

Robinsons Land Corp. (RLC) offering

Recommendation: *Subscribe*

September 27, 2006

Public Offering

Terms of the Offer:

Offer price:	P12.04/ share
Primary:	450 mn
Secondary:	361 mn
Primary Proceeds:	P5.2 bn
Offer Period:	Sep. 27-29 '06
Target Listing Date	Oct. 5, 2006
BK Value/ sh	P6.11 (pre-offer)

Investment Highlights:

RLC is a market leader in the Philippine real estate industry, having a diverse and stable revenue stream.

The offering will substantially increase the stock's free float and diversify its shareholder base. Increasing the free float should remove its liquidity discount and unlock the true value of RLC.

About 2/3 of the company's annual revenue stream comes from steady recurring sources (commercial centers, office lease, and hotel income). This protects the company from the cyclical nature of the property market and assures low risk in dividend payout.

*Valuationwise, our 1-year target price for RLC is P14.70, a 22% upside based on the industry average PE (weighted average) of 19.8x. **SUBSCRIBE.***

Use of Proceeds. RLC estimates that its net proceeds from the Primary Offer will be approximately P5,232,724,711.98 (U.S.\$97,649,144.61). RLC intends to use the majority of its net proceeds from the Offer to finance, in part, its planned capital expenditures for fiscal 2007. Further details of its planned capital expenditures for fiscal 2007, which are budgeted at P7,539.5 million, are as follows:

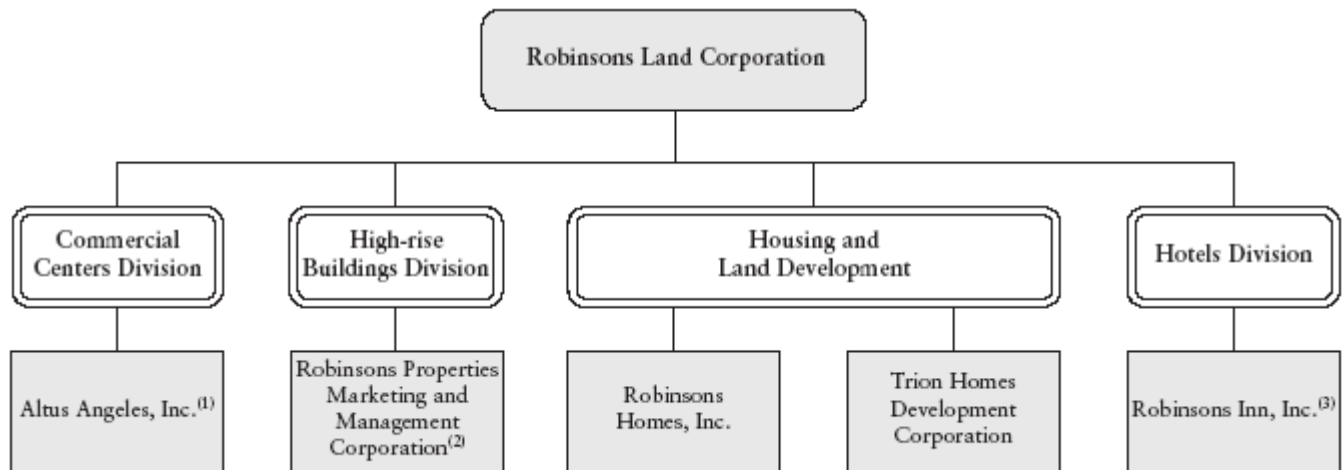
Proposed Use

	Budgeted Amt (Pmn)	Timetable
Construction of new malls	2,000	1Q to 4Q 2007
Devet. Of Existing Malls	2,346	1Q to 4Q 2007
Const. and devt. of residential & off. Proj	2,588	1Q to 4Q 2007
Devt. of housing and land subdivision projects	436	1Q to 4Q 2007
Refurbishment of existing malls and contruction of new hotels	170	1Q to 4Q 2007
Total CAPEX	7,540	

Company Profile. RLC was incorporated on June 4, 1980 to serve as the real estate investment arm of JG Summit. RLC had gross revenues of P5,119.3 million (U.S.\$95.5 million) and net income of P1,233.9 million (U.S.\$23.0 million) in fiscal 2005, compared to P4,701.0 million and P920.7 million, respectively, in fiscal 2004. For the nine months ended June 30, 2006, RLC had gross revenues of P4,838.2 million (U.S.\$90.2 million) and net income of P1,232.9 million (U.S.\$23.0 million), compared to P3,790.1 million and P1,030.0 million, respectively, in the nine month period ended June 30, 2005. RLC's net income figures include minority interests. As of June 30, 2006, RLC had total assets of P32,232.9 million and total liabilities of P18,096.5 million. RLC's operations are organized into four major business divisions:

The commercial centers division develops, leases and manages shopping malls throughout the Philippines. As of June 30, 2006, RLC operated 18 shopping malls, comprising six malls in Metro Manila and 12 malls in other urban areas throughout the Philippines, and had another seven projects that are in the planning and development stage scheduled for completion in the next two years. The commercial centers division accounted for 60.6% of RLC's revenues and 79.2% of RLC's EBITDA in fiscal 2005 and 48.7% of RLC's revenues and 67.5% of RLC's EBITDA in the nine months ended June 30, 2006.

RLC Corporate Structure



Robinsons Land Corp. Offer Details			
Shares Applied for Listing		Selling Shareholder	Shares to be sold (mn)
Primary Offering (in mn)	450	JG Summit Hldgs	9.708
Shares for Public Offering		Universal Robina Corp.	410.471
Primary shares(in mn)	450	JG Summit Capital Serv.	62.627
Secondary Shares(in mn)	361	Total (in Mn)	482.806
Total # of Offer shares in mn	811	Estimated Price (P)/ share	12.04
Distribution of Offer (in mn)		Proceeds (in Pmn)	9,766
International Offering (95%)	770.6	Trading Halt for RLC	Sep. 25 '06
Domestic offering (5%)	40.6	Domestic Offer Period	Sep. 27 to 29 '06
Allocation per trading Participant	307.2	Target Listing Date	Oct. 5, 2006
Over-Allotment Option	121.7		

The high-rise buildings division develops, leases and/or sells office space and mid-range residential condominium units, as well as upper-middle- to high-end residential developments. Its "mid-range" properties are typically priced at P2.0 million to P3.0 million per unit, and represent the majority of its properties, and its "upper-middle- to high-end" properties are typically priced from P6.0 million to P9.0 million per unit. As of June 30, 2006, RLC's high-rise buildings division had completed seven projects, comprising four office buildings and three residential condominium projects and had substantially completed one residential development. It currently has eleven projects in various stages for future development that are scheduled for completion in the next one to four years, comprising ten residential projects and one office building project, and it intends to launch a new residential project within September 2006. The residential development projects within this division are developed for sale, while the office projects are primarily developed as investment properties, to be leased to tenants by the Company. The high-rise buildings division accounted for 20.9% of RLC's revenues and 12.4% of RLC's EBITDA in fiscal 2005 and 30.0% of RLC's revenues and 20.7% of RLC's EBITDA in the nine months ended June 30, 2006.

The housing and land development division develops and sells low- and middle-cost residential lots and houses aimed predominantly at the lower- to middle-income market sector. The Company's projects are typically priced at

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P600,000 to P1.2 million for a lot only, and P2.0 million to P5.0 million for a lot and house. RLC prefers to acquire land for its projects in this division through joint venture arrangements with land owners close to the time of development of a given project. As of June 30, 2006, RLC's housing and land development division had eleven ongoing projects and had completed and substantially sold four projects. RLC's housing and land development division accounted for 8.7% of RLC's revenues and 6.1% of RLC's EBITDA in fiscal 2005 and 7.6% of RLC's revenues and 6.3% of RLC's EBITDA in the nine months ended June 30, 2006.

The hotels division owns and operates hotels in Metro Manila and Cebu City. RLC's hotels division currently has a portfolio of three hotels and a serviced apartment building referred to as an "apartelle." The hotels division accounted for 9.8% of RLC's revenues and 2.3% of RLC's EBITDA in fiscal 2005 and 13.6% of RLC's revenues and 5.5% of RLC's EBITDA in the nine months ended June 30, 2006.

Investment considerations

Banner year. Robinsons Land Corp. posted a net income of P1.233 bn in its first 9-months (end June 2006) of operations, up 20% from last year's P1.03 bn. This was well in line with market expectations as it accounts for 75% of consensus full year estimates of around P1.6 bn. This is estimated to be 30% better than last year's P1.234 bn. Net income for the period was boosted by the 92.7% increase in realized sales from its high rise division to P1.1 bn driven mainly by the recognition of revenues from its new projects, particularly One Adriatico Place (P604.8 mn) and One Gateway Place (P389.5 million).

Stable commercial center revenues. While revenues from the commercial centers division was flat year-on-year (+2.9%), it provides a huge source of recurring revenues every year of close to P3.2 bn estimated by FY end 2006. The flat performance however was due to the renovation of some parts of Galleria, its second best mall contributor, for most part of the year. Robinsons Place Manila continued to account for the large part of commercial center revenues, or 28.4%. Robinsons Galleria on the other hand accounted for 21.7% of the commercial centers division's revenue for the period. Better rents boosted the commercial center division's EBITDA margins, bringing the sectors' contribution to 79% of total EBITDA.

Growing mall revenues by 2008. While the company already has over 1.26 mn sqm of leasable gross floor area in commercial center space, it plans to build up its rental portfolio in the next 2 years. From its current mall inventory of 18, the company will be adding 5 more malls come 2008, 18% more in terms of GFA. This translates to 69,902 sqm (+2%) more from expansion of current malls, and 154,248 sqm from new commercial developments.

Riding the property wave. The current boom in real estate continues to enhance its already formidable revenue stream. Aside from the good contribution in high rise revenues, the housing & land segment exhibited some improvements as revenues grew by 12% over last year. Moving forward, real estate sales contribution as a percent of revenues should improve from the current 30%. Better prospects enticed the company to launch four (4) additional residential condominium projects recently (Gateway Garden Heights, McKinley Park Residences, Three Adriatico Place, and East of Galleria) bringing its high rise projects to 7 as of latest. For its housing and

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land developments, the company has 14 projects ongoing, spread over Antipolo, Davao, Pampangga, Cavite, Tagaytay, Batangas and Cagayan de Oro.

Improved Dividend payout. The company announced early this year that it increased its dividend payout to 60% of previous year's earnings to shareholders. This is almost 3x better than what the company gave up in the past years. This will be equivalent to a dividend yield of close to 3.29%, which is at par with other major Philippine issues but best among local property companies. Note that RLC's earnings stream remains solid as close to 66% of revenues come from the steady commercial mall and office centers, and the hotel division.

Risks

Steep run up this year. RLC is already among the best performing stocks year to date. This makes the issue prone to potential profit-taking in the short term as it already posted a 128% run up from its closing price of P5.70 since end-2005. The run-up however was not backed up by any liquidity as the shares were majority held (more than 90%) by the JG Group. The offering should give it more liquidity, thereby unlocking its true value as a company destined to increase its niche in the booming Philippine real estate market.

Tempered consumer spending. Consumer spending may continue to wane in the short term given the spillover effects of high energy and oil prices since 2004. This is compounded by an appreciating peso which translates to lower forex translation for OFW money, which is a key component of local retail spending. Nevertheless, we believe that consumer confidence in the Philippines is resilient and will continue to pick up in the medium to long term term given the impact of declining world oil prices (down near \$60 from \$74 per barrel high). OFW remittances on the other hand are projected to continue its uptrend (offsetting the effect of the peso's strength) given the demand for highly skilled Filipinos abroad.

Issue	Price	Mkt Cap(Pmn)	P/E	
			2006e	2007e
ALI	14.75	153,366	36.9	31.6
MEG	1.92	28,308	17.2	14.3
RLC	12.04	34,422	17.2	16.1
SMPH	8.3	82,388	15.4	13.4
		Wtd. PE	23.7	19.8

Valuation/ Recommendation

Set price was pegged at P12.04 per share, which translates to a 7% discount to closing price of P13.00 prior to the offer. The issue should trade at a slight premium to MEG and SMPH given its bigger exposure to other booming subsectors in the Philippine real estate market compared to both. These include commercial mall-office leasing market and vertical-horizontal residential development which are not significantly present for both yet. Such exposure should allow RLC to reap benefits on all fronts, the same formula adopted by its bigger competitor, ALI. Our 1-year target price for RLC in 2007 is P14.70 (+22% upside) based on a PER multiple of 19.8x, just at par with the real estate industry's average for next year. At P14.70, the issue would also fall near its consensus NAV estimate of P15.00/ share. SUBSCRIBE.

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