

**Date**

25 May 2016

**Company**

JG Summit Holdings, Inc.

**First Look Corporate**

1Q16 Earnings Outperforms due to CEB, JGSPC; URC (BUY, 236.70), RLC (HOLD, 29.60), CEB (BUY, 132)

**Stock JGS****Price** 90.95**52wk Range** 56.90 - 95.25**Rating** HOLD - Core Holding**Target** 94.50, 24x P/E**Upside** 4.88%**Issued Shares** 7,162.84mn**Market Cap** P465,584mn**Free Float** 39.01%**PSEi** 6.78%, 3/30**MSCI** 7.46%, 2/43

**We upgrade JGS Target Price to 94.50, 24x P/E with an upside of 4.88% but maintain a HOLD - Core Holding. 1Q Core Net Income +32.3% to P8.17 billion, outpacing FY16 forecast, accounting for 30%.**

**JGS 1Q16 Core Net Income +32.3% to P8.17 billion mainly due to the double-digit income growth in CEB (lower oil prices) and JGSPC (Petrochemicals, Olefins - expanded since integrated operations started in November 2014)**

- Net income +60.9%; EBITDA +23.4% to P18.68 billion; EBIT +25.3% to P14.64 billion
- Revenues grew 6.2% to P60.59 billion. Revenues from core investments declined as dividend income dropped 34.6% to P1.03 billion mainly due to lower dividends declared by PLDT (listed: TEL). Meanwhile, Equity in net earnings of associates, primarily from investments in UIC and Meralco (listed: MER), increased 9% to P1.83 billion. Note: TEL (8%), MER (27.1%), UIC (37%)
- Operating expenses +14.5% to P10.67 billion due to higher selling, GAE, particularly for URC and CEB.

Financial assets and derivative instruments recorded a marked to market gain of P92.59 million (vs. valuation loss of P178.59 million) due to fuel hedging transactions (CEB) and of the foreign currency forwards (URC).

- Recognized a net forex gain of P1.72 billion (vs. P195.65 million net forex loss) due to appreciation of Philippine Peso and other ASEAN regional currencies against the US Dollar.

Net miscellaneous income/expense recorded a net loss of P136.28 million (vs. gain P26.49 million) due to P165.40 million loss on sale of one Airbus A319 aircraft.

Provision for income tax increased by 40.1% to P1.72 billion from decrease in deferred tax assets for CEB and deferred tax liability for RLC.

**55.8% URC (TP 236.70, BUY)**

- On-Track: Net income +11.2% to P3.54 billion, accounting for 24% of FY16 forecast.
- Revenues ticked down 0.4% from P28.65 billion to P28.53 billion due to decrease in net sales of branded consumer foods group or BCFG (-1.2% to P23.17 billion from slower growth in coffee market domestically and due to forex translation from local currencies) while decline in farms (-20.7% from lower volume, prices) and sugar (-6.4% from decline in refined sugar and tolling sales volume) businesses were offset by the increase in feeds (+24.2% from higher volume) business and contribution from renewable energy businesses (P481.66 million).

JGS	2013	2014	2015	2016	2017
<b>Sales</b>	135.59	174.64	215.56	236.95	260.91
		29%	23%	10%	10%
<b>EBITDA</b>	30.03	37.64	47.44	54.28	64.23
		25%	26%	14%	18%
<b>EBIT</b>	19.99	25.88	38.16	43.45	50.47
		29%	47%	14%	16%
<b>Net Income</b>	14.20	25.82	22.54	24.82	30.82
		82%	-13%	10%	24%
<b>EPS</b>	2.08	2.65	3.17	3.60	3.60
		27%	20%	14%	0%
<b>BVPS</b>	26.53	29.58	31.26	34.77	37.33
<b>PBV</b>		0.44	2.17	1.95	0.00
<b>ROA%</b>	2.56	3.53	4.39	5.5	4.52
<b>ROE%</b>	6.11	9.26	10.06	10.24	9.40

URC	Actual		Forecast		
	2014	2015	2016	2017	2018
<b>Sales</b>	92.38	109.05	118.18	130.06	143.04
		18%	8%	10%	10%
<b>EBITDA</b>	18.00	22.08	24.49	27.00	29.58
		23%	11%	10%	10%
<b>EBIT</b>	14.12	17.37	19.14	21.22	23.84
		23%	10%	11%	12%
<b>Net Income</b>	11.66	12.38	14.70	16.51	18.79
		6%	19%	12%	14%
<b>EPS</b>	5.30	5.68	6.65	7.46	8.46
		7%	17%	12%	13%
<b>BVPS</b>	25.65	29.92	31.59	35.51	39.74
<b>PBV</b>		6.72	6.36	5.66	5.06
<b>ROA%</b>	16.00	13.13	13.7	14.73	15.43
<b>ROE%</b>	21.66	20.43	21.71	21.80	22.50

**61% RLC (TP 29.60, HOLD)**

- On-track: 1H16 Net Income +14.4% to 3.2 billion, accounting for 48% of FY16 forecast. Revenues +12.3% mainly from mall and office contributions. 2Q Revenues +12.1% to P5.47 billion. 2Q Net income attributable to equity holders of the parent +10.7% to P1.55 billion
- Mall revenues grew 10.4% as average GLA increased 7.9% and same mall revenue growth increased 7%. RLC added 4 new malls - Robinsons Place in Antipolo, Las Piñas, Place Antique and Galleria Cebu.
- Office revenues increased 35% from contributions of 3 new office buildings - Cyberscape Alpha, Cyberscape Beta and Tera Tower
- Having launched 4 residential projects this year vs. none last year, sales take-up increased 15%.

**67.2% CEB (TP adjusted slightly lower to 132, BUY)**

- Outperform: 1Q Net income +81.4% to P4.04 billion, accounting for 47% of FY16 forecast on higher than expected revenues and lower-than-expected operating expenses from significant reduction in fuel costs.
- Revenues +13.4% to P16.11 billion due to increase in passenger volume (+13% to 4.8 million passengers) driven by increased number of flights +1.8% as CEB added 1 more aircraft (current total 56). Average ancillary revenue per passenger (+9.8%), partially offset by decline in average fares (-1.6% to P2,486.00).
- Operating expenses +4.6% to P11.89 billion due to expanded operations partially offset by the substantial reduction in fuel costs due to the sharp decline in global jet fuel prices.

**100% JG Summit Petrochemicals Corp. and JG Summit Olefins**

- Net Income surged 220.2% to P1.07 billion reversing net loss of P891.99 million for the same period last year
- Combined gross revenues +27.9% to P6.69 billion from the 43% increase in the volume of polymers to 108,062 MT in 2016 (JGSPC), and increase in volume of olefins exported by JGSOC.
- Costs and expenses -5% to P5.85 billion while Interest expense +218.7% P59.39 million due to higher level of trust receipts and availment of short-term notes payable (3Q15)
- Recognised net foreign exchange gain of P157.83 million vs. net foreign exchange loss of P97.35 million from a stronger Peso vs. US dollar.

**60% Robinsons Bank**

- Net Income +135.6% to P66.04 million as Revenues +12.2% to P808.99 due to increase in interest income recognized commission income and trading gain. Cost and expenses also increased as the bank continued expansion.
- Provision for impairment losses on receivables decreased -40% to P27.67 million

RLC	Actual		Forecast		
	2014	2015	2016	2017	2018
<b>Sales</b>	17.05	19.73	22.61	25.69	29.63
		16%	15%	14%	15%
<b>EBITDA</b>	8.97	10.70	12.32	14.22	16.53
		19%	15%	15%	16%
<b>EBIT</b>	6.24	7.55	8.95	10.32	12.7
		21%	19%	15%	23%
<b>Net Income</b>	4.73	5.7	6.67	7.76	9.63
		21%	17%	16%	24%
<b>EPS</b>	1.16	1.39	1.63	1.90	2.36
		20%	17%	17%	24%
<b>BVPS</b>	12.81	13.84	15.00	16.39	18.65
<b>PBV</b>		2.07	1.91	1.74	1.53
<b>ROA%</b>	5.91	6.18	6.96	7.56	8.28
<b>ROE%</b>	9.32	10.45	11.11	11.89	13.06

CEB	Actual			Forecast	
	2013	2014	2015	2016	2017
<b>Sales</b>	41.00	52.00	56.50	64.95	72.86
		27%	9%	15%	12%
<b>EBIT</b>	2.40	4.16	9.70	10.93	9.42
		73%	133%	13%	-14%
<b>EBITDA</b>	5.86	8.44	14.81	16.1	15.29
		44%	75%	9%	-5%
<b>Net Income</b>	0.802	4.13	4.39	8.61	7.78
		415%	6%	96%	-10%
<b>EPS</b>	0.84	6.82	7.24	14.29	12.88
		712%	6%	97%	-10%
<b>BVPS</b>	34.79	35.55	41.18	54.50	65.44
<b>PBV</b>		2.66	2.29	53.65	64.61
<b>ROA%</b>	0.79	1.19	5.45	11.63	8.76
<b>ROE%</b>	2.37	4.01	18.87	27.81	20.70

**REFERENCES** JGS, 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.