

OUTLIER

Meralco stock jumps on earnings, supply talks

By Abigail Marie P. Yraola
Researcher

SHARES in Manila Electric Co. (Meralco) moved upward last week as investors bought on its pre-pandemic-beating income report and news about negotiations with Aboitiz Power Corp. for a lower rate under another emergency power supply agreement (EPSA).

Data from the Philippine Stock Exchange showed Meralco ranking sixth in value turnover with P2.01 billion worth of 6.35 million shares changing hands from Feb. 27 to March 3.

Meralco shares finished at P315 apiece on Friday. On a weekly basis, the stock inched up by 1.9% from its P309.20 close on Feb. 23. For the year, the stock has grown by 5.4%.

Andrei Jorge G. Soriano, a research associate at China Bank Securities Corp., attributed the stock's movement to its earnings report, which was released on Monday last week.

"Strong performance was driven by higher energy sales as volumes grew 6%," he said in an e-mail, citing a sustained economic reopening such as the resumption of face-to-face learning and business activities, as well as better income contributions from its power generation business.

Mr. Soriano added that the price action in Meralco could have been influenced by flows related to the MSCI rebalancing, which concluded on Tuesday.

In a separate e-mail, Joylin F. Telagen, research head at IB Gimenez Research Securities, Inc., said that Meralco's "excellent" financial report was also a factor and that price movement was due to traders and investors wanting to have a slice of the P11.028 cash dividend.

"For the year 2022, that will be a total of P16.834 versus the P15.283 in 2021, up by 10.15%," she added.

The company booked a 10.2% increase in its consolidated core net income to P27.11 billion in 2022 compared with P24.61 billion a year earlier as energy sales surpassed pre-pandemic levels.

Energy sales grew by 6% to 48,916 gigawatt-hours (GWh) last year from 46,073 GWh in 2021, driven by sustained growth across all customer segments.

Meralco's reported net income, which is adjusted to exclude one-time charges, grew by 21% to P28.43 billion.

Meanwhile, its consolidated revenues grew by 33.9% to P426.53 billion last year from P318.55 billion a year earlier.

Ms. Telagen estimates Meralco's earnings at P6 billion for the first quarter of 2023 and P29.5 billion for the full year.

For Japhet Louis O. Tantiangco, senior research analyst at Philstocks Financial, Inc., Meralco's net income in the first quarter may increase by

5%-9% based on initial projections while for full-year 2023, it may grow between 12% and 16%.

"These are hinged on the following assumptions: stronger energy sales for the year as the economy continues with its expansion; and improvements in the company's cost efficiency," he said in an e-mail.

Other reports also said that the electricity seller was negotiating for a lower rate with AboitizPower to forge another 300-megawatt EPSA for one month.

The company's previous EPSA with AboitizPower unit GNPower Dinginin Ltd. Co. ran from Feb. 3 to 25. It was their second emergency supply deal to immediately replace a separate stalled agreement.

Earlier last week, Meralco said it was working on securing a power supply contract after its deal with GNPD ended on Feb. 25.

Last year, the company secured an EPSA with AboitizPower for P5.96 per kilowatt-hour from Dec. 15, 2022 until Jan. 25, 2023.

Mr. Soriano said that should the company secure a new EPSA, its impact is more likely on consumers.

"We think that it has minimal impact on MER's profitability given that MER is a distributor, and power costs are generally passed through to consumers," he said, referring to Meralco's ticker symbol.

He added that under a new power supply deal, "rates would likely have a similar fuel pass-through mechanism, especially given the outlook for tighter supply as we head into the summer months."

For Mr. Tantiangco, a new EPSA is deemed beneficial to Meralco as it would somehow help the company in managing its purchased power cost.

Mr. Soriano said investors should consider prospects of continued growth in energy demand as Meralco's management placed energy sales volume in January to be up by 5%.

He also said that Meralco's history of issuing dividends may highlight its position as a defensive stock. "Investors are also likely to closely monitor for developments relating to Meralco's pending rate rebasing."

For Ms. Telagen, Meralco is good to hold in the portfolio of investors looking for a stable and better dividend payout. She pegged the company's support and resistance levels at P309 and P320, respectively.

For Mr. Soriano, support is at P308 while resistance is at P330.

Mr. Tantiangco sees immediate resistance at the P318 level and the next resistance at P329. He expects the support level at the P295-P300 range.

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 MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls.

Meralco chairman says plan to go nuclear may take 10 years for PHL

MANILA Electric Co. (Meralco) estimates a timeline of 10 years before nuclear power can be added to the country's energy mix, its chairman said, as he urged the preparation for its inclusion to immediately start.

"I think the best we can do for the moment is take a vigilant watch on what is happening. We're about five or 10 years away from making a decision. Is the country ready for it? I don't think we're ready," Meralco Chairman Manuel V. Pangilinan said during a virtual press briefing last week.

The power distributor earlier said that it was looking at small modular reactors (SMRs) as part of its adoption of emerging technologies.

"But we should prepare for it now by educating our people. I think Meralco is prepared to sponsor Filipinos in that particular area," Mr. Pangilinan said.

In 2022, Meralco said that it was in the process of applying for a grant from the United States to do a feasibility study on introducing nuclear energy in the Philippines.

"But it is very difficult to budget nuclear. For instance, if you're looking at SMRs, the very first of its kind will be delivered only in 2028," said Ray C. Espinosa, Meralco president and chief executive officer.

Meralco is "keenly looking" at how the pilot project of NuScale Power, LLC will proceed, he added.

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SEC issues warning against two entities soliciting investments

THE Securities and Exchange Commission (SEC) advised the public not to put their funds in two investment-taking entities that have not secured the authority to solicit investments.

In separate advisories, the SEC identified the entities as BitPocket and Agri Marine Ventures.

BitPocket, also known as BitPocket Community Wallet, has been offering investment packages starting from \$20 up to \$10,000. It has been promising passive income for investors, with a daily rate of return of 1% to 300% in 30 to 300 days.

Investors may also earn 1% to 10% as incentives for referrals.



TOWFIQU BARBHUIYA / UNSPLASH

Meanwhile, Agri Marine Ventures has been enticing would-be investors online, the SEC said, adding that the entity has been using its Department of Trade

and Industry registration "to put a color of legitimacy as its purported business activity."

The entity is said to be engaged in farming, poultry, piggeries, fish-

eries, and wet markets. It has been offering four investment plans called Farming, Direct Referral Bonus, Unilevel, and Rising Cycle.

Investors, depending on their chosen plan, are supposed to earn either through an initial investment of P500 to P10,000 and above or through direct referrals that earn 10% to 15% of their investments.

The SEC, upon its investigation, found out that the investment-taking entities are not registered as a corporation nor as a partnership. They are also operating without a license to take investments from the public.

— Adrian H. Halili

SEC readies numbering system for all securities

THE Securities and Exchange Commission (SEC) is finalizing a national numbering system that will assign identifiers for corporate and government securities in time for a launch in the first quarter of 2023.

The move is a follow-through of the partnership between the securities regulator and the Association of National Numbering Agencies, an international association that seeks to standardize the financial industry.

In a previous statement, the SEC said the partnership would make the Philippine capital market more accessible and transparent.

Under the partnership, the commission would act as the national numbering agency and be responsible for allocating an entity's International Securities Identification Number (ISIN), Classification of Financial Instruments (CFI), and Financial Instrument Short Name (FISN) codes to all instruments of the market, which includes non-listed companies.

"An ISIN is a 12-digit alphanumeric code that uniquely identifies a financial instrument," the SEC said, while the FISN "is a human-readable identifier that provides essential descriptive information about an instrument."

It described the CFI as a "6-letter code which provides information on the classification and structure of a financial instrument."

Through the SEC's Markets and Securities Regulation Department (MSRD), issuers of securities may be able to request their ISIN, FISN, and CFI codes.

"New securities with Registration Statements filed with the MSRD shall be allocated with securities identifiers once the Registrations Statement is declared effective by the Commission," the SEC said.

The proposed application for ISIN, CFI, and FISN would cost P1,500. — Adrian H. Halili

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