

## Philippine Stock Exchange index (PSEi)

6,450.84

▼125.92 PTS.

▼1.91%

## PSEI MEMBER STOCKS

<b>AC</b> Ayala Corp. P607.00 -P13.00 -2.1%	<b>ACEN</b> ACEN Corp. P5.50 +P0.20 +3.77%	<b>AEV</b> Aboltiz Equity Ventures, Inc. P49.75 -P3.05 -5.78%	<b>AGI</b> Alliance Global Group, Inc. P12.30 -P0.46 -3.61%	<b>ALI</b> Ayala Land, Inc. P28.40 -P0.55 -1.9%	<b>AP</b> Aboltiz Power Corp. P35.00 -P0.60 -1.69%	<b>BDO</b> BDO Unibank, Inc. P141.00 -P5.60 -3.82%	<b>BPI</b> Bank of the Philippine Islands P117.00 +P3.50 +3.08%	<b>CNVRG</b> Converge ICT Solutions, Inc. P9.00 -P0.30 -3.23%	<b>DMC</b> DMCI Holdings, Inc. P9.12 -P0.38 -4%
<b>EMI</b> Emperador, Inc. P21.25 -P0.20 -0.93%	<b>GLO</b> Globe Telecom, Inc. P1,811.00 -P74.00 -3.93%	<b>GTCAP</b> GT Capital Holdings, Inc. P522.00 -P13.50 -2.52%	<b>ICT</b> International Container Terminal Services, Inc. P202.00 -P6.00 -2.88%	<b>JFC</b> Jollibee Foods Corp. P260.00 +P0.40 +0.15%	<b>JGS</b> JG Summit Holdings, Inc. P39.00 -P3.50 -8.24%	<b>LTG</b> LT Group, Inc. P9.40 -P0.16 -1.67%	<b>MBT</b> Metropolitan Bank & Trust Co. P55.00 -P3.60 -6.14%	<b>MER</b> Manila Electric Co. P325.00 -P25.00 -7.14%	<b>MONDE</b> Monde Nissin Corp. P7.50 -P0.74 -8.98%
<b>MPI</b> Metro Pacific Investments Corp. P4.85 -P0.04 -0.82%	<b>PGOLD</b> Puregold Price Club, Inc. P27.50 -P0.85 -3%	<b>SCC</b> Semirara Mining and Power Corp. P29.20 -P0.45 -1.52%	<b>SM</b> SM Investments Corp. P908.50 -P3.50 -0.38%	<b>SMC</b> San Miguel Corp. P97.00 -P11.40 -10.52%	<b>SMPH</b> SM Prime Holdings, Inc. P34.00 +P0.95 +2.87%	<b>TEL</b> PLDT Inc. P1,275.00 -P35.00 -2.67%	<b>UBP</b> Union Bank of the Philippines P74.00 +P0.10 +0.14%	<b>URC</b> Universal Robina Corp. P120.80 -P4.20 -3.36%	<b>WLCON</b> Wilcon Depot, Inc. P22.00 +P0.50 +2.33%

Meralco sees 5% energy sales growth in 2<sup>nd</sup> half

MANILA ELECTRIC Co. (Meralco) expects its energy sales to grow by 5% in the second half of the year, boosted by an increase in residential and commercial sales volumes, an official said.

"We are projecting close to 5% growth for the second half, mainly driven by residential and commercial [segments] still," Ferdinand O. Geluz, first vice-president and chief commercial officer of Meralco, said in a press briefing last week.

The power distributor's full-year energy sales growth target is at 4%, Mr. Geluz said.

In the first half, Meralco's energy sales went up by 3.4% year on year to 24,792 gigawatt-hours (GWh) from 23,968 GWh, boosted by a growth in the consumption of the commercial segment.

Meralco said it registered an all-time high commercial sales volume of 9,162

GWh in the period, 10.3% higher than 8,305 GWh previously, while residential sales volume rose by 1.4% to 8,629 GWh from 8,506 GWh. Industrial sales volume, however, decreased by 2.2% to 6,929 GWh from 7,085 a year prior.

Meanwhile, the power distributor's chairman said they are looking at emerging technologies to help address the country's power supply needs but noted that the Philippines cannot do away with "conventional" power sources like coal and gas.

"We get excited about new technologies right, simply because it's new. Nuclear, hydrogen, ammonia, everything under the sun that scientists, or magicians can conjure up. But the reality is that is not what this country needs, and these are not quick fix solutions," said Manuel V.

Pangilinan, chairman and chief executive officer of Meralco.

Mr. Pangilinan said renewable energy sources alone cannot address supply-demand issues because of their intermittency problems.

"What this country needs where there is a very thin margin of supply to demand are very conventional power plants. Probably more gas than coal. We have to approach it on that basis. Everybody wants a quick fix solution, there is none," he added.

As of end-2022, coal still dominates the country's power generation mix at 59.57%, while natural gas accounts for 16.04% and renewable energy at 22.13%.

"These are the things that Meralco should be focusing on. New plants, new gas plants, existing gas plants, if you can buy into them, why not right? Because

that is needed by the country as a very basic need," Mr. Pangilinan said.

## AUGUST GENERATION CHARGE

Meanwhile, Joe R. Zalardriaga, Meralco's vice-president and head of corporate communications, said the generation charge for August will likely decrease amid lower demand.

"While we have yet to receive the final billings from our suppliers, we expect a possible decrease in the generation charge this month. We've seen reduced demand in the last supply month, which likely led to lower Wholesale Electricity Spot Market (WESM) prices," Mr. Zalardriaga said.

The generation charge accounts for more than half of a consumer's total monthly electricity bill.

In July, Meralco cut the overall electricity rate by P0.72 per kilowatt-hour (kWh) to P11.18 per kWh on lower generation charges.

Last month, the power distributor sourced 15% of its supply requirement from WESM.

"We are optimistic that these factors would be enough to bring down the overall electricity rate for this month," Mr. Zalardriaga said.

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**

## OUTLIER

## BDO slips as US credit rating downgrade affects PHL market

BDO Unibank, Inc. inched down last week after the United States' credit rating downgrade affected the local market, eclipsing the bank's strong financial results.

A total of 13.13 million BDO shares worth P1.90 billion were traded from July 28 to Aug. 4, data from the Philippine Stock Exchange (PSE) showed.

The Sy-led bank's share price finished at P141 apiece, 4.1% lower than its July 28 close of P147 each.

Year to date, the stock's price rose by 33.4%.

"While BDO's strong results could have led to some positive reactive moves, we think that much of the price action this week was driven by external factors," Rastine Mackie D. Mercado, research director at China Bank Securities Corp., said in an e-mail.

These external factors, he said, include the broad market risk-off sell-off last week following Fitch's downgrade of the US credit rating.

"We also think that some investors treated BDO's earnings release as a 'sell-on-news' opportunity to take some profit," Mr. Mercado added.

Japhet Louis O. Tantiangco, senior research analyst at Philstocks Financial, Inc., said investors focused on the Fitch move despite the bank's "impressive" financial results.

"The downgrade has negative implications for the US and consequently the global economy which is why investors opted to exit the market last week," he said in a Viber message.

BDO reported last week that its consolidated net income soared by 52.6% year on year to P18.72 billion in the second quarter.

Its attributable net income, likewise, grew by 53.2% to P18.70 billion from the P12.21 billion booked in the same period last year.

This brought the attributable net profit

in the first semester of the year to 47%, higher than the P23.94 billion posted in the January to June period in 2022.

Meanwhile, debt watcher Fitch downgraded the US government's top credit rating, Reuters reported, a move that garnered an angry response from the White House and surprised investors, coming despite the resolution of the debt ceiling crisis two months ago.

Fitch lowered the US to AA+ from AAA, citing fiscal deterioration over the next three years and repeated down-the-wire debt ceiling negotiations that threaten the government's ability to pay its bills, Reuters said.

The downgrade made Fitch the second major rating agency after Standard & Poor's strip the country of its triple-A rating.

For Mr. Tantiangco, the bank's lending operations will remain healthy and be sustained in the second half of the year.

"BDO's full-year net income attributable could rise by 30.4% year on year while for the [third quarter], bottom line could increase by 22.5% year on year," he said.

He added that from a historical standpoint, BDO is at bargain levels, which should make it compelling for investors.

For BDO, investors are expected to monitor the country's bank lending data.

"If the growth continues in our bank lending, then this could spur positive sentiment for our banks in the market," Mr. Tantiangco said.

For Mr. Mercado, prospects of continued top-line growth remain given the outlook of sustained loan growth, Net interest margin strength and fee income expansion can convince investors to consider BDO.

"While current valuations could lead to continuing near-term profit taking, we think that BDO could still have some room to eventually run higher." — **Abigail Marie P. Yraola**

## DITO expects 5% contribution from enterprise segment

DITO Telecommunity Corp. expects its enterprise business to contribute 5% to its top line in the first year from its launch and by 18% in the next three years.

"Our outlook moving forward is we want the enterprise segment to be 5% of our revenue contribution up to 18% in the next three years," Evelyn B Jimenez, chief commercial officer of DITO, said at a media briefing on Thursday.

Ms. Jimenez said a new offering that targets micro, small, and medium enterprises is one of the products the company is looking to launch within this semester.

"In the latter part of this year, we are (also) going to launch a new prepaid portfolio targeting the high-usage segment," she said.

In 2023, the company launched two businesses: mobile postpaid plans and DITO Home Wifi.

"We have launched two major businesses: mobile postpaid because we are already targeting the higher segment and come July, we launched DITO Home, in which we received close to 30,000 applications in less than a month," said Ms. Jimenez.

## SIM REGISTRATION

Meanwhile, the company said it is confident on the turnout of the SIM (subscriber identity module) registration as it shows that it has about 8 million subscribers.

"The SIM registration is the coming out party of DITO. With nearly 8 million subscribers, you can't deny that although we are a far third, we are in the running," said Adel A. Tamano, chief administrative officer of DITO.

At the end of the registration and reactivation period, the National Telecommunications

Commission recorded a total of 113.97 million SIM cards registered or 67.83% of the total 168.02 million subscribers.

About 7.74 million out of this are DITO subscribers, which represents 51.72% of its 14.96 million total subscribers.

"What you see is the percentage registered against what we published. What we published is our cumulative activations since we launched in March 2021. But if you talk about our real customer base, who are revenue-generating and active, we are close to 100% registered," said Ms. Jimenez.

She said this is the reason the company is not worried about those that did not register because the business is protected by the registration of its core base.

"Now we are at around 7.8 million (subscribers), so we are probably looking at around 9 to 10

million (subscribers) by the end of the year," she added.

Aside from this, Ms. Jimenez said the company is also confident in the growth in its average revenue per unit (ARPU) and daily activations since the SIM registration.

"Our revenue now compared to last year, we are already at 60% growth from last year, so revenue is definitely continuing to increase. Even ARPU is also increasing, now it is 13% increase ever since the SIM registration," she said.

"Our average daily activations also increased by around 15% after SIM registration. So, things are doing really well for the business," she added.

At present, the company has an ARPU of P107 for prepaid P107, which it is targeting to increase to P125 towards the end of the year.

— **Justine Irish D. Tabile**

## ACEN eyeing to pursue net-zero emissions goal

AYALA-LED ACEN Corp. will continue to pursue its net-zero emissions target, even amid the absence of a committed goal in the upcoming edition of the Energy department's Philippine Energy Plan.

"The decision for ACEN to set a net-zero target and 100% RE (renewable energy) was made independent of the decision of the DoE's (Department of Energy) on this point. So, it does not really change our particular position — it is a commitment we have made and intend to stand by," Miguel G. de Jesus, chief operating officer of ACEN, said at the BusinessWorld Insights forum on July 26.

The listed energy company of the Ayala group has committed to fully transition the company's power generation portfolio to 100% RE by 2025.

ACEN has said it aims to achieve its near-term emission reduction by 2030, deliver its long-term emission reduction targets by 2040, and neutralize residual emissions to achieve net zero by 2050.

The Energy department earlier said that it will not commit to a net-zero emissions target yet because it plans to focus more on increasing the share of RE in the power mix and possibly deploying more emerging clean technologies.

The DoE is set to release its new Philippine Energy Plan within this year, which is expected to include a higher share of renewable energy and a target share of nuclear energy capacity. Currently, the government is aiming to increase the share of RE to 35% by 2030 and 50% by 2040.

Net zero refers to reducing greenhouse gas emissions to as close as zero while also offsetting any remaining greenhouse gases in the atmosphere.

"We have also gone through the process of trying to look for transition mechanisms for some of our thermal assets and

we recognize that we are relative newcomers compared to some of the energy players who have larger footprints. In some senses, that makes it a little bit easier for us to pivot," Mr. De Jesus said.

For its part, the energy company is aiming to grow its RE portfolio to 20 gigawatts by 2030. To date, it has around 4,200 megawatts of attributable capacity spread across the Philippines, Vietnam, Indonesia, India, and Australia.

"We believe in the RE trajectory and are quite committed to ensure that we hit our 2030 target," he said. — **A.E.O. Jose**

## CTA affirms San Miguel Brewery's P122-M refund

THE Court of Tax Appeals (CTA) has affirmed its ruling to grant San Miguel Brewery, Inc.'s refund claim worth P122.62 million, representing wrongly paid excise tax on its beer products for the fiscal year 2017.

In a 27-page decision dated Aug. 2 and made public on August 3, the CTA full court said its Third Division did not err when it voided a 2012 Bureau of Internal Revenue (BIR)

memo that imposed a 4% annual excise tax above what was mandated under the Tax Code, leading to the court granting the firm's refund claim.

"The commissioner of internal revenue (CIR) cannot, in exercising such power, issue administrative rulings or circulars inconsistent with the law sought to be applied," Associate Justice Lane S. Cui-David said in the ruling, citing the CIR's authority to in-

terpret provisions of the National Internal Revenue Code.

The tax tribunal said it has jurisdiction to rule on the validity of revenue regulations imposed by the BIR.

"This issue is not novel as it has already been settled in a plethora of cases that the CTA has exclusive jurisdiction to rule on the constitutionality or validity of a tax law and regulation or administrative issuance," it said.

Under amendments to the Tax Code covering excise taxes on alcohol and tobacco, the excise tax rates on liquor are at P1 per liter if the net retail price per liter of the product is P50.60 or less, and P20 if it is higher than P50.60. — **J.V.D. Ordoñez**

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