

Highlights

Top Story

- EDC: Where the yen leads...

Snippets

- SMC to repay or refinance US\$930m debt
- Eton ventures into commercial center operations
- SMC keener on buying Extelcom...
- ...as it vows to push Meralco rates lower

The week ahead

Philippines stock matrix

Barometers

	02/18	% Chg
PSEi	1,892.23	(0.40)
Turnover (Pm)	1,167	0.55
PLDT ADR (US\$)	45.42	0.78
PLDT ADR (P)	2,167.44	0.50
Ave interbank rate	4.969	-3.63bps
P/US\$ rate	47.81	(0.13)

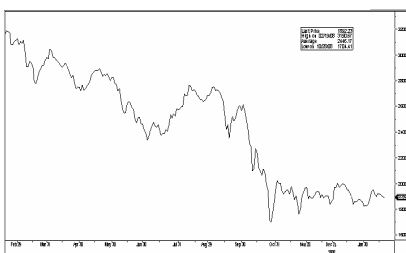
Source: Bloomberg

Earnings & valuations

	2009F	2010F
PE (x)	9.2	8.1
EPS growth (%)	14.5	13.3
P/BV (x)	1.4	1.2
Yield (%)	5.6	5.8
ROA (%)	3.9	4.3
ROE (%)	15.4	15.8

Source: ATR KimEng estimates

PSEi



Source: Bloomberg

Daily Edge

News and views round up

Top Story

EDC (P2.36): Where the yen leads...

Not Rated

Yes, the stock is cheap...

Various houses have recommended Energy Development Corp (EDC) on the basis of valuations (5x 2009F PE, 0.9x P/BV, 5.4% dividend yield) (Figure 1) as well as a potential entry of a foreign shareholder in its parent company Red Vulcan Holdings Corp at a price that values EDC at much higher levels.

...but share price more heavily influenced by yen movements

Our own take on this is that the company's fortunes are more closely correlated with the movements of the Japanese yen (Figures 2 and 3). This is simply because the company had on its balance sheet P26.4b worth of yen-denominated debt as at end-September 2008. That's equivalent to 85% of its total debts. A yen appreciation vs. the US dollar and the Philippine peso makes it more expensive to service those debts. By our estimate, every 1% appreciation of the yen vs. the US dollar cuts earnings by 2.25%. Consequently, EDC's share price drops when the yen appreciates and gains when it depreciates. Trading EDC shares, therefore, is akin to trading the yen.

Figure 1. Key Data – EDC

YE 31 Dec	2006	2007	2008F	2009F	2010F
Net profit to common (Pm)	6,863	8,651	1,454	6,306	6,538
Adjusted net profit (Pm)	5,060	6,210	6,293	6,884	7,147
EPS (P)	0.42	0.41	0.42	0.46	0.48
EPS growth (%)	4.1	(0.7)	1.4	9.4	3.8
PER (x)	5.6	5.6	5.5	5.1	4.9
EV/EBITDA (x)	5.9	5.4	5.2	4.9	4.1
Yield (%)	0.0	4.3	11.6	5.4	5.4

Source: EDC financial statements, ATR KimEng estimates

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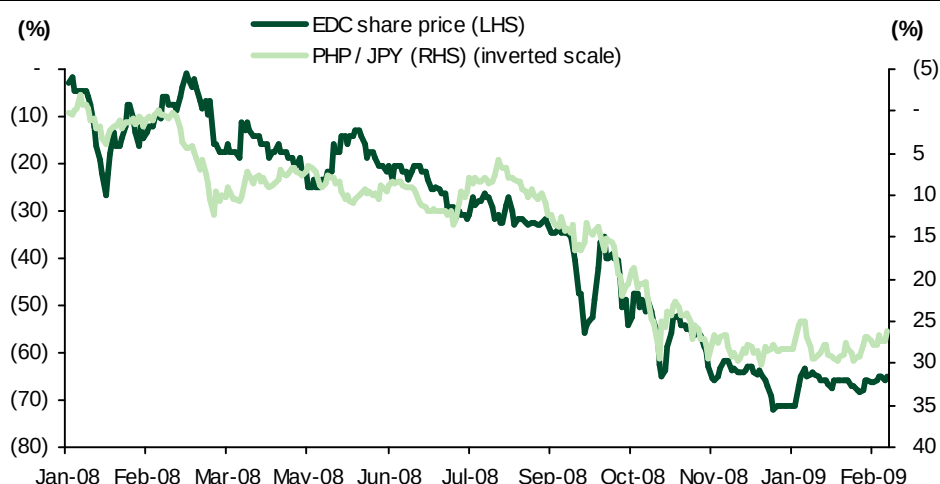
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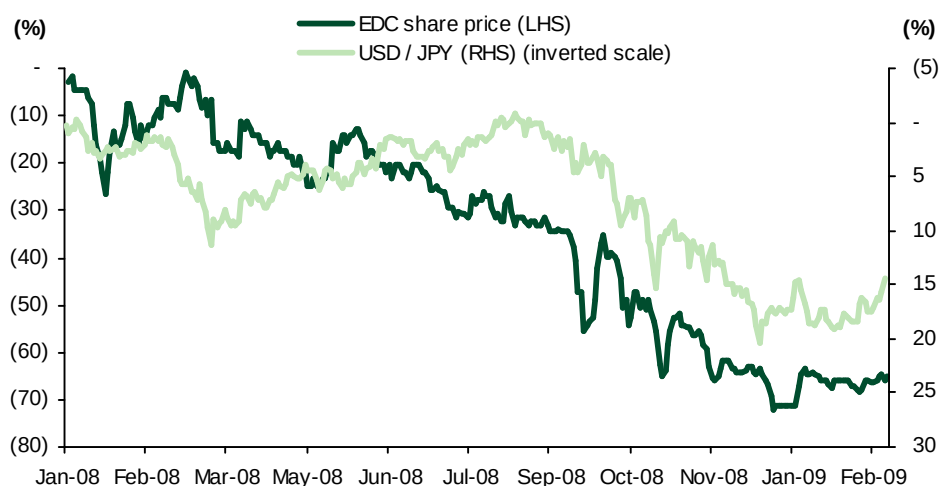
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SEE APPENDIX I FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Figure 2. Cumulative change in EDC price and PHP:JPY exchange rate

Source: ATR KimEng estimates

Figure 3. Cumulative change in EDC price and USD:JPY exchange rate

Source: ATR KimEng estimates

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Snippets

SMC to repay or refinance US\$930m debt

San Miguel Corp's (SMCB) president was quoted by reporters today as saying the company will either repay or refinance US\$930m in loans which have conditions that restricts the company from investing outside the food and beverage industry. This is the bulk of SMC's foreign borrowings. Repayment should not be a problem for SMC given its US\$1.9b cash balance as at end-September 2008. It is also selling its domestic beer brands and properties for about ₱39b to San Miguel Brewery Inc (SMB) and a 43% stake in SMB to Kirin for still an undisclosed amount. Moreover, its recent acquisitions are being paid on an installment or optional basis.

Eton ventures into commercial center operations

Listed property firm Eton Properties (ETON) announced in a press briefing yesterday its plan to venture into the retail center operations. It disclosed three development projects, all located in very strategic areas. These include a) Centris, a three-hectare open space dining and entertainment strip at the corner of Edsa and Quezon Avenues which is a stone's throw away from the successful Trinoma Mall of Ayala Land Inc and SM Prime's SM North Edsa; b) a 9,000-sqm shop for computer and electronic gaming devices at the high-traffic corner of Edsa and Ortigas Avenues, and c) Green Podium, a two-level 3,000 sqm commercial center beside a major university in Manila. These projects are not seen to immediately contribute heavily to ETON's revenue base but will serve to diversify the firm's portfolio which, at the moment, largely consists of residential development and BPO office projects.

SMC keener on buying Extelcom...

San Miguel Corporation (SMC) appears to be keener on acquiring moribund analog mobile phone service operator Express Telecommunications (Extelcom), according to a news report by the *BusinessMirror*. The report cited unnamed sources as saying the SMC CEO attended a meeting among the Extelcom and regulatory officials to discuss telco's re-entry into the mobile phone market. SMC has earlier entered into a JV with Qatar Telecoms in acquiring Liberty Telecoms in line with the conglomerate plans to enter into mobile, wireless broadband operations. Its CEO has also earlier confirmed that it is in talks with Extelcom but nothing has been finalized yet.

...as it vows to push Meralco rates lower

Food giant San Miguel Corp. (SMCB) has vowed to push Meralco to lower electricity rates. This comes after SMC acquired a 27% stake in the power retailer from the state-owned pension fund GSIS October last year. SMC has obtained key boardroom and management representation in Meralco to lobby for lower rates. Even before SMC's entry, GSIS president Winston Garcia has been critical on the way the Lopez family managed the power distributor. This included the pursuit to cut power rates. Despite talks of a persistent tug-and-war between the two blocks, both have publicly vowed to work harmoniously.

The Week Ahead

Date	Company	Events
20-Feb	Metro Pacific Investments Corp	Special Stockholders' Meeting
23-Feb	Economic data release	PH Treasury bill auction
	Economic data release	PH Budget December/January
25-Feb	Economic data release	Government Economic Briefing
27-Feb	ATN Holdings, Inc	Special Stockholders' Meeting
3-Mar	Economic data release	PH Treasury bond auction
	PLDT	4Q08 Analysts' briefing
5-Mar	Liberty Telecoms Holdings, Inc	Annual Stockholders' Meeting

Figure 4. Earnings and valuations table (as of 18 February 2009)

Stock	Share price (P)	Rec	Year	Net profit (Pm)	EPS (P)	EPS growth (%)	PE (x)	DPS (P)	Yield (%)	BV/share (P)	P/BV (x)	Net Gearing (%)	ROA (%)	ROE (%)
Banks														
BDO	21.50	BUY	2008F	4,501	1.96	(31.6)	11.0	0.80	3.7	25.08	0.9		0.7	7.3
			2009F	5,612	2.44	24.7	8.8	0.80	3.7	26.71	0.8		0.7	8.7
			2010F	6,008	2.61	7.1	8.2	0.80	3.7	28.52	0.8		0.7	8.8
BPI	34.00	HOLD	2008F	6,415	1.98	(35.9)	17.2	1.80	5.3	19.68	1.7		1.0	9.6
			2009F	7,221	2.22	12.6	15.3	1.80	5.3	20.11	1.7		1.1	11.2
			2010F	8,263	2.55	14.4	13.4	1.80	5.3	20.85	1.6		1.1	12.4
MBT	22.50	BUY	2008F	4,647	2.57	(28.6)	8.8	0.60	2.7	28.59	0.8		0.6	8.8
			2009F	5,284	2.92	13.7	7.7	0.60	2.7	30.91	0.7		0.7	9.8
			2010F	7,868	4.35	48.9	5.2	0.60	2.7	34.67	0.6		1.0	13.3
PNB	12.25	BUY	2008F	979	1.48	(16.2)	8.3	-	-	43.68	0.3		0.4	3.3
			2009F	1,091	1.65	11.5	7.4	-	-	45.33	0.3		0.4	3.7
			2010F	1,189	1.80	8.9	6.8	-	-	47.12	0.3		0.4	3.9
SECB	27.00	BUY	2008F	2,437	7.40	(10.0)	3.6	2.00	7.4	38.33	0.7		1.8	19.3
			2009F	2,576	7.82	5.7	3.5	2.00	7.4	44.15	0.6		1.8	19.0
			2010F	3,274	9.94	27.1	2.7	2.00	7.4	52.09	0.5		2.2	20.7
UBP	20.75	BUY	2008F	2,057	3.21	(32.6)	6.5	1.60	7.7	27.87	0.7		1.1	11.1
			2009F	2,300	3.59	11.8	5.8	1.60	7.7	29.86	0.7		1.1	12.4
			2010F	2,887	4.50	25.5	4.6	1.60	7.7	32.76	0.6		1.3	14.4
Banks			2008F	21,037	-	(29.2)	11.0	-	4.5	-	1.0		0.8	8.7
			2009F	24,084	-	14.5	9.6	-	4.5	-	0.9		0.9	9.8
			2010F	29,488	-	22.4	7.8	-	4.5	-	0.9		1.0	11.3
Property														
ALI	5.90	HOLD	2008F	4,849	0.37	11.1	15.8	0.06	1.0	3.84	1.5	2.7	5.3	10.2
			2009F	4,550	0.35	(6.2)	16.8	0.06	1.0	4.20	1.4	3.5	4.5	8.7
			2010F	5,002	0.39	9.9	15.3	0.06	1.0	4.59	1.3	3.4	4.7	8.8
FLI	0.41	BUY	2008F	1,781	0.07	3.7	5.6	0.02	4.9	1.56	0.3	5.4	3.7	4.8
			2009F	1,983	0.08	11.3	5.0	0.02	4.9	1.62	0.3	5.0	4.0	5.1
			2010F	2,259	0.09	13.9	4.4	0.02	4.9	1.70	0.2	2.9	4.4	5.6
MEG	0.52	HOLD	2008F	3,828	0.19	22.2	2.8	0.02	3.9	1.97	0.3	(30.0)	6.2	9.8
			2009F	4,186	0.17	(10.8)	3.1	0.02	3.8	1.91	0.3	(30.3)	6.1	9.4
			2010F	3,952	0.15	(7.1)	3.4	0.02	3.8	2.05	0.3	(45.1)	5.6	7.8
RLC	4.75	BUY	2008F	3,150	1.15	29.0	4.1	0.53	11.1	8.33	0.6	24.0	8.2	14.3
			2009F	3,339	1.22	6.0	3.9	0.34	7.2	9.20	0.5	20.2	7.9	13.9
			2010F	3,935	1.43	17.9	3.3	0.36	7.7	10.26	0.5	18.3	8.6	14.7
SMPH	7.50	BUY	2008F	6,300	0.51	5.4	14.8	0.24	3.2	3.40	2.2	40.5	8.9	15.6
			2009F	7,452	0.60	18.3	12.5	0.25	3.4	3.75	2.0	33.4	9.7	16.8
			2010F	8,384	0.68	12.5	11.1	0.30	4.0	4.12	1.8	26.0	10.2	17.2
Property			2008F	19,909	-	13.7	10.2	-	2.2	-	1.1	7.2	6.4	10.7
			2009F	21,509	-	8.0	9.4	-	2.1	-	0.9	4.5	6.4	10.6
			2010F	23,532	-	9.4	8.6	-	2.4	-	0.9	(0.9)	6.6	10.5
Telcos														
GLO	795	BUY	2008F	12,439	93.68	(5.9)	8.5	125.00	15.7	387.55	2.1	56.8	10.8	23.3
			2009F	12,897	97.12	3.7	8.2	100.00	12.6	384.64	2.1	52.5	11.5	25.3
			2010F	14,296	107.61	10.8	7.4	100.00	12.6	392.32	2.0	35.6	13.4	27.8
PLDT	2,180	BUY	2008F	36,631	196.83	3.5	11.1	184.00	8.4	580.95	3.8	39.9	15.7	33.3
			2009F	39,246	211.59	7.5	10.3	184.00	8.4	608.10	3.6	32.1	17.5	35.1
			2010F	41,531	223.77	5.8	9.7	184.00	8.4	647.38	3.4	19.3	18.6	35.2
PLTL	6.90	BUY	2008F	9,951	0.85	26.8	8.1	0.85	12.3	1.27	5.4	0.4	59.6	66.5
			2009F	10,004	0.85	0.5	8.1	0.85	12.3	1.28	5.4	(0.5)	60.3	66.8
			2010F	10,555	0.90	5.5	7.7	0.85	12.4	1.33	5.2	(0.4)	62.4	69.1
Telcos			2008F	59,021	-	4.2	10.1	-	10.3	-	3.4	41.4	16.2	33.1
			2009F	62,148	-	5.3	9.6	-	9.7	-	3.3	35.2	17.6	35.0
			2010F	66,382	-	6.8	9.0	-	9.7	-	3.2	22.1	19.2	36.0
Media														
ABSP	14.25	BUY	2008F	1,410	1.83	49.1	7.8	0.83	5.8	19.57	0.7	46.8	4.9	9.6
			2009F	1,203	1.56	(14.7)	9.1	0.92	6.4	20.21	0.7	46.6	3.8	7.9
			2010F	1,634	2.12	35.8	6.7	0.78	5.5	21.56	0.7	39.0	5.0	10.2
GMAP	3.55	BUY	2008F	2,413	0.50	4.6	7.2	0.24	6.7	2.02	1.8	(15.1)	19.6	26.3
			2009F	2,659	0.55	10.2	6.5	0.25	7.0	2.31	1.5	(22.5)	19.5	25.3
			2010F	3,367	0.69	26.6	5.1	0.27	7.7	2.73	1.3	(28.9)	21.8	27.4
Media			2008F	3,823	-	17.5	7.4	-	6.3	-	1.1	22.4	9.3	16.0
			2009F	3,862	-	1.0	7.3	-	6.8	-	1.1	17.6	8.5	15.0
			2010F	5,000	-	29.5	5.6	-	6.8	-	0.9	8.8	10.4	17.6

Source: Company data, ATR KimEng Securities

Earnings and valuations table (continued)

Stock	Share price (P)	Rec	Year	Net profit (Pm)	EPS (P)	EPS growth (%)	PE (x)	DPS (P)	Yield (%)	BV/share (P)	P/BV (x)	Net Gearing (%)	ROA (%)	ROE (%)
Utilities														
FGEN	13.25	BUY	2008F	1,914	2.35	(60.5)	5.6	-	-	35.48	0.4	391.1	1.1	7.1
			2009F	4,046	4.97	111.3	2.7	-	-	40.47	0.3	329.3	2.3	13.1
			2010F	3,706	4.55	(8.4)	2.9	-	-	45.05	0.3	211.3	2.2	10.6
EDC	2.32	-	2008F	6,293	0.42	1.4	5.5	0.27	11.6	2.24	1.0	83.9	8.9	18.4
			2009F	6,980	0.47	10.9	5.0	0.13	5.4	2.59	0.9	48.8	9.3	19.3
			2010F	7,243	0.48	3.8	4.8	0.13	5.4	2.97	0.8	20.6	10.4	17.4
AP	4.45	BUY	2008F	4,622	0.57	(13.9)	7.8	0.18	4.0	4.09	1.1	(21.1)	12.1	16.2
			2009F	5,244	0.71	25.6	6.2	0.20	4.5	4.61	1.0	67.2	9.4	16.4
			2010F	8,536	1.16	62.8	3.8	0.24	5.3	5.53	0.8	63.3	11.4	22.9
MER	82.00	HOLD	2008F	4,024	3.65	18.8	22.5	1.03	1.3	45.56	1.8	100.3	2.4	8.1
			2009F	8,333	7.55	107.1	10.9	1.00	1.2	50.71	1.6	91.4	5.0	15.7
			2010F	9,865	8.94	18.4	9.2	1.25	1.5	56.73	1.4	96.6	5.9	16.6
MWC	11.25	BUY	2008F	2,213	1.10	5.7	10.3	0.36	3.2	6.20	1.8	39.7	8.6	15.6
			2009F	2,573	1.27	16.3	8.8	0.37	3.3	7.02	1.6	49.4	8.7	16.1
			2010F	2,817	1.39	9.5	8.1	0.44	3.9	7.89	1.4	59.1	8.1	15.6
PCOR	5.40	BUY	2008F	2,340	0.25	(63.3)	21.6	0.10	1.9	4.17	1.3	112.7	2.1	6.1
			2009F	4,903	0.52	109.5	10.3	0.10	1.9	4.59	1.2	75.9	4.5	11.9
			2010F	5,643	0.60	15.1	9.0	0.10	1.9	5.09	1.1	60.8	5.5	12.4
Utilities			2008F	21,406	-	(18.9)	11.3	-	2.9	-	1.2	119.5	3.6	11.2
			2009F	32,078	-	49.9	7.5	-	2.9	-	1.1	109.4	5.2	15.3
			2010F	37,810	-	17.9	6.4	-	3.3	-	1.0	84.8	6.1	16.0
Conglomerates														
AC	198.00	BUY	2008F	7,679	15.47	(13.2)	12.8	4.00	2.0	192.36	1.0	8.1	3.7	8.4
			2009F	9,830	19.81	28.0	10.0	4.00	2.0	208.14	1.0	0.7	4.5	9.9
			2010F	10,839	21.84	10.3	9.1	4.00	2.0	225.96	0.9	(5.0)	4.8	10.1
SM*	204.00	-	2008F	11,989	19.70	0.2	10.4	5.12	2.5	201.02	1.0	20.7	5.3	10.6
			2009F	13,047	21.46	8.9	9.5	5.34	2.6	217.88	0.9	18.2	5.4	10.6
			2010F	12,717	20.69	(3.6)	9.9	5.39	2.6	291.59	0.7	20.2	5.0	8.3
FPH	22.75	HOLD	2008F	752	1.26	(83.2)	18.0	-	-	66.13	0.3	222.0	0.3	2.1
			2009F	3,011	5.05	300.6	4.5	-	-	71.81	0.3	165.6	1.3	7.3
			2010F	3,170	5.32	5.3	4.3	2.00	8.8	75.78	0.3	133.1	1.4	7.2
AEV	6.40	BUY	2008F	5,030	0.88	(0.8)	7.2	0.61	9.5	6.97	0.9	(3.0)	7.6	12.9
			2009F	5,553	0.98	10.4	6.6	0.25	3.9	7.69	0.8	3.7	8.0	13.3
			2010F	7,235	1.27	30.3	5.0	0.25	3.9	8.71	0.7	(18.3)	10.2	15.5
Conglomerates			2008F	25,450	-	(16.0)	10.7	-	3.1	-	0.9	40.2	3.4	9.0
			2009F	31,441	-	23.5	8.7	-	2.4	-	0.8	30.2	4.1	10.2
			2010F	33,961	-	8.0	8.0	-	2.9	-	0.7	21.1	4.4	9.6
Consumer														
JFC	41.50	BUY	2008F	2,298	2.25	(4.9)	18.5	0.84	2.0	13.93	3.0	(27.8)	9.3	17.1
			2009F	2,633	2.58	14.7	16.1	0.86	2.1	15.66	2.7	(23.6)	8.9	17.4
			2010F	3,323	3.25	26.2	12.8	1.08	2.6	17.82	2.3	(25.1)	10.0	19.4
SMB	9.80	BUY	2008F	9,504	0.62	18.0	15.9	0.45	4.6	1.20	8.2	(42.3)	39.3	56.3
			2009F	9,906	0.64	4.2	15.2	0.64	6.5	1.20	8.1	(40.8)	38.2	53.5
			2010F	11,622	0.75	17.3	13.0	0.72	7.4	1.23	7.9	(37.2)	43.8	61.9
PIP	0.90	HOLD	2008F	761	0.21	(31.9)	4.4	-	-	1.43	0.6	(8.4)	10.3	17.7
			2009F	681	0.18	(10.4)	4.9	0.10	11.1	1.51	0.6	6.3	8.1	12.5
			2010F	789	0.21	15.8	4.2	0.09	10.2	1.64	0.6	5.4	8.7	13.6
URC	7.30	HOLD	2008F	2,644	1.19	(13.1)	6.1	0.68	9.4	15.13	0.5	0.1	4.8	7.7
			2009F	3,116	1.40	17.9	5.2	0.59	8.2	15.94	0.5	(0.3)	5.8	9.0
			2010F	3,960	1.78	27.1	4.1	0.70	9.6	17.02	0.4	(2.2)	7.0	10.8
Consumer			2008F	15,206	-	5.3	14.0	-	4.4	-	3.0	(17.0)	13.6	22.1
			2009F	16,337	-	7.4	13.0	-	5.8	-	2.8	(14.7)	13.9	22.2
			2010F	19,695	-	20.6	10.8	-	6.7	-	2.6	(15.0)	15.7	25.1
Others														
ICTSI	11.00	BUY	2008F	2,955	1.50	5.8	7.3	0.30	2.7	2.25	4.9	23.8	9.1	13.5
			2009F	3,234	1.64	9.4	6.7	0.33	3.0	1.91	5.8	21.6	9.6	13.3
			2010F	3,905	1.98	20.7	5.6	0.40	3.6	1.64	6.7	15.7	11.3	14.3
HLCM	1.98	HOLD	2008F	1,902	0.29	4.6	6.7	0.25	12.5	2.79	0.7	26.4	7.3	10.6
			2009F	2,232	0.35	17.3	5.7	0.25	12.5	2.89	0.7	20.3	8.5	12.2
			2010F	3,190	0.49	42.9	4.0	0.16	7.8	3.23	0.6	8.8	11.7	16.2
PX	5.10	HOLD	2008F	3,848	0.99	(23.2)	5.1	-	-	1.61	3.2	(45.2)	31.3	37.7
			2009F	2,876	0.74	(25.3)	6.9	-	-	1.30	3.9	(55.9)	19.1	21.2
			2010F	3,329	0.86	15.7	5.9	-	-	1.06	4.8	(62.7)	18.4	20.0
MARKET			2008F	174,556		(7.1)	10.5		5.7		1.5	43.4	3.6	14.3
			2009F	199,801		14.5	9.2		5.6		1.4	37.0	3.9	15.4
			2010F	226,291		13.3	8.1		5.8		1.2	25.8	4.3	15.8

*based on consensus

Source: Company data, ATR KimEng Securities

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Recommendation definitions

Our recommendation is based on the following expected price performance within 12 months:

+15% and above: BUY
-15% to +15%: HOLD
-15% or worse: SELL

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