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Tourism sector

Preparing for take off

By Roxanne S.C. Olanday

Pristine beaches along a coastline stretching twice the length of the United States of America, five World Heritage sites and globally unparalleled hospitability are some of the many allures that reel people from all over the world to the Philippines. "It's More Fun In The Philippines" rang true for the most part of the past four years as close to 69 million foreigners, both local and international, poured into the country in 2014 to enjoy the sites, the culture and the people. The natural attractiveness of the country was further boosted by government efforts to revive the tourism industry, lifting it from the doldrums and turning it into one of the country's most promising sectors in terms of industry size, share to economy, among other indicators.

Industry Performance

The tourism industry contributed almost 7.8% to the economy. The Philippine tourism industry has grown to Php982.4 billion in value (translating to about 7.8% of the economy), having sustained a compounded annual growth rate (CAGR) of 11.7% from 2006 to 2014. In fact, according to the latest report of the Philippine Statistics Authority (PSA), tourism has grown in size so much so that it is now the fifth growth driver in the industrial sector, after heavyweights manufacturing, real estate and agriculture. This is based on the tourism direct gross value added (TDGVA) which measures the contribution of industries like retail, accommodation, recreation, and food to tourism activities. Among these industries, accommodation services takes the largest slice of the tourism pie at 32.6% followed by shopping of tourism goods with a 15.3% share.

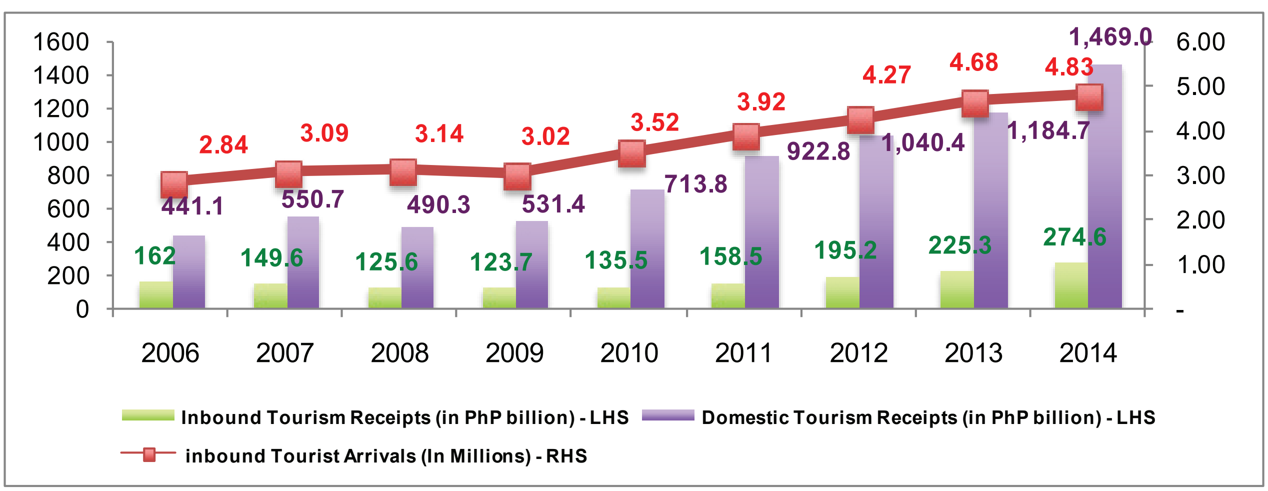
Table 1: Tourism and GDP in the Philippines (2006-2014)

Economic Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014	CAGR% (8 years)
Real GDP Growth (%)	5.2	6.6	4.2	1.1	7.6	3.6	6.8	7.2	6.1	2.0%
TDGVA(Phpbillion)	404.8	451.3	444.7	477.3	573.0	678.4	764.9	861.7	982.4	11.7%
TDGVA share to GDP (%)	6.5	6.5	5.8	5.9	6.4	7.0	7.2	7.5	7.8	2.3%
Share of Tourism Employment to Total Employment (%)	10.5	10.6	10.7	11.2	11.4	11.5	12.1	12.4	12.5	2.2%

Source: PSA, DOT

A valuable asset to the Philippine economy, tourism boasts of having directly employed 4.8 million in 2014, comprising up to 12.5% of the total employment in the country. In other words, for every 1,000 employees, 125 work in tourism, the bulk of which are in passenger and transport, accommodation and food and beverage. The industry is also becoming a major contender for exportable items, placing third in 2014 at PhP275 billion, following semiconductors, and even overtaking electronic data processing and principal agricultural products.

Table 2: Inbound Tourist Arrivals and Tourism Receipts (2000-2016F)



Source: DOT

Domestic tourism is still the major driver but foreign-driven business is increasing. Interestingly, local travelers continue to dominate the industry in relation to both volume and visitor tourism receipts. In terms of volume, domestic tourists have increased 17% yearly since 2010, reaching 54.6 million tourists in 2014 from just 29.1 million four years prior.

On the other hand, international travelers to the Philippines have grown at an average of 8% in the last four years, recording 4.83 million inbound tourists last year. Though inbound tourist figures are much lower than that of domestic tourists', the Department of Tourism (DOT) takes pride in having recorded a cumulative 24.32 million international visitors to the Philippines in just four and a half years (Financial Year 2010 to July 2015), as compared to the 22.64 million registered over the eight-year period of 2001 to 2009. In terms of tourism receipts (or 'tourism expenditure'), local tourists still take the lead. Local tourism receipts comprised 16% of household final consumption expenditure in 2014 and contributed Php1.47 trillion or 85% of total tourism receipts that year. Meanwhile, foreign tourist receipts contributed Php274.6 billion or 15% of total tourism receipts. That being said, both surpassed their 2014 tourism receipt targets of Php1.41 trillion and Php269.9 billion.

Asian tourists dominate foreign travelers in the Philippines… By visitor market, East Asians still take the lion's share of inbound tourist traffic to the Philippines, with close to a billion coming from South Korea for the period January to September this year. The United States of America, Japan, China and Australia are also key markets. However, in terms of spending, the United Kingdom emerged as the highest spender, with per capita spending of Php80,165.7, followed by India, Australia, the U.S.A and Canada.

… and are spending more. Data collected by the DOT for September this year showed the inbound traveler daily spending at an average of Php5,438.47, even more than the highest pegged average daily expenditure in 2014 of PhP4,306.12, back in December. Also, based on figures last year, foreign visitors stay longer in the Philippines, spending an average of 10.56 nights in the country vs. 9.56 nights in 2013.

Recent policy measures provide a boost to tourism. The robust performance of tourism has largely been touted as the result of the government's support for the industry with tourism-specific policies in place like Republic Act 9593 (RA 9593) or the Tourism Act of 2009, Executive Order 29 (EO 29) or the Pocket Open Skies Policy, the National Tourism Development Plan, and the DOT's "It's More Fun In The Philippines" global marketing campaign. In brief: RA 9593 basically mandated giving more focus on the industry due to tourism's significance to the socio-economic growth of the Philippines especially in terms of foreign exchange, investment and employment. Among other things, it established Tourism Enterprise Zones (TEZs) and provided incentives for TEZs in the hopes of boosting investment in them. On the other hand, The National Tourism Development Plan acted as the main strategy of the country to grow the industry by outlining industry targets for 2016. It focused on the development and marketing of competitive products and destinations, improving market access, connectivity and destination infrastructure and improving tourism institutional governance and human resources. Meanwhile, EO 29 was the government's attempt to liberalize aviation in the country by easing restrictions on foreign carriers in certain international airports outside Metro Manila. Lastly, the DOT's promotional campaign was a social-media led effort launched in 2012 that attempted to reinvent the image of the country by using the Filipino people as its main inspiration and transitioning from national promotion to destination-specific, highlighting Boracay, Davao, Cebu and Manila.

Industry Challenges

More brick and mortar infrastructure projects are needed. With government backing to push the industry in the Philippines, it's a wonder that the strong outcome of 2012 in terms of inbound tourist arrivals reaching the four million milestone was not sustained in the succeeding years, as both 2013 and 2014 still came up short of their five million and six million target numbers by over one million people cumulatively. The otherwise dismal results are maintained to have been externally driven or caused mostly by the lingering impact of 2013's Typhoon Haiyan (a.k.a. Bagyong Yolanda) and China's advisory against travel to the country in late September of last year. Internally, the biggest challenge to tourism lies in the unfortunate lack of adequate tourism infrastructure. Given the archipelagic nature of the Philippines, air travel is undoubtedly the preferred mode of entry into the country, with almost all tourists using Manila, Cebu and Kalibo as their main port of entry. As such, improvement of airport facilities should have been of utmost priority, especially after the Ninoy Aquino International Airport (NAIA) Terminal 1, the main receiving facility of country's capital, was internationally criticized as one of the world's worst airports. Yet, it was only in 2014 when the Department of Transportation and Communications (DOTC) embarked on the first significant renovation and rehabilitation of the NAIA Terminal 1. It was also just this September when the National Economic and Development Authority (NEDA) Board approved the Php74.6 billion NAIA Development Public-Private Partnership project. This DOTC-led project will enable a private firm to upgrade NAIA's terminals, grow airport capacity and manage the airport's operations and maintenance. Without these improvements, the optimism of the government for the industry - by maintaining its highly ambitious 2016 goals – may cause some raised eyebrows. Among the target figures, inbound tourist arrivals (expected to more than double to 10 million from only 4.83 million) and inbound tourism receipts (projected to increase to Php455 billion from only Php274.6 billion in 2014) seem to be long shots.

Table 3: Tourism Industry Gov't Forecasts 2016

Indicator	2014 Actual	2016 Gov't Target
Tourism Direct Gross Value Added	PhP982.4 billion	PhP 1.147trillion
Tourism Share to GDP (%)	7.8%	8.7%
Tourism Arrivals – Inbound	4.83 million	10 million
Tourist Arrivals – Domestic	54.6 million	56.1 million
Tourism Receipts – Inbound	PhP274.6 billion	PhP455 billion
Tourism Receipts – Domestic	PhP1.47 trillion	PhP1.85 trillion
Direct Employment	4.8 million employed	7.4 employed

Source: PSA, DOT

Industry Outlook

Sustainable eco-tourism business model is a must. For 2015, the government modestly reduced its forecast for inbound foreign visitors to the country from eight million to around 5.5 million. Nevertheless, its commitment to growing the industry did not waver, with 35 events lined up for 2015's "Visit the Philippines Year" kicked off by the Papal visit in January and culminated by the APEC summit this November. A particularly bright spot in the industry looks to be the MICE segment—meetings, incentives, conferencing, and exhibitions—having been mandated by the Aquino administration as a priority area of improvement for the industry, and allotted a budget of PhP90 million to endorse "Business Meets Fun in the Philippines". Aside from the Philippine International Convention Center (PICC), lauded as Asia's first convention center, the country can now host large scale conferences, conventions in more facilities nationwide, from the SMX Convention Center in Pasay City to the Blue Leaf Filipinas in Taguig and other convention centers and exhibition halls in Ortigas, Bacolod and Davao from SM, City of Dreams Manila and Resorts World Manila.

2016 was christened "Visit the Philippines Again 2016" with international cooperation, branding and market development as focal points. Part of market development includes another encouraging aspect of the industry, which is in accommodation services. The government is set to adopt a new star rating system that standardizes accreditation of accommodation facilities like hotels, resorts and apartment hotels in the country. Such metrics would provide a benchmark system that assesses the quality of the tourist's experience, from reservation to arrival, stay and even departure. The DOT would soon be awarding the new rating to over 700 accredited tourism accommodation providers and make them more globally competitive. This will replace the usual 1- to 5-star rating which considers inventory, availability, condition and quality of a specific facility. As of 2014, most accredited hotels and rooms can be found in the National Capital Region and Central Visayas. Perhaps, the new system could expand qualified facilities beyond these areas. In addition, both the private and public sectors must continue to push for a more sustainable environment-friendly tourism business model in rating tourism accommodation providers in order to attract more foreign travelers from Europe and North America.

All in all, Philippine tourism is an industry already poised to take flight, having flourished so much in just a few years' time (in terms of tourist volume and revenues) with stronger support coming from the government especially during the Aquino administration. Lack of adequate tourism infrastructure, however, is clipping the industry's wings and preventing it from lifting off. In time, perhaps both public and private support could remove this obstacle.

Bloomberry Resorts Corp (BLOOM)

Dennis V. Carreon
carreon_dennis@pb.bdo.com.ph

EQUITY RESEARCH

Company Background

Bloomberry Resorts Corporation (BLOOM), formerly Active Alliance, Incorporated (AAI), was registered with the Securities and Exchange Commission (SEC) on May 3, 1999. Until 2003, the company was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone.

As of December 31, 2014, BLOOM's subsidiaries include Sureste Properties Inc (SPI); Bloomberry Resorts and Hotels, Inc. (BRHI); Bloom Capital B.V.; Solaire de Argentina S.A.; and Solaire Korea Co., Ltd. BRHI, as the license holder in the Entertainment City, owns the Solaire Resort & Casino and operates the casino business, while SPI operates the hotel business. Solaire Resort & Casino commenced operations on March 16, 2013.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of 18,500 sqm (including around 6,000 sqm of exclusive VIP gaming areas), with 1,400 slot machines, 295 gaming tables and 88 electronic table games. It has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets.

Sky Tower, previously referred to as Phase 1A development of Solaire, consists of a 312 all-suite hotel, additional 10 VIP gaming salons with 66 gaming tables and 223 slot machines.

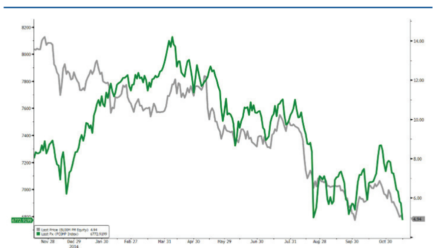
Share Data

PSEi Code	BLOOM
Rating	**Underperform**
52-wk range (Php)	4.83 – 14.23
Current Price (Php)	4.94
Target Price (Php)	4.93
Price Upside (%)	-0.2
Dividend Yield (%)	1.0
Total Return (%)	0.9

Review of Share Price Performance

From its 2014 closing price of Php12.40 each, BLOOM's share price has declined 60.2% to Php4.94 last November 16. The steep decline was due mainly to the three consecutive quarters of reported net losses in 1Q, 2Q, and 3Q 2015 amid higher provisional expenses, depreciation and amortization from Sky Tower, and Jeju Sun's rehabilitation costs. This was further exacerbated by the imposition of a one month suspension on their South Korean operations by the island's casino regulators due to non-compliant tax payment practices of its previous owners.

BLOOM vs PSEi



PSEi (Green); BLOOM (Grey)

Source: Bloomberg

Equity Valuation

Comparative Valuation	Local Currency (LCY)	Closing Price (LCY)	Market Cap (US$ Bn)	2016 P/B (x)	2016 P/E (x)	2016 ROE (%)	2016 Div Yield (%)	Free Float (%)
Naga Corp Ltd	HKD	5.13	1.51	2.25	10.51	22.05	2.93	57.98
Paradise Co Ltd	KRW	19,450	1.51	1.57	19.23	8.38	2.76	42.29
Grand Korea Leisure	KRW	25,400	1.37	3.00	14.31	23.46	3.96	37.90
RWM	PHP	3.85	1.29	1.35	13.46	10.47	1.22	10.03
BLOOM	**PHP**	**4.94**	**1.15**	**2.07**	**26.99**	**5.03**	**0.83**	**30.90**
BEL	PHP	3.10	0.69	1.19	11.48	10.88	3.42	47.79

Source: Bloomberg
Notes: RWM – Travellers International Hotel Group; BEL – Belle Corporation

▶ **One of the most expensive in the region…** At nearly 27x, BLOOM's consensus 2016 P/E is at least twice its domestic rivals (RWM and BEL) and 1.4x to 2.6x more than its regional counterparts – making it the most expensive among its peers. It also has the lowest ROE in its group, generating about half of RWM and BEL while offering only a fourth of what its Asian comparatives can achieve (except Paradise Co Ltd). In terms of P/B, it appears fairly valued at 2.1x standing in the middle of the pack. BLOOM's price multiples and ROE were hurt by its dismal earnings this year but its ROE may advance to 15% as the company builds up its local and Korean operations.

▶ **…non-recurring expenses negates revenue growth.** BLOOM suffered a Php1.5 billion net loss for 9M 2015, dragged by a 54% jump in expenses to Php18.9 billion traced to a Php1.5 billion increase in depreciation and amortization along with a Php1.4 billion spike in bad debt expense. The Php281 million net profit that Solaire generated during 3Q 2015 was not enough to offset the Php471 million net loss that Jeju Sun sustained during its first fifteen (15) days of operations. BLOOM registered a 14% growth in gross gaming revenues to Php24.5 billion as the total number of visits improved by 8.7% to 3.52 million people. Gaming revenue drivers came from the VIP segment that accounted for Php2.1 billion of the increase, followed by slot devices which posted a Php739 million rise and mass tables contributing Php523 million.

Operating Results: Full Year 2014, 9M 2015

In Php Millions	2013	2014	Chg (%)	9M'14	9M'15	Chg (%)
Visits (in Mn People)	3.00	4.50	50.0%	3.24	3.52	8.7%
Gross Gaming Revenues	14,900	30,387	103.9%	21,530	24,550	14.0%
EBITDA	1,118	10,083	801.8%	6,946	5,728	-17.5%
Net Income	(1,315)	4,072		3,299	(1,509)	

Source: BLOOM

Our View and Recommendation:

Short-term (less than 2 years): Over the next two (2) years, we expect BLOOM to undergo an adjustment phase as it establishes Sky Tower's clientele and gets familiar with the competitive environment of Jeju Sun in South Korea. Based on our adjusted valuation multiple of 17.5x P/E and 2.5x P/B, we expect the stock's price to be flat at Php4.93 over the next 12 months as quarterly earnings performance will likely remain volatile while both local and offshore operations are rationalized. **Underperform.***

Medium-term (beyond 2 years): As BLOOM gets closer to stabilizing its existing casino operations and achieving normalcy after developing its integrated casino resorts, average EPS growth is projected to jump to 40.4% in 2017–18 giving an average ROE of 13% over those two (2) years. Assuming multiples of 17.5x P/E and 2.5 P/B, BLOOM is expected to provide an average total return of 16.1% from 2016–18 including the 1.1% dividend yield. **Outperform.****

***Underperform** These are stocks whose share prices are going to underperform or lag the return of the PSEi as a benchmark over a 12-month period.
****Outperform** These are stocks whose share prices are going to outperform or beat the return of the Philippine Stock Exchange Index over a 12-month period.

Analyst Attributed Estimates

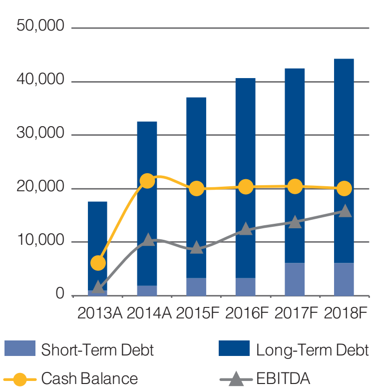
Internal	2015F	2016F	2017F
Net Inc.(Php Mn)	(778)	2,261	3,100
ROE (%)	-3.1%	9.0%	11.4%
Div / Sh (Php)	0.05	0.05	0.05
Div Yd (%)	1.0%	1.0%	1.0%
BV / Sh (Php)	2.29	2.45	2.70
EPS (Php)	(0.07)	0.21	0.29
P/B (x)	2.3	2.1	1.9
P/E (x)	(71.5)	24.6	17.9

Source: BDO Private Bank Research

Major Shareholders	% Stake
Prime Metroline Holdings	58.1
PCD Nominee (Foreign)	21.6
PCD Nominee (Filipino)	9.4
Quasar Holdings	8.4
Falcon InvestCo Holdings	2.0
Enrique K. Razon	0.3
Others	0.2
Total	**100.0**

Source: List of Top 100 Stockholders (As of September 30, 2015)

Debt Capacity Chart (Php millions)



Overall, BLOOM maintained its medium grade credit rating of "**BBB***" (from our October 5, 2015 review – not published in Money Talks), on the back of promising improvement in its operating cash flow once expansion projects start contributing to earnings and eventually help trim D/E ratios, providing for a healthier balance sheet.

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Financial Highlights (Php millions)

	2013	2014	2015F	2016F	2017F	2018F
Cash	6,109	21,444	20,044	20,328	20,422	20,052
Receivables – net	2,515	4,088	2,318	2,025	1,761	1,530
Total Assets	40,347	67,678	72,594	78,181	83,465	90,296
Current Liabilities	7,585	11,142	14,248	14,491	18,103	19,146
Long Term Liabilities	16,729	30,857	34,139	37,733	36,822	38,683
Total Liabilities	24,314	41,999	48,387	52,224	54,925	57,829
Total Equity	16,033	25,679	24,207	25,957	28,540	32,467
Short-term Debt	1,019	1,994	3,379	3,379	6,145	6,145
Long-term Debt	16,613	30,614	33,758	37,332	36,397	38,227
Total Debt	17,633	32,608	37,137	40,711	42,542	44,372
Debt to Equity (%)	110.0%	127.0%	153.4%	156.8%	149.1%	136.7%
Net Debt to Equity (%)	71.9%	43.5%	70.6%	78.5%	77.5%	74.9%
Debt to Assets (%)	43.7%	48.2%	51.2%	52.1%	51.0%	49.1%
Net Interest Expense	317	676	2,220	2,553	2,881	3,161
EBITDA	1,118	10,083	8,825	12,215	13,851	15,839
EBITDA % Increase	-289.6%	801.8%	-12.5%	38.4%	13.4%	14.4%

Sources: BLOOM; F – BDO Private Bank Research

- **Ardent expansion to increase leverage** BLOOM has invested US$187 billion (Php8.6 billion) for its initial offshore venture in South Korea by purchasing parcels of land in Silmi and Muui Islands, acquiring Jeju Sun & Hotel Casino (Jeju Sun), and completing Phase 1 of its two-phase renovation. With Phase 2 slated for completion this December 2015 and retail area of Solaire Resorts & Casino (Solaire) still underway, we expect BLOOM's debt-financed capital spending to reach Php10 billion annually over the next two (2) years lifting D/E ratio by almost 30 percentage points (ppts) to 157% by 2016 from just 127% last 2014. This is projected to begin tapering by 2017 and slide further by nearly 20 ppts to 137% in 2018 as new revenue streams from its on-going projects augment earnings.

Our View and Recommendation:

Operating cash flow to recover and support debt service... We project BLOOM's EBITDA to decline by 12.5% to Php8.8 billion this 2015 because of: 1) additional provisioning for doubtful accounts from its newly opened Sky Tower; 2) rehabilitation expense for Jeju Sun; and 3) a 1-month suspension of its Korean operations. However, EBITDA will probably rebound to Php12.2 billion in 2016 as the impact of the full year earnings contribution of the newly renovated Jeju Sun to BLOOM's earnings is felt. Moreover, average annual EBITDA of nearly Php14 billion starting 2016 can cover 1.5x – 2.0x of its debt service requirements (both principal and interest payments), complying with their debt service cover ratio of at least 1.2x.

...but additional debt still needed to assist expansion. Although BLOOM is seen to seek Php5 – 8 billion worth of new borrowings for its yearly debt amortization as well as capital expenditure of about Php10 billion through 2018, growing EBITDA flows can cover increasing interest costs by 3.2x – 4.3x. With operating cash flow seen to reach Php15.8 billion by 2018, experiencing an annualized growth of 12% from 2015 - 2018, it can also in principle pay down its total debt in 3 to 4 years' time.

***BBB (Medium Grade)** Neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such issues lack outstanding investment characteristics and in fact have speculative characteristics as well.

Cebu Air, Inc. (CEB)

Abigail L. Chiw
chiw_abigail@pb.bdo.com.ph

EQUITY RESEARCH

Company Background

Cebu Air, Inc. (CEB) is a publicly listed subsidiary of JG Summit Holdings, Inc. of the Gokongwei family.

CEB began operations in 1996 and is first to introduce the concept of low-cost, no frills service in 2005. It is currently the leading airline in the Philippines in terms of total passengers carried. The company has also maintained its leadership in the domestic market for the last 5 years.

During the first 9 months of 2015, CEB's domestic market share stood at 59.4%, slightly down from 60.1% during the same period last year. The company also continues to grow in the international market with international passengers increasing 10.3% to 3.2 million during the 9-month period.

Share Data

PSEi Code	CEB
Rating	Outperform
52-wk range (Php)	71.15-99.50
Current Price (Php)	84.75
Target Price (Php)	100.60
Price Upside (%)	18.62
Dividend Yield (%)	2.36
Total Return (%)	20.98

Review of Share Price Performance

CEB's share price soared 83% to close at Php85.85 last year as global oil prices plunged during the fourth quarter on oversupply concerns, and further climbed to a high of Php99.50 on impressive first half earnings results (+64% to Php5.2 billion). The airline stock however, fell back to its current price of Php84.75, after posting a net loss of Php1.6 billion for the third quarter as it booked forex and hedging losses amounting to an aggregate of Php3.3 billion as of September 2015. Overall, while CEB is projected to have improving operational scale and efficiencies, it will continue to be exposed to forex and fuel cost volatilities.

CEB vs PSEi

PSEi (Green); CEB (Orange)

Source: Bloomberg

Equity Valuation

Comparative Valuation	Price (Php)	Market Cap (Php bn)	2016 P/B (x)	2016 P/E (x)	2016 ROE (%)	Div Yd (%)
CEB PM	**51.35**	**84.75**	**1.55**	**7.08**	**24.65**	**2.29**
TGR SP	33.55	13.43	3.90	21.58	19.11	--
AIRA MK	41.31	14.84	0.74	5.74	12.37	3.67
AIRARABI UH	73.67	15.79	1.04	8.09	13.22	8.37

Source: Bloomberg; Note: SIA – Singapore Airlines; TGR – Tiger Airlines; AIRA – Air Asia BHD; AIRARABI – Air Arabia PJSC

▶ **Attractive airline stock...** CEB is presently trading at 7.1x P/E, within range of its Malaysian and Arab counterparts' P/E of 6x-8x despite CEB's better projected ROE of 24% next year. With increasing competition and possibly higher fuel costs however, CEB's ROE is seen to stabilize between 16%-20% in subsequent years, which seems to be within the average range among LCCs (low cost carriers) in Asia and Europe. Given CEB's cheap valuation in terms of earnings, we expect the stock to climb higher in the next 12 months with a target price of Php100.60 based on blended valuations of 12x P/E and 1.8x P/B.

▶ **...as fuel cost remains low and air traffic sustains growth.** With fuel costs expected to stabilize and range at a relatively lower price band of US$70-80/barrel from the previous range of US$90-110/barrel over the past 4 years, CEB is projected to report better operating margins in the coming quarters. Earnings however, will be tempered by intermittent foreign exchange and hedging factors, which hurt its third quarter results with a net loss of Php1.6 billion. The launch of new routes as the budget carrier develops the long-haul segment will also have incremental costs that may not be fully recovered by corresponding revenues in the short-term. As of end-September this year, CEB's seat load factor dropped to 81.5% from 84.2% a year ago as its fleet size increased to 55 aircrafts from 51 a year ago. Nonetheless, the airline is on track to hit its 18 million passenger count target this year, with 13.7 million passengers (+9% y/y) as of September.

Operating Highlights (Php millions)

	2013	2014	% chg	9M'14	9M'15	% chg
Passengers (millions)	14.4	16.9	17.4%	12.5	13.7	9.0%
Average Fare (Php)	2,199	2,378	8.1%	2,372	2,353	-0.8%
Ancillary Revenue/Pax (Php)	467	513	9.7%	516	560	8.6%
Passenger Revenue	31,663	40,188	26.9%	29,725	32,126	8.1%
Ancillary Revenue	6,732	8,665	28.7%	6,463	7,645	18.3%
Cargo Revenue	2,609	3,146	20.6%	2,258	2,488	10.2%
Total Revenues	41,004	52,000	26.8%	38,446	42,259	9.9%
Operating Income	2,404	4,157	72.9%	2,854	7,035	146%
Net Income	512	853	66.7%	2,079	3,556	71%
Operating Income %	5.9%	8.0%		7.4%	16.6%	
Net Income %	1.2%	1.6%		5.4%	8.4%	

Source: CEB

Our View and Recommendation:

Short-term (less than 2 years): CEB's share price slipped 14.8% from its August high of Php99.50 and is now trading at a cheap P/E multiple of 7x relative to its high ROE of 24%. Even as we provide for more forex losses in subsequent years, we expect CEB to maintain a decent ROE range of 16%-20% with forecast annual earnings of Php5 billion to Php6 billion. However, forex and fuel price fluctuations are still seen to have an impact on earnings, so we opted to use modest valuation multiples of 12x P/E and 1.8x P/B for a target price of Php100.60, which still offers an attractive upside potential of 18.6%. Hence, the company will probably outperform the local index for the short-term. **Outperform.***

Medium-term (beyond 2 years): Moving forward, we expect CEB to post flattish profits of Php5 billion to Php6 billion, with the gradual rise in fuel costs likely offsetting incremental revenues from its deliberate route expansion. Hence, its share price will probably hover at Php101-103, for a potential total return of 12% inclusive of estimated dividend yields of 2.4%. As such, CEB may just track the PSEi over the medium-term. **Neutral.****

***Outperform** These are stocks whose share prices are going to outperform or beat the return of the Philippine Stock Exchange Index over a 12-month period.
****Neutral** These are stocks whose share prices are going to move in tandem or within the PSEi movement as a benchmark over a 12-month period.

Analyst Attributed Estimates

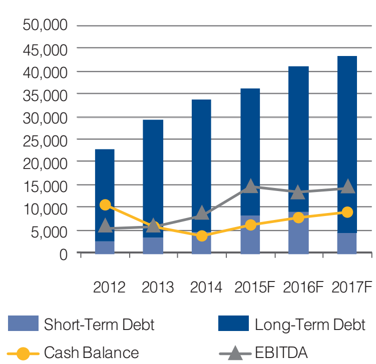
Internal	2015F	2016F	2017F
Net Inc. (Php'mn)	5,468	5,762	5,313
ROE %	22.8%	20.3%	16.3%
Div / Sh (Php)	1.50	2.00	2.00
Div Yd %	1.77%	2.36%	2.36%
BV / Sh (Php)	42.54	49.94	56.60
EPS (Php)	8.92	9.40	8.66
P/B (x)	1.99	1.70	1.50
P/E (x)	9.50	9.02	9.78

Source: BDO Private Bank Research

Major Shareholders	% of total
CP Air Holdings, Inc.	66.15
Norges Bank Invst Mgt	4.51
JG Summit Holdings	1.09
Dimensional Fund Advisors	0.97
Ruffer Investment Mgt Ltd	0.62
ATR Kimeng Asset Mgt Inc.	0.58
Teachers Advisors Inc	0.56
Fidelity International	0.44
Vanguard Group Inc	0.32
Blackrock	0.32
Others	24.44
TOTAL	**100.00**

Source: Bloomberg

Debt Capacity Chart (Php millions)



Overall, CEB maintained its medium-grade BBB- rating.* Credit is supported by: 1) a promising earnings outlook as the company benefits from lower oil prices and growing demand for travel; 2) a moderating leverage position with its debt-to-equity (D/E) ratio trending down towards 125%; and 3) a manageable debt maturity schedule. However, CEB holds significant dollar-denominated debt that exposes the airline to foreign exchange risk. A 5% depreciation of the peso (vs. the dollar) to Php47 from 2014's yearend level of Php44.70 for example, translates to forex losses of Php1.85 billion for 2015 (which would shave about 18% of its projected operating income).

CREDIT RESEARCH

Financial Highlights (Php millions)

	2012	2013	2014	2015F	2016F	2017F
Cash	10,729	6,056	3,964	6,303	7,979	9,122
Receivables - net	989	1,818	1,863	1,666	1,853	2,026
Total Assets	61,414	67,527	76,062	84,077	94,740	102,666
Current Liabilities	16,565	18,338	24,061	28,740	31,303	28,392
Long Term Liabilities	22,812	28,107	30,463	29,250	32,813	39,564
Total Liabilities	39,376	46,446	54,523	57,990	64,116	67,956
Total Equity	22,037	21,082	21,539	26,087	30,623	34,710
Short-term Debt	2,769	3,755	4,712	8,251	9,340	4,909
Long-term Debt	20,155	25,651	29,137	28,042	31,763	38,573
Total Debt	22,924	29,406	33,850	36,293	41,103	43,482
Debt to Equity (%)	104%	139%	157%	139%	134%	125%
Net Debt to Equity (%)	55%	111%	139%	115%	108%	99%
Debt to Assets (%)	37%	44%	45%	43%	43%	42%
Net Interest Expense	733	866	1,013	1,106	1,177	1,247
EBITDA	5,431	5,859	8,439	14,813	13,763	14,518
EBITDA % Increase	-4%	8%	44%	76%	-7%	5%

Sources: CEB; F – BDO Private Bank Research

▶ **Declining leverage amid better earnings flow.** CEB's total debt reached Php34 billion by end 2014 and will likely exceed Php40 billion by end 2016 with its fleet renewal program. The airline allotted Php13 billion for capital expenditures this year and increased its investment commitments over the next 5 years to Php67.23 billion with the scheduled delivery of 7 airbus A320 and 30 A321 neo aircrafts between this year and 2021. These purchases, however, will be partly funded by increasing annual cash flow or EBITDA estimated at Php14 billion to Php15 billion in the next 3 years amid the modest price outlook for oil in the medium-term (as oil production in the US and Canada augment that of the Middle East). As such, we expect CEB to tap less debt moving forward and gradually reduce its D/E ratio to 125% from a high of 157% in 2014.

Our View and Recommendation:

Higher EBITDA given wider margins. Easing oil prices and the ability to collect fuel surcharges, is expected to help CEB manage its operating margins year on year. We forecast the budget carrier's operating income margin to stabilize at a higher band of 12%-14% moving forward, from a lower range of 6%-10% over the past 4 years. Rising EBITDA flows also enhance the company's interest and dividend cover ratio to a mean estimate of 5.8x in the next 2 years, from an average of 4x of the past 3 years.

Strong industry fundamentals support credit. Meanwhile, the long-term prospects for the travel industry remains healthy supported by the growing captive market of overseas Filipinos, and the government's initiatives to develop and boost local tourism. CEB's low-cost carrier (LCC) business model and appealing fare pricing also allows the airline to continuously encourage and stimulate demand for travel. In addition, CEB's fleet expansion and accommodative financing plan is programmed to match the airline's earnings growth so as not to burden its cash flows. Its new plane additions utilize finance leases, which effectively allow the airline to pay for its plane acquisitions over a long period of 12 years.

***BBB (Medium Grade)** Neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such issues lack outstanding investment characteristics and in fact have speculative characteristics as well.

Travellers International Hotel Group, Inc. (RWM)

Anita L. Panaligan
panaligan_anita@pb.bdo.com.ph

EQUITY RESEARCH

Company Background

Travellers International Hotel Group, Inc. (RWM), incorporated in the Philippines on December 17, 2003, is a developer of integrated tourism resorts in the Philippines. The Company was awarded one of the first licenses issued by the Philippine Amusement and Gaming Corporation (PAGCOR) in June 2008 to construct and operate world-class integrated leisure and gaming facilities with the goal of enhancing tourism in the Philippines. The term of the Company's License shall be co-terminus with PAGCOR's franchise, which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR Charter. Travellers' common shares were listed and traded in the Philippine Stock Exchange (PSE) beginning November 5, 2013.

The company's flagship Resorts World Manila, is conveniently located near an international airport, and is home to the luxury all-suite MAXIMS Hotel (172 rooms), five-star MARRIOTT Hotel Manila (342 rooms), REMINGTON Hotel (712 rooms) and the recently-opened BELMONT Hotel Manila (480 rooms). Within the complex is the three-story convention center housing the country's largest hotel ballroom, the Marriott Grand Ballroom. Two more hotels, SHERATON Hotel Manila and HILTON Manila Hotel, are currently under construction. Resorts World also has the NEWPORT Mall which features international luxury brands, a variety of dining choices, state-of-the-art cinemas, and the ultra-modern Newport Performing Arts Theater.

Share Data

PSEi Code	RWM
Rating	**Outperform**
52-wk range (Php)	3.19-8.20
Current Price (Php)	3.85
12-month Target Price (Php)	5.26
Price Yield (%)	36.6%
Dividend Yield (%)	2.2%
Total Return (%)	38.8%

Review of Share Price Performance

In the Sep 2014 issue of Money Talks, we expected RWM to underperform the PSEi as we estimated the company to give a lower potential return of 6.8% versus the benchmark's 10%. Competition and a clampdown by the Chinese government on overseas gambling by its citizens negatively impacted RWM's VIP gaming revenues. Thus, from its Sep 3, 2014 closing price of Php8.33 per share, RWM is down by 53.8% to Php3.85 as of Nov 16. In comparison, the PSEi slid by only 5.9% for the same period.

RWM vs PSEi

PSEi (Green); RWM (Red)

Source: Bloomberg

Equity Valuation

Comparative Valuation	Local Currency (LCY)	Closing Price (LCY)	Market Cap (US$ bn)	2016 P/B (x)	2016 P/E (x)	2016 ROE (%)	Div Yield (%)	Free Float (%)
Nagacorp Ltd	HKD	5.13	1.51	2.25	10.51	22.05	5.93	57.98
Paradise Co Ltd	KRW	19,450	1.51	1.57	19.23	8.38	2.76	42.29
Grand Korea Leisure	KRW	25,400	1.37	3.00	14.31	23.46	3.96	37.90
RWM	**Php**	**3.85**	**1.29**	**1.35**	**13.46**	**10.47**	**1.22**	**10.03**
BLOOM	Php	4.94	1.15	2.07	26.99	5.03	0.83	30.90
BEL	Php	3.10	0.69	1.19	11.48	10.88	3.42	47.79

Source: Bloomberg
Note: BLOOM – Bloomberry Resorts Corp.; BEL – Belle Corp.

▶ **Philippine gaming revenues up despite China crackdown...** China's crackdown on corruption has raised gamblers' concern that big spending will attract scrutiny. Macau has taken a big hit with gross gaming revenues down by 35.5% y/y for the first ten months of 2015. Stricter visa rules and other regulatory changes in Macau have deterred Chinese patrons from travelling to the peninsula, and prompted casino operators to expand to other Asian countries. In contrast, Philippine casinos' 1H2015 gaming revenue collectively grew 16% y/y to US$1.4 billion, with Philippine Amusement & Gaming Corp. (PAGCOR) Chairman Cristino Naguiat saying there's a "good chance" that it will reach US$3billion this year.

▶ **...but RWM posts lower interim results.** Travellers (RWM) posted lower 9M 2015 profit (-29.5% y/y to Php2.830 billion) as: 1) increased promotional allowance (+59.3% y/y to Php2.487 billion) failed to lift gross gaming revenues (-13.7% y/y to Php17.947 billion; 2) other operating income (e.g., retail and commercial space, cinema, theater) slid by 8.3% y/y to Php740 million; 3) finance income declined by 35.6% to Php94 million; and 4) finance costs went up by 8.3% y/y to Php1.144 billion. These factors outweighed the company's reductions in direct costs (-0.7% y/y to Php7.764 billion) and general and administrative expenses (-29.9% y/y to Php6.256 billion).

Earnings Results: Full Year 2014; Nine Months 2015

Php millions	2013	2014	Chg (%)	9M'14	9M'15	Chg (%)	FY 2015E	% of FY Est.
Ave Daily Visits (people)*	17,693	19,026	7.53%	18,698	19,718	5.5%	N/A	N/A
Net Revenues	31,228	32,389	3.72%	21,692	17,949	-17.3%	26,853	66.8%
Net Income	**5,469**	**5,492**	**0.43%**	**4,013**	**2,830**	**-29.5%**	**4,624**	**61.2%**

Sources: RWM; E – Bloomberg consensus estimates
** Note: Interim figures are as of the first half*

Our View and Recommendation:

Short-term (less than 2 years): RWM's disconnect with the industry's revenue expansion implies erosion in market share (as gaming rivals establish, develop and expand operations in PAGCOR's Entertainment City), but the company's operations remain profitable while its competitors are still in the red. At Php3.85 per share as of Nov 16, RWM's estimated price-to-earnings (P/E) ratios for 2015 and 2016 are at only 15.6x and 13.6x, respectively, compared with the region's median P/E of around 17x. Our 12-month fair value for RWM is at Php5.26 per share based on median regional P/E (17x) and P/B (2x) valuation metrics. Due to the sharp drop in RWM's price, potential upside is high at over 36%, besting our expected growth of 8% to 12% for the PSEi. **Outperform.***

Medium-term (beyond 2 years):): Even with flat or declining gaming revenues due to competition, we expect RWM's share price to reach Php6.05 per share (+15.8% price yield; +18.3% inclusive of dividend yield) by 2018, buoyed by its hotel and related services expansion, which will likely be supported by a generally stable local economic environment. **Outperform.***

***Outperform** These are stocks whose share prices are going to outperform or beat the return of the Philippine Stock Exchange Index over a 12-month period.

CREDIT RESEARCH

Analyst Attributed Estimates

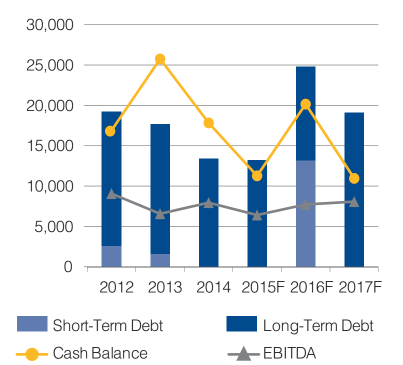
Internal	2015F	2016F	2017F
Net Inc. (Php'mn)	3,883	4,532	4,719
ROE %	9.6%	10.4%	10.1%
EPS (Php)	0.25	0.29	0.30
BV / Sh (Php)	2.66	2.86	3.07
Div / Sh (Php)	0.07	0.09	0.09
Div Yd %	1.84%	2.24%	2.33%
P/E (x)	15.62	13.39	12.85
P/B (x)	1.45	1.35	1.25

Source: BDO Private Bank Research

Major Shareholders	% Stake
Alliance Global Group, Inc.	25.12
Adams Properties	22.47
Star Cruises Philippine Holdings BV	17.97
Asian Travellers Ltd.	11.32
Premium Travellers Ltd.	6.65
First Centro Inc.	4.49
Megaworld Corp.	1.84
Vanguard Group, Inc.	0.30
Norges Bank Investment Management	0.27
Andresons Group, Inc.	0.09
Others	9.48
TOTAL	**100.00**

Source: Bloomberg

Debt Capacity Chart (Php millions)



While we have lowered our medium-term credit rating for Travellers to **A-*** (from A+) as a consequence of compressed EBITDA, its credit score remains to be investment-grade. Stable operating cash flows will continue to support comfortable operating and accounting leverage, manageable business and interest/ dividend cover, and liquid operations. Still, the company faces risks relating to regulatory and competitive environments as well as foreign currency denominated debt. Based on our model, a Php1 depreciation in the Peso-US dollar rate will negatively impact operating income by 5% to 6%.

Financial Highlights (Php millions)

	2012	2013	2014	2015F	2016F	2017F
Cash	16,913	25,775	17,856	11,278	20,212	11,137
Receivables – net	2,414	3,043	4,279	6,083	5,736	6,142
Total Assets	47,967	61,226	63,881	68,082	82,763	80,298
Current Liabilities	8,092	10,383	10,219	11,891	24,987	11,710
Long Term Liabilities	18,638	17,415	14,561	14,326	12,738	20,248
Total Liabilities	26,730	27,798	24,780	26,217	37,725	31,957
Total Equity	21,237	33,428	39,101	41,865	45,037	48,341
Short-term Debt	2,632	1,603	0	0	13,209	0
Long-term Debt	16,623	16,064	13,426	13,209	11,625	19,125
Total Debt	19,255	17,667	13,426	13,209	24,834	19,125
Debt to Equity (%)	91%	53%	34%	32%	55%	40%
Net Debt to Equity (%)	11%	-24%	-11%	5%	10%	17%
Debt to Assets (%)	40%	29%	21%	19%	30%	24%
Net Interest Expense	1,715	1,222	1,060	912	1,202	1,258
EBITDA	9,079	6,581	7,973	6,436	7,798	8,281
EBITDA % Increase	7%	-28%	21%	-19%	21%	6%

Sources: RWM; F – BDO Private Bank Research

- **Despite several phases of expansion…** RWM has allotted Php8 billion for capital expenditures in 2015, bulk of which will be for Phase 3 of Resorts World Manila's expansion as well as to jumpstart Phase 4. Phase 3 involves the construction of the Hilton Manila and the Sheraton Hotel Manila plus the extension of Maxims Hotel. These will add 855 new rooms as well as a new gaming area with a gross floor area of approximately 17,955 square meters. RWM will add gaming capacity progressively as new hotel rooms become available. Also, RWM plans to add retail space across the 2 hotels and the extension, while 6 basement parking decks are expected to be built beneath the hotels and extension with a total of 1,500 parking spaces. The plan for Phase 4 is to add another 1,000-room capacity above a retail mall. Target completion dates are 4Q 2017 for Phase 3 and 2019 for Phase 4. Meanwhile, Phase 1 of Westside (formerly Bayshore) City is seen to be finished by end-2018.
- **…Balance Sheet remains sound.** Thanks to: 1) proceeds from an initial public offering (IPO) in Nov 2013; 2) close to Php8 billion in operating cash flows last year; and 3) almost Php2 billion in advances from a related party, RWM closed 2014 with a healthy cash balance of Php17.86 billion despite capital expenditures (Php6.3 billion), debt (Php4.4 billion) and dividend (Php1.3 billion) payments. We project RWM to accomplish a similar feat this year, with stable gearing ratios.

Our View and Recommendation:

Refinancing in place. US$300 million notes issued by RWM in Nov 2010 will mature in 2017. As early as 2012, however, the company entered into a US$250 million term loan facility agreement with two financial institutions. So far, RWM has not made any drawdowns. We expect the firm to tap this facility next year to maintain its liquidity and repay the maturing notes.

Cash from operations remain substantial. Weaker 2015 revenues translate to a slide in EBITDA (earnings before interest, taxes, depreciation and amortization) or operating cash flows. Nonetheless, EBITDA levels remain substantial at over Php6 billion through 2017 and can partially fund estimated annual capex of over Php8 billion. Competition has affected gaming revenues in the short term, but we maintain the view that over time, RWM will benefit from a growing gaming market – judging from the integrated resorts experience of Macau and Singapore.

***A (Upper Medium Grade)** With favorable investment attributes and are considered upper-medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Tourism and infrastructure

By Roxanne S.C. Olanday

Last year, international tourist arrivals in the Philippines hit close to 5 million but a lot more can be done. The Philippines can do little to celebrate this victory as for the second year, it fell shy of its targets. In fact, it is important to note that the country still lags behind its Southeast Asian peers as data from the United Nations World Tourism Organization showed the Philippines' 4.83 million foreign visitors only accounted for 1.8% of international tourist arrivals in the Asia-Pacific region in 2014, far off from its Southeast Asian neighbors Vietnam (3%) Indonesia (3.6%), Singapore (4.5%), Thailand (9.4%) and Malaysia (10.4%). The country also failed to keep up regionally in terms of tourism receipts and tourism receipts per tourist, coming not only from the bottom half of the list but also emerging as one of the last in both metrics. Despite recording one of the fastest growth rates in the region, the Philippines' lack of adequate tourism infrastructure grounds the industry and prevents it from taking flight.

Table1: Southeast Asian International Tourist Arrivals (in millions) and Tourism Receipts (in USD)

	International Tourism Arrivals			Tourism Receipts (in billions)			Tourism Receipts per Tourist		
	2010	2014	CAGR%	2010	2014	CAGR%	2010	2014	CAGR%
Cambodia	2.51	4.50	15.7	1.52	2.97	18.0	606.06	655.12	2.0
Indonesia	7.00	9.44	7.8	6.96	9.85	9.1	994.00	1,043.77	1.2
Malaysia	24.58	27.44	2.8	18.12	21.82	4.8	737.07	795.19	1.9
Philippines	3.52	4.83	8.2	2.65	4.77	15.8	751.42	986.96	7.1
Singapore	9.16	11.86	6.7	14.18	19.20	7.9	1,547.65	1,619.14	1.1
Thailand	15.94	24.78	11.7	20.10	38.44	17.6	1,261.55	1,551.13	5.3
Vietnam	5.05	7.87	11.7	4.45	7.33	13.3	881.19	930.91	1.4

Source: UNWTO 2015 Tourism Highlights

Table 2: Ranking and Status of the Philippines, 2010-2012, In Some Key Infrastructure Indicators

Indicator	2010	2011	2012
Quality of Overall Infrastructure	113 of 139	113 of 142	98 of 144
Quality of Roads	114 of 139	100 of 142	87 of 144
Quality of Railroad Infrastructure	97 of 139	123 of 142	94 of 144
Quality of Air Transport Infrastructure	131 of 139	115 of 142	112 of 144
Information And Communications Technology Development Index	92 of 152	94 of 155	98 of 157

Source: NEDA Philippine Development Plan – Midterm Update (2014)

As the Philippines ranked 74th out of 141 countries according to the World Economic Forum (WEF)'s latest biennial Travel And Tourism Competitiveness Index , this begs the question: How competitive is the Philippines in the tourism industry? Among other Asia-Pacific countries, it again placed at the bottom half of this list. Its strong points were government support, price competitiveness, and effectiveness of marketing to attract tourists, while its weak points focused on infrastructure, having fared poorly in all three sub-categories of air transport infrastructure, tourist service infrastructure and ground and port infrastructure. The same can be said according to our own National Development Authority's matrices as compared with the other ASEAN economies. The infrastructure problem gets so bad that the Civil Aviation Authority of the Philippines (CAAP) noted annual losses of over US$158.56 million in fuel costs due to exacerbated congestion in the lead international airport in the country, Ninoy Aquino International Airport (NAIA). This airport was once condemned as among the worst in the world as indoor facilities lay decrepit for decades on end, and both plane takeoffs and arrivals are typically delayed for several minutes to an hour, in limbo, in taxi or hovering in the skies, awaiting clearance to land or fly.

Table 3: Some Major Government Spending Initiatives

Particulars	2012 Actual (PhP Millions)	2013 GAA (PhP Millions)	2014 GAA (PhP Millions)	Growth Rate (%)	
				2012-2013	2013-2014
Roads And Bridges	84,218	108,097	149,599	28.4	38.4
Farm-To-Market Roads	4,868	5,657	12,603	16.2	122.8
Airports/Air Navigational Facilities	802	5,195	9,114	547.8	75.4
Land Transportation/Railway	-	3,834	1,642	-	-57.2
Ports And Lighthouses	679	2,361	1,377	247.9	-41.7
Total Infrastructure Outlays*	211,463	288,464	404,312	36.4	40.2

Source: BSP (March 2014)
*Note, the amounts per column will not sum up the prior items as many other indicators were removed.

The government's reprioritization of the industry has spawned initiatives like The Department of Tourism (DOT)'s aggressive international brand awareness campaign launched in 2012 "It's More Fun In The Philippines" which successfully revamped the image of the Philippines as a tourist destination. This can be inferred from the growth in tourist numbers and tourist revenues alone. The next hurdle, which is both the simplest and yet biggest challenge the Philippine tourism industry faces is getting the tourists from one tourist destination to the next across the country in order to grow the industry further and increase repeat visits.

To address this, the DOT and the Department of Public Works and Highways (DPWH) has joined forces in what is otherwise known as the DOT-DPWH convergence program, to boost tourism infrastructure projects in priority tourist destination areas in the country under the National Tourism Development Program. From 2011 to 2015, PhP60.48 billion was allocated by the Aquino administration for tourism road infrastructure, over 300% higher than in the prior cabinet from 2006 to 2010. Of 463 projects, approximately 110 have already been completed. This involves the construction, upgrade, rehabilitation and improvement of roads and bridges translating to roughly 1,549 kilometers (km) of 2,502 km. 316 are noted to be underway and 37 are under the detailed engineering and procurement stage. Moreover, tourism airports are in the pipeline for popular tourist spots Vigan, Siargao and Bukidnon, as tourism ports are slated for upgrade in Batanes, Bohol and Aklan.

In the submitted 2016 government budget proposal, PhP24 billion is the targeted additional budget infusion for the completion of 1,200 km in high-priority sections of on-going tourism projects. Major completed and on-going projects include the 6-km 2 lane tunnel road "Ternate-Nasugbu Road" which connects the coastal towns of Ternate, Cavite and Nasugbu, Batangas, the 5.6-km access road to the Puerto Princesa Underground River, the 44.6-km Taytay-El Nido road in Palawan, the 11-km Ambang Junction National Road to Mt. Pulag in Benguet, 24-km access roads to Donsol Sorsogon, the 41-km Panglao Island Circumferential Road, as well as the 31-km Island Carden City of Samal Circumferential Road.

However, public support alone would be insufficient to improve tourism infrastructure in the country. The involvement of the private sector, through the current Public-Private-Partnership (PPP) program should boost the much needed capital and investment into the system and bring about serious change in the industry. More than 30 of around 56 PPP projects as of September are worth over PhP950 billion in indicative/project cost and are dedicated to infrastructure projects of the Department of Transportation and Communication (DOTC), the DOT and the DPWH.

In summary, tourism in the Philippines is a budding industry but a lagging player in comparison to its regional peers, particularly due to inadequate tourism infrastructure that caps tourist arrivals and revenues. The sustained growth and further development of Philippine tourism, into a more regionally as well as globally competitive industry relies heavily on continued support of the government for on-going infrastructure related projects as well as the start of new ones in tandem with the private sector.