

**Date**

11 April 2016

Company

Grand Titan Capital Holdings, Inc.

First Look Corporate

FY15 Earnings in-line; Continued growth in core businesses; Upgrade TP, BUY

Stock GTCAP**Price** 1356**52wk Range** 1,120 - 1,478**Rating** BUY**Target** 1606, 20x P/E**Upside** 18%**Issued Shares** 174.30mn**Market Cap** P236,350mn**Free Float** 45.42%**PSEi** 3.23%, 12/30**MSCI** 3.80%, 10/45

We rate GTCAP a **BUY** and upgrade Target Price to 1606/sh, 20x 2016P/E, 18% upside. In-line with estimate: FY15 Earnings +32% to P12.1 billion. GTCAP set FY16 capex at P44.7 billion as company expands core business units.

- GTCAP aims to increase market leader TMPC's production by 10-20% to 44K-48k from 2016-2017 as government seeks to grant incentives worth \$600 million over 6 years for locally assembled cars.
- GTCAP plans to increase ownership in developer PCFI from 42% (1H16) and 51% (1H17). PCFI which focuses on low cost, economic, retail and BPO segments of property development last year recorded Net Income P2.1 billion and Revenues of P7 billion.

GTCAP capex set at P44.7 billion to support growth of banking, power generation, automotive and real estate businesses.

- P10 billion, will be for additional equity in PCFI; P8.3 billion for GBPC for expansion of Panay Energy Unit 3 and venture into biomass projects (recall: In 2014, signed with RHI for the development of a 40MW biomass project in La Carlota City, Negros Occidental); P7 billion for TMPC; P7 billion for MBT's branch expansion and ATM Network; P2 billion for for capital spending to finance office and retail projects; balance of P10.4 billion for insurance and Toyota dealerships.

FY15 Net Income grew 32% to P12.1 billion as Revenues expanded 13% to P159.2 billion from higher net income contributions from GBPC, TMP, AXA Life Insurance Corporation

- **MBT Core Earnings** +20% to P18.6 billion as CASA grew 18%, more than double the system deposit growth. Total deposit ended at P1.3 trillion. Net loans and receivables +17% to P887.2 billion. Net Interest Income was P49 billion, accounting for 70% of total operating income. CAR 17.8%, CET 14.3%.
- **Toyota Motor Philippines Corp. (TMPC)** Revenues +9% to P114.3 billion, Net Income +41% to P10.2 billion, cornering 39% market share with retail sales of 125,027 vehicles (+18%)
- **Global Business Power Corp. (GBPC)** Net Income +30% to P2.9 billion. Net Fees amounted to P18.4 billion from current total capacity of 704MW.
- **Federal Land** Revenues +9.5% to P10.3 billion as Real Estate sales expanded 8% to P7.5 billion and a Net Income +5% to P1.6 billion.
 - In August 2015, GTCAP acquired 22.68% in Property Company of Friends, Inc. (PCFI). It plans to increase stake to 42% within 1H16 and 51% by 1H17.
- **AXA Philippines** Total sales in annualised premium equivalent +21% to P4.8 billion as sales force +26%. Gross Premiums opened +25% to P22.9 billion, market share increased to 12.1% from 11.6% of total life insurance industry's total premiums. Net Income +13% to P1.4 billion.

	Actual		Forecast		
	2014	2015	2016	2017	2018
Sales	135.08	149.86	181.26	210.61	237.88
		11%	21%	16%	13%
EBITDA	19.08	25.10	29.19	34.42	38.41
		32%	16%	18%	12%
EBIT	15.88	21.69	26.82	31.00	19.02
		37%	24%	16%	-39%
Net Income	9.2	12.1	14.10	16.78	18.85
		32%	17%	19%	12%
EPS	52.78	69.42	80.71	95.23	108.13
		32%	16%	18%	14%
BVPS	455.23	517.12	584.33	670.35	805.64
PBV		2.62	2.32	2.02	1.68
ROA%	4.46	4.53	6.26	6.86	7.17
ROE%	12.21	14.3	14.66	15.12	14.96

GTCAP's portfolio of automotives, banking and insurance, property and energy, continues to be proxy to the Philippine economic growth via increase in population and GDP per capita income and the advent of next wave cities.

Consolidated in the Financial Statements of the company:

100% Federal Land Inc. (FLI),
 51.3% Global Business Power Corp. (GBPC),
 22.68% in Property Company of Friends, Inc. (PCFI)
 51% Toyota Motors Philippines (TMP)
 100% Charter Ping An Insurance Corp. (CPAIC)
 52% Toyota Cubao Inc. (TCI)

Reported through equity accounting

25.1% Metropolitan Bank (listed: MBT)
 25.3% AXA Philippines
 60% Toyota Manila Bay Corporation (TMBC)
 40% Toyota Financial Services Philippines Corporation (TFSPC)



Technical Analysis

- Current 1356
- Support 1338, 1300, 1254, 1200 (support held 3x through December 2015-February 2016)
- Resistance 1478 (all-time high)
- Target 1389, +2% upside

- Indicators RSI and MAC/D have eased from recent overbought levels as the stock hit a new high at 1478. Monitor for further consolidation or pullback with supports at 1338, 1300 and 1254 (trend channel support)
- Long-term chart shows stock is trading at lower end of channel while MAC/D shows bullish crossover.
- Recall secondary placement for 5% of total outstanding shares last February 2015 was priced at 1,130/ share.

REFERENCES GTCAP, 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.