



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, 13 August 2012

Index	Value	Change	% Chg
PSEi	5,263.35	6.74	0.13▲
All Shares	3,488.95	3.95	0.11▲
Financials	1,314.82	-9.24	0.70▼
Industrial	7,896.89	40.03	0.51▲
Holding Firms	4,412.11	33.44	0.76▲
Services	1,776.64	0.72	0.04▲
Mining and Oil	21,142.15	-238.43	1.12▼
Property	2,018.00	-3.51	0.17▼

AUGUST

13

2012

WORLD INDICES

Dow Jones	13,207.95	+0.32%
FTSE 100	5,847.11	-0.08%
NIKKEI 225	8,891.44	-0.97%

TRADING SNAPSHOT

Index Movers	Points
Metrobank	-7.18
SM Investments Corp.	+5.96
Aboitiz Equity Ventures	+3.04
Alliance Global Inc.	-3.01
Ayala Corp.	+2.72

Index Out-performers	Up
Energy Development Corp.	1.58%
Meralco	1.54%
Metro Pacific Investments	1.43%
DMC Holdings Inc.	1.39%
SM Investments Corp.	1.30%

Index Under-performers	Down
Metrobank	2.72%
Alliance Global Inc.	2.28%
SM Development Corp.	1.30%
Robinsons Land Corp.	0.92%
Bank of the Philippine Islands	0.72%

CALENDAR

Aug 04	V ASM
Aug 07	Jul'12 CPI, Inflation Rate
Aug 10	ACE ASM
Aug 10	JTE SSM



PSEi Index

10 Aug 2012:	5,263.35 + 6.74
Value T/O, net	Php 2,906 million
52-week High	5,403.16
Low	3,715.01
Foreign Buying:	Php 2,130 million
Foreign Selling:	Php 2,796 million



HEADLINES

S&P rallies for the sixth straight day

Ø US stocks rallied last Friday (Aug 10) as expectations of more stimulus continue to push the market higher. All three major indices rose with the Dow rising 0.32%; the S&P, 0.22%; and the Nasdaq, 0.07%. Last Friday's movement marked the sixth straight day the S&P had gained. Stocks had traded lower for of the day, after China's July trade surplus fell to \$25.1 billion from \$31.7 billion a month earlier. Export and import growth also slowed sharply, indicating continued deceleration in the world's second-largest economy. In company news, Yahoo shares fell 5.4% after commenting that it may reconsider what it will do with the cash it will get from the sale of half of its stake in Alibaba Group. Yahoo earlier said it will return most of the cash to shareholders. Research in Motion meanwhile rose 6.3% after it was reported that IBM has considered buying its enterprise division.

13 companies to bid for NAIA expressway PPP project

Ø The following companies have purchased bidding documents for the NAIA Expressway Phase II project: Alloy MTD Philippines, Ayala Corp, C.M. Pancho Construction, Daelim Philippines, DM Consunji Inc, EEI Corp, EGIS, Projects, J.E. Manalo Construction, Macquarie Capital Securities, Megawide Constructions, Metro Pacific Tollways Corp, M/S IL and FS Transportation Network and San Miguel Corp. The project has a proposed cost of P13.575 billion and is a solicited project of the DPWH. The government, together with PAGCOR, has put together a P6.5 billion Infrastructure Support Facility (ISF) (The NAIA Expressway will connect the airport to the PAGCOR Entertainment city). The company whose proposal requires the lowest amount to be borrowed from this ISF will be ranked the highest bidder. The bidding for this project may be pushed back to December or January next year in order to give the interested parties time to finalize their technical proposals and bids.

ICT Signs Sub Concession Agreement with LPLE to operate Nigerian port

Ø International Container Terminal Services (ICTSI) and Lekki Port LFTZ Enterprise (LPLE) signed on August 10, 2012 a subconcession agreement for a container terminal at a deep water port in the Lagos Free Trade Zone, at Ibeju Lekki, Nigeria. The agreement grants the exclusive right for ICTSI to develop and operate within the Tolaram Port @Lekki for a period of 21 years. The facility is expected to be fully operational by 2016 and will add an annual capacity of 2.5 Million TEUs, making it the largest single terminal in sub Saharan Africa.

Belle to seal partnership deal with Melco next month

Ø Belle Corp. vice chairman Willy V. Ocier told the Businessworld that the company is keen to finalize its partnership deal with Melco Crown Entertainment Ltd. by the first week of September. Ocier said that that is within the 60-day window they've given themselves to finalize the deal. Belle earlier announced that it will partner with Melco for the development of the Belle Grande Manila Bay integrated resort and gaming complex, thus reducing the stake and involvement of Leisure & Resorts World Corp. in the process.

ALI vice president sells shares

Ø According to SEC 23-B filing, Ma. Rowena Tomeldan, Vice President of Ayala Land, sold 207,730 shares of Ayala Land (ALI) at prices between 22.85 to 23.60 on August 8, 2012.

DMCI announces joint offer with D&A Income Ltd. to acquire all of the existing shares of a UK-based mining company

Ø DMCI has announced a joint offer with D&A Income Ltd from the United Kingdom to acquire all of the existing shares of ENK PLC, a mining company listed in the London Stock Exchange AIM Market with significant mining assets in the Philippines, for an offer price of GBP 0.19 per share for a maximum total bid consideration of approximately GBP 31 million for the Company. The offer was agreed and recommended by the current Board of Directors of ENK PLC

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	41.7580
Japan, Yen	0.5313
UK, Pound	65.3095
Hong Kong, Dollar	5.3839
EU, Euro	51.3665
Bahrain, Dinar	110.7669
Saudi Arabia, Rial	11.1355
China, Yuan	6.5667

As of 8/10/2012

COMMODITIES

NYMEX		
Crude	93.36	+0.01%
Futures		
%NY Gold	1,617.10	+0.34%
Spot (\$/t oz.)		
Silver Comex	28.12	+0.36%
(\$/t oz.)		
London	7,483.75	-0.61%
Copper Spot		

As of 08/09/2012





Ayala Corporation (AC)

Target Upgraded; Maintain Buy

Company Snapshot

Price (P)	430.00
Price Target (P)	503.00
Shares O/S (million)	594
Market Cap (P million)	255,214
52-week High (P)	432.00
Low (P)	427.00
12-mo Avg. Value T/O (P'm)	88.7
Shareholders	
Mermac, Inc.	52.6%
Free float	35%



Price Performance

	1m	6m	12m
AC	-6.1%	+11.3%	+39.6%
PSEi	+0.4%	+1.4%	+20.4%

Strong 1H but 2Q softened due to GLO

- ⊘ **Downed by GLO.** AC reported a 23% YoY increase in net profit of P6.1 billion for the 1H. Core profits were even higher at P6.3 billion, up 35% YoY. This was mainly due to a strong growth performance in 1Q which, incidentally, was not duplicated in 2Q. 2Q grew by a mild 5% increase YoY. Globe's 16% YoY dip in this quarter largely affected AC's bottom line. All in all, our P10.7 billion profit estimate for FY12 is fairly intact.
- ⊘ **Subs deliver.** Except for the telecom unit which was dragged by higher depreciation costs due to its ongoing network modernization program, the rest of AC's core units performed well during the period. Property sales continued to be brisk. Residential sales grew by 24% YoY with margins, particularly in the vertical segment, still in check. Loan growth in the banking unit saw a faster clip in the consumer segment, growing 17% YoY. ROE was at 21%. Further, the water business posted strong topline growth with a timely tariff hike implementation and strong volume growth. All three names in our basket warranted upgrades in target prices.

Financial & Valuation Highlights

in P'million	2010A	2011A	2012E	2013E	2014E
Revenues	82,080	94,033	98,231	108,476	121,154
EBIT	9,722	13,081	18,009	22,033	26,726
Net profit	11,161	9,395	10,713	13,014	15,668
EPS (P)	11.26	13.35	16.23	20.11	24.58
EPS Growth	18.4%	18.6%	25.0%	23.9%	22.2%
EBIT margin	11.8%	13.9%	18.3%	20.3%	22.1%
ROE	5.52%	7.18%	8.76%	10.23%	11.65%
BV/share (P)	186.38	185.52	190.01	202.88	219.06
P/B (x)	2.3	2.3	2.3	2.1	2.0
PER (x)	38.2	32.2	26.5	21.4	17.5

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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Equity Earnings of AC's Core Business Units

Amounts in P'm	1H12	YoY chg	Comment
Ayala Land	2,278	+28%	On track to meeting 5-10-15 plan
BPI	3,170	+52%	Driven by trading gains & strong loan growth
Globe	1,536	-8%	Accelerated dep'n due to network upgrade
Manila Water	1,051	+34%	Higher consumption and new connections

Source: Company, Wealth Securities

Ø **Loaded.** AC is targeting five more key projects under the PPP program. These are very strategic to Ayala Land's landbank in Manila and Cebu. It also lends support to some of its key tourism destination projects. Funding for most of these targets are already in place. The recent equity placement of 15 million AC shares (out of 20.2 million) brought cash position to nearly P30 billion.

PPP Project Targets

PPP Project	Cost (P'bn)	Status
Daang-Hari SLEX Connector	1.96	Awarded, submitted engineering design (DED) to DPWH
LRT Line 1	60.0	To JV w/ MPI, pre-qualification submission on 22 Aug
NAIA Expressway	15.86	Bid submission: December 2012
Cavite-Laguna (CALA) Expressway	19.69	NEDA-ICC approved
Laguindingan Airport	1.8	Feasibility study preparation
Mactan Cebu In'l Airport	10.15	Feasibility study preparation

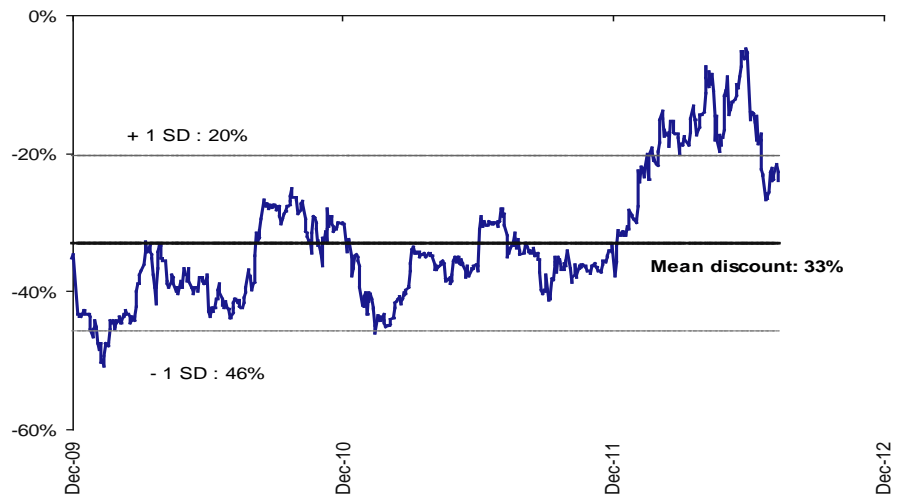
Source: Company, Wealth Securities

Ø **Upgrade TP.** While the share offering caused underperformance in the stock (-6.1% AC vs. +0.4% PSEi) the past month, we believe AC remains one of the few names with solid medium-term prospects. The company is committing US\$1 billion in the infrastructure and power generation sectors, which are key elements to appreciating its NAV. Although only 5% of its enterprise value remains unexposed since the balance is represented by its listed subsidiaries (see table next page), we see these segments growing over time through continuous investments by the parent. The key investment themes on infra and power, which are leading indicators of economic growth, should help narrow AC's discount to NAV to our target of 10%. At this level, AC would be trading at our upgraded target price of P503. BUY.

Sum-of-Parts Valuation: AC

	Stake	Valuation	AC's claim	NAV %
Listed Investments				
Ayala Land	50%	323,524	163,056	47%
Bank of P.I.	34%	256,848	86,044	25%
Globe Telecom	31%	165,000	50,325	15%
Manila Water	43%	55,138	23,764	7%
Integrated Micro-electronics	68%	6,453	4,375	1%
			327,565	95%
Non-Listed Investments				
Power & infrastructure	100%	8,462	8,462	3%
Others	100%	9,020	9,020	2%
			17,482	5%
Enterprise value			345,047	
Less: Parent net debt / (cash)			13,250	
Net Asset Value			331,797	
Shares outstanding			594	
Value per share			559.03	
Premium / (discount) to market			(23.1%)	

Source: Company, Bloomberg, Wealth Securities estimates

Discount to NAV Chart: AC

Source: Company, Bloomberg, Wealth Securities estimates

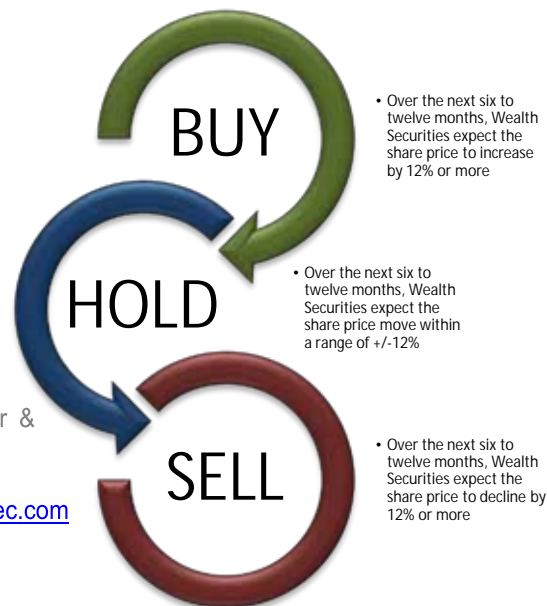
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