1H14 results round-up

Bianca Solema
(632) 737 3023
bianca.solema@daiwdaiwcm.com.ph

■ What’s new?
With first half numbers now out, we compiled the results of the 30 stocks included in the Philippine Stock Exchange Index (PSEi).

■ Overall trend
Double-digit profit growth; in line with consensus. Aggregate results of the 30 stocks under the PSEi were in-line with Bloomberg consensus with 1H14 core income accounting for 50.7% of full-year Bloomberg forecast. Seven out of the eight sectors posted earnings within 50% ±5% of full year consensus, with only the mining & oil sector falling below. Aggregate earnings growth was also robust, up 31% YoY on reported and 19% YoY on core profits.

■ Sector highlights
Conglomerates: A mixed set of results. Results of the 10 stocks under the sector vary widely with only MPI falling within, six names below and three names above consensus. SMC was most notable, already reaching the consensus FY estimate, driven by a 601% increase in 1H14 profit. On the other end was LTG, coming short at only 26% of FY. Consolidated, conglos’ 1H14 core profits grew 57% YoY, mostly driven by SMC, and results accounted for 51% of FY consensus.

Properties: ALI leading the pack. Props’ 1H14 combined earnings were up 16% YoY and accounted for 51% of FY. In terms of earnings growth, ALI was a far leader, up 25% YoY, on the back of strong residential sales, while MEG, RLC and SMPH posted low to mid-teens increases. However, against consensus, ALI’s 1H14 results were just in line at 49% of FY, as well as MEG’s and SMPH’s, while RLC’s was actually slightly ahead at 57%.

Banks: Lacklustre earnings due to absence of trading gains, but core operations robust. Trading gains were stellar in 1H13 and remain unmatched this year. As a result, the combined reported profit of BDO, BPI and MBT were down 35% YoY in 1H14. However, excluding trading, forex and divestment gains, adjusted earnings of the three should have more than doubled driven by BDO and MBT. Against consensus, BDO and MBT were within forecasts while BPI came in slightly below at only 42% of FY. Nevertheless, overall sector performance was within consensus at 49%.

Utilities & energy: EDC and FGEN rebounded from “misfortunes.” EDC and FGEN both posted better-than-expected results with 1H14 core profits at more than 60% of consensus, a positive surprise coming from the accidents and calamities the two companies faced over the past year. Primarily driving the sector’s 38% YoY earnings growth were PCOR (+169%) and EDC (+28%). Meanwhile, tempering the increase in core earnings were single-digit growth from FGEN and MER, and a 21% decline in AP. The sector’s combined performance was still within consensus at 54% of FY.

Telecoms: GLO shines this time. Relative to TEL, GLO posted better results for the period with core income up 18% YoY vs TEL’s 2% increase. GLO’s 1H14 core income was also slightly ahead at 58% of FY consensus, while TEL was in line at 50%. Overall, telco sector grew core profits by 10% YoY and accounted for 52% of consensus estimate.

Consumer: Sustaining growth. The consumer sector, represented by JFC and URC, posted a 12% YoY growth in Jan-Jun 2014 core income. This was supported by mid-teens top line growth of both companies driven by strong domestic operations. Looking closely, JFC’s profits grew faster, up 17%, while URC’s increased by 6%. Compared with consensus, however, JFC was just bordering 45%. Meanwhile URC was well within estimates at 50%, boosting overall sector earnings to 49% of FY.

Mining & oil: Disappoints. 1H14 core profits of the Mining & Oil sector dropped 29% YoY and accounted for only 32% of FY consensus. The decline was consistent across PX (-32%) and SCC (-26%). 1H14 performances of both companies also accounted for only 30-33% of FY consensus. PX was down mainly on higher operating costs, while SCC was hit by the shutdown of one unit of its power plant.

Services: BLOOM—fully operational in 1H14. A significant jump in earnings was posted by the services sector, up 167% YoY. This was driven by BLOOM’s 323% increase in core profit with a full semester contribution vs pre-operating losses last year. Meanwhile, ICT also registered healthy core profit growth of 15%. Results of both companies were within consensus at 54% and 49%, respectively. Consequently, sector results were also in line at 50% of FY.

Important disclosures, including any required research certifications, are provided on the last two pages of this report.
### Philippine Stock Exchange Index (PSEi) 1H14 results tally

**PCOMP Index: Sectors**

| Revenues | EBITDA | Core net income | Net income | EBITDA | Core net income | Net income | % of FY 1H14 | % of FY 1H13 | % of FY 1H14 | % of FY 1H13 | % of FY 1H14 | % of FY 1H13 |
|-----------|--------|-----------------|------------|--------|-----------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| DMC       | 36,027 | 21,040          | 85.7%      | 28.3%  | 24,411          | 21,040     | 16.4%        | 51.2%        | 21,040       | 28.3%        | 24,411       | 21,040       |

**PCOMP Index: Congloms**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**PCOMP Index: Properties**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**PCOMP Index: Conglos**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**PCOMP Index: Utilities and Energy**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**PCOMP Index: Consumer**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**PCOMP Index: Mining and Oil**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**PCOMP Index: Services**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>EBITDA</th>
<th>Core net income</th>
<th>Net income</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
<th>% of FY 1H14</th>
<th>% of FY 1H13</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMC</td>
<td>36,027</td>
<td>21,040</td>
<td>85.7%</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
<td>16.4%</td>
<td>51.2%</td>
<td>21,040</td>
<td>28.3%</td>
<td>24,411</td>
<td>21,040</td>
</tr>
</tbody>
</table>

**Source:** Company filings and presentations, Bloomberg, Dublin

In the interests of timeliness, this document has not been edited.
an underwriter during the past twelve months for the issuer of such securities. In addition, employees of Daiwa Capital Markets Europe Limited and/or its affiliates may have positions and effect transactions in such securities or options and may serve as Directors of such issuers. Daiwa Capital Markets Europe Limited may, to the extent permitted by applicable UK law and other applicable law or regulation, effect transactions in the Securities before this material is disclosed to recipients. This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FCA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.


Germany
This document is distributed in Germany by Daiwa Capital Markets Europe Limited, Niederlassung Frankfurt which is regulated by BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht) for the conduct of business in Germany.

Bahrain
This research material is distributed by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 licence and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th Floor, P.O. Box 30096, Manama, Kingdom of Bahrain. Tel No. +973 17534532 Fax No. +973 532113.

This material is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Accordingly, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. Content herein is based on information available at the time the research material was prepared and may be amended or otherwise changed in the future with or without notice. For all transactions entered into for the order of our clients, we will obtain consent before entering into such a transaction. Daiwa Capital Markets Europe Limited, Bahrain Branch, any associated company or the employees thereof. If you are in doubt about the suitability of the product or the research material itself, please consult your own financial adviser. Daiwa Capital Markets Europe Limited, Bahrain Branch retains all rights related to the content of this material, which may not be redistributed or otherwise transmitted without prior consent.

United States
This report is distributed in the U.S. by Daiwa Capital Markets America Inc. (DCMA). It may not be accurate or complete and should not be relied upon as such. It reflects the preparer’s views at the time of its preparation, but may not reflect events occurring after its preparation; nor does it reflect DCMA’s views at any time. Neither DCMA nor the preparer has any obligation to update this report or to continue to prepare research on this subject. This report is not an offer to sell or the solicitation of any offer to buy securities. Unless this report says otherwise, any recommendation or opinion contained in this document is not an offer of investment banking, investment advisory, or sales services. Daiwa Capital Markets Europe Limited, Bahrain Branch, any associated company or the employees thereof. If you are in doubt about the suitability of the product or the research material itself, please consult your own financial adviser. Daiwa Capital Markets Europe Limited, Bahrain Branch retains all rights related to the content of this material, which may not be redistributed or otherwise transmitted without prior consent.

Ownership of Securities:
For “Ownership of Securities” information please visit BlueMatrix disclosure link at: https://daiwa3.bluematrix.com/sellside/Disclosures.action

Investment Banking Relationships:
For “Investment Banking Relationships” please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action

DCMA Market Making:
For “DCMA Market Making” please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action

Research Analyst Conflicts:
For updates on “Research Analyst Conflicts” please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action. The principal research analysts who prepared this report have no financial interest in securities in the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

Research Analyst Certification:
For updates on “Research Analyst Certification” and “Rating System” please visit BlueMatrix disclosure link at https://daiwa3.bluematrix.com/sellside/Disclosures.action. The views about and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analyst(s) is named on the report); and no part of the compensation of such analyst(s) (or no part of the compensation of the firm if no individual analyst(s) is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

The following explains the rating system in the report as compared to relevant local indices, based on the beliefs of the author of the report.

1: the security could outperform the local index by more than 15% over the next six months.
2: the security is expected to outperform the local index by 5%-15% over the next six months.
3: the security is expected to perform within 5% of the local index (better or worse) over the next six months.
4: the security is expected to underperform the local index by 5%-15% over the next six months.
5: the security could underperform the local index by more than 15% over the next six months.

Additional information may be available upon request.

Japan - Additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law
(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.) If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following notification items.

• In addition to the purchase price of a financial instrument, we will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
• In some cases, we may also charge a maximum of ¥2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
• For transactions involving OTC derivatives, we will charge fees based on our agreement with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
• There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
• There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
• Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.
• The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.
Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships: Japan Securities Dealers Association, The Financial Futures Associations of Japan
Japan Securities Investment Advisers Association
Type II Financial Instruments Firms Association