



**Date**  
24 February 2015

**Company**  
Ayala Land Inc.

**First Look Corporate**  
FY15 Earnings In-Line;  
Maintain Buy

**Stock** ALI  
**Price** 33.00  
**52wk Range** 27.20- 41.40

**Rating** BUY  
**Target** 43.20, 31x P/E  
**Upside** 31%

**Issued Shares** 14,695mn

**Market Cap** P484,955mn

**Free Float** 51.91%

**PSEi** 8.20%, 2/30  
**MSCI** 8.86%, 1/45

**Maintain BUY for ALI with a Target Price of 43.20/sh, 31x 2015 P/E, with an upside of 31%. FY15 Net Income in-line with estimates as commercial leasing continues to pick up. ALI aims to grow by a CAGR of 20% to 2020 and growing leasing portfolio to 50% contribution from current average of 40%, ensuring a more sustainable income.**

#### **FY15 Net Income In-Line +19% to P17.6 billion**

- FY15 Net Income grew 19% to P17.6 billion, slightly above est. of P17.43 billion.
- Revenues rose 13% to P107.2 billion supported by growth across segments and overall margins.
- Ratio of GAE to Revenues also improved to 6.5% from 6.2% and EBIT Margin increased to 29% from 27%.

#### **Commercial Leasing revenues continue to pick up**

- Commercial Leasing increased 15.5% to P24.5 billion, driven by higher leasable space and rates, picking up the slowdown in Sales which grew 10.2% to P67.9 billion. Rental from malls grew 18.8% (vs. 11.5% in 2014), office space leasing 22% and hotel and resorts revenues 6%, driven by expansion, higher overall occupancy and average rental rates.
- ALI aims to grow mall and office Gross Leasable Area (GLA) by 17% to 2.53 million sq.m. this year (vs. 11.3% to 2.165 million sq.m. last year).
- Recall: ALI aims to triple leasable space (vs. 2013 levels) from shopping malls, office space and hotel and resorts and increase leasing portfolio contribution to 50% (from average of about 40%) and P40bn in Net Income by 2020.

#### **Residential and Office outweigh Commercial and Industrial Lot Sales**

- Property development revenues grew 10% fuelled by sale of residential lots and units (+12% to P58.4 billion) and office space (+32% to P6.4 billion), outweighing the 37% drop in commercial and industrial lot sales as ALI postponed lot sales for future development. Recall higher base in 2014 due to Arca South and Nuvali sales.
- Residential Sales Take-up gained 4% to P105.3 billion.

#### **Capex up 3.4% to P85 billion; To launch P8 billion fixed rate bonds (March)**

- Capex set 3.4% higher to P85 billion to support planned developments, including new estates - residential development (40%), land acquisition (18%), malls (16%), offices (8%), hotels and resorts (4%), estate development (5%) and other investments (9%).
- Last year, ALI introduced three new integrated mixed-use estates - Cloverleaf in Quezon City (11ha), Capitol Central in Bacolod (9ha), and Vermosa in Cavite (700ha).
- In March, ALI plans to launch the sale of P8 billion worth of fixed-rate bonds, the first tranche of a P50-billion debt securities program.

	Actual		Forecast		
	2013	2014	2015	2016	2017
<b>Sales</b>	76.34	89.03	107.08	125.17	139.07
	53%	17%	20%	17%	11%
<b>EBITDA</b>	23.16	28.75	34.27	40.44	46.55
	46%	24%	19%	18%	15%
<b>EBIT</b>	19.26	23.76	29.66	35.23	41.04
	46%	23%	25%	19%	16%
<b>Net Income</b>	11.74	14.8	17.43	20.69	23.96
	30%	26%	18%	19%	16%
<b>EPS</b>	0.84	1.05	1.19	1.4	1.62
	25%	25%	13%	18%	16%
<b>BVPS</b>	6.86	7.44	9.19	10.09	11.06
<b>PBV</b>		4.55	3.68	3.35	3.06
<b>ROA%</b>	4.05	4.14	4.5	4.83	5.4
<b>ROE%</b>	13.23	14.54	14.32	14.64	15.33

20-20 Vision	2013	2020	CAGR
NIAT (P bn)	11.7	40	19.20%
Shopping Center (GLA mn)	1.2	3.6	17%
Office (mn)	0.6	1.8	17%
Rooms (thousands)	2	6	17%



**Technicals**

- Current 33
- Support 30 (psychological), 29.50, 27
- Resistance 34 (pivotal to break downtrend), 36, 38, 41.40 (all-time high)
- Target 43.20, +31% upside

- Since the all-time high was hit in May, stock is down 20%, staging a strong rally from marking a low at 27.20 (-34%) in the recent downturn. With short-term downtrend intact, 34 is pivotal resistance to challenge.
- While short-term indicators RSI and MAC/D have reached overbought levels (1YR Chart), long-term indicators show significant room for upside with RSI and MAC/D.
- Buy on Dip at supports 30, 29.50, 27.

**REFERENCES** ALI, PSE, 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.