FIRST METRO INVESTMENT CORPORATION
Metrobank Group

Fil-Estate Land, Inc., LND [PSE]

First Metro Rating	Last Price	Intrinsic Value	Consider Buy	Consider Sell	Industry	Sector
Buy	**1.37**	**2.36**	1.37	2.36	Real Estate	Property

White Knight in AGI

C.S.Ulang
Analyst

Report updated
on Jan. 6, 2010

Currency amounts expressed with "Php" are in Philippine Peso unless otherwise denoted.

Stock Data

Price (Php)	1.37
Outstanding Shares Fully Diluted (mn)	8,350
Diluted Book Value/Share (Php)	1.74
Price/Book (X)	0.79

Fundamental Indicators

in mn Php	FY09A	FY10E	FY11E
Sales	641	563	1,058
Net Profits	(134)	(57)	475
EPS Php	(0.04)	(0.01)	0.06
PER (x)	na	na	24

Based on FMIC- IAG Estimate

Table 1.

Net Asset Value Estimate	in 000 PHP
Stockholders Equity as of June FY2010	9,462,686
Add:	
Potential Gain Real Estate Inventory	1,729,092
Potential Net Gain Landbank	995,083
Other Properties at book	2,502,880
Sub-total	14,689,742
NAV Pre-AGI buy-in (php)	4.38
Add: AGI capital Infusion	5,000,000
Sub-total	19,689,742
NAV Fully diluted/Post -AGI buy-in	2.36
Current Price - 01.06.11	1.37
Discount to NAV/Upside	72%

Based on FMIC- IAG Estimate

Sales Expansion and Debt Reduction. Alliance Global Inc.'s newly acquired controlling stake in Fil-Estate of 60% **via** capital infusion of PHP5bn will benefit LND in two ways: debt reduction and sales expansion.

1) Debt reduction. Based on company guidance, LND will redeem a high- cost 14% PHP1.1bn bond and an outstanding 18% PHP200m loans, leaving on the books PHP200m debt with BDO costing 9%. Debt payments also leave PHP3.63bn of AGI's capital infusion free to fund project completion.

We calculate a resulting interest savings of PHP195m in 2011. Nine months into fiscal year Sept. 30 2010, LND's total interest bearing debt stood at PHP1.59bn against total capital of PHP9.5bn for a 0.56:1 ratio of total liabilities to total equity.

2) Sales Expansion. LND's real estate sales were hampered by lack of development in the past years. Company management predicts AGI's funding will speed up project completion (of high-rise & horizontal residential developments, golf and other liesure-related projects) from five years to three years at best and help launch tourism-related projects. We estimate project backlog of PHP3.1bn to rise 50% to PHP4.7bn, 80% of which represent the firm's project completion liability or PHP3.7bn. We estimate a third of that being booked as sales this year, about PHP1.2bn on which the company will make 56% gross profit margin.

Real estate sales have stagnated in the past three years at around PHP300m, with total downpayments steady at PHP1.3bn for the same period, suggesting that a slow moving backlog was LND's limiting factor amid a more vibrant real estate market.

Liquidity. Aside from the PHP5bn capital infusion of AGI, LND received PHP350m from Metro Pacific Investments Corp. last month as payment for the option to double MRT's existing 73 light rail vehicle (LRV) capacity. The expansion will cost MPI and its potential partners about $350m (PHP15bn) and entitle it to income from additional MRT ridership.

As the option price is only a portion of MPI's total "cooperation" deal cost with LND, we expect future payments to further improve LND's net asset value (NAV) per share of PHP2.36 per our estimate. The option is viewed as a first step to MPI's eventual acquisition of LND's MRT franchise.

Recall that LND owns a total 28.5% interest in the rail transit outfit Metro Rail Transit Corp. (MRTC) through the ff: LND's 18.6% equity stake in Metro Rail Transit Holdings Inc. 1 which, in turn, owns 85% of MRTC and direct stake of 12.69% in MRTC. MPI's solution to the breakeven income status of MRT is a matter of capacity expansion as MRT's topline in 2010 of PHP1.6bn were sapped by the so-called equity rental payments to gov't of PHP1.8bn, the latter being a bondholder and entitled to the securitized MRT revenues. Seventy eight percent of EDSA MRT's revenues are securitized.

2011 Earnings Estimate. We predict a swing in LND's bottomline from loss to income in 2011. See Table 2. below. The discount to NAV makes it a buy. See Table 1.

Table 2.

P & L in 000 Php	2007	2008	2009	9mo09	9mo10	FY2010E	FY2011E
Revenues	670,686	906,090	641,805	471,491	392,889	563,203	1 ,058,498
Cost & Exp.	608,044	765,913	768,039	549,470	392,818	611,387	428,431
Pre-tax Income	62,642	140,177	(126,234)	(77,979)	71	(48,184)	630,067
Taxes	8,499	66,216	42,087	1,185	2,213	43,115	189,020
Net Income	54,143	73,961	(168,321)	(79,164)	(2,142)	(91,299)	441,047
Minority Interest	4,165	18,533	34,367	6,049	5,769	34,087	34,087
Net Income	58,308	92,494	(133,954)	(73,115)	3,627	(57,212)	475,134

Source: Co. Data and FMIC- IAG Estimate

But there will be a 4QFY10 topline boost from 75%

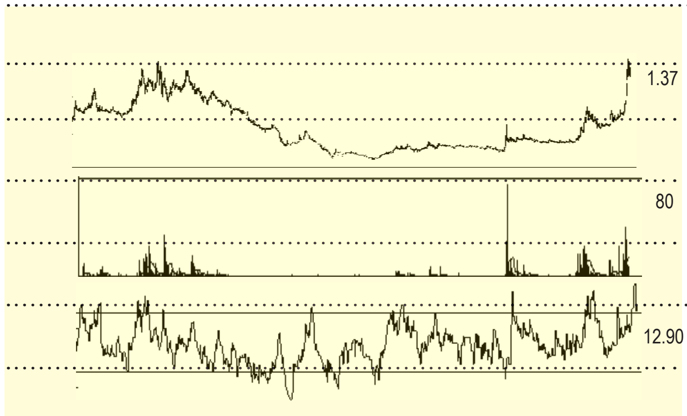
Fil-Estate Land Inc., LND [PSE]

FY2009 Sales Php Mn	Mkt Cap Php Mn	Industry	Sector
Php641	Php 4,656	Real Estate	Property

First Metro Rating	Last Price	Transparency and Governance	Competitive Edge
Buy	Php 1.37	Pass	Wide

Fil-Estate Land, Inc. (LND) traces its roots to 1981 from the real estate marketing company formed by Fil-Estate's triumvirate composed of Robert John L. Sobrepeña, Ferdinand T. Santos and Noel M. Cariño. Through the years, LND has emerged as one of the country's premiere and complete property development companies. The Company was established to consolidate the Fil-Estate Group's real estate interest and development activities and enable Fil-Estate Management, Inc., the original holding company of the Fil-Estate Group, to pursue business lines outside of real estate development, such as infrastructure development through the EDSA Mass Rail Transit project. LND is tasked to engage in land acquisitions and to maintain an inventory of raw land for future development by its subsidiaries. It engages primarily in the horizontal development of residential subdivision lots, integrated residential, world-class golf and other leisure-related properties, as well vertical development of mixed-use owners in Metro Manila.

2010	YTD 2011	
1.51	1.48	Annual Price High
0.27	1.27	Low



PRICE VOLATILITY

52 week High/Low Php 0.27-1.51

Since IPO High/Low Php 14.53-0.11

Relative Strength Index to PSEi

Trading Volume Mn

Growth Rates

	FY2009	FY2008	FY2007
Revenue %	(12.76)	(20.22)	1.94
Operating Income %	n.a.	n.a.	(28.81)
Earnings/share %	n.a.	40.67	185.71
Dividends %	0	0	0
Book Value/Share %	0	(1.0)	17.78
Stock Total Return %	(22.09)	73.42	42.19
+/- Market	62.19	(46.29)	23.76

Profitability Analysis

	Current	5 Yr Average	Ind.	Mkt.
Return on Equity %	(0.02)	(0.07)	7.97	(1.18)
Return on Assets %	(0.38)	(0.44)	3.25	4.62
Gross Margin%	37.13	56.12	46.54	62.92
Operating Margin %	(78.27)	(14.12)	0.13	20.94

Financial Position

	9moFY2010 Php Mn	FYr 09 Php Mn
Cash & Cash Equivalents	81	128
Receivbles	848	1190
Subdivision Land & Condo	5,187	6,677
Other Current Assets	1,057	2,264
Property and Equipment, net	2,499	2,553
Other Assets	2,397	1,920
Total Assets	14,882	15,246
Loan Payable	258	1,544
Total Liabilities	5,405	5,707
Total Equity	9,476	9,538

Valuation Analysis

	Current	Ind.	Mkt.
Price /Earnings	n.a.	1052	14.05
EV/EBITDA	n.a.	34.88	7.48
Price/Cash Flow	n.a.	18.68	8.09
Dividend Yield %	n.a.	1.48	2.35
Price/ Sales	3.14	2.54	1.96

2006	2007	2008	2009	2010	**STOCK PERFORMANCE**
33.37	42.19	73.0	22.09	386.67	Total Return %
46.37	23.76	(46.29)	62.19	43.10	+/- Market %
0	0	0	0	0	Dividend Yield %
1,904	4,795	1,172	1,072	4,690	**Market Cap Php Mn**

Fiscal Yr06	Fiscal Yr07	Fiscal Yr 08	Fiscal Yr 09	9moFiscal yr10	**FINANCIALS**
418	426	340	296	392	Revenue Php Mn
48	62	192	75	71	**Operating Income Php Mn**
20	58	92	(134)	3.6	Net Income Php Mn
0.007	0.02	0.028	(0.04)	0.0011	Earnings per Share
0	0	0	0	0	Dividends Php Mn
2,720	3,900	3,350	3,350	3,350	Shares Mn
2.36	2.78	2.74	2.74	8.91	Book Value per Share
14,252	14,075	15,308	15,117	14,882	Assets Php Mn
9,147	9,554	9,627	92462	9,476	Total Equity Php Mn
	75,634	(472)	(763)	1,875	Net Operating Cash Flow Php Mn

Fiscal Yr9/06	Fiscal Yr9/07	Fiscal Yr 9/08	Fiscal Yr 9/09	9moFiscal yr10	**PROFITABILITY**
0.14	0.81	0.63	(0.88)	(0.38)	**Return on Assets %**
0.22	0.64	0.99	(1.44)	(0.02)	**Return on Equity %**
4.7	13.68	27.20	(45.15)	0.92	Net Profit Margin %
(11.43)	(14.45)	56.69	(25.22)	(78.27)	Operating Margin %

Fiscal Yr9/06	Fiscal Yr9/07	Fiscal Yr 9/08	Fiscal Yr 9/09	9moFiscal yr10	**FINANCIAL HEALTH**
(0.49)	(0.82)	2.09	(0.29)	1.00	EBIT/Int. Exp.
0.24	0.18	2.53	(0.15)	2.01	EBITDA/Total Int. Exp.
0.23	2.7	16..6	17.58	17.31	**Debt-to-Equity**

Fiscal Yr9/06	Fiscal Yr9/07	Fiscal Yr 9/08	Fiscal Yr 9/09	9mo Fiscal yr10	**VALUATION**
66	100	61	n.a	n.a.	Price/T12mo EPS
2.32.	4.55	3.45	3.61	8.05	Price/T12mo Sales/Shr.
0.22	0.52	0.13	0.12	0.51	Price/Book

Quarterly Results

Revenue Php Mn	Dec.-09	Mar.-10	Jun.-10	Sept.- 10
Most Recent Period	2,457	2,684	2,794	2,711
Prior Year Period	2,637	2,452	2,430	2,290

Revenue Growth %	Dec.-09	Mar-10	Jun.-10	Sept.-10
Most Recent Period	(6.79)	9.46	14.98	18.8
Prior Year Period	29.09	(6.36)	(8.47)	(9.41)

Earnings Per Share Php	Dec. 09	Mar.-10	Jun.-10	Sept-09
Most Recent Period	0.08	0.08	0.08	0.09
Prior Year Period	0.08	0.07	0.05	0.07

Global Peers

Name	Mkt. Cap US$mn	Trailing 12M Rev $mn	ROE	P/E
Sirius	109	37	(14)	~~na~~
Namaa	109	3.75	4.17	28.50
Dogus GE	108	2.81	2.18	46
Union Land	107	8.3	0.97	141

Top Common Stockholders

Name	In bn Shares	% to Total OS Capital Stock
Fil-Estate Mgt. Inc.	1.890	56%
Lim Advisors ltd	0.988	29%
Gonzales, F.	0.006	0.2%
Payumo R.	0.004	0.1%
Others	0.462	14.7%
Total	3.350	100.00%