

**Date**

29 March 2016

Company

JG Summit Holdings, Inc.

First Look Corporate

9M15 Core Earnings boosted by Margins; Upgrade TP, Maintain HOLD

Stock JGS**Price** 80.50**52wk Range** 56.90 - 83.00**Rating** HOLD**Target** 81, 21.5x P/E**Upside** 0.62%**Issued Shares** 7,162.84mn**Market Cap** P590,190mn**Free Float** 39.01%**PSEi** 6.78%, 3/30**MSCI** 6.67%, 4/45

We rate JGS a HOLD and upgrade Target Price to P81/sh, 21.5x P/E, with an upside of 13%.

JGS has a solid portfolio with positive growth prospects from core businesses (Consumer - URC 55.8%, Property - RLC 61%, Airline - CEB 67.2%, Petrochemicals - 100%) as well as stable earnings from core investments (TEL - 8%, MER - 27.1%, UIC - 37%).

9M15 Core Income (+39.2%) lifted by Margins but Net Income +2.6%) offset by forex and securities valuations

- 9M15 Core Income +39.2% to P20.69 billion. However, attributable Net Income +2.6% to P16.11 billion from forex losses P3.64 billion (vs. 285.9 million) and market securities revaluation (P1.56 billion vs. 148.9 million). General and Administrative expenses also increased 22% to PP28.58 billion.
- Revenues +27% to P169.78 billion boosted by JGS Petrochem which contributed 11% to total revenues or P19.44 billion (vs. P1.02 billion in the same period, having just resumed operations in November 2014).
 - **URC** +18% improved sales growth of both domestic and international operations
 - **CEB** +10% due to consistent rise in passenger volume.
 - **RLC** +15% due to additional revenue contribution from 2 new office buildings, 7 newest malls and 3 new hotels.

Lower oil improves margins

- EBIT margin +110bps as lower oil benefited CEB EBIT Margin (+922 bps) and JG Petrochem EBIT Margin (+870 bps) with roughly 40.0% of CEB and 90.0% of JG Petrochem's costs linked to crude.
- For CEB, the significant margin improvement is owed to lower jet fuel prices (US\$58.73/bbl as of Sep2015 vs. US \$115.95/bbl as of Sep2014)

Flagging Possible Volatility from Peso

- About 66% of the company's debt is foreign-denominated and thus susceptible to FX and commodity volatility. However, we note that this will be non-cash given that amortisation is spread over an average of 5.1 years with a blended cost of 4.3%.
- From Php46.83 : US\$1 (end-September 2015), the Peso weakened to a high of Php48.05 (-2.6%) late January and has strengthened again to date at Php46.33 (+1%).

	2013	2014	2015	2016	2016
Sales	144.81	172.49	220.62	241.84	262.36
		19%	28%	10%	8%
EBITDA	30.03	37.64	55.30	61.37	64.09
		25%	47%	11%	4%
EBIT	19.99	25.88	43.24	47.86	51.04
		29%	67%	11%	7%
Net Income	14.20	25.82	25.05	27.98	29.67
		82%	-3%	12%	6%
EPS	2.08	2.60	3.33	3.75	4.09
		25%	28%	13%	9%
BVPS	26.53	29.58	31.19	34.93	38.77
PBV			2.60	2.32	2.09
ROA%	2.56	3.53	7.74	7.89	7.41
ROE%	6.11	9.26	11.74	12.02	11.47

Plans and Prospects

URC (TP 218, HOLD)

- Execute defensive strategies to protect market shares on coffee in the Philippines.
- Commission new bar line in New Zealand, biscuits & extruded lines in Myanmar, wafer & creams line in Thailand and fabricated lines in Indonesia
Enter biscuits market in Indonesia and launch select Griffins brand in HK and Singapore.

RLC (TP 29.60, HOLD)

- Recently acquired the land use rights of a property in Chengdu China, mainly for residential development with a partial commercial component.
- Aggressively expand investment portfolio by opening 4 new malls and expanding 1 existing mall; complete 2 office developments adding 5% NLA and by adding 8% to hotel room portfolio in FY 2016.
To launch P6 billion Westin Residences Tower in the Ortigas CBD for residences

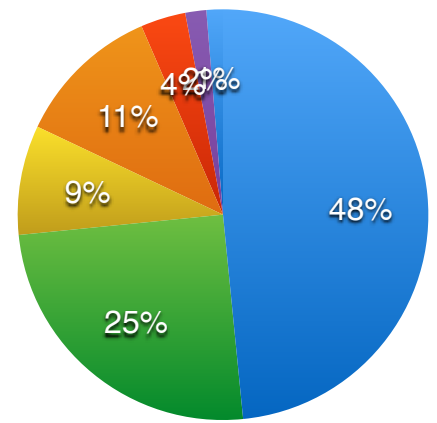
CEB (TP 140, BUY)

- Signed an agreement with ATR for the purchase of 16 ATR 72- 600, with option to buy up to 10 additional with deliveries to take place between 2016 and 2020.
- Total remaining order book of 5 A320, 30 A321 NEO, and 16 ATR 72- 600 for a total of 60 aircraft by 2017.

JGS Petrochem, JGS Olefins

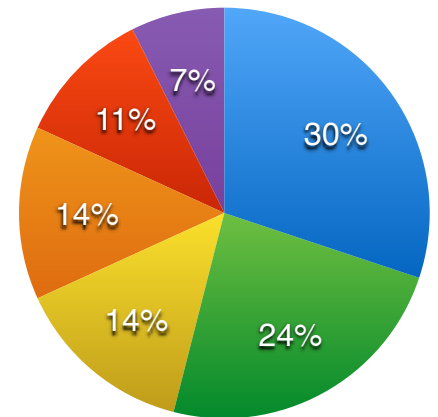
- Currently in commercial operations hitting a run-rate over 90%. Planned to increase exports in 4Q15 and gradually expects the local market to pick up starting January 2016.

Revenue Contribution



- URC
- CEB
- RLC
- Petrochem
- NE
- Dividend Income
- Robinsons Bank

Net Income Contribution from equity holders of parent



- URC
- MER
- RLC
- CEB
- UIC
- Petrochem



Technical Analysis

Current 80.50
Support 76.85, 73, 70, 66.80, 61.05, 55.90
Resistance 83 (all-time high)
Target 81, +0.62% upside

- The stock has registered a new all-time high of 83, so far pulling back slightly by 3%.
- Indicators at oversold with RSI-14 (69) and MAC/D elevated.
- Current price indicates a HOLD with a BUY trigger price at 70.40. However a pullback towards breakout pt. 76, now an important support could provide a tradable position. Best to blend with buy signal from indicators.

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