



►MARC EYES 1.5M TONS SHIPMENT IN 2013



►ROCK EYES PHP1.1BN IN 2012 EARNINGS

2012 Aug 30

Volume 1 No. 9



FIRST METRO INVESTMENT CORPORATION

he Bellwether

Fortnightly on Market Action and Outlook

GT Capital: Outperformance Across Industries

We see substantial earnings growth in GT Capital's (GTCAP) affiliates and subsidiaries for the entire year — Metrobank (MBT), Toyota Motors (Toyota), Federal Land Inc. (Fed Land), Global Business Power Corporation (GBPC), and Philippine AXA Life Insurance Corporation (AXA Life) — given the robust results in 1H2012.

GTCAP's 1H2012 core earnings shot up 55% year-on-year (YoY) to Php2.6bn. Fed Land's earnings grew 770% to Php1.7bn for the first half due to sustained brisk sales: Php1bn sales take up per month. GBPC's net income surged by 134% to Php1.3bn from the full year operations of its coal-fired plants in Cebu and Panay, complemented by the company's participation in the Wholesale Electricity Spot Market (WESM).

Toyota realized a 35% increase in net income to Php1.5bn for 1H2012 from an increase in volume, sales and marketing initiatives, and positive market acceptance of its new vehicle models. The Philippine automotive market grew 7% to 88k unit sales in 1H2012 where Toyota had a 33.6% market share as its unit sales volume growth outstripped the industry, up 17.7% to 29.4k units from 24.98k units year-on-year (YoY). MBT's net income for the first six months this year went up 21% to Php7.4bn due to healthy growth in core revenues and the rationalization of operating expenses. AXA Life continues to

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Market Stats

For the week ending August 24, 2012					
Top Gainers			Top Losers		
Stock	Price	% w-o-w change	Stock	Price	% w-o-w change
JFC	97.30	1.99%	CEB	61.40	-9.31%
MBT	92.80	1.98%	RLC	18.10	-4.74%
TEL	2,754.00	1.85%	SM	705.00	-4.34%
MWC	27.00	0.93%	GLO	1,080.00	-4.00%
AGI	11.26	0.72%	ALI	21.45	-3.81%

PSEi	Value	% w-o-w Change
Closing	5,143.35	-1.22%
High	5,203.83	-1.52%
Low	5,125.89	-1.45%
Value T/O (in mn Php)	12,827.61	-33.85%
Foreign Buying (mn USD)	53.87	-210.37%

Interest Rates on Upward Bias



Yields have been creeping up 1 to 2 bps on a daily basis as market is searching for new leads and given the lack of economic data. Moreover, players opted to be defensive for the long weekend and consequent shorter trading week. The market particularly awaits news on the RTB issuance possibly towards the 4th quarter of 2012 on top of the indicative amount likely in the range of Php70-Php90bn. We expect rates to gradually move up as the market puts a premium on current yield with the upcoming debt supply.

GSM PM CLOSE August 24, 2012
1.67yr 4.00% unchanged
3.67yr 4.25% unchanged
4.27yr 4.40% (0.025 bps up)
9.50yr 4.90% unchanged
19.15yr 5.69% (0.01 bps down) Dealt @ 5.685% to 5.66% for Php8.418Bn

GSM PM CLOSE August 24, 2012
23.57yr 5.80% unchanged Dealt @ 5.725% to 5.70% for Php1.065Bn
25yr 5.75% (0.025 bps down) Dealt @ 5.725% to 5.70% for Php507Mn

RTB Tranche August 24, 2012
15:15yr 5.40% unchanged Dealt @ 5.325% to 5.25% for Php168Mn
20yr 5.735% (-0.015 bps down) Dealt @ 5.72% to 5.71% for Php1.377Bn

Note: GSM is Government Securities Market

(GT Capital...Continued from page 1)

invest in future growth such that expenses pushed down earnings by 10% in 1H2012 to Php321mn.

We're specially bullish on the 627MW GBPC, with a share of 14% of the Visayas grid in terms of an expected more than a billion kilowatt-hour (kwh) sales in 2012. We estimate GBPC to make Php2.62bn in earnings given the strong WESM price. Merchant capacity is 30% of installed capacity. There's also the full year earnings impact of its two coal fired plants 246MW 52%-owned Cebu Energy Development Corp. (CEDC) and 164MW 89%-owned Panay Energy Development Corp. (PEDC). Both began commercial operations in 1Q2011 or February and March of 2011.

GBPC's 1H2012 earnings were Php1.3bn, up 134% versus a year ago. Its share of income to the consolidated earnings of the holding company GT Capital is seen to rise from roughly 15% to 20%, with the share of MBT of 55%, likely to inch down to 45%. (MBT will benefit from Toyota's rebounding sales as gleaned from the July unit sales result: 6k, almost. Toyota is likely to make Php3bn this year, after Php2.2bn in 2011).

WESM hovered close to Php6/kwh on the average in the Visayas grid in 1H2012, a level seen to hold in 2H2012 and benefit GBPC's merchant capacity. GBPC's capacity mix is 30% merchant, 70% contracted-- with 90MW of the latter devoted to the peaking power market (not all of which are contracted). These peaking plants are diesel-fired which sell at Php10/kwh with a fuel cost of Php8/kwh. The rest of the

contracted capacities are coal-fired, selling at Php6/kwh with a cost of Php2.80/kwh. GBPC's contracted capacities' earn about a 14% return on fixed investments with fuel cost as pass-through, thus GBPC's upside will be stretched by the strong WESM prices.

WESM has been tight and will remain tight the whole year round due to the thin reserve power margin in Luzon, exerting pressure on the Visayas grid prices as there is already an interconnection between the two grids. Visayas, itself, has a power supply surplus as reserve power margin is 400MW on peak demand of 2,000MW compared to Luzon grid's required 1,200MW reserve power margin versus actual of less

than 1,000MW. (Please see also the outlook for the business segments in 2012 on table 2 below and the assumptions of the DCF valuation on table 3 page 3).

Stock Data	
Price (Php)	539.00
Market Cap (Php Bn)	85.162
Outstanding shares (Mn)	158
PE (X)	13
Price to Book (X)	2.44
<i>Source: Bloomberg</i>	

Table 1.

GT Capital (in bn Php)

	1H2012	YoY	2012E
	Earnings	% change	Earnings Contribution to GT Cap
Metrobank	7.4	21	5.76
Toyota Motors	1.5	35	0.45
Federal Land	1.7	48	0.19
Global Power	1.3	134	0.52
Axa Life	0.321	-10	0.03
GT Cap	4.016	136	6.53



The column 2012E doesn't add up as earnings are attributable to parent (minority excluded).

Table 2.

GT Cap's Underlying Business Company-wide Core Earnings

	in bn Php	Outlook
	2012E	
Metrobank	12.8	based on Bloomberg consensus, will benefit from Toyota's rebound in 2012, target of Php3bn 2012 earnings 1Q12 weak start, but to benefit highly from May's record 5900 unit sales and RP's climb to \$3k per capita GDP putting it at par with Indonesia. That per capita income is the threshold for higher car sales based on the Indonesian experience, according to Toyota's own internal view/studies.
Toyota Motors	3.00	Php10bn of unbooked revenues, net profit margin rise from 20% according to Fed Land Pres. A. Ty, sales take-up at Php1bn/month to continue. Capex this year is Php10bn.
Federal Land	1.24	stable cash flow from 14% return on contracted capacity, upside in WESM in 2012 on forced outage in Luzon grid and thin power margin.
Global Power	2.62	Axa in growth stage and booking attendant expenses related to portfolio growth, upside is in RP's low life insurance penetration rate of 4% of GDP.
Axa Life	0.642	

Table 3.

GT Capital

DCF Valuation

in bn Php

	Projected				
Calendar	2012	2013	2014	2015	2016
Tax-effected EBIT	6.55	8.61	11.33	14.89	19.58
Plus: Depreciation & Amort.	0.07	0.07	0.08	0.08	0.09
Less: Capex	(7.00)	(6.65)	(6.32)	(6.00)	(5.70)
Plus/Minus Change work capital	2.00	2.10	2.21	2.32	2.43
Unlevered free cash flow	1.62	4.14	7.29	11.29	16.40
WACC @	8.7%				
NPV of Unlevered free cash flow @ 8.7%	29.56				

EBITDA MULTIPLE METHOD

Terminal Value		Undiscounted	Discounted		
EBITDA Multiple	9x	178.17	117.40		
	10x	197.96	130.45		
DCF Range (Implied Enterprise Value)				146.96	160.01
Equity Value				121.46	134.51
Implied Price per Share				768.74	851.30
Implied Price per Share with 20% Conglomerate Discount				614.99	681.04

Assumptions of the DCF on earnings CAGR, capex, tax rates, working capital — from management guidance

GT Cap repeats 25% income CAGR (achieved in past three years) in the next 5 years

32% yearly income is implied by the 5-year earnings CAGR estimate of 25%

Php7bn actual capex (equity infusion) in 2012 for power and property; amount will reduce as subs raise capital on stand-alone

Working capital from yearly Php2bn dividend receipts, excluding revolver of Php10bn in place

WACC based on GT Cap's own sourced from Bloomberg

EV/EBITDA multiple is based on the average for RP conglomerates of 9-10



Rockwell Land Corporation

Eyes Php1.1bn in 2012 Earnings

Earnings to Rise 20%, Sales Take-up 70% Higher Versus Year Ago. Rockwell's earnings are seen to rise 20% to Php1.1bn this year as completed unit inventories are unloaded from existing high-rise projects Edades and Grove. At this earnings level, PE is a high 22.99x. Demand for residential units remains robust with sales take-up higher by 70% year-to-date July 2012 versus year ago, same period. Based on company guidance, the reason why 2011 pre-sales (Php4.9bn) were lower than 2010's Php6.4bn was due to strong demand outpacing the supply of units, the latter meaning fewer inventories from higher valued projects like Edades and One Rockwell.

Last year, total revenues were 26% higher to Php6.15bn versus 2011's Php4.9bn. Residential sales, led by high-rise towers Grove and Edades, contributed to 85% of total revenues, up versus year ago's 79%; while the rest were from commercial leasing.

Flat 1Q12 On Higher Cost of Development. In 1Q2012, revenues grew faster, up 45% to Php1.1bn, led by condominium (condo) sales that were up 68% to Php766mn. Condo sales accounted for 66% of total topline for the quarter, while lease income had a 15% share. Bottomline, on the other hand, was flat at Php165mn versus year ago's Php159mn, largely due to the faster growth of expenses, up 61% to Php920mn. Specifically, cost of development rose 78% to Php652mn, narrowing net profit margin to 14% in 1Q2012 from year ago's 20%.

Php26.3bn Capex for Residential Projects (High-rise and Horizontal). Capex worth Php26.3bn this year will fund projects as follows:

- 1) Rockwell's "Proscenium" where five towers will rise on the 3.6 hectare former property of Colgate Palmolive in Rockwell Makati.
- 2) Mid-rise buildings and townhouses with a price tag of Php120k/sqm in 2.1 hectare property in Santolan, Quezon City.

Commercial Leasing. There will also be an expansion of the current 90k sqm commercial leasable space— office, (46k sqm currently), and retail, (44k sqm currently),— to 180k sqm by 2014. Capex for this remains undisclosed. The office segment will expand by 30k sqm to accommodate the Lopez companies' headquarters in Makati and another 60k sqm in the Meralco area, for office leasing. The Meralco area is where currently Rockwell Business Center stands, a joint venture BPO building with Meralco on 80%; 20% earnings sharing, (80% for Rockwell).

Stock Data	
Price (Php)	3.57
Market Cap (Php Bn)	22.23
Outstanding shares (Bn)	6.23
PE (X)	20.30
Price to Book (X)	-

Source: Bloomberg

PSEi May be Lifted by Month-End Window-Dressing

In the week ending August 24, 2012, the Philippine bourse further closed in the red ahead of another shortened trading week and the intensifying dismal global growth outlook (e.g. last week, it was weak China PMI and Japan trade data). The PSE index tumbled by 63.5 points (-1.22%) to finish the week at 5,143.35. Foreigners were net buyers by P2.267B, inclusive of the P6.37B block sale in SM. In developed markets, US equities surged Friday on the back of comments from the Fed that it has room to bolster growth. However, it was not enough to push indices higher for the week. For the period, the Dow lost 0.9%, the S&P shed 0.5%, and the Nasdaq was off by 0.2%.

Moving forward this week, the local bourse might be lifted by month-end window-dressing and upbeat 2Q12 GDP growth expectations. However, trading might be light as investors keep an eye on developments abroad. Market players abroad will likely look for QE3 cues (if any) from Fed Chairman Bernanke's Jackson Hole speech this Friday. Other economic news flows due this week are US consumer confidence, GDP quarter-on-quarter (QoQ), pending home sales, jobless claims, and consumer sentiment. PH 2Q GDP will be released on Thursday, August 30, with consensus reading at 5.5% year-on-year (YoY).



Marcventures Holdings Inc. (MARC)

Eyes 1.5m ton Shipment in 2013

Earnings Downward Revision. Marcventures reported Php136.76mn in 2Q2012 earnings or Php112mn in the entire 1H2012. In 1Q2012, Marc posted a net loss of Php25mn in the absence of shipments, almost the norm for Surigao miners in the seasonally weak 1Q due to the weather.

Capability to ship a million tons. The weather has held back shipments and metal prices were weak, specifically the LME nickel spot touching a 3yr low of \$15,000/ton, on which high grade nickel prices are based. But trailing 12 months ending Aug. 2012, Marc had shipped a total of 21 boatloads, underscoring a capability to do the same in 2013. Marc started commercial shipments in August last year, made Php268mn in net profits out of 628k tons of high grade nickel ore shipped to a Chinese buyer called Dun Feng. Dun Feng has been behind Marc, with cash advances to the mining company worth \$6mn, against which the nickel ore off-take are charged and other mine development costs.

Recovery Seen in 2013 on Increased Capacity. The increased mining capacity next year of 1.5m tons and also of shipments are based on the expanded mineable resource in the Sipangpang and Pile areas, (also in the Cantilan mine, Surigao province) outside of Marc's 120 hectare explored area, which will start operations in 2013. Marc's MPSA covers an area of close to 5,000 hectares in Cantilan Surigao province, 120 hectares of which are explored with 10 hectares of it being the active mine. Initial exploration results at the "indicated" level puts the resource of the explored area outside of the 120 hectares at 24m tons, mostly of saprolite grade (high-grade) ore reserves. Marc's explored 120 hectare area, on the other hand, has a resource estimate of

22m tons, 11m tons of which are mineable with grade ranging from a low 1% to a high of 2.2%.

...Shipments. Marc just loaded its 9th shipment for the year this week, 5 of which were made in 2Q and another 7 - 8 shipments planned for 3Q12. For 4Q12, the target is 6-8 more shipments for a total of 21 shipments in the entire 2012, on the high side and 17 on the low side. The bad weather has pushed back an initial plan to ship 6 boatloads in 1Q, and the bulk of 9 boatloads in 3Q12 to 4Q12. The fourth quarter has been a high shipment season for Marc as shown by last year's 8 shipments in 4Q alone, thus making the target 8 shipments in 4Q12 achievable.

Grade Mix, Increasing Share of High Grade 1.8% in 4Q12 and 2013. There will be 3 high grade shipments out of the 8 planned in 3Q (this quarter), expected to fetch a price of \$50/ton. The price of the high grade nickel ore is LME-based and thus moves up and down with the spot LME price. The rest of 5 shipments in 3Q will be low grade with iron content of 48-50% and with a selling price of \$20/ton, an improved level from a low of \$16/ton in 2Q12.

Low grade nickel ore prices move in tandem with the iron ore prices, set by big iron ore producers Brazil and Australia. Chinese steel manufacturers buy Phillipine nickel ore for their lower iron ore content to mix them with Brazil's high iron ore of 60%-70%.

For 4Q2012, the shipments will be 50:50 low and high grade and will thus pull up profits for the year. Marc is hopeful nickel prices will improve as China's economy recovers on the strength of gov't policy intervention.

Stock Data	
Price (Php)	2.36
Market Cap (Php Bn)	4.10
Outstanding shares (Bn)	1.74
PE (X)	6.15
Price to Book (X)	2.03
<i>Source: Bloomberg</i>	

Wider Net Profit Margin Based on Nickel Price Outlook and Improved Hauling Efficiency. Next year, net profit margins are seen to improve from the current 43% to 55% such that Php1bn worth of earnings on 1.5m ton shipment is "do-able." This is also attributable to the shrinkage of Marc's operating cost from a high of \$24/ton last year to \$16/ton currently as more of the hauling trucks are now owned and less are outsourced. Marc estimates an average selling price of \$45/ton in 2013 for a net profit margin of 64% as the high grade nickel prices recover to what it sees to be the next price target in 2013 of \$70/ton (1.8%/ton) and \$20/ton for the low-grade. Marc enjoys an income tax holiday until 2014 such that earnings worth Php1.3bn may even be achievable. At that earnings level, PE is 3.0x 2013 earnings at the estimated Php1.3bn guidance. At the 2012 earnings guidance of Php650mn PE is 6.15x.