

# Elevated inflation seen to affect telco, ICT companies' earnings

THE PROFITABILITY of telecommunications and information technology (ICT) companies could take a hit from the impact of elevated inflation on consumers' purchasing power and increased competition, analysts said.

Listed telco companies PLDT Inc. and Globe Telecom, Inc. recorded lower results for 2022, while Converge ICT Solutions, Inc. posted a small gain amid a 32% drop in the fourth quarter of 2022.

Other listed ICT companies — DITO CME Holdings Corp. and Philippine Telegraph and Telephone Corp. — have yet to disclose their full year 2022 results.

Analysts expect these firms to be challenged by elevated prices, subscriber identity module (SIM) registration and saturated markets, resulting in a moderate growth outlook for the sector.

"Earnings-wise, the ICT was above expectations at 58%, while the three telcos — Globe, PLDT, and Converge — averaged flat. On-

wards, with the telco industry maturing and with elevated domestic inflation, telcos face tougher competition to gain market share and thus earnings outlook is challenged," First Metro Investment Corp. Head of Research Cristina S. Ulang said in a Viber message.

"ICT will be resilient and remain on the growth path earnings-wise, despite global recession risks given its strategically located businesses worldwide and expansion thrust," Ms. Ulang added.

China Bank Securities Corp. Research Analyst Stephen Gabriel Y. Oliveros likewise said in an e-mail that he expects the telco sector's performance to be "challenged" as high inflation dents consumers' purchasing power.

"For the broadband business, we may see some moderation in growth as sustained data demand from enterprises are met with expectations that the residential postpaid broadband market is nearing saturation," Mr. Oliveros said.

"Meanwhile, we are keeping an eye on the launch of prepaid fiber as this may buoy growth prospects of the residential fixed broadband space," he added.

In March, Converge announced the launch of its prepaid fiber product called Surf2Sawa, which allows subscribers to use unlimited fiber Internet connection at 25 megabytes-per-second speeds for as low as P50 per day or P700 for 30 days.

"As for the legacy wireless business (call and text, mobile data), we think that growth will be driven mainly by mobile data," Mr. Oliveros said.

"Furthermore, we remain on the lookout on how the mandatory SIM registration will impact the growth trajectory over the near term. We think that the SIM registration exercise will allow telcos to better tailor their service offerings to active subscribers, possibly leading to revenue windfall down the line," he said.

Key themes for the industry include companies' deleveraging efforts through capital recycling, such as tower sales, and the "utility maximization" of existing infrastructure assets, Mr. Oliveros added.

In 2022, Pangilinan-led PLDT booked a 60.2% decline in its attributable net income to P10.49 billion from P26.37 billion in 2021. This came amid the 6% increase in its consolidated revenues to P205.25 billion in 2022, from the P193.26 billion it booked a year earlier.

Meanwhile, Ayala-led Globe's core net income was 9.8% lower at P19.17 billion in 2022 from P21.25 billion in 2021 due to a 3.8% rise in its top line to P157.98 billion in 2022 from P152.26 billion a year ago.

Converge was the sole telco company to record income growth in 2022, with a 3.9% rise in its profit to P7.44 billion. Its revenues likewise climbed to P33.7 billion in 2022, up by 27.3% from the P26.48 billion a year earlier. — **Justine Irish D. Tabile**



AIRASIA has paid \$2.1 billion of the coronavirus pandemic refund claims it received since 2020, making up 98.4% of the total.

ISABEL LEE

## AirAsia pays \$2.1B in pandemic refunds

LOW-COST CARRIER AirAsia has paid \$2.1 billion or 98.4% of the refund claims it received since the start of the coronavirus pandemic in March 2020.

"Efforts to settle the remaining balances are ongoing as the airline strives to rebuild its operations back to normalcy," the company said in a statement on Sunday.

The carrier has launched a new refund tracking feature on its Super App and website, which will allow guests to get the detailed status on their refunds. These will be available once guests input the case number of their refunds under the "My Case" tab.

The airline has also rolled out a new live call feature in its application for real-time call assistance, allowing guests to speak directly with a human agent during their Ask Bo Live Chat interaction for immediate resolution of their concerns.

Ask Bo is an AI-powered concierge launched in February this

year for all guests within the Capital A lines of businesses. Capital A Bhd, formerly known as AirAsia Group, is an investment holding company with a portfolio of travel and lifestyle businesses.

"The enhancements introduced are part of an exciting line of features, tools, and applications AirAsia plans to release over time," said Kesavan Sivanandam, chief airport and customer experience officer of AirAsia Aviation Group.

"As for the refund tracking feature, we have made the process easier and more transparent for our guests. We acknowledge that there are guests who are frustrated with the lack of visibility in our refund process. We aim to put our guests at ease and give them peace of mind," he added.

AirAsia said the service will be available in English, Bahasa Melayu, Chinese, Thai, and Bahasa Indonesia with more languages eyed to be added in the future, including Tagalog. — **J.I.D. Tabile**

## MGen eyes to expand renewable energy portfolio

MERALCO POWERGEN Corp. (MGen) is planning to expand its renewable energy (RE) portfolio, with a new project likely to begin construction by the second half of the year.

"We hope we will be able to add. Our target is 1,500 [megawatts] and we expect some major expansion projects in the next six months to a year," Jaime T. Azurin, president and chief executive officer of MGen, told reporters at the sidelines of a March 30 event.

MGen, the power generation arm of listed electric distribution utility Manila Electric Co. (Meralco), is targeting to build 1,500 megawatts (MW) of renewable energy projects by 2030.

"The 1,500 MW, that is attributable, that is operational. We hope we will be able to start construction of the next one by the middle of this year or third quarter. You will hear about us constructing our pipeline projects. So, almost there," he added.

Mr. Azurin did not disclose the capacity of the project they are targeting to start building this year, but added that this "will not be the 50-60 MW but bigger projects."

He said that MGen expects to reach 200 MW of RE capacity by the end of this year.

"After Baras, we will be at 200 MW," Mr. Azurin said, referring to the 75-MW-alternating current (MWac) solar project in Baras,

Rizal, which he said the project is expected to be completed within this month.

"We're already in testing, so it will be commissioned already," he added.

MGen Renewable Energy, Inc. or MGreen, the renewable energy subsidiary of MGen, inaugurated its 68-MWac solar plant with Vena Energy in Ilocos Norte on March 30.

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. — **A.E.O. Jose**

## Hilton Hotels looking to grow Philippine workforce amid easing travel curbs

HILTON HOTELS is looking to grow its workforce in the Philippines as it pursues expansion opportunities in Southeast Asia amid easing travel restrictions.

"The Philippines is no exception. With its vibrant and dynamic cities, rich cultures and friendly people, it has

been and will continue to be a popular travel destination," Hilton Hotels Area Vice-President and Regional Head for Southeast Asia Alexandra Murray told *BusinessWorld* in an e-mail.

"With travel returning at pace across the region, we are continuing to offer

job opportunities at all levels, including in frontline roles such as operations, housekeeping, kitchen, and food & beverage," she added.

One of the environmental, social and governance (ESG) strategies of Hilton is "Travel with Purpose," which aims to

create 5 million career advancement and learning opportunities globally by 2030.

"By 2030, Hilton aims to meaningfully impact 20 million community members through local support, disaster relief, economic opportunities, and more," Ms. Murray said.

One initiative is its "Good Food Farm" project, which aims to create community-organic farms in urban areas. The hotel group also had a soap recycling program by Conrad Manila in partnership with Diversey Philippines and the Philippine Institute for the Deaf. — **Justine Irish D. Tabile**

### OUTLIER

## Monde Nissin's shares drop as it posts P13-billion net loss in 2022

MONDE NISSIN Corp. was one of the most actively traded stocks last week after it reported that it posted a P13-billion net loss in 2022 as its alternative meats unit underperformed.

Data from the Philippine Stock Exchange showed a total of P631.07 million worth of 69.82 million shares were traded from April 3-5, making it the fourth most actively traded stock in the local market last week.

Financial markets were closed on Thursday and Friday in observance of Holy Week.

Shares of the Ang-led food manufacturer company dropped by 6% week on week to P9.22 apiece on Wednesday from its P9.81 finish on March 31. For the year, the stock fell by 16.8%.

"Monde saw its share price tumble mainly due to the lower-than-expected earnings it released... This was mainly attributable to its alternative meat business underperforming," Regina Capital Development Corp. Head of Sales Luis A. Limlingan said in a Viber message on Wednesday.

In a disclosure to the stock exchange on March 30, the food manufacturing giant reported a P13.03-billion net loss in 2022, due to an impairment of intangible assets in its meat business under Marlow Foods. This was a turnaround from the P3.12 billion net income in the previous year.

Henry Soesanto, chief executive of Monde Nissin, said "the impairment was caused by the application of a higher discount rate due to the prevailing higher interest rates and risk premiums, some margin compression, and rationalization of the trend in the meat alternative category."

The recorded nonrecurring net loss of P19.6 billion was mainly attributed to the impairment and restructuring costs of the company's alternative meat business, Quorn and Cauldron, which is owned by Marlow Foods.

The top line of its alternative meat business increased by 1% to P15.4 billion, mainly due to the price increases, strong growth in food service, and market share gain in its United Kingdom retail business.

Meanwhile, Mercantile Securities Corp. Analyst Jeff Radley C. See said in a Viber message that the company's net loss was mainly due to the increased prices of their raw materials, which dealt a blow to its alternative meat business.

Mr. Limlingan said investors should pay attention to the company's alternative meat business and future acquisitions.

Mr. See also cited Monde Nissin's investment in Figaro Coffee as one of the company's moves to expand its business reach. Earlier this year, it acquired a 15% ownership in Figaro Coffee Group amounting to P820.27 million.

Monde Nissin recorded a net loss attributable to parent amounting to P13.02 billion last year, a reversal from the P3.12 billion net income recorded in 2021.

Its revenues, meanwhile, increased by 6.6% to P73.88 billion in 2022 from P69.28 billion in the previous year.

"As the company exhausts the commodities it locked in at high prices, we should expect some improvements in its margins quarter on quarter especially under the company's APAC (Asia-Pacific) business. However, on a year-on-year basis, we are not as optimistic," Mr. Limlingan said.

For this week, Mr. See placed the stock company's support levels at P9.00 and P8.66, while resistance levels are at P9.81 and P1.00.

"We see support levels at 9.00 and resistance at 9.50. However, it is difficult to add a definite support and resistance as there is no historical basis for the prices to settle as shares are at all-time lows," Mr. Limlingan said. — **Mariadel Irish U. Catilogo**

## ARQCapital Partners to invest in more small firms

ARQCAPITAL Partners, Inc. is raising more funds to reach its target to invest about P2.5 billion in 50 "high-growth" medium enterprises in next three years, it said in a statement last week.

"ARQ will continue to respond to the need of SMEs (small and medium-sized enterprises) of appropriate and sustainable capital during their growth phase, ensuring that these value-adding partnerships will help elevate

the financial inclusion of SMEs and push for a sustainable economic growth for the Philippines," ARQCapital Chief Executive Officer and founding partner Edmund M. Solilapsi said.

The company said it will invest about P300 million in residential development company Atharra Group and financial tech (fin-

tech) startup Advance Tech Lending, Inc. through its unit ARQ SME Mezzanine Business Development Co.

ARQ SME Mezzanine was formed by ARQCapital in 2014 to be an SME-focused private mezzanine debt investor.

"ARQ is supporting Atharra and Advance to become significant players in their respective

industries, which is consistent with our goal to invest into promising medium enterprises tracking a path of sustainable growth," Mr. Solilapsi said.

Atharra will use the funds from ARQCapital for two affordable housing projects in Bohol.

The company has built more than 250 residential properties in Baclayon, Bohol and Tagbilaran City under its Atharra Residences unit, with about 490 still under construction. — **A.H. Halili**

### FULL STORY



Read the full story by scanning the QR code or by typing the link [bit.ly/ARQCapital0410](http://bit.ly/ARQCapital0410)

## Tax court denies refund claim of manning agency

THE COURT of Tax Appeals (CTA) has denied BSM Crew Service Centre Philippines' refund claim worth P4.79 million in supposed excess value-added tax (VAT) on zero-rated sales for 2017.

In a 24-page decision on March 29 and made public on March 31, the CTA Special Third Division said the firm did not show why the commissioner of internal revenue (CIR) should not have denied its refund claim.

"When a judicial claim for refund or tax credit in the CTA is an appeal of an unsuccessful administrative claim, the taxpayer has to convince the CTA that the CIR had no reason to deny its claim," Associate Justice Maria Belen M. Ringpis-Liban said in the ruling.

"In sum, the petitioner (BSM Crew Service Centre Philippines) failed to prove that its administrative claim should have been granted in the first place."

The court added the firm failed to establish that its clients were not engaged in trade or business in the Philippines.

"Verily, petitioner fell short in establishing that its sales of services qualify for VAT zero-rating under the National Internal Revenue Code of 1997," the tribunal said.

BSM Crew Service Centre Philippines is a seafarer manning agency based in Manila, Philippines. As of Jan. 3, the agency is managing about 8,397 active seafarers and 503 maritime vessels, according to its website.

Under the country's tax code, zero-rated sales are transactions made by VAT-registered taxpayers with foreign clients not doing business in the Philippines. — **John Victor D. Ordoñez**



## MPIC wins gold at Asia Integrated Reporting Awards

METRO PACIFIC Investments Corp. (MPIC), the country's leading infrastructure investments company, was honored as Asia's Best Integrated Report, bagging the gold award for First Time category at the 8th Asia Integrated Reporting Awards (AIRA), widely considered as the most distinguished accolade for integrated reporting in the region.

In a virtual awards ceremony held on March 30, MPIC was recognized alongside other integrated reporting leaders in Asia, celebrating best practices in integrated reporting and communications. Communicating MPIC's value creation process through its maiden integrated report follows global frameworks and standards that cater to the needs of its investors and shareholders.

"This integrated annual report reflects our dedication to transparency, as well as our efforts to deliver long-term value to all our stakeholders," said MPIC Chairman, President, and CEO Manuel V. Pangilinan. "This recognition from AIRA inspires us to do even more to elevate sustainability practices, which will not only benefit our immediate stakeholders, but also the country-at-large."