

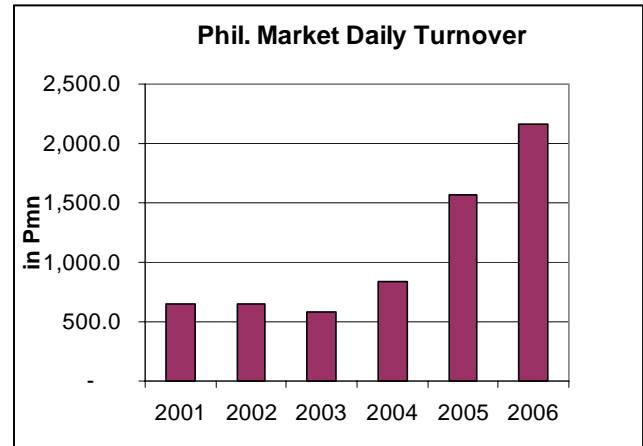
Public Offerings: Back with a vengeance!

November 29, 2006

It took a long, long while before local companies had the guts to come back to the capital market to raise their cash requirements. Poor market conditions especially in the 2002-2003 period didn't make it attractive to seek investor assistance then.

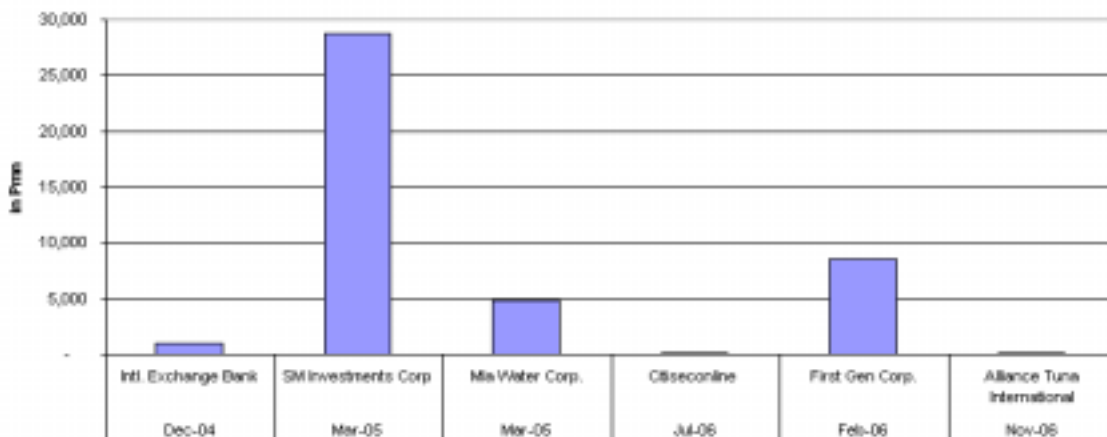
Déjà vu. However, a turnaround in sentiment beginning late 2004 backed up by accelerating liquidity flows the last few months have allowed offerings to regain their luster. Market turnover has tripled from a low of P586 mn in 2003 to P2.16 bn in 2006 fueling the offer fever the last few months. The recent success of the latest offerings, (follow on offers and IPOs) have sparked renewed hunger for these issues. Their recent success reminds us of the strength of Benpres Holdings Corp. (BPC), Jollibee Foods Corp. (JFC) and Petron Corporation (PCOR) during their heydays in the early-mid 1990's. Looking ahead, better fiscal prospects and spillover benefits from a country re-rating should sustain the market surge next year. With total market capz'n of these offers showing a 30% growth worth P104 bn, we believe the list of companies approaching the investing public should grow anew.

Offerings are alive and kicking. Investor bullishness could not be more evident than the overwhelming performance of Alliance Tuna International (TUNA), the



latest IPO. In its first day of listing last Nov. 8, the issue managed to open and eventually close 50% up (high of P2.00) from its IPO price of P1.35/ share on strong buying interest. The issue easily could've gone higher had there been no price ceiling implemented today. (Note that during the 1990's, IPO's such as BPC and PCOR managed to close more than double their IPO price during their first day listing with no such rule in place). Another sign that the IPO market is back? Unconfirmed quotes of over the counter (OTC) price transactions (posted on market forums) for the first time in nearly 10 years.

IPO Proceeds (2004-2006)



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Trend is still your friend. Based on a table we prepared (see below), it appears all but one of the offerings the last 2 years have generated significant returns to investors basing on current prices (gains ranging from 18% to as high as 660%). While this stat is by no means a guarantee of an issue's long-term success, basing on this figure alone would initially dictate subscribing to upcoming. Why? Because the odds of earning a quick profit is clearly tilted on the positive side. Based on the last 2 years, 10 of the previous 13 offerings showed at least an average gain of 15%, versus a marginal -1% downside on listing date. Given this trend, there appears a more than fair chance of gaining rather than losing, at least even until listing date. On a longer-term perspective however, the underperformance of an issue will have to be dictated by the company's delivery of investor expectations. Failure to do so may result in severe stock

punishment. So far however, more than 90% of those who've gone public have made good or even exceeded their promises.

Buyers beware still. While liquidity flows have remained a major driver to share price appreciation, we still advice looking into company fundamentals (yields, PER, intrinsic value etc.) rather than jumping blindly into these offers. Note that pricing was an important factor to an issue's demand as the companies raising capital were offered at attractive discounts to their peers. (see Forward PER table at offer). At the end of the day, we believe a complete valuation process coupled with the right timing of exit will be the determinants of performance against long term shocks in volatile emerging markets. (*J. Erwin B. Balita*)

Initial Public Offerings/ New Listings							
Date List	Issue	Offer Price (Adjusted)	Opening Price	Open Gain fr. Offer Price	Latest Close	Gain/ Loss since offer	Remarks
Dec-04	IBNK	16.18	16.75	4%	42.50	162.7%	Record earnings before merger
Aug-04	PERC*	1.84	1.82	-1%	10.50	470.7%	Steady cash from overseas oil investments
Mar-05	SM	250.00	248.00	-1%	302.50	21.0%	Brandname alone sells; price driven by solid group earnings
Mar-05	MWC	6.50	7.50	15%	10.00	53.8%	Sustained cashflow and dividends offered
Jul-06	COL	1.36	1.50	10%	5.00	267.6%	Bouyed by upswing in market volumes
Feb-06	FG	47.00	46.50	-1%	57.50	22.3%	Steady cashflow stream; added new plants & still looking
Nov-06	TUNA	1.35	2.00	48%	2.36	74.8%	Sold at discount to market and comparative Thai players
Dec-06	PNOC	P2.50-P3.20					

*Listing by introduction

Follow on Offerings											
Date List	Issue	Price bef. Halt	Offer Price	Opening Price	Disc. At Trade Halt	Open Gain fr. Offer Price	Open Gain fr. Halt Price	Latest Close	Gain/ Loss since offer		Remarks
Nov-04	FH (PAX)	2.98	2.63	3.19	-13%	21%	7%	20.00	660.5%		Income to grow fr. P125 mn in '04 to P540 mn by '06
Feb-05	SCC	na	36.00	46.00	na	28%	na	21.00	-41.7%		Net income to fall in '06 w/ NOLCO expiration
Feb-06	URC	18.50	17.00	18.00	-9%	6%	-3%	20.00	17.6%		Play on consumer recovery
Apr-06	MEG	1.56	1.38	1.42	-13%	3%	-9%	2.12	53.6%		Earnings to grow 65% this year
Oct-06	RLC	13.00	12.04	12.50	-8%	4%	-4%	15.75	30.8%		66% of revenues are recurring, earnings growing 30% p.a.
Oct-06	MBT	41.00	38.00	44.00	-8%	16%	7%	48.50	27.6%		Capital raising for Basel II, bank mergers spur price
Dec-06	COAT	5.20	4.40	-	-18%	na	na	-	na		Sold at discount relative to regional comparatives

Highlights:

- Since 2004, 10 out of 13 have opened above their offer price with the 3 (PERC, SM and FG) opening slightly below opening quotes.
- Among follow on offerings, those w/c fixed their final price at the largest discount to halted price, have showed best performance. (PAX and MEG).
- All but one have managed to post hefty gains based on current prices since their listing date.
- All IPOs since late 2004 have generated gains between 18% (min) to 660% (max).
- On a market cap basis, offerings since 2004 have added 30% in value or close to P104 bn combined from the time they listed

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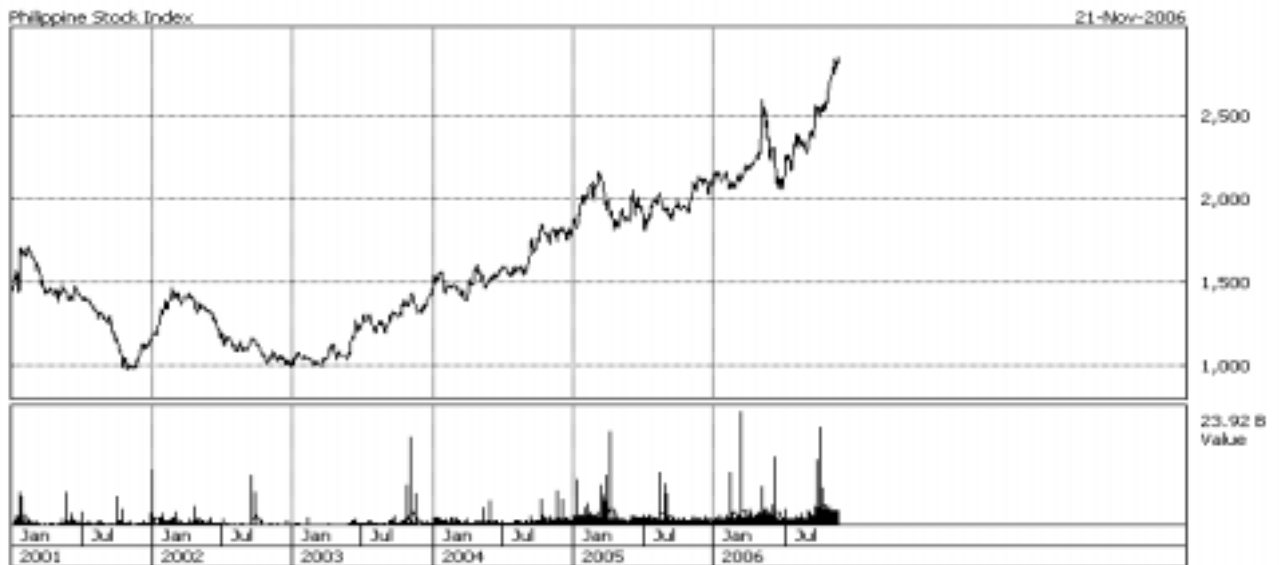
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Initial Public Offerings/ New Listings

Date Listed	Issue	Mkt Capzn at Offer	Mkt Capzn Now	% Inc (Dec) in Mkt Cap	Forward PER at Offer(x)
Dec-04	IBNK	5,156.24	13,544	163%	6.45
Aug-04	PERC	357.34	1,438	302%	4.35
Mar-05	SM	132,500.00	160,325	21%	24.18
Mar-05	MWC	12,881.70	19,818	54%	7.74
Jul-06	COL	584.80	2,150	268%	22.67
Feb-06	FG	37,715.62	46,141	22%	8.61
Nov-06	TUNA	722.25	1,263	75%	10.80

Follow on Offerings

Date Listed	Issue	Mkt Capzn at Offer	Mkt Capzn Now	% Inc (Dec) in Mkt Cap	Forward PER at Offer
Nov-04	FH (PAX)	2,460.76	18,713	660%	5.16
Feb-05	SCC	10,687.50	6,234	-42%	6.47
Feb-06	URC	37,770.60	44,436	18%	14.66
Apr-06	MEG	20,346.76	31,257	54%	11.50
Oct-06	RLC	34,422.36	45,029	31%	17.20
Oct-06	MBT	68,666.00	87,640	28%	16.03
Dec-06	COAT	6,170.03	6,170	0%	11.58
Total		370,441.97	484,158.03	31%	



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