

**Date**

5 April 2016

Company

Double Dragon Properties Corp.

First Look Corporate

2 Years Later: From P4.4bn to P84bn market cap; FY16 On-Track; DD Preferred Share raises P9.8bn

Stock DD

Price 38.00

52wk Range 8.34-39.85

Rating HOLD / Long-Term Buy

Issued Shares 2,229.73

Market Cap P84.73bn

Free Float 25.64%

PSEi N/A

MSCI 0.61% (30/45)

We maintain our rating of HOLD / Long-Term Buy on DD. Two years after its IPO, the listed company has grown in market capitalisation from P4.4 billion to P84 billion, on track for FY16 target and has secured P9.8bn in funding for RE projects to achieve CAGR 45% from IPO to 2020.

- Over the course of the January market dip and its Preferred Share Roadshow and Offer Period, the stock has become appreciated for clearly-defined growth map to become a dominant leader in the rare realignment in the property sector. Moving forward, above industry multiples are expected to be sustained due to est. compounded annual growth rate (CAGR) of 45% in Net Income to P4.8bn (FY2020) and targeted record 90% recurring income vs. industry average target of 50% recurring income within the same timeline.
- Recall that company 9M15 Net Income +111.1% to P713.6mn as the company begins to realise contributions from CityMalls and interim projects. DD also guided that it is on track for FY16F Net Income P1 billion.
- Recently-concluded preferred share offering raises P9.8 billion to fund RE projects (2016-2018). Convertible at 1:1 by 2018-2022; par value P100/share.
- Recall improved investor visibility as in 2015, the stock was included in (1) the PSE Main Board from the Small, Medium and Emerging (SME) Board and (2) the MSCI Philippines Small Cap Index.

Preferred Shares (100mn, P100/sh, 6.4778%) to fund CityMall, The SkySuites Tower, Dragon8 Mall and Jollibee Tower; Increased Public Float to 28.82%

- Increase authorized capital stock from P500 million (5 billion common shares, Par 0.10/sh) to P20.5 billion (5 billion common shares, 200 million preferred shares, par P100.00).
- Current issued and outstanding capital stock 2,229,730,000 common shares. Public float to increase from 25.64% to 28.83% equivalent to 671,730,000 shares.

Convertible at 1:1 within 2-5 years (2018-2021);

If conversion is fully-exercised, Dilution -4.29%

- If 100 million is converted from 2018-2021, Dilution will be by -4.29% (computed as new 100mn converted preferred shares divided by 2,329,730,000 new total issued and outstanding shares, if fully exercised)
- If not converted, the bonds are redeemable in 7 years (2023) higher of a) 6.4778%, or b) the 10-year PDST-R2 plus a Step Up Spread (Initial Spread + 150bps)

Net Proceeds P9,846,448,750.00 to fund real estate projects; Est. completion of CityMalls (end-2016), The Meridian (end-2017), The Jollibee Sky Tower (end-2018)

Projects	Php bn	Timeline
CityMall	3.95	Q2-Q4 2016
Land Acquisition	1.77	Q2-Q4 2016
Construction	2.18	Q2 - Q3 2016
DD Meridian Park	3.45	Q22016 - Q42017
Jollibee Tower	0.98	Q2-Q4 2016
SkySuites Tower	0.98	Q2-Q4 2016
Gen Corp. Reqt	0.49	Q2-Q4 2016
Total	9.85	

Recall: 9M15 Net Income grew 111.1% to P713.6mn as the company booked revenue contributions from CityMalls and Dragon8 Mall; DD says it is on track for FY16 Net Income target of P1bn

- 9M15 Net Income grew 111.1% to P713.6mn; 3Q grew 132.3% to P589.4mn.
- 9M15 Revenues rose 53% to P1.72bn. 3Q15 rose 50.8% to P1.11bn due to significant contributions from existing operational commercial projects - CityMalls and Dragon8 Mall - Divisoria
 - Mall stall units increased 64% to P58.3mn
 - Rental Income grew 10.5x to P16.1mn as the company starts to receive revenue contribution from operating CityMalls
 - Interim projects continue to generate early cashflow fro sales as the company builds up its leasing portfolio.
- Consolidated cost of real estate sales amounted to P138.7mn, resulting to 62% real estate sales margin.
- GAE increased 43.9% to P62.6mn related to operations and expansion. Interest expense amounted to P40.6mn.

5-year Vision (2015-2020): 90% Recurring Income

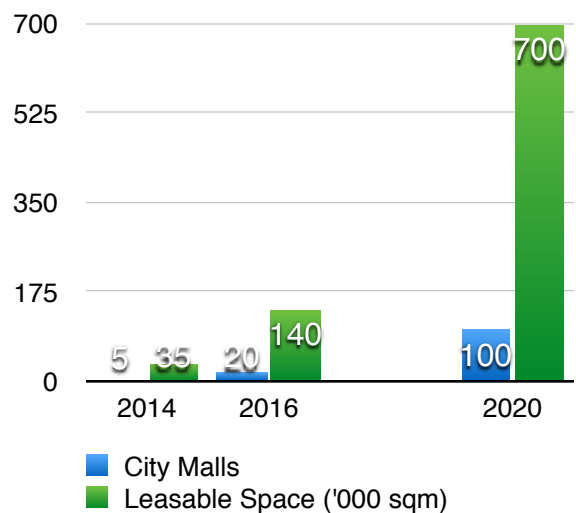
- Targets Net Income of P1bn by 2016 and P4.8bn by 2020.
- By 2020, expand portfolio to 1 million sq.m. or 100ha of prime leasable space over the next 5 years 70% from 100 provincial City Malls (ave. 7,000sqm) and 30% from Metro Manila offices and the the DD Meridian Park (280,000 sq.m.) and the Jollibee Tower (47,909sqm.). The company has secured nearly half of landbank requirements for CityMalls.
- DD aims to be in top 5 largest property developer in the Philippines by 2020 with the highest recurring income portfolio at 90%. Meanwhile in Metro Manila, DD has also established meaningful presence with projects: WH Taft Residences, The SkySuites Tower, Dragon8 Shopping Center and the DD Meridian Park.

Property: Rare Realignment

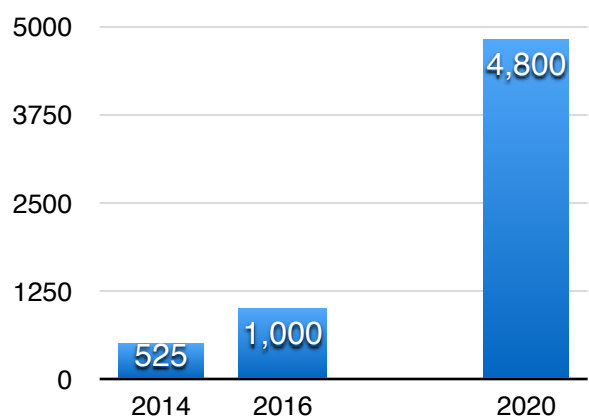
- DD aims to become the dominant leader in the rare realignment occurring in the property sector, especially in the next wave provincial areas.

	9M14	9M15	Change
Revenues	1,127.61	1,723.43	53%
Real Estate Sales	984.69	802.9	-18%
Sale of mall stall units	135.6	134.43	-1%
Unrealized gain from change in fair value of investment property	0.00	624.06	0%
Rental Income	4.29	28.50	564%
Interest Income	2.66	15.68	489%
Others	0.35	117.84	33569%
Cost and Expenses	641.64	689.18	7%
Net Income	338.06	713.63	111%
Attributable to Equity Holders	331.15	706.61	113%
Non-Controlling	6.91	7.01	1%
Earnings Per Share			
Basic	0.15162	0.32005	111%
Diluted	0.15162	0.32005	111%

CityMalls



Earnings Target





Technicals

Current 38.00
Support 32.40, 30, 28.30/27.80, 26.50/26 (break-out)
Resistance 39.85 (all-time high)

- From 19.70 (January 11), the stock has rallied 102% to a fresh all-time high of 39.85 over the course of its preferred share roadshow and offer.
- Currently, both short and long-term indicators show the stock in overbought territory, requiring consolidation or pullback form recent highs. To initiate or accumulate. wait for indicators to ease. Watch initial support at (-19% from high) and 30 psychological (-25% from high). We continue to recommend a HOLD for long-term investors.
- DD has remained an outlier, consistently outpacing average peer industry multiples (currently at 84x P/E vs. 16.8x P/E average of property coverage ex-DD) due to limited public float amid strong investor demand. Moving forward, above industry multiples will be sustainable due to the record high target of 90% recurring income vs. industry average target of 50% within the same timeline.

REFERENCES DD, 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.