Philippine Stock Exchange index (PSEi) 6,507.15 ▼32.21 PTS. ▼0.49%

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PSEi MEMBER STOCKS

AC	Ayala Corp.	P679.50	+P2.50	+0.37%
ACEN	ACEN Corp.	P5.98	-P0.01	-0.17%
AEV	Aboitiz Equity Ventures, Inc.	P55.00	——	
AGI	Alliance Global Group, Inc.	P13.58	-P0.14	-1.02%
ALI	Ayala Land, Inc.	P24.85	-P0.95	-3.68%
AP	Aboitiz Power Corp.	P37.00	——	
BDO	BDO Unibank, Inc.	P140.00	+P2.20	+1.6%
BPI	Bank of the Philippine Islands	P104.30	+P1.30	+1.26%
CNVRG	Converge ICT Solutions, Inc.	P10.82	+P0.12	+1.12%
DMC	DMCI Holdings, Inc.	P9.71	+P0.01	+0.1%
EMI	Emperador, Inc.	P21.30	+P0.10	+0.47%
GLO	Globe Telecom, Inc.	P1,785.00	+P65.00	+3.78%
GTCAP	GT Capital Holdings, Inc.	P500.00	——	
ICT	International Container Terminal Services, Inc.	P198.00	-P3.80	-1.88%
JFC	Jollibee Foods Corp.	P235.60	+P0.20	+0.08%
JGS	JG Summit Holdings, Inc.	P48.20	-P0.40	-0.82%
LTG	LT Group, Inc.	P9.45	-P0.04	-0.42%
MBT	Metropolitan Bank & Trust Co.	P56.05	-P0.15	-0.27%
MER	Manila Electric Co.	P328.00	-P2.60	-0.79%
MONDE	Monde Nissin Corp.	P8.30	+P0.05	+0.61%
MPI	Metro Pacific Investments Corp.	P4.41	-P0.02	-0.45%
PGOLD	Puregold Price Club, Inc.	P30.50	+P0.15	+0.49%
SCC	Semirara Mining and Power Corp.	P28.25	——	
SM	SM Investments Corp.	P910.00	-P14.00	-1.52%
SMC	San Miguel Corp.	P105.60	+P0.60	+0.57%
SMPH	SM Prime Holdings, Inc.	P32.80	-P0.85	-2.53%
TEL	PLDT Inc.	P1,280.00	+P21.00	+1.67%
UBP	Union Bank of the Philippines	P78.30	+P0.20	+0.26%
URC	Universal Robina Corp.	P142.00	-P0.90	-0.63%
WLCON	Wilcon Depot, Inc.	P26.00	——	

Shakey's expects 'healthier' profit, revenue growth

RESTAURANT operator Shakey's Pizza Asia Ventures, Inc. expects a boost in net income and revenues this year as its expanded brand portfolio brings in results, its top official said.

"We definitely see this year to be ending even healthier than last year because of all the initiatives, all of the growth opportunities we have despite the cost headwinds, inflation, and all," said Vicente L. Gregorio, president and chief executive officer of Shakey's.

"I think we have many initiatives in place that would give us very healthy growth," he told *BusinessWorld* on the sidelines of the Franchise Asia Philippines 2023 International Conference last week.

In the first quarter, Shakey's saw its net income rise by 2.6 times to P201 million from P76.23 million in the previous year. Revenues during the quarter reached P3.1 billion, a 94% increase from P1.61 billion a year earlier.

Mr. Gregorio has said that the company is expecting its revenues and profits to increase at least 20% in 2023 after its first-quarter financial performance.

"We're trying to see how to optimize revenue and bottom line all the time so great ideas can come in every time but we're very pleased that it's tracking to the numbers that we said. So, I would say it should continue to track even after [the second quarter]," he said.

Meanwhile, Mr. Gregorio said Shakey's does not have an immediate plan to further expand its portfolio.

"We have our hands full, that's what we always say now. We just acquired the big one, Potato Corner. Compared to pre-pandemic, we have five branches now," he said.

In March last year, Shakey's acquired 100% ownership of PC International Pte. Ltd., a Singaporean corporation that owned and operated the franchise brand Potato Corner.

Shakey's has been building brands as it acquired Peri-Peri Charcoal Chicken and Sauce Bar in 2019 and forged a master franchise agreement for R&B Milk Tea in 2020.

The company also relaunched in 2021 the artisan chain Project Pie, a do-it-yourself pizza place.

"All of them have very good opportunities to grow so we're not actively searching but we remain always on the lookout and open for opportunistic moves if *meron pero* (there are, but) right now, with the current brands, *bugbog na* (we have enough)," Mr. Gregorio said.

"Each brand plays a different role and scale in the expansion plan so that's one advantage I think we have. There are opportunities available for us to grow within the five brands," he said.

As of end-March, the casual dining chain of restaurants and food service groups has reported a total of 1,857 outlets globally.

During the quarter, the group increased its outlet count by 85.

Peri-Peri opened stores in malls and independently while continuing the conversion of smaller format Peri Jrs. into larger store formats. It ended the quarter with a total of 72 stores.

Potato Corner also increased the number of its stores, ending the quarter with a network of 1,506 outlets.

On Friday, Shakey's shares dropped by 10 centavos or 1.11% to close at P8.90 each. — **Sheldeen Joy Talavera**

Tougher competition seen among franchisees

THE franchise business is expected to see more competition this year as eased mobility restrictions are prompting those who incurred losses in recent years to try to recover, an industry official said.

Joey R. Garcia, president and chief executive officer of Eight-8-Ate Holdings, Inc., said franchisors can expect franchisees to be more aggressive this year.

"But I think they will struggle this year because more competitors are out. More of those losers last year want to gain back what they have lost over the past three years during the pandemic and they're more aggressive than before," he said on the sidelines of Franchise Asia Philippines 2023 International Conference last week.

Eight-8-Ate is Udenna Corp.'s venture into the food and restaurant sector. Established in 2019, it operates restaurant groups Conti's and Wendy's.

"If you're in the restaurant business or dining segments, everyone is back. Everyone is also back in the market, not only you. Everyone who has closed most of their stores is also back now and trying to get what they have lost," said Mr. Garcia, who chairs this year's conference.

He said franchisees are now more conscious of who can provide a better experience and better value for money.

"The challenge there is value for money as it also comes with inflationary pressures as well as the cost of doing business, which is now more expensive than a couple of years ago, [which is] even more expensive than during the pandemic," he said.

The playing field has also changed after the pandemic, bringing greater competition in the franchising industry, he added.

"During the pandemic, most of your transactions do not require a lot of capital expenditures and most of the brick-and-mortar stores saved a lot in terms of real estate savings like in rentals. You don't get [those perks] anymore. So the game is a bit even now," Mr. Garcia said.

"So now it will be tougher since the playing field is even now. There is no such thing as 'I will get an advantage because I have more strength in digital or in e-commerce.' You can't say that anymore because basically, everyone has an even playing field now," he added.

Last year, franchisors still experienced some burden from the pandemic but those who continued their operations benefited by getting better locations. Mr. Garcia said that "Last year it was still partly pandemic. You could say that we still felt a little bit of that during the first quarter, but towards the second half of the year, that was when things were lifted," Mr. Garcia said.

"Some of those who have folded during the pandemic, somehow didn't have enough patience to stay and some who managed to basically navigate and pivot are still alive and I think those really benefited," he said.

"It takes a lot of courage to invest and to stay in the game in the last three years due to the pandemic," he said.

Businesses that persisted managed better real estate and went beyond the traditional brick-and-mortar stores and "managed to get into the e-commerce side of doing business," he added.

"Those who benefited are the ones who really had patience and courage to stay in the game," he said. — **Justine Irish D. Tabile**

OUTLIER

Investors lukewarm on Ayala Land on costs, MSCI changes

AYALA Land, Inc.'s share price dipped last week as the market stayed on the sidelines after the Morgan Stanley Capital International (MSCI) rebalancing and as the property sector remained affected by more expensive borrowing costs.

The property developer was the fifth most actively traded issue last week with a total of 52.21 million worth P1.34 billion changing hands from June 5 to 9, data from the Philippine Stock Exchange showed.

Shares in the Ayala-led company finished at P24.85 apiece last Friday, down by 4.2% from its June 2 close. Since the start of the year, shares have declined by 28.4%.

"From the looks of it, investors are still risk-on mode in the property sector in general due to the high interest rate environment," Regina Capital Development Corp. Head of Sales Luis A. Limlingan said in an e-mail.

"In fact, we have seen market participants lightening key index constituents [last] week. If anything, this may be a spillover from the recent rebalancing in which Ayala Land is on a downweight," he added.

Mercantile Securities Corp. Head Trader Jeff Radley C. See attributed Ayala Land's share price movement to the MSCI rebalancing, which took effect on June 1.

He said the past few weeks were the outcome of the rebalancing where an outflow was triggered by fund managers who mimic the MSCI.

"Next week, it will be the FTSE rebalancing where there will be an outflow on Ayala Land," Mr. See said in a Viber message.

Ayala Land is among those included in the MSCI rebalancing. As of May 31, the company had an index weight of 7.78%, with a market capitalization of \$3.46 billion.

The index is designed to measure the performance of the large and mid-cap segments of the Philippine market. Some fund managers track the MSCI index composition to realign their portfolios. With 15 constituents, the index covers about 85% of the local equity market. It is reviewed and rebalanced twice a year.

At its policy meeting on May 18, the Monetary Board kept its benchmark interest rate unchanged at a 14-year high of 6.25%. Interest rates on the overnight deposit and lending facilities were also maintained at 5.75% and 6.75%, respectively.

The Bangko Sentral ng Pilipinas has raised borrowing costs by 425 basis points since May last year to temper surging inflation.

For the fourth straight month in May, inflation subsided to a one-year low of 6.1%. However, this remained elevated still as it marked the 14th straight month that inflation breached the central bank's 2-4% target range.

In the first quarter, Ayala Land's revenues grew 25.5% to P30.91 billion amid higher contributions from all its business lines. Its after-tax net income climbed by 27.8% to P5.19 billion in the first quarter from P4.06 billion in the same quarter a year ago.

"We project a double-digit growth on Ayala Land's bottom line, just above P27 billion for 2023," Mr. Limlingan said.

Mr. See expects investors to continue to experience selling pressure as funds will try to move their holdings.

"Ayala Land just broke its support at P25.90 per share and closed at its low of P24.85 per share. It will continue its selling pressure and might hit P24.00 per share," Mr. See said.

Mr. Limlingan plotted the key levels at P23.00 per share for the support, and P26.00 per share for the initial resistance. — **Lourdes O. Pilar**

NAIA power outage caused by MServ personnel's lapse

MANILA Electric Co. (Meralco) said the brief power outage at the Terminal 3 of the Ninoy Aquino International Airport (NAIA) was caused by a procedural lapse during the testing activities of its subsidiary.

"We are issuing this statement to confirm that MServ (Meralco Energy, Inc.), in the presence of Manila International Airport Authority personnel, was conducting testing activities of NAIA Terminal 3's electrical facilities when the brief power outage occurred last Friday," said Joe R. Zaldarriaga in a statement on Sunday.

"According to an incident report submitted to airport authorities, an MServ personnel accidentally left grounding conductors attached to an electrical equipment during a testing activity, which triggered an electrical fault at 12:50 p.m. that subsequently caused the power interruption of NAIA Terminal 3's facilities on June 9," he added.

In a separate press release, the Manila International Airport Authority (MIAA) said that MServ gave the assurance that the "erring personnel will be dealt with accordingly." — **Justine Irish D. Tabile**

FULL STORY

Read the full story by scanning the QR code or by typing the link <https://rb.gy/975tc/>

Analysts project conglomerates to keep their growth momentum

LISTED conglomerates are likely to sustain their first-quarter earnings growth for the rest of the year as the economy recovers and as inflation is expected to further ease, analysts say.

Unicapital Securities, Inc. Senior Equity Research Analyst Carlos Angelo O. Temporal said in a Viber message that growth "is likely to be moderate in the coming quarters due to fading base effects and as the economy absorbs much of the impact of recent rate hikes."

Still, he said growth would remain higher than normal for most conglomerates driven by easing inflation and sustained reopening.

"[It] may outweigh much of the negative factors and bolster the economy's momentum towards the latter part of the year," Mr. Temporal added.

Globalinks Securities and Stocks, Inc. Head of Sales Trading Toby Allan C. Arce said the factors that contributed to the conglomerates' growth during the first quarter might continue.

"However, there are a number of risks that could impact earnings in the future, such as inflation, tight fiscal policy, and slowing global economic growth," Mr. Arce added.

Inflation further eased to 6.1% in May from 6.6% in April — the slowest rate seen in a year or since 5.4% in May 2022.

For the first five months, headline inflation averaged 7.5%, still well above the Bangko Sentral's 2-4% target and 5.5% forecast for the year.

"Despite the risks, the Philippine economy growing at a healthy — albeit slowing — pace is likely to continue to support strong domestic demand," Mr. Arce said.

He added that the continued growth in consumer spending and private investments are likely to prop earnings for the remaining months of 2023.

TOP EARNERS

"Most Philippine conglomerates outperformed in terms of earnings in [the first quarter] of 2023," Mr. Arce said, adding that the strong performance of the Philippine economy was "driven by strong consumer spending, robust business investment."

He said companies' earnings during the first quarter grew by an average of 20% year on year, fueled by strong demand as well as by cost-cutting measures.

China Bank Capital Corp. Managing Director Juan Paolo E. Colet said that top conglomerates generally had a very good first quarter on the back of robust consumer spending in a fully reopened economy.

Both Mr. Colet and Unicapital Securities' Mr. Temporal said two of the top earners during the three months were JG Summit Holdings, Inc. and GT Capital Holdings, Inc.

During the first quarter, JG Summit reported a net income of about P5 billion, a reversal of the P2.79 billion net loss in the same period last year.

The Gokongwei-led firm reported a top line of P82.26 billion, up 28% from P64.25 billion last year, supported by contributions from its business segments, including the return to profitability of its airline unit Cebu Air, Inc.

Meanwhile, GT Capital posted a 52% jump in net profits to P6.64 billion in the first quarter from P4.36 billion a year ago, propelled by its business units.

Its revenues during the period rose by 26% to P69.8 billion from P55.29 billion amid the growth registered by its automotive operations and equity in the net income of associates and joint ventures. — **Adrian H. Halili**