COVID-19 recession hints at losses to come for top firms

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Whatever rosy growth prospects companies may have had for 2020 were quickly thrown out the window when the threat of the coronavirus disease 2019 (COVID-19) pandemic became apparent.

Prior to the COVID-19 pandemic, it appeared to be another growth year for firms, and for good reason. The consolidated financial statements of the country's top 200 firms showed a combined gross revenue of P11.25 trillion in 2019. This was 7.5% higher than in 2018 as well as last year's 6.9% gross domestic product (GDP) growth based on current prices. Meanwhile, aggregate net incomes amounted to P1.24 trillion last year, up 11.3% compared with the previous year.

This may not be the case for 2020, analysts said, as even the country's largest corporations were not spared from the effects of the lockdowns implemented to contain the spread of COVID-19.

As of November, COVID-19 has sickened more than 50 million and claiming more than one-and-a-half million lives worldwide. This led governments to impose stringent and prolonged lockdowns that brought global economic activity to a near standstill.

The Philippines was no exception with the emerging economy now having entered recession territory for the first time in nearly three decades. As of the third quarter, the Philippine economy shrank by 10%, a reversal from the 5.8% expansion in the comparable period in 2019.

"Profitability might remain anemic for this year," said Regina Capital Development Corp. Head of Sales Luis A. Limlingan in an e-mail.

"The performance of these companies [this year] would heavily rely on how diversified their portfolios are, and how much exposure they have on less-resilient sectors," he added.

In a separate e-mail, China Bank Securities Corp. Research Director Rastine Mackie D. Mercado expects corporates to display "higher percentage declines in revenues" for fiscal year 2020 compared with the expected economic performance during the period as these firms have "significant exposures to heavily affected sectors."

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"[In the nine months to 2020], the top 10 conglomerates saw an average year-over-year decline in revenues of 25.6%. Assuming that these companies manage to sustain the same level of revenues they had in the fourth quarter of 2019 in the same three months in 2020, the pace of decline will still remain at an average of around 18.7% year on year for this fiscal year," he explained.

Citing the performance of 30 listed firms in the Philippine Stock Exchange index (PSEi), Philippine National Bank Head of Research Alvin Joseph A. Arogo said most of these companies saw a plunge in profitability for the first months of this year with the exception of those in telecommunications and consumer staples.

"Therefore, companies that derive substantial revenues from these two sectors might see an improvement in ranking," he said.

While financial data provided in this publication do not yet reflect the impact of COVID-19, one would already have an idea on how these firms may have performed in the so-called "new normal" by looking at the quarterly reports submitted by listed firms to the Philippine Stock Exchange.