

OUTLIER

SM Prime's REIT listing revival piques investors

SM PRIME Holdings, Inc. (SMPH) was one of the most actively traded stocks in the local bourse last week amid news of the possible comeback of its real estate investment trust (REIT) initial public offering (IPO).

The Sy-led property firm was the sixth actively traded stock last week in terms of value turnover, with 19.02 million shares worth P699.53 million exchanging hands from Feb. 20 to 23, data from the Philippine Stock Exchange show.

Financial markets were closed on Friday to commemorate the 37th anniversary of the EDSA "People Power" revolution.

SM Prime's share price closed at P36.35 apiece on Thursday, down 1.8% from its closing price on Feb. 17. For the year, the stock went up by 2.4%.

Globalinks Securities and Stocks, Inc. Head of Electronic Trading Mark Crismon V. Santarina said investors found the news of the firm's IPO REIT revival attractive.

"The upcoming SM [Prime] REIT listing is generating significant buzz in the Philippine stock market. As one of the largest REIT listings in the market, it presents an attractive opportunity for investors seeking exposure to real estate assets," Mr. Santarina said.

If it pushes through, the IPO is said to raise \$1 billion, possibly the biggest listing in the local bourse.

"The listing is expected to generate substantial market activity and could have a positive impact on the broader market sentiment. As such, investors are eagerly anticipating the listing's debut and closely monitoring any developments," Mr. Santarina said.

Further, the company's 2022 earnings report was deemed "positive" by the firm.

SM Prime's consolidated income jumped 38.1% year on year to P30.1 billion last year, driven by the continued collection of full mall rental fees.

SM Prime President Jeffrey C. Lim said in the press release that 2022 ended on a "positive note," mainly due to better consumer spending in the last three months of the year.

Consolidated revenues went up 28.6% to P105.8 billion from P82.3 billion in the previous year. The report said a chunk of the revenues was from the mall business at P49.8 billion versus P24.1 billion in 2021.

"SM Prime has benefited from the reopening of the Philippine economy, which has resulted in better earnings. However, despite this positive development, the stock is currently experiencing a neutral sentiment among investors due to the high inflation in the country," Mr. Santarina said.

He expects SM Prime to generate P5.5 billion in the first three months of the year. While for 2023, he projects the property developer to post P38.7 billion, or about 29% higher than last year.

But economic factors could dampen sentiments toward the property company in the near term, he said.

"Inflation continues to be a significant factor in the Philippine market, which could impact SM Prime's earnings and the broader market sentiment. Investors should keep an eye on the latest economic data, including inflation rates, to assess the potential impact," Mr. Santarina said.

Despite this, he still sees the stock as an "attractive investment option" because of the company's strong fundamentals.

"While SMPH may experience a period of sideways trading in the short term, my long-term outlook for the stock remains bullish," he added, referring to the company's ticker symbol.

Mr. Santarina sees the stock's support level at P35 and resistance at P39. — **Ana Olivia A. Tirona**

Ayala Land aims to raise P60B via bond offering, bank loans

AYALA LAND, Inc. (AL) is targeting to raise P60 billion this year through a bond offering and bank loans, its finance chief said, citing plans aimed at lowering the property developer's financing costs.

"It's gonna be a very busy year for us," said Augusto Cesar D. Bengzon, the company's chief finance officer, in an interview last week. "Approximately the number [that we will] raise is P60 billion."

"P22 billion is incremental financing, P18 to P22 billion for maturities, which we will refinance, and there's another P20 billion that is a little bit opportunistic, but we think we're going to do it," he said, citing a "term out"

of short-term debt and a call on an outstanding bond.

"It looks like the terms that we could get will allow us to achieve lower costs," he added.

Mr. Bengzon explained that the company plans to raise the funds through a P22-billion bond offering and through sourcing the balance from banks.

"So roughly P22 billion is going to be through a bond offering. We are already in talks with seven joint lead underwriters," Mr. Bengzon said.

"The pricing and listing [will be] sometime in maybe mid-April to mid-May," he added.

According to Mr. Bengzon, the P22 billion will be split be-

tween two tenors: five years and 10 years.

"How much goes to the five years and how much will go to the 10 years is something that we're still discussing with our joint lead underwriters, [and will depend] on the appetite of the market," he said.

The company is looking at coupon rates of anywhere from 6.2% to 6.9% for the five-year and 10-year bonds.

"For the balance of roughly P40 billion, we are already in talks with our creditor banks or relationship banks," said Mr. Bengzon.

"For the balance of bilateral [loans], in our current discussions, we expect those to be priced fairly tightly," he said.

ALI will be closing a 10-year facility for P5 billion, which could carry a 10-year fixed rate, while the balance of bilateral loans is expected to carry tenors between seven and 10 years.

"There's quite a nice window for us to take on long-term fixed-rate debt. And we are following a rule of spreading out our maturities so that there's no single year where we have an excessively large amount that we need to be financed," Mr. Bengzon said.

According to Mr. Bengzon, the company is looking at spreading P25 billion to P30 billion maturities each year. — **Justine Irish D. Tabile**

Meralco moves to secure emergency power supply deal

MANILA ELECTRIC Co. (Meralco) said it is working on securing a power supply contract after its deal with GNPowr Dinginin Ltd. Co. (GNPD) ended on Feb. 25, forcing it to buy from the electricity spot market.

In a Viber message, a representative of Meralco said that it aims to secure another emergency power supply agreement (EPSA). Its previous emergency deal for 300 megawatts (MW) with Aboitiz Power Corp.'s GNPD ran from Feb. 3 to 25. It was the second time that the power distributor forged an EPSA with the power generation company.

Last year, Meralco secured an EPSA with Aboitiz-Power for P5.96 per kilowatt-hour (kWh) from Dec. 15, 2022 until Jan. 25, 2023. Its EPSA with GNPD for most of February was not a fixed-rate contract.

Meralco said that it is in a constant effort to secure contracts to partly cover its 670-MW deal with a unit of SMC Global Power Holdings Corp. that remains suspended.

Its move to secure an EPSA came after its power deal with South Premiere Power Corp. (SPPC), the administrator of the gas-fired power plant in Ilijan, Batangas, was subjected to a writ of preliminary injunction issued by the Court of Appeals.

The 670-MW capacity is supposed to be covered by Meralco's power supply agreement (PSA) with SPPC, which was agreed upon in 2019 for a period of 10 years at P4.2455 per kWh. However, the deal was indefinitely suspended after the injunction issued by the appellate court in January.

Last year, SMC Global Power sought a temporary rate increase, jointly filed with Meralco, saying that

SPPC and another unit San Miguel Energy Corp. incurred a combined loss of P15 billion. The rate increase was meant to recover part or P5 billion of the units' losses.

The company cited a "change in circumstance" when surging fuel costs breached the price range contemplated during the execution of the contracts with Meralco. However, the Energy Regulatory Commission denied the petition, saying this had no basis as the PSA is a fixed-rate contract.

The power distributor earlier said that it maintains its position that preserving the PSA is in the best interest of its consumers as this would protect them from potentially higher electricity rates.

Meanwhile, grid operator National Grid Corp. of the Philippines (NGCP) has warned of a thin power supply this summer due to increasing demand this year.

The Department of Energy (DoE) has earlier projected that the Luzon power grid is likely to experience deficient reserves, which may result in 12 yellow alerts, a warning on thinning power buffers.

The DoE said that the Luzon grid is expected to experience a peak demand of 13,125 MW in May.

For the Visayas power grid, peak demand is seen at 2,691 MW in September, and for the Mindanao power grid, the peak is expected at 2,395 MW in June.

"Thin operating margins (power in excess of demand) from where ancillary services (power used to manage and balance the grid) are taken, are forecasted for this year," NGCP said in a media release.

For the Luzon power grid, the power transmission operator said that the months of April to June are expected to experience thin operating margins. A surge in power demand is expected to happen in summer due to higher temperatures.

"While base case projections show no occurrence of yellow or red alerts, there are weeks between March and April where operating margins are below required levels due to higher demand and planned outages of plants," NGCP said.

"NGCP coordinates with the generation and distribution sectors to optimize and rationalize maintenance schedules to ensure sufficiency, at least on paper, of power supply throughout the year," it added.

NGCP noted that unplanned shutdowns outside the grid operating and maintenance program might have an impact on the supply-demand situation.

The grid operator has asked policy makers to explore demand-side management to prevent threats of power shortages.

The DoE has earlier said that red alerts that lead to rotating brownouts are unlikely to happen unless a power plant with a capacity of about 100-200 MW would experience a forced outage.

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

Banks, from S1/1

Foreclosed real and other properties as a share of the big banks' total assets steadied to 0.28% quarter on quarter, but higher than 0.25% in the final three months of 2021.

Meanwhile, total loan loss reserves inched up 0.34% quarter on quarter to P382.54 billion in the fourth quarter. On an annual basis, this was 12.10% higher than P341.23 billion in the fourth quarter of 2021.

Big banks' median capital adequacy ratio — the ability to absorb losses from risk-weighted assets — stood at 17.97%, lower than the 19.60% in the third quarter and 21.30% year on year. This was still above the minimum of 10% set by the Bangko Sentral ng Pilipinas as well as the international minimum standard of 8% under the Basel III framework.

Profitability as the median return on equity (RoE) slightly eased to 6.36% from the preceding quarter's 6.42%, but still higher than the RoE of 3.11% in the fourth quarter of 2021.

The RoE ratio measures the amount that shareholders make on every peso they invest in a firm, and is calculated by dividing the net profit to average capital. It also measures how well a firm makes use of the money from shareholders to generate income.

Indian, from S1/1

"We are actively scouting for acquisition or partnering opportunities which will enable us to bring more of our technology and service offerings to the Philippines," Mr. Chadha said.

He identified five sectors as priorities: travel, transportation, hospitality, and logistics; retail, with focus on e-commerce; education; life sciences and healthcare; and financial technology.

"We intend to grow our base and set up more tech-enabled centers across the country by reaching out to second-tier (larger) cities and provinces," he said. "Some of these show high, untapped potential when it comes to opportunities for CX (customer experience) transformation."

For multinational IT services and consulting company HCL Technologies Limited Country Manager Sourabh Jha, the Philippines is a "strategic location" for its services.

"We wish to provide services to all modern emerging technology clusters like workplace engineering; unified communication and collaboration; and unified messaging and collaboration," he said, citing as examples Microsoft Teams, Amazon Connect, Google Workplace, among others.

Mr. Jha said HCLTech is looking to further expand in the country.

"An already identified location is Bacolod and (it) will have a center in next quarter. We have recently invested in a new site in Manila," he said.

BDO Unibank, Inc. (BDO) remained the largest bank in terms of assets with P4.01 trillion as of the fourth quarter. State-owned Land Bank of the Philippines (LANDBANK) came in at second with P3.16 trillion, while Metropolitan Bank & Trust Co. (Metrobank) ranked third with P2.92 trillion.

The Sy-led bank was also the top bank in terms of loans issued with P2.53 trillion, followed by Bank of the Philippine Islands (BPI)'s P1.69 trillion and Metrobank's P1.39 trillion.

Among banks with assets of at least P100 billion, Union Bank of the Philippines (UnionBank) posted the fastest year-on-year asset growth of 31.13%, followed by China Banking Corp. (27.94%), and Security Bank Corp. (25.46%).

Hongkong and Shanghai Banking Corp. Ltd. saw the quickest loan growth, with a year-on-year expansion of 70.78%, followed by Bank of Commerce (42.64%) and UnionBank (42.52%).

BDO had the most deposits with P3.22 trillion, followed by LANDBANK with P2.78 trillion and Metrobank with P2.22 trillion.

BusinessWorld Research has been tracking the financial performance of the country's big banks on a quarterly basis since the late 1980s using banks' published statements.

The full version of *BusinessWorld*'s quarterly banking report will soon be available for download on <https://bwworld-x.com/product-category/bw-in-depth-banking-report/>.

HCLTech is also in talks with universities to provide training support in order to bridge the gap between education and the industry's requirements.

"We plan to create 2,000 IT jobs this year in digital workplace space alone," Mr. Jha said. "Our aim is to move the Philippines job landscape beyond call centers and make this country skilled with more IT related jobs."

Meanwhile, Advanta Seeds Philippines and North East Asia Business Lead Siraj Ahemad said the global seed company is looking to expand operational areas in the Philippines and increase manpower.

"This year we are planning to expand our operational areas, especially on the southern part of Luzon, Visayas and the Mindanao area in which we have minimal operation and manpower," Mr. Ahemad told *BusinessWorld* in a WhatsApp message.

At present, Advanta Seeds has 53 active direct distributors and 35 employees.

"We are planning to appoint more distributors to serve more dealers or financiers and more farmers to experience growing our products," he added, noting the need to standardize operations.

Mr. Ahemad said the company's main interest is "to serve smallholder farmers by providing them quality seeds and services that will help improve their lives."

BusinessWorld insights
presented by
ROBINSONS LAND CORPORATION

THE CURRENT PULSE OF THE
PHILIPPINE STOCK MARKET

February 28, 2023 | Tuesday | 2 p.m.
Ballroom B, Sheraton Manila Hotel, Pasay City

 MICHAEL GERARD D. ENRIQUEZ PRESIDENT & CHIEF INVESTMENT OFFICER SUN LIFE INVESTMENT MANAGEMENT AND TRUST CORP. SPEAKER	 APRIL LYNN LEE-TAN VICE PRESIDENT & CHIEF FINANCIAL OFFICER COL FINANCIAL GROUP, INC. SPEAKER	 LUIS GERARDO A. LIMLINGAN MANAGING DIRECTOR REGINA CAPITAL DEVELOPMENT CORP. PRESIDENT/CEO SPEAKER*	 JONG LAYUG VICE PRESIDENT & HEAD OF WEALTH MANAGEMENT UCASH SPEAKER	 DANIE P. LAUREL NEWS ANCHOR ONE NEWS MODERATOR
--	---	--	---	--

Will it be bull or bear in 2023?
Take a closer look into the Philippine stock market and gain insights on strengthening your portfolio and growing your wealth.

Sponsored by **Globe**

Partner Organizations:

Media Partner:

Scan & Register to secure your seat!