

# aboitiz outlook



November 3, 2009

- **Aboitiz Equity income for the first nine months increases by 74%**

Aboitiz Equity Ventures, Inc. (AEV) ended the first nine months of the year with a consolidated net income of P5.9 billion (bn), up 74% versus the same period last year. This translates to P1.05 in earnings per share for the first nine months of 2009. The power group still accounted for the lion's share at 54%, followed by the banking group at 26%, the food group at 14% and the transport group at 6%.

The company had a non-recurring gain of P543 million (mn) versus last year's P161 mn non-recurring loss. Aside from a P10 mn foreign exchange gain at the parent and subsidiary levels, AEV realized a non-recurring income of P633 mn, which relates to the termination of the planned sale of Aboitiz Transport System (ATS). In addition, AboitizPower Corporation (AboitizPower) booked one-off costs that relate to the acquisition of the Tiwi-Makban geothermal plants, contributing P141 mn to AEV's non-recurring expenses. ATS booked gains on the sale of one of its vessels and its logistics business, contributing P41 mn to AEV's non-recurring income for the period. Accounting for all these, the company's core earnings was P5.3 bn, up 51% YOY.

## Power

AboitizPower ended the first nine months of the year with an income contribution of P2.9 bn, up 20% YOY. When adjusted for non-recurring items, the group registered a 16% YOY rise in its earnings share, from P2.6 bn to P3.0 bn.

Despite lower spot market prices, the power generation business recorded a 50% YOY expansion in earnings contribution, from P1.5 bn to P2.3 bn, for the period YTD September 2009. The strong showing was on the back of a 91% YOY increase in total attributable power sales, from 1,300 gigawatt hours (GWh) to 2,489 GWh. The expansion mainly came from the improved generation of the hydro assets, which resulted from the higher rainfall during the year and the full nine months operation of the 100-megawatt (MW) Binga hydro power plant. In addition, the Tiwi-Makban geothermal power plants, which were turned over in May 2009, contributed 1,022 GWh, accounting for 41% of the power generation's energy sales for the period.

The power distribution group's income contribution to AEV remained flat at P847 mn. The impact of the under recovery of cost of purchased power by the utilities in March 2009 negated the strong gain recorded by the group in the third quarter brought on by upward rate adjustments at some utilities. On the back of an 8% increase in volume sales and improved gross margin, AboitizPower's power distribution group recorded a 34% YOY increase in net earnings for the third quarter of 2009.

## Financial Services

For the period January to September 2009, the financial services group contributed net earnings of P1.4 bn, recording a 115% YOY improvement from previous year's P651 mn.

Union Bank of the Philippines (UnionBank) ended the period with an earnings contribution of P1.3 bn, up by 115% YOY. A 101% YOY increase in the bank's net income for the period, coupled with the increase in AEV's equity ownership to roughly 39%, led to the higher contribution.

AEV's non-listed thrift bank, City Savings Bank (CSB), contributed earnings of P56 mn during the period YTD September 2009, up 113% YOY. The bank's higher earnings contribution could be attributed mainly to the 53% growth in its interest income on loans. CSB ended the period in review with a total loan book of P4.7 bn, up by P1.3 bn or 38% from P3.4 bn in the same period last year. Total resources increased to P5.7 bn from the 2008 year-end level of P4.7 bn. The bank's NPL ratio stood at 1% while its NPL coverage ratio was at 171%. Total capital funds amounted to P681 mn with a capital adequacy ratio of 14%.

## Transport

The transport group registered an income contribution of P331 mn for the period January to September 2009, a marked improvement over last year's net loss contribution of P32 mn. Declining fuel prices resulted to a 35% YOY decline in fuel cost, ATS' single largest expense.

ATS' income expansion was tempered by the loss of one of its ships and the subsequent temporary suspension of all its ro-ro-passenger vessels in September 2009. This greatly affected the freight and passenger business. This, coupled with the decline in its international chartering business, resulted to a P1 bn drop in consolidated revenues for the quarter ending September 30, 2009. Consequently, for the quarter, ATS recorded a net loss attributable to equity holder of parent of P67 mn, versus the P66 mn net loss incurred for the same period last year.

## Food

For the first nine-month period ending September 30, 2009, income contribution from AEV's non-listed food subsidiary, Pilmico Foods Corporation, recorded a 97% YOY increase to P734 mn. Despite a 7% YOY rise in volumes, the flour business recorded a 4% YOY earnings reduction due to lower average selling prices realized in the period. Lower sales volume and average selling prices resulted in a 43% YOY drop in the swine business' earnings. In the meantime, the feeds business recorded a significant improvement in its bottomline countering income declines in the flour and swine groups, as it recorded an 18% YOY increase in sales volume coupled with improved margins that resulted from higher average selling prices and freight cost savings due to the operation of its Iligan feedmill.

## Financial Condition

For the period ending September 30, 2009, the company's total assets amounted to P94.8 bn, up by 25% from year-end 2008 level. Cash and cash equivalents amounted to P7.6 bn, lower by P9 bn from year-end 2008 levels. Total consolidated liabilities increased by 46% to P42.3 bn, while Equity Attributable to Equity Holders of the Parent increased by 13% to P42.9 bn. Current ratio as of period end was at 0.9x (versus year-end 2008's 1.9x), while net debt-to-equity ratio was at 0.45x (versus year-end 2008's 0.07x).

"It is very assuring to know that all our businesses are not only profitable and performing well, but have strong cash flows and healthy balance sheets that are important to sustain their growth," said AEV President Erramon Aboitiz.

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