COL FINANCIAL PHILIPPINES

PHILIPPINE EQUITY RESEARCH

MONDAY, 18 NOVEMBER 2013

Initiating Coverage

Emperador, Inc: Lightning in a bottle

- **Initiating on BUY with FV of Php13.70.** We are initiating coverage on EMP with a BUY rating and a FV estimate of Php13.70. Our DCF-based fair value estimate uses a WACC rate of 9.0% and a terminal growth rate of 4.5%. We have a positive outlook on the local consumer sector and Emperador, being the biggest liquor company in the Philippines with a strong track record of product innovation and a solid balance sheet, should benefit over the long term. Opportunities abroad could also give earnings additional impetus in the future. At the current price of Php11.92, the upside to our FV estimate is still substantial at 14.93%. In addition to this, in terms of relative valuation, EMP is still trading lower than the average of the big-cap consumer companies in the Philippines.

- **Strong beneficiary of increasing affluence of Filipinos.** The local spirits industry has increased by a CAGR of 6.4% in terms of revenues and 6.5% in terms of volume from 2008 to 2012. This growth trend should continue going forward as the increasing affluence of Filipinos should lead to higher consumption of spirits. The continuous growth of OFW remittances and the BPO sector should help fuel an increase in the disposable income of households, leading to greater affluence.

- **Emperador Deluxe – targeting the underserved middle market.** We believe Emperador Deluxe brand has the potential to be the next growth driver of Emperador as it targets the growing middle class population. Based on market data, we derive that 8.4% of the market belongs to the middle class which management believes are currently consuming Emperador Light given the absence of a perfect product that fits their needs. Nevertheless, with the introduction of Emperador Deluxe, the Company hopes that these middle income consumers will trade up to the higher-margin Deluxe.

- **Forecasting double-digit growth until 2015.** We forecast EMP's net income to increase by a CAGR of 20.23% from Php5 Bil in FY12 to Php8.6 Bil by FY15. This will be underpinned by the 17.6% CAGR of sales, from Php22.8 Bil in FY12 to Php37.1 Bil by FY15. Sales growth will be driven by the 6.5% organic growth of spirits consumption in the country, the growing market share of EMP, and the favorable impact of middle income consumers trading up to Emperador Deluxe. Meanwhile, net income will grow at a faster pace as EMP enjoys higher margins as a result of the introduction of Emperador Deluxe and as the company benefits from its investments in Spain which will allow it to be a more vertically integrated spirits manufacturer.

Forecast Summary (PhpMil)

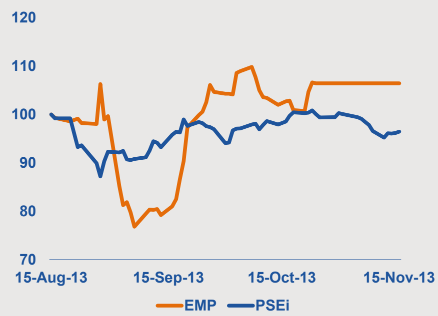
Year to December 31 (Php Mil)	2010	2011	2012	2013E	2014E	2015E
Revenues	**7,961**	**16,995**	**22,812**	**27,652**	**31,993**	**37,126**
%change y/y	*N/A*	*113.5%*	*34.2%*	*21.2%*	*15.7%*	*16.0%*
EBITDA	**2,262**	**3,194**	**6,884**	**8,698**	**10,408**	**12,400**
%change y/y	*N/A*	*41.2%*	*115.5%*	*26.4%*	*19.7%*	*19.1%*
EBITDA margin	*28.4%*	*18.8%*	*30.2%*	*31.5%*	*32.5%*	*33.4%*
EBIT	**2,160**	**3,093**	**6,783**	**8,315**	**9,804**	**11,701**
%change y/y	*N/A*	*43.2%*	*119.3%*	*22.6%*	*17.9%*	*19.4%*
EBIT margin	*27.1%*	*18.2%*	*29.7%*	*30.1%*	*30.6%*	*31.5%*
Net Profit	**1,669**	**2,306**	**5,000**	**6,204**	**7,272**	**8,690**
%change y/y	*N/A*	*38.2%*	*116.9%*	*24.1%*	*17.2%*	*19.5%*
Net profit margin	*21.0%*	*13.6%*	*21.9%*	*22.4%*	*22.7%*	*23.4%*
EPS (in Php)	**0.11**	**0.15**	**0.33**	**0.41**	**0.48**	**0.58**
%change y/y	*N/A*	*38.2%*	*116.9%*	*24.1%*	*17.2%*	*19.5%*
RELATIVE VALUE						
P/E(X)	107.1	77.6	35.8	28.8	24.6	20.6
ROE(%)	44.2%	55.4%	76.7%	39.7%	29.5%	30.4%
Dividend Yield (%)	1.0%	0.9%	2.2%	1.7%	2.0%	2.4%

*Source: MCP, COL estimates

SHARE DATA

Rating	**BUY**
Ticker	EMP
Fair Value (Php)	13.70
Current Price	11.92
Upside (%)	14.93

SHARE PRICE MOVEMENT



ABSOLUTE PERFORMANCE

	1M	3M	YTD
EMP	5.86	6.43	58.72
PSEi	-1.49	-3.56	9.18

MARKET DATA

Market Cap	178,800.00Mil
Outstanding Shares	61.75Mil
52 Wk Range	3.91 - 22
3Mo Ave Daily T/O	109.13Mil

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Company Background – Manufacturer and distributor of the bestselling brandy in the world

Emperador Inc. (EMP) is a holding company primarily engaged in the manufacture and distribution of brandy and other alcoholic beverages. The company's principal subsidiary is Emperador Distillers Inc., the producer of Emperador brandy and The Bar alcoholic beverages. It is also the distributor of Ernest & Julio Gallo wines and Pik-Nik potato snacks in the country.

Emperador is currently the bestselling brandy in the world in terms of volume with 31 million cases sold last year. It is also the market leader domestically with a 96.3% share of the Philippine brandy market and a 48.2% market share of the aggregate liquor industry.

Emperador produces brandy under four brands – Emperador, Generoso, Emperador Light and Emperador Deluxe. Emperador was introduced in 1990 and was targeted towards the mass market and traditional brandy drinkers. This was followed by Generoso in 2006 which caters to women and to younger consumers. In 2010, the company launched Emperador Light to capitalize on growing demand for alcoholic beverages with lower alcohol content. In early 2013, the company introduced Emperador Deluxe, a premium brand which the company imports from Spain.

Aside from brandy, the company began producing a line of ready-to-serve flavored alcoholic beverages in 2009 under the brand "The Bar." The company offers The Bar in several varieties including flavored vodka, gin and tequila as well as a clear spirit variant. In 2012, the company added a margarita cocktail line to the The Bar brand.

The bulk of the company's sales are generated by its brandy products spearheaded by Emperador Light. Since its launch in 2010, revenues generated from the sale of brandy products have grown from Php4.4Bil to Php22.0Bil in 2012. Correspondingly, the share of brandy to total sales grew from 56% in 2010 to 96% in 2012. Currently, around 86% of the company's sales are generated through Emperador Light.

Exhibit 1: Sales of goods breakdown

Php in Mil	**2010**	**2011**	**2012**	**1H12**	**1H13**
Brandy products	4,440	15,528	21,984	10,805	12,769
The Bar products	2,854	769	123	72	65
Other revenues	667	698	705	348	385
Total	7,961	16,995	22,812	11,225	13,219

Source: EMP

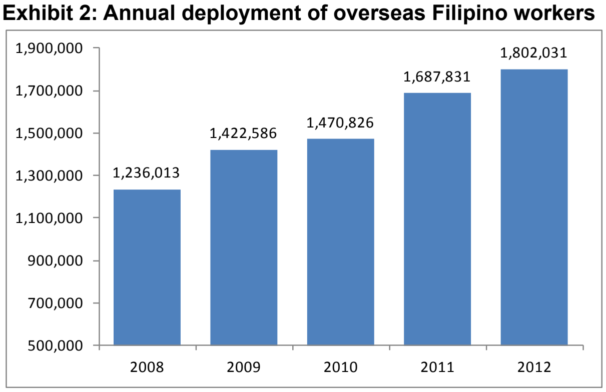
EMP is itself a subsidiary of Alliance Global Group Inc., one of the largest conglomerates in the Philippines listed in the Philippine Stock Exchange. From being a wholly owned subsidiary, AGI's stake in EMP was reduced to 87.55% last September as a result of a series of transactions which allowed EMP to list in the PSE (through a backdoor listing) and to raise Php11.2 Bil in fresh capital.

Increasing affluence of Filipinos to drive higher spirits consumption

The local spirits industry has increased by a CAGR of 6.4% in terms of revenues and 6.5% in terms of volume from 2008 to 2012. This growth trend should continue going forward as the increasing affluence of Filipinos should lead to higher consumption of spirits.

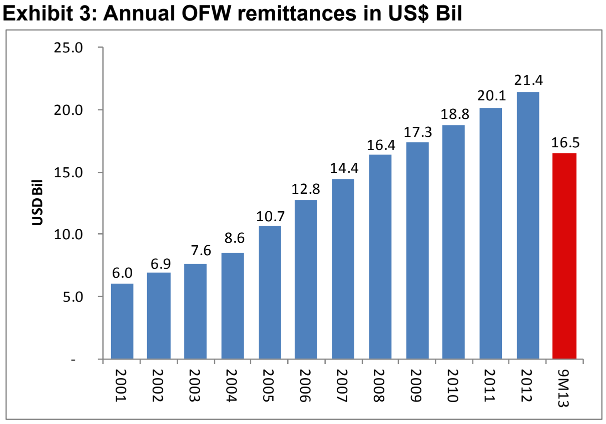
The Philippine economy has been growing at above average pace during the past few years, primarily led by consumption spending, which increased by a CAGR of 4.5% during the past three years. We expect this trend to continue given resilient OFW remittances and the continuous growth of the BPO sector. Despite the negative developments in the global economy in the last few years, deployment of overseas continued to increase at a modest pace, fueling the growth in remittances. From 2008 to 2012, the number of workers deployed grew at a CAGR of 9.9% from 1.2 Mil to 1.8 Mil. During the same period, remittances grew from USD16.43 Bil to USD21.4 Bil, or at a CAGR of 6.8%. This year it's on track to grow another 5.8% to USD22.6 Bil.

Exhibit 2: Annual deployment of overseas Filipino workers



Source: Philippine Overseas Employment Administration

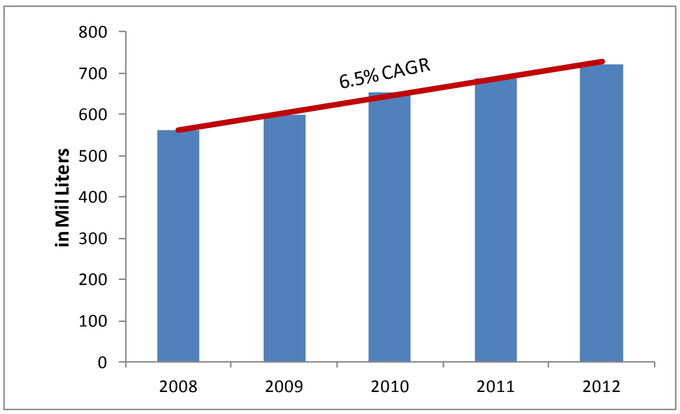
Exhibit 3: Annual OFW remittances in US$ Bil



Source: Bloomberg

Meanwhile, after growing 20%to US$13.4 Bil in 2012, revenues of the BPO industry is projected to reach US$25 Bil by 2016, implying a CAGR of 16.9%. Based on these numbers, the Information Technology and Business Processing Association of the Philippines (IBPAP) estimates that the BPO industry could account for approximately 1.3 Mil Filipinos by the said year. The continuous growth of OFW remittances and the BPO sector should help fuel an increase in the disposable income of households, leading to greater affluence.

Exhibit 4: Philippine spirits industry



Source: United Nations Commodity Trade Statistics Database, Frost and Sullivan analysis

Moreover, the amount of spirits consumed by Filipinos still has room to grow. According to the National Statistics Coordination Board, only 1.5% of Filipino household expenditure is spent on alcoholic beverages and tobacco. Moreover, the Philippines only ranks 7th in Asia and 39th in the world in terms of volume per capita consumption of spirits. This would imply that the share of Filipinos' household expenditure on alcoholic beverages should increase as a result of their growing affluence.

Gaining market share through successful product innovation

One of the main strengths of Emperador is its ability to successfully introduce new products to the market. Despite its short history (Emperador was only introduced in 1990) compared to the other major players namely Tanduay and Ginebra San Miguel, Emperador has already overtaken the two players in terms of market share in the distilled spirits industry through its consistently successful product innovation

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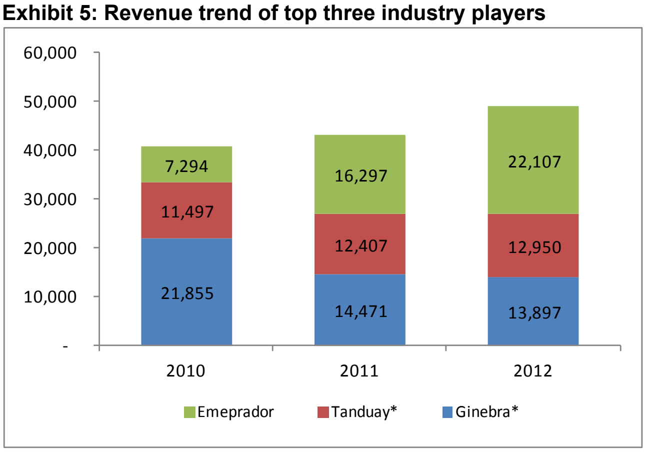
The introduction of Emperador Light in 2010 was largely responsible for Emperador's significant market share gain in terms of volume during the past three years. Before 2010, Ginebra was the market leader among the top three spirits players while Emperador had the lowest market share. Nevertheless, the success of Emperador Light allowed Emperador's market share to grow to around 48.7%, while the market share of Tanduay and Ginebra dropped significantly. In terms of revenues, Emperador's share among the top three players has grown from 17.9% in 2010 to 45.2% in 2012.

Exhibit 5: Revenue trend of top three industry players



Source: EMP, LTG, GSMI

Due to the success of Emperador Light, revenues grew from Php8.5Bil in 2010 to Php17.4Bil in 2011 and to Php53.6Bil in 2012, while net profits jumped from Php1.7Bil in 2010 to Php2.3Bil in 2011 and to Php5.0Bil in 2012.

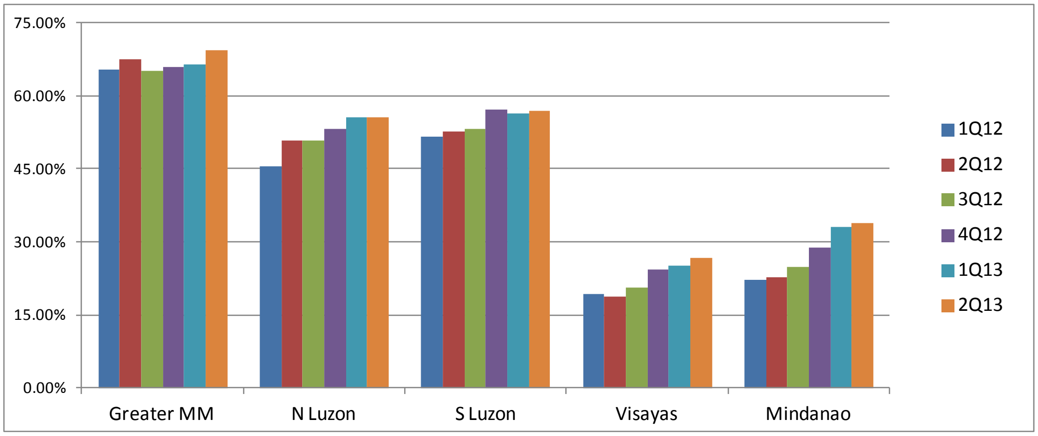
Still room to grow in the Vis-Min area

Even with its almost 50% market share of the local spirits industry, EMP still has room to grow by tapping the Visayas and Mindanao markets where it has a much smaller market share.

According to ACNielsen, as of end 2Q13, Emperador's market share in Visayas is only 26.8% while it is only 33.9% in Mindanao. In contrast, Emperador's market share is 69.4% in Greater Metro Manila and 55.7% in other areas of Luzon.

We believe that Emperador's smaller market share in the Vis-Min area is a consequence of its limited production capacity, prompting it to prioritize the Luzon market in the past. Given its broader distribution network and greater production capacity currently, the company will be able to address the liquor demand in Visayas and Mindanao. Emperador believes it is capable of increasing its nationwide market share from 48.7% in 2Q13 to 60% by 2016. Based on the data provided by ACNielsen, this seems highly achievable as Emperador has been growing its market share rapidly since the start of 2012. From 19.2% in 1Q12, Emperador's market share in the Visayas has increased to 26.8% in 2Q13 while its market share in Mindanao has grown from 22.1% in 1Q12 to 33.9% in 2Q13. This gives us confidence that Emperador can achieve an overall market share of 65-70% in the next two years.

Exhibit 6: EMP's market share among top three industry players in each region



Source: AC Nielsen, Frost and Sullivan analysis

Emperador Deluxe – targeting the underserved middle market

As discussed previously, Emperador Deluxe was introduced early this year. The goal of this product is to address the needs of the underserved but fast growing middle-income market. Based on the estimates of Emperador, the size of this market is 5.3 Mil case annually equivalent to around 9% of the total market. Note that spirits currently available in the market are either priced above Php300/ bottle or below Php100/bottle. Compared to Emperador Light, Emperador Delulxe is a premium product as it is imported from Spain and has a slightly higher alcohol content of 30% (compared to 27.5% for Emperador Light). It is also priced slightly higher at Php150/bottle, which is the mid-point of products targeting the high end market and the low end market.

Exhibit 7: Estimate on market share by income class

Income Class	Market share	Consumption (in Mil cases)	Price point assumption
Upper Class	1.6%	1.0	Php300 and above
Middle Class	8.4%	5.3	>Php100, <Php300
Lower Class	90.0%	56.7	Php100 and below

Source: Emperador, COL estimates

Management believes that middle income consumers are currently consuming Emperador Light given the absence of a perfect product that fits their needs. Nevertheless, with the introduction of Emperador Deluxe, the Company hopes that these middle income consumers will trade up. Although this will lead to the cannibalization of some of Emperador Light's sales, the net impact on the company is positive as both gross margin and absolute gross profit per bottle of Emperador Deluxe is higher compared to Emperador Light's. Based on our estimates, Emperador Deluxe's gross margin is 38% compared to Emperador Deluxe's 34%, while Emperador Deluxe's gross profit per bottle is Php57 compared to Emperador Light's Php30.

This year, the company expects to sell 250,000 cases of Emperador Deluxe. However, because of the favorable market reception, the company believes that it will be able to sell 1Mil cases next year with sales growing by an increment of 1Mil cases every year thereafter. The company also said it is preparing to launch Emperador Deluxe in Vietnam next year. We believe a successful launch in Vietnam could open up other Asian markets for the company. This could give Emperador a new growth driver outside the more mature market of the Philippines.

Spanish assets give Emperador an international presence

Currently, the company imports Emperador Deluxe from Spain via a supply agreement with Gonzalez Byass, S.A. However, once Emperador's investment in Spain is finalized, the company will be able to produce up to 3 Mil cases of Emperador Deluxe annually. Margins of both Light and Deluxe will also improve as the company will be producing Deluxe on its own and will also be able to source materials in Spain for its local production of Emperador Light. Aside from allowing margins to improve, Emperador's investments in Spain will give it an international production base making it easier for the company to expand internationally.

Note that in January, Emperador agreed to acquire Bodega San Bruno from González Byass S.A., one of the largest and oldest liquor and wine companies in Spain. The acquisition includes the San Bruno trademark, vineyards in Jerez, Spain, and a sizable inventory of well-matured brandy. Following the said acquisition, Emperador bought more vineyards such that it now has close to 1,000 hectares of vineyards in Spain. The company also disclosed plans to acquire a distiller and bottling facility in Spain to support production.

Responding well to the threat of higher taxes

The major threat facing domestic players including EMP is the recent reform in excise taxes (effective 2013). Prior to this year, importers paid taxes that were 10 to 40 times higher compared to local distillers. However, because of the new tax regime, imported and locally made liquors are now subject to the same amount of tax. The significant decrease in taxes on imported liquor allowed liquor importers to price their products more competitively. Meanwhile, prices of local spirits increased by around 15-20% as a result.

Nevertheless, Emperador responded well to the said threat as evidenced by its strong 1H13 earnings results. Despite the increase in selling price as a result of the higher excise tax to consumers, sales volume of Emperador remained flat while revenues grew 21.5%. Net income even grew by a faster pace of 37.6% to Php3.2 Bil. We believe that this is the result of the favorable timing of its launch of Emperador Deluxe which also took advantage of the reduction in excise taxes and which earns higher revenues and margins for the company. In contrast, Ginebra and Tanduay suffered from a 13.3% and 15.3% decline in revenues respectively during the same period. The contrasting performance of Emperador with its competitors is a testament to Emperador's strong brand equity.

Forecasting double-digit growth until 2015

We forecast EMP's net income to increase by a CAGR of 20.23% from Php5 Bil in FY12 to Php8.6 Bil by FY15. This will be underpinned by the 17.6% CAGR of sales, from Php22.8 Bil in FY12 to Php37.1 Bil by FY15.

Sales growth will be driven by the 6.5% organic growth of spirits consumption in the country, the growing market share of EMP, and the favorable impact of middle income consumers trading up to Emperador Deluxe. Meanwhile, net income will grow at a faster pace as EMP enjoys higher margins as a result of the introduction of Emperador Deluxe and as the company benefits from its investments in Spain which will allow it to be a more vertically integrated spirits manufacturer. We assume that gross margin of Emperador Light will improve 2 percentage points over two years due as a result of this.

Exhibit 8: Forecast summary for EMP

in Php Mil	**FY12**	**FY13E**	**FY14E**	**FY15E**
Revenues	22,812.3	27,652.2	31,993.4	37,125.6
Revenue growth	*34.2%*	*21.2%*	*15.7%*	*16.0%*
EBITDA	6,884.1	8,698.3	10,408.1	12,400.2
EBITDA growth	*115.5%*	*26.4%*	*19.7%*	*19.1%*
EBIT	6,782.9	8,315.0	9,803.7	11,701.2
EBIT growth	*119.3%*	*22.6%*	*17.9%*	*19.4%*
Net income	4,999.6	6,203.7	7,271.5	8,689.7
Income growth	*119.3%*	*24.1%*	*17.2%*	*19.5%*

Source: EMP, COL estimates

A cash cow ready for expansion

Aside from a strong brand and rapid earnings growth track record, one of the strengths of Emperador is its strong cash-generating capability, leading to a very healthy balance sheet with no debt.

In the past three years, EMP has generated an average of Php2.7 Bil in free cash flow annually, leading to a cash balance of Php4.66 Bil as of end FY12. EMP's cash hoard should increase even more significantly following its share placement. We estimate EMP to end this year with more than Php15 Bil in cash. This is more than enough to finance EMP's planned capital expenditure of Php7.66 Bil in FY14 that will allow it to expand here and in Spain.

Based on our estimates, Emperador will generate more than Php5 Bil in operating cash flow annually going forward. EMP's strong balance sheet and cash flow generating ability gives the company the ammunition needed to capitalize on potential growth opportunities here and abroad. With this, we believe Emperador will not only maintain its lead over the competition but also be able to grow faster than the industry over the long term.

BUT with FV estimate of Php13.70

We are putting a BUY rating on EMP with a FV estimate for EMP is Php13.70 based on the DCF method. Our DCF-based fair value estimate uses a WACC rate of 9.0% and a terminal growth rate of 4.5%. At the current price of Php11.92, the upside to our FV estimate is still substantial at 14.93%. In addition to this, in terms of relative valuation, EMP is still trading lower than the average of the big-cap consumer companies in the Philippines.

Exhibit 9: Local consumer companies' relative valuation

	Market capitalization (Php Mil)	FY14E P/E
PGOLD	118,108	24.97
JFC	191,103	35.34
URC	275,960	26.03
EMP	178,800	24.59
Average ex EMP		**28.78**

Source: COL estimates

We have a positive outlook on the local consumer sector and Emperador, being the biggest liquor company in the Philippines with a strong track record of product innovation and a solid balance sheet, should benefit over the long term. Opportunities abroad could also give earnings additional impetus in the future.

Appendix 1: Balance Sheet

in Php Mil	2010	2011	2012	2103E	2014E	2015E
Current Assets						
Cash and cash equivalents	2,188	2,733	4,656	16,230	13,446	18,358
Trade and other receivables	2,461	2,922	1,991	2,290	2,519	2,645
Financial assets at fair value	1,778	-	170	170	170	170
Inventories	1,160	1,593	3,338	3,674	3,786	4,089
Prepayments and other current assets	30	22	80	88	97	107
Total current assets	**7,618**	**7,270**	**10,236**	**22,452**	**20,019**	**25,369**
Non-current Assets						
PPE	812	786	2,014	2,607	6,164	5,666
Spanish assets				1,950	4,950	4,950
Trademarks - net	618	516	415	314	213	111
Deferred tax assets	3	6	16	16	16	16
Other non-current assets - net	117	84	148	162	179	196
Total non-current assets	**1,551**	**1,393**	**2,593**	**5,050**	**11,522**	**10,940**
Total Assets	**9,168**	**8,663**	**12,830**	**27,502**	**31,541**	**36,310**
Liabilities						
Trade and other payables	5,180	3,692	3,854	4,225	4,628	5,052
Income tax payable	208	325	442	442	442	442
Subscriptions payable		88	-			
Retirement benefit obligation	8	12	41	41	41	41
Total Liabilities	**5,397**	**4,117**	**4,338**	**4,708**	**5,111**	**5,535**
Equity						
Capital stock	26	56	62	15,000	15,000	15,000
Additional paid-in capital/Equity reserves	2,974	2,944	5,938	2,200	2,200	2,200
Accumulated translation adjustments	(19)	50	(4)	(4)	(4)	(4)
Retained earnings	791	1,496	2,496	5,597	9,233	13,578
Total Equity	**3,772**	**4,546**	**8,492**	**22,794**	**26,430**	**30,775**

Appendix 2: Income Statement

in Php Mil	2010	2011	2012	2013E	2014E	2015E
Sale of goods	7,961	16,995	22,812	27,652	31,993	37,126
Other revenues	495	360	782	1,541	1,541	1,541
Total Revenues	**8,456**	**17,355**	**23,594**	**29,193**	**33,534**	**38,666**
Cost of goods	(5,144)	(12,550)	(14,556)	(18,368)	(21,034)	(24,055)
Gross profit	**3,312**	**4,805**	**9,038**	**10,825**	**12,500**	**14,611**
Selling and distribution expenses	(1,050)	(1,497)	(1,984)	(2,093)	(2,218)	(2,351)
General and administrative expenses excluding depreciation and amortization	(79)	(75)	(37)	(39)	(41)	(43)
Depreciation and amoritzation			(184)	(214)	(302)	(340)
Other charges	(3)	(62)	(4)	(4)	(5)	(5)
Operating income	**2,180**	**3,171**	**6,829**	**8,475**	**9,934**	**11,871**
Profit before tax	2,180	3,171	6,829	8,475	9,934	11,871
Tax expense	(511)	(865)	(1,830)	(2,271)	(2,662)	(3,181)
Net proft	**1,669**	**2,306**	**5,000**	**6,204**	**7,272**	**8,690**

Appendix 3: Statement of Cash Flow

in Php Mil	2010	2011	2012	2013E	2014E	2015E
Cash flow from operating activities						
Profit before tax	2,179	3,170	6,829	8,475	9,934	11,871
Adjustments for:						
Depreciation and amortization	64	105	214	282	503	598
Amortization of trademarks	101	101	101	101	101	101
Fair value loss (gain) on financial assets	(31)	57	(293)			
Interest income	(19)	(78)	(47)	(160)	(130)	(170)
Impairment loss	3	5	4			
Loss on sale of PPE		-	0			
Operating profit before working capital changes	**2,298**	**3,362**	**6,810**	**8,698**	**10,408**	**12,400**
Decrease (increase) in trade and receivables	817	(318)	809	(299)	(229)	(126)
Decrease (increase) in financial instruments at fair value through profit or loss	(1,815)	1,712	44	-	-	-
Increase in inventories	177	(433)	(1,643)	(336)	(112)	(303)
Decrease (increase) in prepayments and other current assets	(25)	9	74	(8)	(9)	(10)
Decrease (increase) in other non-curent assets	(1)	33	(63)	(15)	(16)	(18)
Increase in trade and other payables	2,205	(1,470)	(127)	371	403	424
Increase in retirement benefit obligation	4	4	9	-	-	-
Cash generated from operations	3,660	2,897	5,914	8,412	10,444	12,368
Cash paid for income taxes	(379)	(752)	(1,634)	(2,271)	(2,662)	(3,181)
Net cash from operating activities	**3,281**	**2,146**	**4,280**	**6,140**	**7,782**	**9,186**
Cash flow from investing activities						
Acquisition of PPE	(308)	(79)	(1,310)	(2,825)	(7,060)	(100)
Acquisition of subsidiary			(100)			
Additional investment in shares of subsidiary						
Interest received	19	78	47	160	130	170
Proceeds from sale of PPE			2			
Net cash used in investing activities	**(289)**	**(1)**	**(1,362)**	**(2,665)**	**(6,930)**	**70**
Cash flow from financing activities						
Dividends paid	(1,782)	(1,600)	(4,000)	(3,102)	(3,636)	(4,345)
Proceeds from additional capital subscription			3,000	11,200		
Net cash used in financing activities	**(1,782)**	**(1,600)**	**(1,000)**	**8,098**	**(3,636)**	**(4,345)**
Net increase in cash and cash equivalents	**1,210**	**544**	**1,919**	**11,574**	**(2,784)**	**4,911**
Cash and cash equivalents at beginning of year	979	2,188	2,733	4,656	16,230	13,446
Beginning balance of cash and cash equivalents of new subsidiary			5			
Cash and cash equivalents at end of year	**2,188**	**2,733**	**4,656**	**16,230**	**13,446**	**18,358**

Investment Rating Definitions

BUY	HOLD	SELL
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 twelve months.	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 inline or underperform the market in the next six to twelve months.	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 twelve months.

Important Disclaimers

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