

Initial Public Offering (IPO)

Pacific Online Systems Corp.		Price : P8.88
Shares in Offer	39,800,000	
Primary	11,800,000	
Secondary	28,000,000	
Shares outstanding – post offering	191,050,000	
Authorized capital stock	500,000,000	
Price	P8.88	
Proceeds of offering -Gross	P104,784,000	
Use of proceeds:		
Software:		
EZ2 Software development	P 7.9m	
Power lotto software development	12.5	
Back-up data ctr. & leasehold improvements	21.0	
Equipment:	50.4	
Add'l investment for roll-out of Keno projects	8.0	
	P99.8m	
Minimum subscription	1,000 offer shares, add'l subscriptions in multiples of 1,000 offer shares	
Timetable of offer :		
Start of offer – March 28, 2007		
End of offer -- April 3, 2007		
Tentative listing date – April 12, 2007		

Investment Highlights:

- The company operates on an Equipment Lease Agreement (ELA) with the Philippine Charity Sweepstakes Office (PCSO), the lone authorized gaming company of the government for the Visayas and Mindanao areas. The company has a long-term contract on its ELA which will expire on March 31, 2013 and renewable.
- The area covered by the Equipment Lease Agreement with the PCSO encompasses 61 cities and 853 municipalities in the VisMin regions, including the provinces of Palawan Masbate Romblon. As of end-2006, total terminal deployment covered 56 cities and 276 municipalities.
- It is in partnership with two global lottery systems suppliers (which shares 1.25% in the company's sales): Scientific Games (based Georgia, USA and the biggest in the US) which is a global marketing and technology leader in lottery and Intralot which has interest in Taiwan, South Africa and the US. Term of the contracts with suppliers is co-terminus with the contract of the ELA.
- Penetration rate on the areas covered by the ELA is at 34% with a lowest penetration rate of less than 1% (in the NCR region) and a high of 54% .
- The company expects to generate a net income of P170.7m in 2007 from P50.5m in 2006 (after an extraordinary expense related to the write-off of equipment when the company changed systems to a more flexible and updated one) and P279.3m in 2005. This yields a PER ratio of 9.9x for 2007 from 22.2x in 2006 . This compares well with the competitors in the region and the country with PER ranging from 12x to 1100x.

Company Background:

Philippine Online Systems Corp. is engaged in the development, design and management of on-line computer systems, terminals and software for the Philippine gaming industry. It brokers technology from leading global suppliers of integrated gaming systems and leases to the Philippine Charity Sweepstakes Office (PCSO) the on-line lottery equipment and accessories needed for its on-line lottery operations in the VisMin regions under the terms of an eight-year Equipment Lease Agreement (ELA) which was entered into on Nov. 25, 1995. The company also provides the PCSO the necessary technical support through a Maintenance and Repair Agreement (MRA). The ELA which was amended on Feb. 13, 2004, allows the company to deploy a total of 1,800 on-line terminals around its covered regions. General terms of the amended ELA and MRA stipulate a 10% share by the Company of all PCSO sales from the conduct of on-line lottery and digit games in the Vis-Min area and a term of eight (8) years commencing from the date of commercial operations of the company. Commercial operation was defined as not less than 800 terminals. Notwithstanding, the PCSO in mutual agreement with the company agreed to effect commercial operation on April 1, 2005. As of Dec. 31, 2006, the Company had already deployed 980 on-line terminals around the VisMin territory. It was also authorized to expand operations in the Palawan, Masbate, and Romblon (PaMaRo) areas under a second supplier, Intralot Sa. A. Integrated Lottery Systems and Services (Intralot). The area covered by the ELA with the PCSO encompasses 61 cities and 853 municipalities in the Vis Min regions, including the provinces of PaMaRo. As of end 2006, total terminal deployment covered 56 cities and 276 municipalities.

Principals:

Shareholders: Belle Group -30.10% ; Abacus Global Technovisions – 25.80%; Pacific Automated Systems Corp. – 13.97%; Various Minority Investors – 30.13%

Directors: Alfredo B. Benitez, Manue A. Gana, Clarita Zarraga, Tarcisio Medalla, Jerry C. Tiu Willy N. Ocier – Chairman/President; Manuel de Leon – Vice chairman-EVP; Clodoveo G. Nacorda – VP-Marketing/Operations; Rhederick B. Inciong – AVP-Finance; Lamberto V. David-AVP_Computer Operations; Romeo J. Roque- Manager-Communications; Jason Nalupta – Corp. Secretary

Financial Highlights:

Year-ending Dec. 31	2006	2007
Income Statement		
Revenues	471.777	537.551
Operating Expenses	321.812	306.969
EBITDA	145.927	326.767
Net income	50.467	170.665
Balance Sheet Data		
Current Assets	91.987	280.344
Non current Assets	302.894	312.240
Total Assets	394.881	592.584
Total Liabilities	272.905	299.943
Stockholders' Equity	121.976	292.641
Earnings per share	0.40	0.89
Price earnings ratio(PER)	22.2x	9.9x
BV per share	0.97	1.53
Price to BV	9.15	5.80

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