Philippine Stock Exchange index (PSEi) 6,290.27 ▼ 74.70 PTS. ▼ 1.17%

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BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P590.00	-P3.00	-0.51%
ACEN	ACEN Corp.	P5.24	-P0.02	-0.38%
AEV	Aboitiz Equity Ventures, Inc.	P47.05	+P0.05	+0.11%
AGI	Alliance Global Group, Inc.	P12.50	+P0.28	+2.29%
ALI	Ayala Land, Inc.	P29.50	-P0.50	-1.67%
AP	Aboitiz Power Corp.	P34.50	-P1.10	-3.09%
BDO	BDO Unibank, Inc.	P138.20	-P3.80	-2.68%
BPI	Bank of the Philippine Islands	P111.10	-P2.30	-2.03%
CNVRG	Converge ICT Solutions, Inc.	P8.94	-P0.36	-3.87%
DMC	DMCI Holdings, Inc.	P9.87	+P0.25	+2.6%
EMI	Emperador, Inc.	P21.10	——	
GLO	Globe Telecom, Inc.	P1,884.00	-P26.00	-1.36%
GTCAP	GT Capital Holdings, Inc.	P545.00	+P4.00	+0.74%
ICT	International Container Terminal Services, Inc.	P213.80	-P2.00	-0.93%
JFC	Jollibee Foods Corp.	P243.80	-P6.20	-2.48%
JGS	JG Summit Holdings, Inc.	P38.05	-P1.15	-2.93%
LTG	LT Group, Inc.	P9.25	-P0.10	-1.07%
MBT	Metropolitan Bank & Trust Co.	P56.95	-P0.20	-0.35%
MER	Manila Electric Co.	P350.00	+P2.00	+0.57%
MONDE	Monde Nissin Corp.	P6.45	-P0.38	-5.56%
MPI	Metro Pacific Investments Corp.	P5.05	+P0.01	+0.2%
PGOLD	Puregold Price Club, Inc.	P27.80	——	
SCC	Semirara Mining and Power Corp.	P32.00	——	
SM	SM Investments Corp.	P860.00	-P0.50	-0.06%
SMC	San Miguel Corp.	P104.00	-P1.00	-0.95%
SMPH	SM Prime Holdings, Inc.	P30.00	-P0.30	-0.99%
TEL	PLDT Inc.	P1,215.00	-P13.00	-1.06%
UBP	Union Bank of the Philippines	P71.50	-P1.50	-2.05%
URC	Universal Robina Corp.	P117.60	-P2.30	-1.92%
WLCON	Wilcon Depot, Inc.	P21.60	-P1.30	-5.68%

Discounted sale of DITO shares raises financial health concerns

By Justine Irish D. Tabile
Reporter

THE SALE by DITO CME Holdings Corp. of 2.2 billion shares to "unrelated third-party" investors bring funds to the Dennis A. Uy-led telecommunications company but raises concerns about its financial health, analysts said.

"The share issuances will provide DITO with fresh funds to support the network rollout of its flagship subsidiary, DITO Telecommunity Corp.," China Bank Capital Corp. Managing Director Juan Paolo E. Colet said in a Viber message.

However, Mr. Colet said the fresh funds would hardly improve the company's equity deficit, which exceeded P21 billion in the previous quarter, increasing the likelihood of more capital-raising activities.

Toby Allan C. Arce, head of sales trading at Globalinks Securities and Stocks, Inc., said the issuance is a sign of a "significant development" for the company.

"By selling 10% of its shares, DITO is effectively diluting the ownership of its existing shareholders by 10%. This means that each existing shareholder will own a smaller percentage of the company," Mr. Arce said.

In separate disclosures on Aug. 16 and 17, DITO reported that it had entered into subscription agreements with unrelated third-party subscribers for 1.59 billion and 610 million common shares, respectively, at par value.

However, since the sale was at a very steep discount compared with its price of as high as P2.40 per share last week after the disclosures, analysts said the move could raise concerns about the company's financial health.

"Investors may question why the company is selling shares at a discount, and whether this is a sign that the company is in financial trouble," said Mr. Arce.

"If management thinks a peso per share is a fair price for an arm's length transaction, then this implies that the market is significantly overvaluing the company," Mr. Colet said.

He added that the recent transactions are in contrast to the private share placement to Loden Infra Technologies Ltd. on Aug. 2021 for P8 per share.

"Although that was a smaller deal, some public investors may worry that the deep discount given to the latest share issuances reflects a fundamental change in the company's prospects," he said.

Last Thursday, DITO disclosed that it had completed the application requirements for the listing of 35 million shares for a total price consideration of P280 million from Loden Infra. It added that the number of DITO's listed common shares will be adjusted on the listing date or Aug. 22, 2023.

However, Mr. Arce said that the share placement of Loden Infra implies that the company believes in the long-term prospects of DITO.

With the sale of 2.2 billion shares, analysts expect DITO's public float to increase as they are said to have been sold to unrelated parties.

"The placements to what the company has described as unrelated third parties will increase the public float, assuming they do not own at least 10% of the outstanding shares and are nonstrategic investors in DITO," said Mr. Colet.

Mr. Arce said that issues could also be raised from the entry of a new shareholder as its management may have a different vision for the company.

"This could lead to changes in the company's management team, as well as its strategic direction," he said.

The company did not disclose the third parties to which the 2.2 billion total shares were issued even if the first sale, which constituted 1.59 billion shares, represented 10.18% of the total number of issued and outstanding shares of DITO after the issuance, which was 15.63 billion.

"A holder of at least 5% of a company's outstanding shares is required to disclose such ownership," said Mr. Colet.

"Thus, at the very least, we should expect a disclosure of the subscriber to the 1.59 billion shares," he added.

At the stock exchange on Friday, shares in DITO declined by five centavos or 2.08% to P2.35 apiece.

JG Summit expects sustained growth for 2nd half

JG SUMMIT Holdings, Inc. expects to sustain its growth for the second half of the year due to the country's continuing economic recovery, its top official said in a corporate event on Thursday.

"We expect the second half to continue to be positive relative to the previous year," JG Summit President and Chief Executive Officer Lance Y. Gokongwei told *BusinessWorld*.

Mr. Gokongwei added that the company's core businesses would mainly benefit from confidence among consumers as they return to malls, travel, and retail shopping.

"It's [the] economic growth in the country and we're benefiting again from people going back to being more mobile," he added.

His optimism comes after the company reported an attributable net income of P10.38 billion in the first half of the year, a reversal of the P2.75 billion net loss the prior year.

JG Summit's consolidated revenues for the six-month period went up by 11.8% to P163.39 billion from P146.14 billion in the same period last year.

The company's budget carrier Cebu Pacific is also expecting continued passenger growth for the latter half of the year as the demand for travel increases.

"People are more confident [with travel]," Mr. Gokongwei said, adding that the airline is restoring more flights, particularly for international destinations, while bringing in additional aircraft. — **Adrian H. Halili**

FULL STORY
Read the full story by scanning the QR code with your smartphone or by typing the link
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OUTLIER

SM Investments dips as postponed reclamation project prompts sell-off

SHARES in SM Investments Corp. slipped last week due to a market sell-off prompted by the postponement of the reclamation projects in Manila Bay and the disappointing second-quarter economic growth.

The Sy-led conglomerate was the most actively traded stock with a total of 25.12 million shares worth P21.61 billion having exchanged hands on the trading floor from Aug. 14 to 18, data from the Philippine Stock Exchange showed.

Week on week, SM Investments' share price declined by 2.5% to P860.00 per share on Friday from its Aug. 11 closing price of P882.50 apiece. Since the start of the year, its share price has fallen by 4.4%.

Philippine National Bank Equity Research Department Head Jonathan J. Latuja said in an e-mail that SM Investments stock's decline accelerated due to a sell-off amid the disappointing second-quarter of gross domestic product (GDP) growth and regulatory industry-related suspension of reclamation projects in Manila Bay.

"SM Investments is the largest index stock by market capitalization size and typically used as a proxy by investors who want exposure in the Philippine growth story. Sentiment towards the stock turned pessimistic when the weaker-than-expected second-quarter GDP results came out," said Mr. Latuja.

"Another reason for the sell-off is related to the government's suspension of reclamation projects in Manila Bay which directly affects SM's real estate subsidiary, SM Prime Holdings, Inc., given their 360-ha. (hectare) reclamation project in Pasay City," added Mr. Latuja.

In a Viber message, Mercantile Securities Corp. Head Trader Jeff Radley C. See also said that investors reacted negatively to the government's announcement of halting reclamation projects in Manila Bay.

"The delay of the planned REIT offering wasn't really a big influence to the price movement due to the market condition," said Mr. See.

During the PSE STAR event held last week, the conglomerate announced the postponement of the market listing of its real estate investment trust (REIT) to next year.

Earlier this year, SM Prime said that it was planning to launch its REIT portfolio by the second half of the year.

The company's target REIT offering is likely to be valued at around $3.5 billion to $4 billion and initially composed of 12 to 15 assets, which will come from the 82 malls it currently has, as 30 to 35 malls are now fully matured. — **Lourdes O. Pilar**

FULL STORY
Read the full story by scanning the QR code or by typing the link
<tinyurl.com/3kak63wr>

Visitors at The Mactan Newtown, including these foreign tourists, savor different versions of the world-famous Cebu Lechon during the annual Cebu Lechon Festival that recently kicked off at Megaworld's Lapu-Lapu City township. Since 2017, the festival has been drawing several homegrown lechon makers as well as thousands of tourists who partake in the well-loved Cebuano delicacy.

Inflation,
from S1/1

This increases the chance of below-normal rainfall conditions, which could lead to dry spells and droughts in some areas of the country and in turn, dampen water resources and agricultural productivity.

"Electricity rates could rise in the fourth quarter of 2023 to second quarter of 2024 owing mainly to the warm and dry weather condition associated with El Niño," the BSP said.

"A substantial increase in demand for power which could not be supported by power supply reserves could lead to a declaration of yellow or red alerts in the transmission grids, resulting in higher generation charges from the Wholesale Electricity Spot Market (WESM) and independent power producers (IPPs)," it added.

Local distribution utilities may also have to tap more expensive power generation sources as an alternative to hydropower plants, the BSP said.

The impact of trade restrictions on food items as well as oil production cuts by the Organization of the Petroleum Exporting Countries and its allies may also affect inflation in the Philippines.

India's decision to restrict rice exports of non-basmati and broken white grain has pushed global rice prices higher.

The BSP said second-round effects from higher transport fares and wage hikes may also put pressure on inflation.

Transport groups are requesting for a P2 increase in public transport services nationwide, while a P40 wage hike in the National Capital Region (NCR) took effect on July 16. Pending wage hike petitions for various provinces in the country will likely be decided on by September.

"The main downside risk cited by a few analysts include the lagged effect of the BSP's successive monetary policy tightening, which is expected to temper inflation," the central bank said.

The BSP kept benchmark interest rates steady for a third straight meeting last week, but signaled it is prepared to resume tightening if needed amid risks to inflation.

The Monetary Board left its overnight reverse repurchase rate unchanged at a near 16-year high of 6.25%. Interest rates on the overnight deposit and lending facilities were maintained at 5.75% and 6.75%, respectively.

The BSP has raised borrowing costs by 425 basis points (bps) from May 2022 to March 2023 to tame inflation.

The central bank also said most analysts forecast the BSP to extend its policy pause for the rest of the year.

"However, some analysts are looking at one last rate increase by 25 bps in the third quarter and a possible reversal by 25 bps in the fourth quarter," it said.

For 2024, all analysts expect the BSP to cut the key policy rate by a range of 50 bps to 225 bps. They also anticipate further cuts of 25 bps to 200 bps in 2025.

Meanwhile, all economists expect full-year inflation in 2023 to breach the 2-4% target. For 2024 and 2025, most analysts see inflation decelerating within the target range.

Analysts assigned a narrow 1.7% probability (from 2.8% a month ago) that inflation this year will settle within the target range, while there is a 98.3% chance (from 97.2%) it will exceed 2-4%.

The likelihood of inflation falling within the target band next year increased to 80.5% (from 76.7%), while the probability of inflation settling within 2-4% in 2025 is at 77.5% (from 71.6% previously).

There were 26 respondents in the BSP's survey of private sector economists, which was conducted from Aug. 5 to Aug. 9. — **Keisha B. Ta-asan**