

Date
18 May 2016

Company
Vista Land & Lifescapes, Inc.

First Look Corporate
1Q16 Earnings On-Track; STR acquisition recurring income driver; Maintain Buy

Stock VLL
Price 5.28
52wk Range 4.89 - 8.59

Rating BUY
Target 8.20
P/E 10x
Upside 55%

Issued Shares 8,538mn

Market Cap P45,084mn

Free Float 45.49%

PSEi N/A
MSCI 0.734%, 28/43

We maintain our **BUY** rating and Target Price of P8.20/sh for VLL. 1Q16 Net Income on-track; STR consolidation to drive recurring income growth and provide synergistic opportunities and project value enhancements.

On-Track: 1Q16 Net Income +5% to P1.7 billion
Post-STR consolidation Net Income +16.5% to P2.04 billion

- 1Q16 Net Income +5% to P1.7 billion, accounting for 22% of FY16F P7.79bn
- Factoring in STR consolidation, Net Income +16.5% to P2.04 billion
- Revenues +12.3% to P7.33 billion as rental revenue +89% to P892 million supported residential sales (+6.3% to P6.44 billion). EBIT margins improved 280 bps to 31.5%.

Management positive on STR FY16 Net Income target P1.5 billion

- STR expected to hit P1.5 billion from lease expansion and rental escalation rate at 8% over the next 3 years.
- As of 1Q16, added 221,748 sq.m. (+35%) after turning over 4 malls, and 1 BPO commercial centre adding to the existing 12 malls and 1 BPO commercial centre.
- STR also owns 46.9ha commercial prime lots near VLL's existing residential communities
- Recall: VLL acquired 4.57 billion new shares of VLL at 7.15/sh; Public float to decrease from 45.49% to 38.51%

FY16 Capex +23% to 30.90 billion - 1Q16: P7 billion

- Spent P7 billion as of 1Q16 of 2016 capex of PhP30.90 billion (+23%) allocated as for land acquisition (P2.6 billion), land development (P5 billion) and P23.3 billion for construction.

To launch more projects in Visayas, Mindanao as it expressed optimism in Duterte administration;

Note: Representative Mark Villar accepts DPWH Chief role

- For FY16, to launch 70% of projects outside Metro Manila. Launched so far 8 projects (P5.5 billion), of which 7 are in low and affordable segment, 1 mid-rise building; of which 5 projects are outside metro Manila
- Bataan, Nueva Ecija, Quezon, Cagayan de Oro and Misamis Oriental
- Notably, President and CEO Manny Villar's son, newly re-elected Las Piñas Representative, Mark Villar has accepted the new administration's offer to become Chief of the Department of Public Works and Highways (DPWH). Manny Villar's wife Cynthia is an incumbent Senator.

	Actual		Forecast		
	2014	2015	2016	2017	2018
Sales	23.85	26.75	30.22	31.67	37.25
		12%	13%	5%	18%
EBITDA	7.98	9.63	9.93	11.67	14.79
		21%	3%	18%	27%
EBIT	7.26	8.83	9.15	10.84	13.03
		22%	4%	18%	20%
Net Income	5.70	7.03	7.79	8.90	9.86
		23%	11%	14%	11%
EPS	0.67	0.62	0.74	0.83	0.78
		-7%	19%	12%	-6%
BVPS	7.20	5.36	7.16	7.73	6.73
PBV		0.99	0.74	0.68	0.78
ROA%	5.88	5.06	5.86	5.90	5.31
ROE%	11.20	10.94	11.61	11.81	11.66

Vista Land	Reservation Sales	RE Revenue	Net Income
	14.5 bn	6.4 bn	1.7 bn
Starmalls	Rent	EBITDA	Net Income
	840 mn	660 mn	347 mn

GFA (sqm)	2015	add	Total
Malls, Retail	500,073	192,939	693,012
BPO	131,000	28,809	159,808
Grand Total	631,073	221,748	852,281



Technical Analysis

- Current** 5.28
- Support** 5.00, 4.40
- Resistance** 5.50, 6.00, 6.55, 7.40, 8.59 (all-time high)
- Target** 8.20
- Upside** 55%

- Current price suggests a BUY providing an attractive upside of 55%.
- The stock has recovered from January low of 3.54 (+49%). While short-term indicators RSI and MAC/D indicate overbought position, long-term charts suggest further upside. This comes at a time of general PSEi strength.
- Notably, 5YR weekly chart indicates exit from downtrend. Support at 5 is important while next resistances are 5.50, 6, 6.55 and 7.40.

REFERENCES VLL, 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.