Income guidance.

- Ø **Margin Pressures Remain.** Despite the clear growth trajectory, it seems that the bank is still grappling with margin pressures. Even as the bank was able to grow its loan portfolio 18% YOY, its Net Interest Income increased by a measly 2% YOY. We surmise that this is part of the bank's efforts to enlarge its asset base, even at the expense of slightly lower margins, in order to attain its desired economies of scale.

Financial and Valuation Highlights

in P'million	2009A	2010A	2011A	2012E	2013E
Net Revenues	46,042	51,999	54,678	62,301	70,120
Operating Expenses	32,129	34,789	36,316	39,452	42,646
PPOP	13,913	17,210	18,362	22,848	27,474
Net Income	6,101	8,881	10,588	12,494	15,732
ROE	9.7%	11.3%	11.4%	10.4%	10.5%
ROA	0.7%	1.0%	1.0%	1.1%	1.2%
EPS	2.46	3.35	3.91	3.98	4.28
BVPS	28.74	31.84	35.03	38.45	41.94
PE	15.85	17.48	15.46	16.19	15.04
P/BV	1.36	1.84	1.73	1.68	1.54

Sources: Company data, Wealth Securities estimates

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

ND Fernandez

T: 634.5038 local 8152

E: nd.fernandez@wealthsec.com

Ø **On-Track.** Considering these, we think BDO can meet its FY2012 Net Income guidance of P12.5B, especially if it puts some effort to improve its margins and Net Interest Income.

Though we like BDO's long-term growth prospects, we think that its recent SRO will be an overhang in the short-term, considering that it will bring about considerable EPS dilution. However, as we said in a previous report (*The Bitter Pill*, April 13, 2012), we think that BDO has already bitten the bullet in order to ensure early compliance with Basel III and address the concerns regarding its Tier 1 Ratio.

Considering these, we maintain our BUY rating on BDO, with an upgraded TP of P75.50. Our TP equates to 1.8x 2013E P/BV.

Please Read!

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RATINGS DEFINITION



Jerome Gonzalez
Research Head
T: 634.5038 local 8127
jerome@wealthsec.com

Bernard Aviñante
Conglomerates & Power
T: 634.5038 local 8121
bernardavinante@wealthsec.com

Miguel Agarao
Mining & Property
T: 634.5038 local 8164
miguel.agarao@wealthsec.com

Nikki Yu
Consumer & Transport
T: 634.5038 local 8150
nikki.yu@wealthsec.com

Enrico Chua
Malls
enrico.chua@philequity.net

ND Fernandez
Banking & Telcos
T: 634.5038 local 8152
ndfernandez@wealthsec.com



Wealth Securities, Inc.
2103 East Tower, PSE Center,
Exchange Road, Ortigas Center,
Pasig City 1600
Telephone: 02.634.5038
Facsimile: 02 634 5043