

## Philippine Stock Exchange index (PSEi)

6,230.58

▲ 109.05 PTS.

▲ 1.78%

THURSDAY, OCTOBER 27, 2022

BusinessWorld

## PSEi MEMBER STOCKS

<b>AC</b> Ayala Corp. P670.00 +P20.00 +3.08%	<b>ACEN</b> ACEN Corp. P6.16 +P0.01 +0.16%	<b>AEV</b> Aboitiz Equity Ventures, Inc. P57.45 +P0.20 +0.35%	<b>AGI</b> Alliance Global Group, Inc. P9.00 +P0.15 +1.69%	<b>ALI</b> Ayala Land, Inc. P26.40 -P0.20 -0.75%	<b>AP</b> Aboitiz Power Corp. P31.80 -P0.10 -0.31%	<b>BDO</b> BDO Unibank, Inc. P127.00 +P3.20 +2.58%	<b>BPI</b> Bank of the Philippine Islands P94.30 +P1.05 +1.13%	<b>CNVRG</b> Converge ICT Solutions, Inc. P12.70 +P0.04 +0.32%	<b>EMI</b> Emperador, Inc. P19.52 +P0.26 +1.35%
<b>GLO</b> Globe Telecom, Inc. P2,320.00 +P10.00 +0.43%	<b>GTCAP</b> GT Capital Holdings, Inc. P414.00 +P5.00 +1.22%	<b>ICT</b> International Container Terminal Services, Inc. P177.50 +P5.80 +3.38%	<b>JFC</b> Jollibee Foods Corp. P232.00 +P3.00 +1.31%	<b>JGS</b> JG Summit Holdings, Inc. P45.90 +P1.50 +3.38%	<b>LGT</b> LT Group, Inc. P8.07 ---	<b>MBT</b> Metropolitan Bank & Trust Co. P51.95 +P0.75 +1.46%	<b>MEG</b> Megaworld Corp. P2.09 +P0.03 +1.46%	<b>MER</b> Manila Electric Co. P297.00 +P1.00 0.34%	<b>MONDE</b> Monde Nissin Corp. P12.50 +P0.72 +6.11%
<b>MPI</b> Metro Pacific Investments Corp. P3.68 +P0.08 +2.22%	<b>PGOLD</b> Puregold Price Club, Inc. P30.50 +P0.40 +1.33%	<b>RLC</b> Robinsons Land Corp. P14.70 -P0.30 -2.00%	<b>SCC</b> Semirara Mining and Power Corp. P37.15 +P0.05 +0.13%	<b>SM</b> SM Investments Corp. P830.00 +P30.50 +3.81%	<b>SMC</b> San Miguel Corp. P98.45 ---	<b>SMPH</b> SM Prime Holdings, Inc. P32.45 -P0.30 -0.92%	<b>TEL</b> PLDT, Inc. P1,618.00 +P33.00 +2.08%	<b>URC</b> Universal Robina Corp. P122.00 +P5.90 +5.08%	<b>WLCON</b> Wilcon Depot, Inc. P29.00 +P0.40 +1.40%

## Meralco, Terra Solar ink 850-MW power supply deal

MANILA Electric Co. (Meralco) has agreed to source renewable energy for 20 years from Terra Solar Philippines, Inc. for its 850-megawatt (MW) mid-merit requirement starting next year.

In a media release on Thursday, Meralco said the power supply agreement (PSA) calls for the delivery by Terra Solar of 600 MW by Feb. 26, 2026. An additional 250 MW will be supplied starting on Feb. 26, 2027.

The power supply will be at a headline and levelized cost of electricity rate of P5.80 per kilowatt-hour, which the power distributor said was “based on assumptions at the time when the competitive challenge for the unsolicited proposal was launched.”

“The rate for this renewable energy supply offer is very competitive and lower than fossil-powered generation plants, especially at this time when fuel prices are skyrocketing,” Jose Ronald V. Valles, Meralco’s first vice-president and head of its regulatory management.

Mr. Valles described the supply deal as “strategic” as it ensures the availability of power for its customers.

In a separate press release, Enrique K. Razon, Jr., chairman of Prime Infrastructure Holdings, Inc. said: “This contract with Meralco is our response to help meet the increasing demand for power through a more cost-efficient and sustainable manner.”

Terra Solar is a unit of Terra Renewables Holdings, Inc., the renewable

Mr. Razon noted that Terra Renewables will continue its investments in renewable energy infrastructure to help create long-term economic, environmental and social values.

Terra Renewables President and Chief Executive Officer Guillaume Lucci said that Prime Infra and its partners target to invest about P200 billion into developing Terra Solar.

“We are proud to develop this innovative, solar PV (photovoltaic)-plus-storage project that will contribute significantly to the share

of renewable energy in the power generation mix. We are on track in the project development stage and target to provide stable mid-merit power supply to Meralco starting 2026,” Mr. Lucci said.

Mid-merit power supply fills the gap between baseload power, which is needed for continuous operation, and peak power, or the electricity required when demand is at its highest.

Terra Renewables said the 850-MW mid-merit supply can energize 1.55 million houses per year. The power source is a combination of a 2,500 to 3,500 MW solar PV system plus a 4,000 to 4,500 MW-hour energy storage.

Mr. Valles said the PSA also forms part of Meralco’s compliance with the Department of Energy’s renewable portfolio standards (RPS) policy “and at the same time cements our commitment to source up to 1,500 MW of our power requirements from renewable energy.”

The RPS program requires power distribution utilities to source or produce a fraction of

their requirements from eligible renewable energy resources.

The agreement between the two companies will be filed with the Energy Regulatory Commission and will be subject to regulatory proceedings and approval before implementation.

Earlier this year, Meralco’s third-party bids and awards committee, held two rounds of competitive selection process (CSP) to challenge Terra Solar’s unsolicited proposal.

Both rounds failed due to a lack of challengers, prompting Meralco’s direct negotiation for its capacity requirement as called for by the rules on CSP, the mandated open and transparent manner in arriving at the least cost of electricity.

Meralco’s controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc. Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary Media-Quest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Ashley Erika O. Jose**

## Business leaders urged to prioritize digital transformation efforts

THE PLDT group on Thursday urged business leaders across industries to prioritize digital transformation efforts to keep businesses relevant and resilient.

“Digital transformation goes beyond acquiring technology. It requires reshaping the culture, practices, principles and outlook of businesses,” PLDT and Smart Communications, Inc. President and Chief Executive Officer Alfredo S. Panlilio said during the Philippine Digital Convention 2022.

“The key to fulfilling and sustaining the gains of transformation rests on the hands of business leaders. I can say this from personal experience, as we ourselves are undergoing a transformation within the PLDT group,” he added.

Digital transformation is one of the primary goals of the current administration. Government leaders have said that this will require collaboration between the public and private sectors.

For instance, President Ferdinand R. Marcos, Jr. wants the national ID to be used next year. In his first address to the nation, he said the national ID “will play an important part in [the country’s] digital transformation.”

ePLDT President and Chief Executive Officer Viboy S. Genuino said that the company “also shares the government’s vision for the Philippines to position itself as a preferred regional hyperscaler hub.” — **Arjay L. Balinbin**

## FULL STORY



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Fitch,  
from SI/1

“The central bank has been focused on the second-round effects of imported inflation and exchange-rate depreciation... We think its inflation-targeting framework remains credible and we expect rates to rise further, potentially beyond our assumption of 5.25% by end-2022, if domestic inflationary pressure continues to build,” Fitch said.

The BSP has hiked interest rates by a total of 225 basis points (bps) so far since May, bringing the benchmark policy rate to 4.25% to tame inflation and slow the peso’s decline.

The peso finished trading at P58.22 per dollar on Thursday, gaining 22 centavos from its previous close, Bankers Association of the Philippines data showed. Year to date, the peso has weakened by P7.22 or 12.4% from its Dec. 31 close of P51.

Fitch said the Philippines’ current account deficit is expected to widen to 5% of GDP this year, from 1.5% last year due to higher commodity imports and strong demand.

“The (current account deficits) have put pressure on foreign-exchange reserves, although we expect ample reserve coverage at about six months of current external payments. The country’s net external creditor position is likely to remain somewhat stronger than the ‘BBB’ median,” Fitch said.

BSP data showed that the Philippines’ gross international reserves (GIR) stood at \$95 billion at end-September, from \$97.4 billion as of end-August.

## DEBT

Fitch said the Philippines’ debt, projected at 56% of GDP, is “broadly in line with the current ‘BBB’ median, but the (general government) debt/revenue ratio (275%) and the interest payment/revenue ratio (10%) are higher than ‘BBB’ category peers’ due to relatively weak revenue mobilization.”

On the other hand, the central government’s debt-to-GDP ratio

is seen at 64% by end-2022, before going down to 60% in 2024, Fitch said.

As of the second quarter, the debt-to-GDP ratio stood at 62.1%, lower than 63.5% ratio as of end-March. This exceeded the 60% threshold considered manageable by multilateral lenders for developing economies.

According to Fitch, risks that could lead to a credit rating downgrade include reduced confidence in returning to strong medium-term growth and the failure to cut the debt-to-GDP ratio.

The credit rating could be upgraded if there is sustained reduction in debt-to-GDP and debt-to-revenue ratios “due to reforms to broaden the revenue base or gains in spending efficiency that do not undermine the growth outlook.”

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said Fitch continues to keep an eye on the country’s relatively high debt levels, but gave the new administration more time “to get their fiscal house in order.”

“The free pass has been handed out for this round but for how much longer will Fitch look past the higher debt-to-GDP levels is the big question we’ll need to answer in the coming months,” Mr. Mapa said in an e-mail. “We’ve sidestepped a downgrade this time so we’ll need to double our efforts to bolster growth and improve collections.”

UnionBank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said current credit rating is “accurate and representative of the Philippines’ economic situation.”

“Everything seems to be holding up despite of the continuing risks to economic growth prospects. We may see a growth slowdown in the next 12 months, but we expect economic activity to continue acceptable and decent growth,” Mr. Asuncion said.

Third-quarter GDP data is set to be released on Nov. 10. — **Keisha B. Ta-asan**

‘Hot money,’  
from SI/1

Most of the investments went into Philippine Stock Exchange-listed securities of companies involved in energy, property, banks, and food. The rest were invested in peso government securities.

Meanwhile, gross outflows rose by 3.8% to \$1.26 billion in September from \$1.21 billion a year ago.

For the nine months to September, BSP-registered foreign investments yielded a net inflow of \$222 million, a turnaround from the \$495-million net outflows in the same period last year.

“Aside from this, in periods of high interest rates, stock markets generally go down,” Ms. Velasquez said. “Hence, we also see some outflow as the local bourse continues to weaken.”

Asian Institute of Management economist John Paolo R. Rivera said high inflation and the weak peso may have been factors why investors fled in September.

“The peso is weak... Inflation is also a consideration. Cost of doing business is relatively higher now with a weaker purchasing power for consumers. Hot money will improve as soon as economic fundamentals improve

The local unit closed at P58.625 against the US dollar on Sept. 30. Month on month, the peso has weakened by P2.48 or 4.23% from its Aug. 31 close of P56.145. — **Keisha B. Ta-asan**

Borrowing,  
from SI/1

A trader said that next month’s borrowing plan was “nothing out of the ordinary.”

“We have seen the volume and frequency hover around those levels this year, but uncertainties remain as to how high the yield premium will investors ask for, and if the government will be able to absorb these foreseen elevated yields in the month ahead,” the trader said in a text message.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said this is consistent with the government’s preference for more local borrowings in the overall borrowing mix.

“The higher borrowings programmed may be due to the rejections in some government securities auctions in recent weeks,” he said in a text message.

In October, the government raised just P10.624 billion in T-bills, as half of the auctions resulted in full rejections while the rest was partially awarded.

At the same time, only P108.114 billion was raised via T-bonds against the initial P140-billion program, as only one out of the four auctions were fully awarded.

The trader said sentiment on local bonds this month “somewhat improved” as market participants digested implications of aggressive rate hikes made by the US Federal Reserve.

“The prospect for higher interest rates in November is still there given that the Fed and the Bangko Sentral ng Pilipinas are both expected to continue to hike aggressively,” the trader added.

Food,  
from SI/1

“Perhaps I was quite ambitious, but I approached all the well-known malls in Manila only to be rejected,” Ms. De Ocampo said. She eventually found an unassuming location at a new office building in then up-and-coming Bonifacio Global City, which still stands today as the company’s flagship branch.

“It was not easy being a new player in the competitive restaurant scene. Our first few days were met with empty tables, and we couldn’t help but wonder if we had just made the biggest financial mistake of our lives,” she recalled. Slowly, word-of-mouth spread, and the single corner bakery has since evolved into one of the most successful and acclaimed restaurant groups in Metro Manila.

Ms. De Ocampo’s entrepreneurial approach is one of fearlessness tempered with keen intuition, intuitively knowing what’s best for the business and doing everything in her power to make it a reality.

Wildflour became a household name in 2013 as one of the first to recreate the cronut (croissant-donut) sensation outside of the United States (gaining attention from international media like CNN and the *Wall Street Journal*, and with lines snaking around the block that forced a strict two-orders-per-person policy). Yet Ms. De Ocampo fearlessly decided to stop selling this star product one year into the peak of its popularity as she didn’t want Wildflour to be a one-trick pony when it has a long list of offerings yet to be enjoyed by many. This gutsy move paid off and 10 years later, Wildflour and its brands continue to delight discerning palates.

Ms. De Ocampo’s leadership and Wildflour’s ability to meet challenges were tested during the pandemic. The company learned to venture out of its comfort zone and meet customers at their homes, developing its Wildflour To-Go in-house delivery arm, its retail line The Wildflour Pantry, and its cloud kitchen concepts Wildflour Pizza, Wildflour Rotisserie Chicken, Wildflour Burger, and Wildflour breakfast, lunch, and dinner trays.

Understanding the need for flexibility and agility, Ms. De Ocampo rapidly transformed the business in this direction by expanding the team, enhancing e-commerce platforms, investing in packaging, and strengthening ties with delivery partners.

Her drive for excellence means that all business decisions are backed by data. “We’re big into analytics,” said Ms. De Ocampo, who relies on a team of industrial engineers tasked to do analytics for the cost driving part of the business. As a businesswoman, she is not afraid to ask for help. She would, in fact, request for the support in areas she admits she has very little experience in, like asking her husband to assist her in finance and accounting.

Wildflour is poised to sustain its growth in the years to come. The group has its sights set on further expanding its footprint, first by reaching every corner of Metro Manila through strategic new restaurant and cloud kitchen concepts in the most prime locations, and efficient long-distance delivery operations across multiple channels. It also aims to widen its customer base beyond the capital region and venturing overseas in the near future.

Wildflour has amassed a roster of successful concepts, including its homegrown restaurant brands — Wildflour Café + Bakery, Pharmacy Ice Cream & Soda Fountain, Wild Flour Italian, Little Flour Café, Hotel Bar, and the only international franchise of US-based Pink’s Hotdogs. The company currently has a total of 15 stores (eight Wildflours, three Little Flours, two Pink’s, one Wild Flour Italian, one Pharmacy Ice Cream), with three additional stores being built and more being planned which will bring the total to at least 18 stores within the next two quarters.

Hard work coupled with grit and the passion for unwavering excellence has resulted in numerous awards for Wildflour: *Tatler’s* 20 Best Restaurants from 2015-2022, *Tatler’s* 14 Most Resilient Restaurants 2022, *Esquire’s* Restaurant Group of the Year 2014 and 50 Top Pizza’s 38<sup>th</sup> Best Pizza Restaurant in Asia-Pacific 2022 (Wild Flour Italian).

Ms. De Ocampo has also received the following awards: GoNegosyo Inspiring Filipina Entrepreneur Award 2018, *Tatler Asia’s* Most Influential 2021, *Tatler’s* Restaurateur of the Year 2022, *Lifestyle Asia’s* List of 50 People that Persevered Amidst Adversity During the Pandemic and ASEAN Women Entrepreneur (AWEN) Awards 2022 as one of seven awardees from the Philippines.

Ms. De Ocampo originally wanted to put up a simple café, but the vision has grown alongside Wildflour’s success — to operate a proudly Filipino homegrown food business of world-class quality and worldwide renown that provides an unparalleled experience to each and every guest. To aspiring entrepreneurs, she advises: “Be passionate. Let your passion lead you to success.”

The media sponsors of the *Entrepreneur of the Year Philippines 2022* are BusinessWorld and the ABS-CBN News Channel. Gold Sponsors are Steel-Asia Manufacturing Corp., Uratex, and Navegar. Silver Sponsors are Intellicare, OneWorld Alliance Logistics Corp., and Regan Industrial Sales, Inc.

The winners of the *Entrepreneur of the Year Philippines 2022* will be announced on Nov. 21 in an awards banquet at the Grand Hyatt Manila. The winner will represent the country in the *World Entrepreneur of the Year 2023* in Monte Carlo, Monaco in June 2023. The *Entrepreneur of the Year* program is produced globally by Ernst & Young (EY).