

**Date**

12 November 2015

**Company**

Semirara and Mining Corp.

**First Look Corporate**9M15 Earnings Below Est.;  
Add 300MW to power FY16**Stock SCC****Price** 137**52wk Range** 110.80 - 169.60**Rating** BUY - Core Holding**Target** 163**Upside** 19%  
+ 2.9% est. div yld**Issued Shares** 1,068.75m**Market Cap** P146,418m**Free Float** 27.07%**PSEi** 1.43% (24/30)**MSCI** N/A

We maintain **BUY - Core Holding** rating for SCC with a Target Price of P163/sh, 19x 2015P/E, an upside of 19%. Additionally, we estimate a dividend yield of 2.9% (ex-date May) based on current price. Total yield amounts to 21.9%.

9M15 Earnings account for 68% of FY15 est. of P9.01bn, below estimate as commissioning of *expansion* plants delayed from 2Q/3Q to end year; full-year contribution for FY16 is estimated contribute to a 21% YoY growth to P13.12bn. SCC expects the plant expansion to contribute ~7.5bn in topline and ~P2bn to bottomline annually. Further expansion of power generation by another 700MW by 2019 ensures long-term value enhancement.

**9M15 Net Income +59% to P6.21bn, accounting for 69% of FY15 est. P9.01bn**

- 9M15 Net Income increased 59% to P6.21bn with coal accounting for P1.14bn and Power for P5.07. Before eliminations, coal and Sem-Calaca Power Corp. (SCPC) recorded Net Income of PHP3.09 billion and PHP3.10 billion, respectively.
- Pre-operating Southwest Luzon Power Generation Corp. (SPLGC) recorded PHP71mn before eliminations after generating sales while its 2x150 MW plants were on testing and commissioning.

**Coal -19% to P3.09bn from drop in average selling price (-6%) and volume (-1%) due to 64-day suspension**

- Coal decreased by 19% mainly due to the 6% drop in average selling price per ton to PHP2,089 as volume slightly decreased by 1% to 6.13mn tons. Meanwhile mining operations produced 5.57mn, a 21% drop considering the suspension in the 3Q due to the Northern Wall collapse in July. However, the company reported that its mining schedule is behind by only 20% despite 64-day halt in operations.

**SCPC (Power) Net Income surged 34x to P3.10bn on steady operations vs. extended shutdown in 2Q last year; Volume +32% offset Average selling price -9%**

- SCPC Net Income surged by almost 34x from P92mn, despite being on tax position already, with both units running steadily this year vs. losses incurred in 2Q, being exposed to high replacement power costs as Unit 2 scheduled maintenance shutdown was extended. Total generation increased 81% to 3,163 GWh while volume rose 32% to 3,035 GWh, more than offsetting drop in average selling price per KWh by 9% to P3.41.

	Actual		Forecast		
	2013	2014	2015	2016	2017
<b>Sales</b>	27.33	26.08	28.73	33.49	33.18
		-5%	10%	17%	-1%
<b>EBITDA</b>	12.43	8.67	13.82	16.24	17.11
		-30%	59%	18%	5%
<b>EBIT</b>	8.41	6.44	10.86	13.12	13.77
		-23%	69%	21%	5%
<b>Net Income</b>	7.52	6.86	9.01	10.97	10.94
		-9%	31%	22%	0%
<b>EPS</b>	7.04	11.69	8.43	10.26	10.24
		66%	-28%	22%	0%
<b>BVPS</b>	18.83	21.25	25.46	31.48	35.36
<b>PBV</b>		0.02	0.01	0.01	0.01
<b>ROA%</b>	18.58	14.20	15.49	16.97	15.46
<b>ROE%</b>	40.65	32.04	36.62	35.60	30.63



**Technical Analysis**

**Price** 137  
**Support** 133, 124  
**Resistance** 140, 147, 155, 169.60 (all-time high)  
**52wk Range** 110.80 - 169.60  
**Target** 163, +19% capital appreciation plus 2.9% est. dividend yield

- A BUY at current price of 137 as it provides upside of 19% to TP 163/sh, additionally est. dividend yield of 2.9%
- Notably, the stock has maintained uptrend channel support, now at 133 despite market weakness.
- Considering current market direction uncertainty, employ Pyramid Buy strategy.

**REFERENCES** SCC, Bloomberg, Reuters, DA Market Securities, Inc. **DISCLAIMER** This report is provided for informational purposes only and is not intended to solicit buying and selling of securities or to participate in any particular trading strategy. DA Market Securities, Inc. (DMSI) makes reasonable effort to use reliable, comprehensive information, but makes no representation or warranties as to the accuracy, completeness, or timeliness of the data provided. DMSI shall not have liability for any damages of any kind relating to such data. This report may not be reproduced or published for any purpose. DA market officers, directors and employees, including persons involved in the preparation or issuance of this report, may have investments in securities or derivatives of securities of the companies mentioned in this report.