

FRI 11 MAY 2018

## Notable Movers:

<b>GLO</b>	<b>(+18.10%)</b>	GLO shares rose on the back of the better than expected 1Q18 results
<b>MAXS</b>	<b>(-5.76%)</b>	MAXS (-5.76%) MAXS shares declined on the back of the poor 1Q18 results
<b>CIC</b>	<b>(-6.45%)</b>	CIC shares declined on the back of the poor 1Q18 results

## Top Stories for the Week:

### SECB: Recent sell-off unwarranted; Upgrading recommendation to BUY

We are upgrading our recommendation on SECB from HOLD to BUY following the recent decline in prices. Note that bank's share price went down by 24.6% since the start of the year, underperforming both the PSEi and the financial index which declined only by 11.6% and 16.6% respectively over the same period. Meanwhile, we are retaining our estimate of Php227.00/sh based on 1.50X 2018E P/BV. At its current price of Php189.50/sh, the upside to our price target is significant at 20%. Overall, we like SECB as we believe that a) it is in a good position to take advantage of the country's favorable economic prospects, b) the ramp up of its retail banking segment should continue to drive margin improvement, and c) current valuations already look attractive.

### Economy: 1Q18 GDP up 6.8%, in line with expectations

First quarter 2018 GDP increased by 6.8% year-on-year, in line with consensus expectations. The growth was also faster than the 6.5% increase registered during both the first and fourth quarters of 2017.

Growth accelerated despite the slower growth of consumer spending to only 5.6% in 1Q18 from 5.9% in 1Q17 and 6.2% in 4Q17. Consumer growth spending slowed down due to higher inflation. Recall that inflation increased to 3.8% in 1Q18 from 3.2% in 1Q17 and 3.0% in 4Q17.

Nevertheless, the slower growth of consumer spending was more than offset by the acceleration of government spending growth and the rebound of capital formation growth. Government spending growth accelerated to 13.6% in 1Q18 from 0.1% in 1Q17 and 12.2% in 4Q17. Meanwhile, capital formation growth jumped by 12.5% in 1Q18 from 11.4% in 1Q17 and 8.3% in 4Q17. This was largely driven by the pick up in construction spending growth to 10.1% in 1Q18 from 5.7% in 4Q17, led by the 25.1% increase in public sector construction spending in 1Q18.

(AS OF MAY 10, 2018)

#### INDICES

	Close	Points	W/W	YTD %
PSEI	7,752.11	205.92	2.66	13.32
All Shares	4,709.15	103.85	2.21	13.31
Financials	1,933.66	26.79	1.39	16.80
Holding Firms	7,745.50	153.35	1.98	10.78
Industrial	11,188.84	240.84	2.15	5.06
Mining & Oil	10,194.17	-117.22	-1.15	-14.03
Property	3,693.37	172.98	4.68	20.44
Services	1,545.92	34.77	2.25	18.66

#### INDEX GAINERS

Ticker	Company	Price	W/W
GLO	Globe Telecom Inc	1742.00	18.10
SMPH	SM Prime Hldgs Inc	35.65	10.03
MPI	Metro Pacific Inv Corp	5.41	6.08
GTAP	GT Capital Hldgs Inc	1038.00	5.92
AC	Ayala Corporation	970.00	5.90

#### INDEX LOSERS

Ticker	Company	Price	W/W
SECB	Security Bank Corp	200.6	-2.34
ICT	Int'l Container Term	83	-2.12
LTG	LT Group Inc	21.55	-1.60
RRHI	Robinsons Retail Hldgs Inc	88.95	-1.39
DMC	DMCI Hldgs Inc	10.7	-0.93

#### TOP 5 MOST ACTIVE STOCKS

Ticker	Company	Turnover
MBT	Metrobank	312,309,260
BDO	BDO Unibank Inc	292,013,000
ALI	Ayala Land Inc	285,173,880
SMPH	SM Prime Hldgs Inc	280,496,340
JFC	Jollibee Foods Corp	236,123,080

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### **Other Stories:**

GLO: 1Q18 profits up 24%, above COL and consensus forecast  
 FGEN: 1Q18 recurring net income beats forecast  
 BLOOM: 1Q18 outperforms on high VIP hold rate  
 MRP: 1Q18 earnings better than expected  
 TEL: 1Q18 recurring profits up 14%, in with COL, but above consensus forecast  
 SCC: 1Q18 earnings above COL and consensus forecast  
 SECB: 1Q18 earnings down 17% y/y; below forecast  
 ICT: 1Q18 earnings miss forecast  
 EDC: 1Q18 core earnings below estimates on Unified Leyte outage  
 PX: 1Q18 earnings trail COL and consensus forecast as revenues disappoint  
 PNB: 1Q18 net income up 21% y/y, below forecast  
 SM: 1Q18 profit in line with estimate  
 ALL: 1Q18 profit grows 17.1%, in line with estimates  
 SMPH: 1Q18 in line with estimates  
 VLL: Off to a good start as 1Q18 income grows 12.8%  
 JFC: 1Q18 results were robust, as expected  
 CNPF: 1Q18 earnings up 4.4%, above COL expectations  
 CHP: 1Q18 EBITDA in line with estimates, raising volumes forecast on improving demand  
 MWC: 1Q18 net income up 16.6% y/y, in line with estimates  
 RLC: Residential segment recovers, profits in line with estimates  
 EMP: 1Q18 earnings up 11% to Php1.7 Bil, in line with expectations  
 MAXS: 1Q18 income drops 29.6% y/y, misses expectations

### **Market Summary:**

The PSEi increased during the week on the back of BSP's move to increase rates. The benchmark index gained 205.92 points or 2.66% to close at 7,752.11. Turnover increased to Php29.3 Bil from Php26.4 Bil in the previous week. Foreigners continued to be net sellers for the week, disposing Php1.9 Bil worth of shares.

#### **Summary of Changes in Shareholdings:**

Date of Disclosure	Stock	Volume	Acquired or Disposed	Price per share	Person (Designation)
4-May	SCC	214,000	A	29.75	Ma. Edwina C. Laperal (Director)
7-May	DMC	80,000 20,000	A	10.80 10.84	Ma. Edwina C. Laperal (Director/Treasurer)
7-May	JGS	21,750	A	59.96	Renato T. De Guzman (Independent Auditor)
9-May	HOUSE	8,300,000	A	6.90	Willibaldo J. Uy (President & CEO)
10-May	BDO	5,000 10,000	D	131.50 132.30	Jaime M. Nasol (Senior Vice President)

Source: PSE

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**IMPORTANT RATING DEFINITIONS****BUY**

Stocks that have a BUY rating have attractive fundamentals and valuations based on our analysis. We expect the share price to outperform the market in the next six to 12 months.

**HOLD**

Stocks that have a HOLD rating have either 1) attractive fundamentals but expensive valuations 2) attractive valuations but near-term earnings outlook might be poor or vulnerable to numerous risks. Given the said factors, the share price of the stock may perform merely in line or underperform in the market in the next six to twelve months.

**SELL**

We dislike both the valuations and fundamentals of stocks with a SELL rating. We expect the share price to underperform in the next six to 12 months.

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**COL RESEARCH TEAM****APRIL LYNN TAN, CFA**

VP & HEAD OF RESEARCH  
april.tan@colfinancial.com

**CHARLES WILLIAM ANG, CFA**

DEPUTY HEAD OF RESEARCH  
charles.ang@colfinancial.com

**ANDY DELA CRUZ**

SENIOR RESEARCH ANALYST  
andy.delacruz@colfinancial.com

**JUSTIN RICHMOND CHENG**

RESEARCH ANALYST  
justin.cheng@colfinancial.com

**GEORGE CHING**

SENIOR RESEARCH MANAGER  
george.ching@colfinancial.com

**JOHN MARTIN LUCIANO**

SENIOR RESEARCH ANALYST  
john.luciano@colfinancial.com

**ADRIAN ALEXANDER YU**

RESEARCH ANALYST  
adrian.yu@colfinancial.com

**RICHARD LAÑEDA, CFA**

SENIOR RESEARCH MANAGER  
richard.laneda@colfinancial.com

**FRANCES ROLFA NICOLAS**

RESEARCH ANALYST  
rolfa.nicolas@colfinancial.com

**COL FINANCIAL GROUP, INC.**

2402-D EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTRE,  
EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY  
PHILIPPINES 1605  
TEL NO. +632 636-5411  
FAX NO. +632 635-4632  
WEBSITE: [www.colfinancial.com](http://www.colfinancial.com)