

Morning Briefing

Top Stories:

- **MER and PNB’s 9M-2024 Results**
- **9M-2024 Results of BDO, AEV, and WLCN (Separate Reports)**

Markets

<u>PSEi</u>	<u>PH10Y</u>	<u>DJIA</u>	<u>S&P500</u>	<u>NASDAQ</u>	<u>US10Y</u>	<u>Gold</u>	<u>Oil</u>
7,343	5.925%	42,388	5,824	18,567	4.282%	2,741	67.988
+0.40%	+0.081	+0.65%	+0.27%	+0.26%	+0.040	-0.23%	-5.28%

US Markets

US markets rose after Israel did not target Iran energy facilities as previously expected. Crude oil prices likewise dropped from the development. The average discount of the Mag7 to their consensus target prices is at **3.26%** near its 3.03% low since we started reporting it.

PSEi

The PSEi rose by 0.40% to 7,343 yesterday. This was led by index stocks SCC (+3.21% to PHP32.15), NIKL (+2.99% to PHP3.45), and MBT (+2.21% to PHP78.70). The PSEi recovered lost ground during the trading day. Asian markets were also up. The PH10YTN rate rose again reducing our PSEi forecast to **7,595 at 14.25x PER**.

This gives the PSEi a **3.4% upside** to our PSEi forecast.



Source: [CNBC](#), [Trading Economics](#), [PSE/TradingView](#), and Asiasec Research

Economic Calendar

Day / Time	Previous	Consensus	Forecast
Wednesday October 30 2024			
9:00 am PPI YoY SEP	-1%		0.20%
Monday November 04 2024			
8:30 am S&P Global Manufacturing PMI OCT			
Tuesday November 05 2024			
9:00 am Inflation Rate YoY OCT	1.90%		
9:00 am Core Inflation Rate YoY OCT	2.40%		
9:00 am Inflation Rate MoM OCT	-0.20%		
Wednesday November 06 2024			
9:00 am Unemployment Rate SEP	4%		4.90%
9:00 am Balance of Trade SEP	\$-4.375B		\$ -3.5B
9:00 am Exports YoY SEP	0.30%		
9:00 am Imports YoY SEP	2.70%		
9:00 am Industrial Production YoY SEP	1.80%		5.10%
Thursday November 07 2024			
10:00 am GDP Growth Rate QoQ Q3		0.50%	1.40%
10:00 am GDP Growth Rate YoY Q3	6.30%		6.40%
Foreign Exchange Reserves OCT	\$112B		

Source: [Trading Economics](#)

H2-2024 Market Events Timeline and Outlook

July	August	September	October	November	December
Q2 earnings (late Jul-Aug)		US Fed 50 bps	Q3 earnings (late Oct-Nov)		Yearend window
post-pandemic growth		Rate Cut Sep. 18	post-pandemic growth		dressing
momentum	BSP 0.25% Rate	US markets up	momentum	Nov. 2 Fed	Dec. 18 Fed
Ave rev +5.1%	Cut to 6.25%	US10YTN rate	BSP 0.25% Rate	Policy Meeting	Policy Meeting
Ave net inc	Flattish	decline	Cut to 6%	likely rate cut	Dec. 19 BSP
+4.9%	PH10YTN rate	PH10YTN rate	BRICS Summit	US Presidential	Policy Meeting
	Month long	decline	Oct 22-24	Elections Nov. 5	likely rate cuts
	PSEi increase	PSEi increase	Indonesia to join	US markets up	markets up

Source: Asiasec Research

Company News

MER's 9M-2024 Results

MER's **net income grew 17%** YoY to PHP35B in 9M-2024 slightly missing our forecast of PHP36.11B by just 3% which is still **within our expectations**. MER also expects to exceed its PHP43B profit guidance this year.

Consolidated **revenues rose 6%** YoY to PHP355.4B in 9M-2024 mainly due to the **7% increase in Gwh sales** and increase in transmission charge from the distribution business. MER's

Source: [PSE/MER](#)

PNB's 9M-2024 Results

PNB's **net income grew 12%** YoY to PHP15.1B in 9M-2024. This is **in line with our expectations** for a PHP20.6B net income in 2024F.

Net interest income rose by 10% YoY to PHP36.5B mainly due to the expansion in loans to customers. The bank also booked gains from the sale of foreclosed assets amounting to PHP3.7B in the period. Operating expenses

average retail rate is at PHP10.44 Kwh, down 0.6% YoY.

At PHP492.60 per share, MER is trading at a 3% premium to our target price of PHP476.75 per share. It is also trading at 11.27x 2024F PER, a discount to the Industrial Index's 14.35x PER. Its cash dividend yield is 4.4% at its current share price. With its target slightly breached already, MER is a **SELL**.

inched up by 1% YoY to PHP21.7B on higher business taxes and other business-related expenses.

PNB allocated credit **provisions of PHP3.7B** in 9M-2024 which is lower than the PHP5.15B in 9M-2023. CAR was also **strong at 17.8%** and CET1 Ratio was at 16.9% in 9M-2024.



At PHP27.05 per share, PNB is trading at a 19% discount to our target price of PHP33.22 per share. It is also trading at 1.96x

2024F PER, a discount to the Financial Index's 9.50x PER. PNB is a **BUY**.

Source: [PSE/PNB](#)

Oher Economic, Sector, and Corporate News

IMF: Inflation risks still tilted to upside

THE INTERNATIONAL Monetary Fund (IMF) said that upside risks to the outlook for Philippine headline inflation still persist. It sees **inflation settling at 3.3% this year and 3% in 2025**. The BSP also expects inflation to average 3.1% this year and accelerate to 3.2% next year and 3.4% in 2026.

Source: [Businessworld](#)

PHL aims to be in top 20% in World Bank's Business Ready report

THE PHILIPPINES is hoping to be included among the top 20% of the countries assessed by the World Bank for its Business Ready (B-READY) report by 2026, the Anti-Red Tape Authority (ARTA) said.

Source: [Businessworld](#)

PHL score drops in Labor Rights Index

THE PHILIPPINES' score in the global Labor Rights Index worsened this year, largely due to an environment that restricts unions, strikes, and collective bargaining deals.

Source: [Businessworld](#)



Treasury bill yields rise on less dovish policy bets

THE GOVERNMENT fully awarded the Treasury bills (T-bills) it offered on Monday even as rates were higher across all tenors to track the continued upward correction in secondary market yields amid mixed expectations of further monetary easing here and in the United States.

Source: [Businessworld](#)

Toyota Motor Philippines eyes over 200,000 car sales this year

TOYOTA Motor Philippines, Inc. aims to sell over 200,000 cars this year, targeting nearly 50% of the industry's total sales, according to its president.

Source: [Businessworld](#)

Corn, cassava targeted for yield enhancement

THE Department of Agriculture (DA) said on Monday that it is planning to increase the yields of corn and cassava crops to a level sufficient to meet at least 81% of domestic demand.

Source: [Businessworld](#)

Farm chamber supports more dairy cattle imports

THE Philippine Chamber of Agriculture and Food, Inc. (PCAF) said it supports efforts to expand the dairy cattle herd via imports, and cited the need to build up the industry's capabilities in artificial insemination.

Source: [Businessworld](#)

Commodities

Biggest Daily Movers: Brent Oil (-5.28%), Natural Gas (-12.08%), Steel (+2.53%), Cheese (+14.70%), Coffee (+2.07%), Tea (+43.51%)

Source: [Trading Economics](#)

Dividends & Rights Calendar

Company Name	Type of Security	Type of Dividend	Dividend Rate	Ex-Dividend Date	Record Date	Payment Date
DMCI Holdings, Inc.	COMMON	Cash	Php0.48	Oct 29, 2024	Oct 30, 2024	Nov 15, 2024
Philippine Racing Club, Inc.	COMMON	Cash	P0.08	Oct 29, 2024	Oct 30, 2024	Nov 21, 2024
DDMP REIT, Inc.	COMMON	Cash	Php 0.0235610	Oct 30, 2024	Oct 31, 2024	Nov 26, 2024
Raslag Corp.	COMMON	Cash	Php0.05	Oct 30, 2024	Oct 31, 2024	Nov 25, 2024
Philippine Savings Bank	COMMON	Cash	Php0.75	Oct 31, 2024	Nov 4, 2024	Nov 18, 2024
Megaworld Corporation	COMMON	Cash	Php0.08175968	Nov 04, 2024	Nov 5, 2024	Nov 18, 2024
A Brown Company, Inc.	BRNP Series A	Cash	Php 1.75 per share	Nov 04, 2024	Nov 5, 2024	Nov 29, 2024
A Brown Company, Inc.	BRNPC Series C	Cash	Php 2.1875 per share	Nov 04, 2024	Nov 5, 2024	Nov 25, 2024
A Brown Company, Inc.	BRNPB Series B	Cash	Php 2.0625 per share	Nov 04, 2024	Nov 5, 2024	Nov 25, 2024
DoubleDragon Corporation	COMMON	Cash	Php 0.2648000	Nov 05, 2024	Nov 6, 2024	Nov 29, 2024
RFM Corp.	COMMON	Cash	Php 0.148388	Nov 05, 2024	Nov 6, 2024	Dec 2, 2024
Haus Talk, Inc.	COMMON	Cash	Php 0.02	Nov 07, 2024	Nov 8, 2024	Dec 2, 2024
Figaro Culinary Group, Inc.	COMMON	Cash	Php 0.027 per share	Nov 13, 2024	Nov 14, 2024	Dec 4, 2024
Cirtek Holdings Philippines Corporation	TCB2A	Cash	US Dollars 0.0228125 (US\$0.0228125)	Nov 21, 2024	Nov 22, 2024	Dec 9, 2024
Cirtek Holdings Philippines Corporation	TCB2D	Cash	PhP 0.968825	Nov 28, 2024	Nov 29, 2024	Dec 16, 2024
Cirtek Holdings Philippines Corporation	TCB2C	Cash	PhP 0.8233	Nov 28, 2024	Nov 29, 2024	Dec 16, 2024
In Coverage						

Source: [PSE Edge](#)

Asiasec Equities Stocks Table

Stocks	Share Price (PHP/share)	Target Price (PHP/share)	Discount/ (Premium)	2024F PER (x)	2024F PBV (x)	Dividend per Share (PHP)	Dividend Yield	Reco
AC	720.00	872.14	17.4%	8.31	0.64	7.60	1.1%	BUY
ACEN	4.88	7.42	34.2%	17.35	1.29	0.05	1.0%	BUY
AEV	35.10	63.39	44.6%	6.76	0.58	1.40	4.0%	BUY
AGI	9.42	19.76	52.3%	3.13	0.21	0.15	1.6%	BUY
ALI	34.60	46.09	24.9%	1.25	0.85	0.08	0.2%	BUY
AP	37.80	63.23	40.2%	8.25	1.54	2.30	6.1%	BUY
APX	4.24	16.52	74.3%	5.70	1.41	0.08	1.9%	BUY
BDO	160.00	175.48	8.8%	9.70	1.39	3.90	2.4%	BUY
BLOOM	7.70	14.68	47.6%	11.15	1.57	-	0.0%	BUY
BPI	147.40	145.41	-1.4%	10.99	1.90	3.96	2.7%	SELL
CBC	58.45	79.17	26.2%	5.50	0.93	2.20	3.8%	BUY
CEB	32.90	41.09	19.9%	2.91	1.74	-	0.0%	LT BUY
CNPF	41.80	34.53	-21.0%	20.93	4.53	0.48	1.1%	SELL
CNVRG	16.94	20.02	15.4%	11.02	2.32	0.18	1.1%	STRONG BUY
DMC	11.54	11.73	1.6%	7.62	1.03	1.44	12.5%	BUY
DNL	6.52	6.66	2.1%	19.12	2.00	0.21	3.2%	BUY
EMI	18.70	12.05	-55.2%	38.98	4.26	0.24	1.3%	SELL
FB	52.65	96.98	45.7%	7.81	1.46	1.80	3.4%	BUY
GLO	2,266.00	2,589.13	12.5%	14.02	2.18	99.87	4.4%	BUY
GTCAP	728.00	1,030.66	29.4%	4.72	0.56	5.00	0.7%	BUY
ICT	413.80	359.12	-15.2%	22.98	6.85	11.39	2.8%	SELL
JFC	269.00	368.67	27.0%	31.95	6.62	3.13	1.2%	BUY
JGS	25.50	48.04	46.9%	7.43	0.42	0.40	1.6%	BUY
KEEPR	2.08	3.19	34.7%	9.56	1.78	0.10	4.8%	BUY
LTG	10.08	10.98	8.2%	3.86	0.36	1.20	11.9%	BUY
MBT	78.70	72.11	-9.1%	8.05	0.90	3.50	4.4%	SELL
MEG	2.35	2.60	9.6%	3.55	0.27	0.07	2.8%	BUY
MER	492.60	476.75	-3.3%	11.27	3.20	21.53	4.4%	SELL
MONDE	10.90	12.18	10.5%	22.43	3.13	0.12	1.1%	BUY
NIKL	3.45	4.39	21.4%	54.76	1.14	0.20	5.8%	LT BUY
PCOR	2.54	4.68	45.7%	1.50	0.20	0.10	3.9%	BUY
PGOLD	32.95	53.34	38.2%	10.99	1.27	0.90	2.7%	BUY
PNB	27.05	33.22	18.6%	1.96	0.19	-	0.0%	BUY
RLC	16.00	21.45	25.4%	5.77	0.50	0.65	4.1%	BUY
SCC	32.15	32.74	1.8%	7.46	2.08	3.50	10.9%	BUY
SM	964.00	1,292.69	25.4%	14.40	1.40	9.45	1.0%	BUY
SMC	88.70	108.20	18.0%	NA	0.93	1.40	1.6%	LT BUY
SMPH	30.90	42.89	27.9%	21.44	2.06	0.35	1.1%	BUY
TEL	1,462.00	2,067.12	29.3%	10.95	5.79	92.00	6.3%	BUY
UBP	38.95	31.31	-24.4%	13.04	0.74	0.80	2.1%	SELL
URC	101.00	149.59	32.5%	13.96	2.07	3.80	3.8%	BUY
WLCON	16.40	20.88	21.5%	23.03	2.76	0.26	1.6%	LT BUY
Averages			19.3%	12.57	1.83		3.1%	

Source: Asiasec Research

Asiasec Equities Banks Table

Banks	Share Price (PHP/share)	Target Price (PHP/share)	Discount/ (Premium)	2024F/ttm PER (x)	2024F/H1 Dividend per PBV (x)	Share (PHP)	Dividend Yield	Reco
AUB	61.50	127.55	51.8%	4.79	0.87	2.33	4.3%	BUY
BDO	160.00	175.48	8.8%	10.86	1.54	1.75	2.1%	BUY
BNCOM	7.90	26.81	70.5%	4.21	0.35	0.25	0.0%	BUY
BPI	147.40	145.41	-1.4%	13.61	1.90	1.98	-3.0%	SELL
CBC	58.45	79.17	26.2%	6.95	1.04	2.20	3.8%	BUY
EW	10.02	22.03	54.5%	3.60	0.33	0.54	5.4%	BUY
MBT	78.70	72.11	-9.1%	7.88	0.97	5.00	6.4%	SELL
PBB	9.10	25.75	64.7%	3.75	0.40	0.45	9.9%	BUY
PNB	27.05	33.22	18.6%	2.24	0.20	-	0.0%	BUY
PSB	59.95	108.70	44.8%	5.19	0.61	3.00	5.0%	BUY
RCB	26.85	54.54	50.8%	6.22	0.43	1.01	5.5%	BUY
SECB	94.05	119.43	21.3%	7.36	0.51	1.50	3.2%	BUY
UBP	38.95	31.31	-24.4%	16.08	0.69	0.80	1.9%	SELL
Averages			29.0%	7.13	0.76		3.4%	

Source: Asiasec Research

Asiasec Equities REITs Table

REITs	Share Price (PHP/share)	NAV (PHP/share)	Discount/ (Premium)	Dividend per Share (PHP)	Dividend Yield	Reco	Est Next Div Ex-Date
DDMPR	1.06	1.07	1.4%	0.10	9.4%	BUY	30-Oct-24
MREIT	13.74	18.39	25.3%	0.99	7.2%	BUY	17-Nov-24
RCR	6.00	7.64	21.5%	0.52	6.5%	BUY	20-Nov-24
FILRT	3.09	3.79	18.5%	0.26	8.8%	BUY	28-Nov-24
AREIT	38.80	48.22	19.5%	2.04	5.2%	BUY	30-Nov-24
VREIT	1.78	3.19	44.2%	0.18	4.1%	BUY	13-Dec-24
CREIT	3.06	2.66	-15.0%	0.20	8.0%	SELL	22-Dec-24
PREIT	2.17	2.14	-1.6%	0.15	7.3%	SELL	19-Feb-25
Averages			14.2%		7.1%		

Source: Asiasec Research

Disclaimer

This publication has been prepared from information obtained from sources believed to be reliable. Asiasec Equities, Inc. does not accept any liability for errors or omissions in the information and opinions contained in this report. Also, this report should not be construed as an offer to buy or sell any securities mentioned herein. You can contact us at Tel.# 88453421 to 26, Fax # 88453418

Aboitiz Equity Ventures Inc.



(PM: AEV)

Sector/Subsector: Holding Firms / Holding Firms

BUY

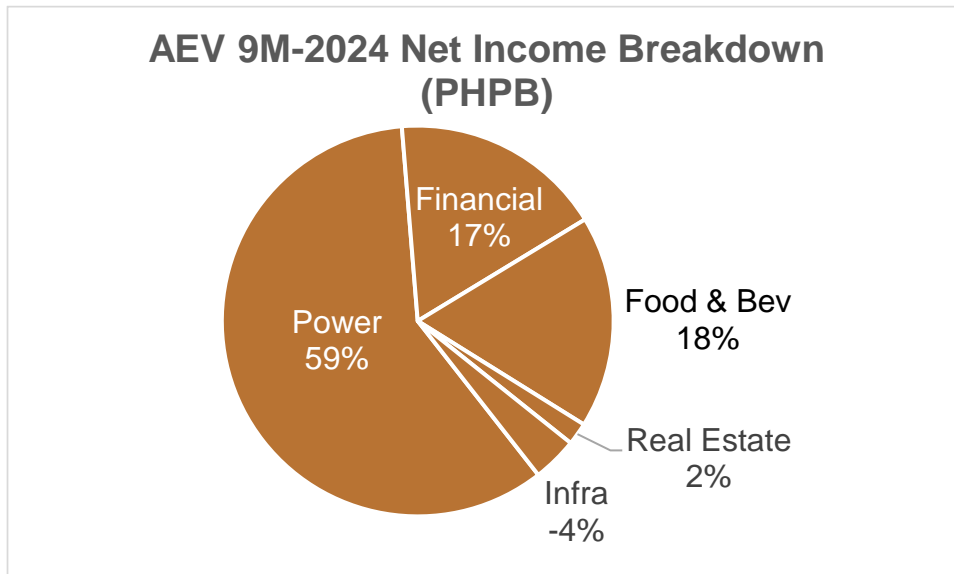
Current Price: PHP35.10

Target Price: PHP63.39

AEV 9M-2024 Results

AEV’s net income inched up 4% YoY to PHP18.8B in 9M-2024, missing our forecast of PHP20.75B by 9%. Q3-2024

net income of PHP7.3B also missed our forecast of PHP9.27B by 21%.



Notes: For Power, please see our AP report last October 25, 2024

Source: [PSE/AEV](#)

Main Businesses



UBP’s net income inched up 6% YoY to PHP8.6B in 9M-2024, while revenues (interest and non-interest income) rose by

9% YoY to PHP57.7B. Net interest income grew 14% YoY to PHP42.6B on the back of a 6% YoY growth in consumer loans. As of September 30, 2024, consumer loans accounted for 60% of UBP’s total loan



portfolio, which contracted by 1% YoY to PHP523.2B.

Operating expenses also fell 2% YoY to PHP33B in 9M-2024 due to the reduction in IT costs, as a result of the successful migration of the acquired Citi Consumer business into UBP's system.

Food & Beverages

AEV's food and beverage segment includes Coca-Cola Beverages Philippines, Inc. (CCBPI) and Aboitiz Foods, which is comprised of Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd. (which houses Gold Coin Management Holdings Pte. Ltd.).

Net income **surged 8x** to PHP4.2B in 9M-2024. This was led by Aboitiz Foods' Flour and Agribusiness divisions, which continued to benefit from stable commodity prices, optimized formulations in both feeds and flour, and strategic selling prices adjustments. CCBPI also provided new contributions to net income. AEV notably acquired a 40% stake in CCBPI on February 23, 2024.

Real Estate

The net income of Aboitiz Land, Inc. (AboitizLand) **dropped by 27%** YoY to PHP521M in 9M-2024 mainly due to higher operating expenses, overhead costs, and asset monetization in 2023.

Infra

Aboitiz InfraCapital, Inc. **contributed a loss** of PHP148M to AEV in 9M-2024. This is a reversal from the PHP1.4B net income in 9M-2023, which included a PHP1.2B non-recurring gain.

Republic Cement & Building Materials, Inc. (Republic Cement) also **contributed a loss** of PHP726M to AEV in 9M-2024. This was higher than the PHP592M loss contributed in 9M-2023. The loss was due to **lower sales volume and selling prices** from the weak market demand for cement.

Downgrade and Recommendation

High expectations from CCBPI, real estate, and infra made our forecasts higher compared to actual results. We will be downgrading AEV once its interim financials are released. Still, we are maintaining our recommendation on AEV.



It is anchored by AP, UBP, and Aboitiz Foods with power and food leading growth.

At PHP35.10 per share, AEV is trading at a 45% discount to our target price of PHP63.9 per share. It is also trading at

6.76x 2024 PER, a discount to the Holding Firms Index's 10.50x PER. At the current share price, cash dividend yield is at 4%. AEV is a **BUY**.

Source: PSE/AEV

Disclaimer

This publication has been prepared from information obtained from sources believed to be reliable. Asiasec Equities, Inc. does not accept any liability for errors or omissions in the information and opinions contained in this report. Also, this report should not be construed as an offer to buy or sell any securities mentioned herein. You can contact us at Tel.# 88453421 to 26, Fax # 88453418

Wilcon Depot Inc.


(PM: WILCON)

Sector/Subsector: Services / Retail

**LONG-TERM
BUY**

Current Price: PHP16.40

Target Price: PHP20.88

WILCON 9M-2024 Results

WILCON's net income dropped by 22% YoY to PHP2.12B in 9M-2024, missing our forecast of PHP2.45B by 14%. Q3-2024 net income of PHP0.6B also missed our

forecast of PHP0.9B by 35%. The drop in net income was due to **weak sales** and a **jump in operating expenses**.

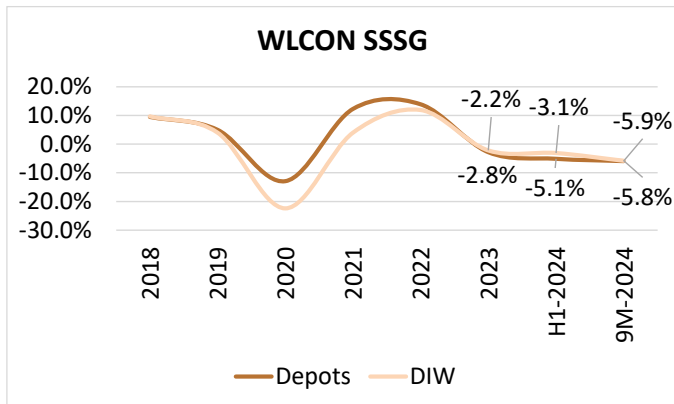
(In Php MM)	9M2024	% Growth y-o-y	3Q2024	% Growth y-o-y
Net Sales	25,681	(1.0)	8,497	(3.3)
Cost of Sales	(15,548)	(0.9)	(5,203)	(2.1)
Gross Income	10,132	(1.1)	3,293	(5.3)
Operating Expenses	(7,145)	8.9	(2,403)	9.5
Interest Exp (Lease Liab)	(499)	5.5	(164)	0.5
Other Income - Net	311	(23)	79	(14)
Income from Operations	2,799	(22.6)	805	(33.5)
Non PFRS16 Depreciation & Amortization	999	3.9	353	5.8
EBITDA -Adjusted	3,798	(17.1)	1,158	(25.0)
Non-operating other income	24	96.9	10	5623.0
Income Before Tax	2,823	(22.2)	815	(32.7)
Income tax	(706)	(21.9)	(207)	(31.4)
Net Income	2,118	(22.3)	608	(33.1)

 Source: PSE/WILCON

Net sales slipped 1% YoY to PHP25.68B in 9M-2024. New store sales added 5% to 9M-2023 total sales; however, same store sales growth (SSSG) of -5.9% dampened the increase.

Sales from **depots comprised 96%** of total net sales. This declined by 1.5% YoY to PHP24.65B in 9M-2024. Sales from new depots added 4.3% to 9M-2023 total sales; however, SSSG fell by 5.8%.

In contrast, sales of the smaller Do-It-Wilcon stores **jumped 34%** YoY to PHP738M. SSSG, however, contracted by 4.1% YoY due to lower sales from the older format Home Essentials stores.



Source: WLCN

Project sales, or sales to major institutional accounts, also **dropped 20%** YoY to PHP294M in 9M-2023. This comprises 1% of total net sales.

Gross profit slipped 1% YoY to PHP10.13B in 9M-2024 with the resulting gross profit margin (**GPM**) at **39.5%**. This was mainly due to lower sales and a decline in the GPM by 5 bps YoY.

Operating expenses jumped 9% to PHP7.15M in 9M-2024 on expansion-related operating expenses. It was broad-based led by trucking and followed by outsourced services, salaries, utilities, and rent. **Interest expense also rose by 6%** to PHP499M due to additional leases for new stores.

Other income fell by 20% YoY to PHP336M mainly due to the fire loss incurred from the Baliwag, Bulacan branch fire last April 24, 2024. WLCN recorded a total impaired amount of PHP173M including merchandise inventory, materials, supplies, and property and equipment. The company is pursuing insurance claims and estimates receiving around PHP80M later in the year. The estimated net casualty loss from the fire amounts to PHP93M.

During Q3-2024, the company opened three new depots, one in Visayas, one in Northern Luzon, and one in Southern

Luzon. This brings the total number of new stores opened in Q3-2024 to eight and the overall **total to 98**. WLCON is notably targeting a **100-store milestone** this year.



Source: WLCON

Since WLCON did not meet our expectations, we are reducing our projections and valuations for the stock. We **raised our operating expense ratio** from 16.75% to 19.50% in our projections. Thus, our **target price was trimmed** from PHP24.81 per share to PHP20.88 per share, a 16% reduction. We also **downgraded our recommendation** on WLCON from BUY to LONG-TERM BUY. With its current struggles, this recommendation fits the company more as a potential turnaround stock.

At PHP16.40 per share, WLCON is trading at a 22% discount to our target price of PHP20.88 per share. It is also trading at 23.03x 2024 PER, a premium to the Services Index's 15.34x PER. WLCON is a **LONG-TERM BUY**.

Source: PSE/WLCON and Asiasec Research

WLCON Projections

December, (in PHP'000)	2023	2024F	2025F	2026F	2027F	2028F
Net Sales	34,603,966	35,079,392	38,164,885	44,168,707	50,366,781	57,090,140
Cost of Sales	20,910,044	21,197,328	23,061,791	26,689,704	30,434,997	34,497,703
Gross Profit	13,693,922	13,882,064	15,103,094	17,479,003	19,931,784	22,592,437
Selling & Admin Exps	6,184,513	6,787,862	7,384,905	8,546,645	9,745,972	11,046,942
EBITDA	7,509,409	7,094,201	7,718,189	8,932,358	10,185,812	11,545,495
Depreciation and Amort	(2,755,498)	(3,220,624)	(3,706,624)	(4,192,624)	(4,678,624)	(5,164,624)
Interest Expense	(640,615)	(525,991)	(470,185)	(414,378)	(358,571)	(302,764)
Others	526,170	544,586	563,102	582,529	602,626	623,417
Net Inc Before Taxes	4,639,466	3,892,172	4,104,482	4,907,885	5,751,243	6,701,524
Prov for Inc Tax	1,156,271	973,043	1,026,121	1,226,971	1,437,811	1,675,381
Net Income	3,483,196	2,919,129	3,078,362	3,680,914	4,313,432	5,026,143
Revenue Growth	3.08%	1.37%	8.80%	15.73%	14.03%	13.35%
Gross Profit Margin	39.57%	39.57%	39.57%	39.57%	39.57%	39.57%
EBITDA Margin	21.70%	20.22%	20.22%	20.22%	20.22%	20.22%
Net Income Margin	10.07%	8.32%	8.07%	8.33%	8.56%	8.80%
Net Income Growth	-9.49%	-16.19%	5.45%	19.57%	17.18%	16.52%
ROA	8.76%	7.54%	7.62%	8.52%	9.25%	9.87%
ROE	15.47%	11.98%	11.67%	12.70%	13.38%	13.89%
ROCE	15.47%	11.98%	11.67%	12.70%	13.38%	13.89%
ROIC	0.23%	11.16%	8.58%	9.21%	11.61%	13.31%

Notes: Even with weak sales, WLCON's returns are still strong and one of the best in the coverage.

Source: Asiasec Research

Disclaimer

This publication has been prepared from information obtained from sources believed to be reliable. Asiasec Equities, Inc. does not accept any liability for errors or omissions in the information and opinions contained in this report. Also, this report should not be construed as an offer to buy or sell any securities mentioned herein. You can contact us at Tel.# 88453421 to 26, Fax # 88453418

BDO Unibank Inc. 

(PM: BDO)

Sector/Subsector: Financials / Banks

BUY

Current Price: PHP160

Target Price: PHP175.48

BDO 9M-2024 Results

BDO's net income grew 12% YoY to PHP60.62B in 9M-2024, missing our forecast of PHP63.37B by 4%. Q3-2024 net income of PHP21.18B also missed our forecast of PHP23.93B by 12%.

This is mainly due to our expectation that provisions will decline in 2024F. Instead, BDO booked provisions of PHP10.11B in 9M-2024, which is **sustained** from the PHP10.67B booked in 9M-2023.

Net income growth was led by the 9% YoY increase in net interest income to PHP138.27B. Non-Interest Income also rose 16% YoY to PHP55.27B led by the 12% YoY increase in services charges, fees, and commissions to PHP33.81B and the 77% YoY jump in miscellaneous income to PHP5.98B.

Gross customer **loans expanded 13%** YoY on broad-based growth across all market segments, while total **deposits rose 10%** YoY. Current Account/Savings Account

(CASA) deposit ratio remained steady QoQ at 69%.

Non-Performing Loan (**NPL**) ratio eased to 1.82% in 9M-2024 from 2.04% in H1-2024, while **CAR strengthened** to 15.22% in 9M-2024 from 14.81% in H1-2024.

We have **downgraded our projections** and target price from PHP190.63 to PHP175.48 per share with the increase of future provisionings. 2024F net income is also reduced from PHP93.94B to PHP86.93B. Even with the downgrade, we maintain our recommendation on BDO as it **remains stable** with NPLs at bay and CAR strong.

At PHP160 per share, BDO is trading at a 9% discount to our target price of PHP175.48 per share. It is also trading at 9.70x 2024 PER, a slight premium to the Financial Index's 9.50x PER. BDO is a **BUY**.

Source: PSE/BDO and Asiasec Research

BDO Interim Results

In PHP'000	9M-2023	9M-2024	YoY Change	Notes
Loans and Receivables	138,591,000	165,297,000	19%	
Investment and Trading Securities	24,234,000	31,429,000	30%	
Due from Other Banks	5,990,000	5,051,000	-16%	
Others	68,000	101,000	49%	
Total Interest Income	168,883,000	201,878,000	20%	
Deposit Liabilities	35,396,000	53,819,000	52%	
Bills Payable and Other Liabilities	6,255,000	9,789,000	56%	
Total Interest Expense	41,651,000	63,608,000	53%	
Net Interest Income	127,232,000	138,270,000	9%	Higher earning assets
Impairment Losses	10,671,000	10,108,000	-5%	Raised to same level in 9M-2023
Net Int. Inc. After Impairment Losses	116,561,000	128,162,000	10%	
Service Charges, Fees, Comm.	30,078,000	33,807,000	12%	Growth in services
Insurance Premiums	5,740,000	6,625,000	15%	Strong BDO Life performance
Trading Gains-Net	239,000	28,000	-88%	Weak performance
Trust Fees	3,512,000	3,753,000	7%	Larger managed funds
Foreign Exchange Gain	4,655,000	5,080,000	9%	revaluation of derivatives
Miscellaneous-Net	3,383,000	5,981,000	77%	Podium rental consolidated
Employee Benefits	(35,535,000)	(39,353,000)	11%	Higher manpower, salaries
Occupancy	(7,923,000)	(9,046,000)	14%	Podium depreciation included
Taxes and Licenses	(9,600,000)	(11,415,000)	19%	GRT on higher income base
Security, Clerical, Others	(3,569,000)	(3,855,000)	8%	Increased branches
Insurance	(5,276,000)	(5,794,000)	10%	Deposit growth
Advertising	(2,617,000)	(3,295,000)	26%	Increased mktg and promos
Miscellaneous	(29,771,000)	(34,250,000)	15%	Increased business volume
Income Before Tax	69,877,000	76,428,000	9%	
Tax Expense	15,880,000	15,681,000	-1%	
Net Income Before Minority Interest	53,997,000	60,747,000	13%	
Minority Interest	98,000	131,000	34%	
Net Income	53,899,000	60,616,000	12%	
Yield on Loans	5.10%	5.53%		
Yield on IBODI	3.34%	3.35%		
Yield on Earning Assets	4.66%	4.95%		
Average Cost of Deposits	1.1%	1.5%		
Average Cost of Bills Payable	3.28%	4.41%		
Average Cost of Funds	1.37%	1.93%		
Net Operating Margin	41.38%	37.86%		
Net Interest Margin	3.51%	3.39%		
Net Interest Spread	3.29%	3.01%		
ROA	1.26%	1.26%		
ROE	10.72%	10.63%		
Net Profit Margin	31.91%	30.03%		

Source: BDO

In PHP'000	9M-2023	9M-2024
Assets		
Cash	57,812,000	72,396,000
Due from BSP	388,425,000	209,502,000
Due from Other Banks	63,501,000	82,917,000
Financial Assets at FVTPL	44,628,000	62,726,000
Financial Assets at FVOCI	321,389,000	395,303,000
Investment Securities	548,195,000	589,929,000
Total Inv. And Trading Securities	914,212,000	1,047,958,000
Loans and Receivables	2,738,277,000	3,237,242,000
Bank Premises	46,218,000	52,290,000
Investment Properties	21,094,000	46,974,000
Equity Investments	5,731,000	4,340,000
Deferred Tax Assets	4,396,000	-
Other Resources	48,671,000	48,941,000
Total Assets	4,288,337,000	4,802,560,000
Liabilities		
Demand Deposits	476,783,000	534,269,000
Savings Deposit	1,987,101,000	2,046,989,000
Time Deposit	944,204,000	1,158,812,000
Total Deposits	3,408,088,000	3,740,070,000
Bills Payable	182,333,000	261,989,000
Other Liabilities	195,215,000	230,297,000
Total Liabilities	3,785,636,000	4,232,356,000
Equity		
Preferred Stock	6,180,000	6,180,000
Common Stock	52,681,000	52,721,000
Treasury Shares	(1,000)	(1,000)
Additional Paid In Capital	230,422,000	230,910,000
Surplus Reserves & Others	23,163,000	29,630,000
Surplus Free	219,070,000	276,304,000
Fair Value Gain on Securities	(19,327,000)	(6,181,000)
Revaluation Increment	1,010,000	1,010,000
Accumulated Translation Adjustment	(12,730,000)	(23,048,000)
Minority Interest	2,233,000	2,679,000
Total Equity	502,701,000	570,204,000
Financial Condition Ratios		
Loan to Deposit Ratio	80.35%	86.56%
Liquidity Ratio	41.78%	37.77%
Capital Adequacy Ratio	15.61%	15.22%
Capital to Assets (x)	11.72	11.87
NPL Ratio	1.99%	1.82%

Source: **BDO**



BDO Projections

In PHP'000, December	2023	2024F	2025F	2026F	2027F	2028F
Total Interest Income	240,196,000	258,263,037	275,264,781	292,973,283	310,190,340	328,408,594
Total Interest Expense	53,809,000	57,275,845	60,517,283	63,657,774	66,833,057	70,107,695
Net Interest Income	186,387,000	200,987,192	214,747,498	229,315,510	243,357,284	258,300,899
Impairment Losses	16,396,000	17,537,518	18,597,684	19,616,652	20,644,408	21,703,967
Net Income	73,411,000	86,930,196	101,026,473	117,800,348	133,642,307	151,072,395
Loans and Receivables	2,886,028,000	3,045,296,548	3,186,951,330	3,318,379,325	3,448,612,715	3,581,735,519
Total Assets	4,477,661,000	4,840,278,554	5,161,360,730	5,486,973,812	5,826,133,308	6,185,712,815
Total Deposits	3,567,550,000	3,815,929,070	4,046,606,917	4,268,320,807	4,491,946,575	4,722,492,495
Total Liabilities	3,959,107,000	4,221,190,565	4,465,647,302	4,701,818,086	4,940,399,510	5,186,417,056
Total Equity	518,554,000	619,087,989	695,713,428	785,155,726	885,733,798	999,295,758
Profitability Ratios						
Interest Income Growth	42.07%	7.52%	6.58%	6.43%	5.88%	5.87%
Yield on Earning Assets	6.44%	6.27%	6.19%	6.13%	6.07%	6.02%
Average Cost of Funds	1.73%	1.70%	1.69%	1.69%	1.68%	1.68%
Net Operating Margin	40.46%	44.85%	48.91%	53.58%	57.41%	61.30%
Net Interest Margin	5.00%	4.88%	4.83%	4.80%	4.76%	4.74%
Net Interest Spread	4.71%	4.56%	4.50%	4.45%	4.39%	4.34%
ROA	1.64%	1.80%	1.96%	2.15%	2.29%	2.44%
ROE	14.16%	14.04%	14.52%	15.00%	15.09%	15.12%
Net Profit Margin	30.56%	33.66%	36.70%	40.21%	43.08%	46.00%
Net Profit Growth	28.67%	18.42%	16.22%	16.60%	13.45%	13.04%
Financial Condition Ratios						
Loan to Deposit Ratio	80.90%	79.80%	78.76%	77.74%	76.77%	75.84%
Liquidity Ratio	40.57%	43.12%	44.97%	47.07%	49.27%	51.55%
Capital Adequacy Ratio	14.90%	16.46%	17.34%	18.41%	19.56%	20.78%
Com Eqty Tier CET 1 Ratio	13.80%	15.24%	16.06%	17.05%	18.12%	19.25%
Capital to Assets (x)	11.58	12.79	13.48	14.31	15.20	16.15
Earning Assets Growth	12.2%	8.5%	7.5%	7.5%	6.8%	6.8%
NPL Ratio	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%
Deposit Growth	10.8%	7.0%	6.0%	5.5%	5.2%	5.1%

Source: Asiasec Research

Disclaimer

This publication has been prepared from information obtained from sources believed to be reliable. Asiasec Equities, Inc. does not accept any liability for errors or omissions in the information and opinions contained in this report. Also, this report should not be construed as an offer to buy or sell any securities mentioned herein. You can contact us at Tel.# 88453421 to 26, Fax # 88453418