

**Date**

25 November 2015

Company

SBS Philippines Corp.

First Look Corporate9M15 Earnings nearly doubles;
Property asset play**Stock SBS**

Price 5.52

52wk Range 4.12 - 7.63

Not Rated

Issued Shares 1,200mn

Market Cap P6,624mn

Free Float 29.00%

PSEi N/A

MSCI N/A

SBS reported that 9M15 Earnings nearly doubled, already surpassing FY14 Net Income. It also disclosed of plans by associate JV to sell 2332.50sq.m. property, in which it has 35% equity interest. The stock attracts investor interest due to its unique position as a chemical trader-distributor with a Philippine property portfolio. The stock has doubled from 2.75/sh IPO price. Read Technical Analysis on page 2.

- As a chemical trader-distributor, SBS has offers products to a wide range of clients in food ingredients, industrial, feeds and veterinary care, pharmaceutical, personal care and cosmetics. The company also maintains a portfolio of real-estate assets with an estimated total fair value of P2.9bn as of end 2014.

9M15 Net Income +98.8% to P110.39mn**Revenues +7.5% to P695.2mn; however, 3Q Revenues curbed total figure due to new regulations**

- 9M15 Net Income almost doubled, surging 98.8% to P110.39mn, already surpassing FY14 Net Income of P100.17mn.
- Revenues grew 7.5% to P695.2mn from higher sales of food ingredient products which increased 22%. Notably however, 3Q Revenues slowed down, curbing the total figure, as sales particularly to industrial and agriculture business segments was hampered by new stringent regulations on sale and distribution of chemical substances that are considered to contain explosive ingredients but are also essential raw materials for manufacturing.

Operating Profit +93.2% to P150.7mn from increase in recurring lease income and decline in interest expense**Cost to Income Ratio improved 600bps to 19.6%**

- Operating Profit increased 93.2% to P150.7mn from increase in recurring leasing income and significant decline in interest expense from long-term debt pay down. 3Q15 Core Operating Income grew 15.4% to P66mn. EBITDA grew 21.8% to P200.8mn
- Current Ratio increased to 2x from 0.76x in 2014. Debt to equity ratio improved to 0.79x from a high of 4.43x in 2014 as debt shrank to 892.5mn. Cost to Income Ratio significantly improved to 19.6% from 25.6% from lower interest expense and cost of goods sold.

GP +25.3% to P200.36mn; GPM +410bps to 28.8% on focus on higher margin products and sales channels

- Gross Profit rose 25.3% to P200.36mn
- Gross margin improved from 24.7% to 28.8% on better product and sales mix as SBS shifted portfolio focus to higher margin products and sales channels.

Recent Developments

- Set to close **new distribution rights** to market new product offerings to strengthen portfolio and expand product range offered to food, paper, plastic, electric and industrial segments.
- Associate JV company Newchester Corp. is **planning to dispose principal asset** - 2,332.50 sq.m. property located at Yakal St, Makati City. **SBS has a 35% equity interest in the property.**



Technical Analysis

Price 5.52
Support 5.30, 5.09 (Daily chart) 4.60
Resistance 5.75, 6.45, 7.63 (all-time high)
52wk Range 4.12 - 7.63

- The stock has been on a downturn since hitting an all-time high of 7.63 in September, correcting 27.6% so far. Note that the stock is still double from 2.75/sh IPO price.
- Has yet to establish firm base of support. The 5.30 - 4.60 range would be an important range to hold.

REFERENCES SBS, 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.