



FRIDAY, 01 MARCH 2013

Alert

Energy Development Corporation: Bacman plants shut down anew

Bacman plants shutdown anew. EDC announced that it has halted the operations of Bacman unit 1 and 2 again, only a few days of announcing commercial operations for the two units. EDC said that there were some vibration issues encountered by unit 2, which resulted in the shearing off of a turbine blade and the damage of the unit. Meanwhile, EDC said that while unit 1 did not experience similar problem, it has decided to temporarily halt operations for further inspection. Management did not provide details on the extent of the damage on unit 2 or how long the shutdown of unit 1 and 2 will last. We believe that this could create negative investor sentiment on the stock in the near term.

Maintain HOLD rating. We currently have a HOLD rating on EDC with a FV estimate of Php8.50/sh. Although EDC's fundamentals have improved recently, its market price of Php7.58/sh, valuations are no longer attractive with capital appreciation potential limited at 12.1%. EDC is also expensive relative to its peers, trading at a FY13E P/E of 14.6X, a premium to the 10.7X average FY13E P/E of its regional peers.

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Investment Rating Definitions

BUY	HOLD	SELL
<p>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.</p>	<p>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.</p>	<p>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.</p>

Important Disclaimers

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