

Philippine Stock Exchange index (PSEi)

6,873.23

▼ 8.92 PTS.

▼ 0.13%

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BusinessWorld

PSEI MEMBER STOCKS

AC Ayala Corp. P709.00 +P1.00 +0.14%	ACEN ACEN Corp. P4.24 +P0.03 +0.71%	AEV Aboitiz Equity Ventures, Inc. P46.00 ---	AGI Alliance Global Group, Inc. P11.44 -P0.16 -1.38%	ALI Ayala Land, Inc. P34.25 -P0.45 -1.3%	BDO BDO Unibank, Inc. P154.30 ---	BLOOM Bloomerry Resorts Corp. P11.40 ---	BPI Bank of the Philippine Islands P115.00 +P0.50 +0.44%	CNPF Century Pacific Food, Inc. P35.65 -P0.45 -1.25%	CNVRG Converge ICT Solutions, Inc. P9.99 -P0.17 -1.67%
DMC DMCI Holdings, Inc. P11.08 -P0.24 -2.12%	EMI Emperador, Inc. P20.55 -P0.10 -0.48%	GLO Globe Telecom, Inc. P1,781.00 -P9.00 -0.5%	GTCAP GT Capital Holdings, Inc. P695.00 -P25.00 -3.47%	ICT International Container Terminal Services, Inc. P280.00 +P7.00 +2.56%	JFC Jollibee Foods Corp. P259.00 +P2.00 +0.78%	JGS JG Summit Holdings, Inc. P39.65 -P0.65 -1.61%	LTG LT Group, Inc. P9.69 +P0.05 +0.52%	MBT Metropolitan Bank & Trust Co. P59.05 -P0.35 -0.59%	MER Manila Electric Co. P369.00 +P7.00 +1.93%
MONDE Monde Nissin Corp. P10.82 +P0.22 +2.08%	NIKL Nickel Asia Corp. P4.65 ---	PGOLD Puregold Price Club, Inc. P28.00 -P0.35 -1.23%	SCC Semirara Mining and Power Corp. P32.50 -P0.20 -0.61%	SM SM Investments Corp. P905.00 -P11.00 -1.2%	SMC San Miguel Corp. P108.00 -P1.00 -0.92%	SMPH SM Prime Holdings, Inc. P34.00 ---	TEL PLDT Inc. P1,300.00 ---	URC Universal Robina Corp. P118.00 -P0.30 -0.25%	WLCON Wilcon Depot, Inc. P22.95 -P0.05 -0.22%

SMC-led group told to show financial projections for NAIA

By Ashley Erika O. Jose
Reporter

THE offer of San Miguel Corp. (SMC) consortium to rehabilitate and operate the Ninoy Aquino International Airport (NAIA) may face challenges as the financial viability of the project will heavily depend on the changing market environment, an analyst said.

“The consortium should provide detailed financial projections outlining their expected revenue streams, operating expenses, capital expenditures, and cash flow forecasts over the duration of the contract,” Globalinks Securities and Stocks, Inc. Head of Sales Trading Toby Allan C. Arce said in a Viber message to *BusinessWorld* on Sunday.

“These projections will help assess whether the proposed revenue share is feasible and sustainable in the long run,” he added.

He said the financial viability of the project will depend on the travel demand in the region, competition from other airports, and the changing economic environment that could influence travel patterns.

Last week, the Department of Transportation (DoTr) awarded the contract to rehabilitate, operate, and maintain NAIA to a consortium led by SMC.

The SMC SAP & Co. Consortium, composed of San Miguel Holdings Corp., RMM Asian Logistics, Inc., RLW Aviation Development, Inc., and Incheon International Airport Corp. (IIAC), has proposed to allocate 82.16% of NAIA revenues to the government.

The 15-year concession agreement for NAIA can be extended for a further 10 years based on the consortium’s performance. The SMC-SAP group plans to invest a total of P122.3 billion over a 25-year period.

The group, based on the concession agreement, will pay an upfront payment of P30 billion and P2 billion annuity pay aside from the revenue share.

With this, the government is expected to receive a payment of P36 billion a year or about P900 billion for the period of the concession agreement.

“Our proposal is designed not only to elevate NAIA to world-class standards but also to ensure that the government benefits from the most advantageous revenue-sharing agreement. This aims to secure a favorable outcome for our shareholders while prioritizing fairness and long-term sustainability over immediate profits,” SMC said in a statement.

The company is also constructing an international airport in Bulacan.

“The payment to the government consists of three things: the P30-billion upfront payment, P2-billion annuity, and the 82% of revenues. If you add these up that’s a total of P900 billion for the duration of 25 years,” Transportation Undersecretary Timothy John R. Batan said in a media briefing.

The notice of award for the NAIA-PPP project was issued to SMC-SAP on Feb. 16, Transportation Secretary Jaime J. Bautista said, adding that the two other bidders were informed of the decision.

Mr. Batan said the bidders had submitted challenges and disputes regarding the bidding but all of the disputes put forward had already been resolved by the pre-qualification bids and awards committee (PBAC).

“Offering an 82% revenue share to the government suggests a significant commitment to public benefit and potentially a lucrative deal for the government. However, the sustainability of this offer depends on various factors such as the total revenue generated by the upgraded NAIA, operating expenses, maintenance costs, and profit margins,” Globalinks Securities’ Mr. Arce said.

He said the group’s ability to efficiently manage and operate the airport will directly impact its financial performance.

“Assessing and mitigating potential risks such as construction delays, cost overruns, regulatory changes, and geopolitical factors is crucial for ensuring the sustainability of the project,” he said.

Nigel Paul C. Villarete, senior adviser on PPP at the technical advisory group Libra Konsult, Inc., said the Philippines will certainly benefit from the capability of SMC’s partner, South Korea’s IIAC, the operator of Incheon International Airport.

“As far as operating airports are concerned, Incheon Airport has been operated well by IIAC so we should expect NAIA to be operated properly as well. With respect to sustainability (of the revenue share offer), the concession agreement should have addressed this well [covering] all possible scenarios and eventualities that might

happen within the concession period,” he said.

For his part, Rene S. Santiago, former president of the Transportation Science Society of the Philippines said with SMC-SAP’s offer being significantly higher than the other bidders, the DoTr has no choice but to award the concession agreement to the group.

“Let us assume that the bid evaluation committee did their job, and cleared the capability of SMC’s bid. With such a price bid, the same committee has no other option but to award. Else, a court challenge,” Mr. Santiago said.

The NAIA upgrade project aims to increase the current annual passenger capacity of NAIA to at least 62 million from the current 35 million.

For 2024, the Manila International Airport Authority has earlier said that it is expecting domestic and international passenger service charge revenue to reach P5.29 billion this year, a 25% increase over the estimated P4.22 billion for 2023.

The revenue from rental fees is expected to increase by 4% to P2.08 billion, concession privilege fees by 16% to P1.46 billion, and aeronautical fees by 19% to P5.32 billion.

A 24% increase to P7.36 billion is expected in the maintenance and other operational expenses.

The Tourism department reported 5.45 million international visitors in 2023, surpassing the year’s target of 4.8 million. For 2024, the department aims to attract 7.7 million international visitors.

OUTLIER

URC shares pick up on optimistic outlook

STOCKS on Universal Robina Corp. (URC) inched up last week as analysts saw better performance with taxes on junk food and sweetened beverages scrapped and inflation easing.

A total of 8.07 million shares amounting to P932.39 million were traded from Feb. 12 to 16, data from the Philippine Stock Exchange (PSE) showed, with URC closing as the 10th most actively traded stock last Friday.

Shares of the Gokongweiled food and beverage company went up by 6% week on week, closing at P118 apiece last Friday from its P111.30 closing on Feb. 8.

Year to date, however, URC’s stock slipped by 0.2%.

Mercantile Securities Corp. Head Trader Jeff Radley C. See said in an e-mail exchange that aside from overall market sentiment boosting URC’s stock last week, the abolishment of the tax reform on junk food and sweetened beverages was also bullish news for the company.

Finance Secretary Ralph G. Recto announced in January that the department would refrain from introducing new taxes to keep inflation from spiking. Instead, it would focus on improving its collection system to achieve its target revenue of P4.3 trillion this year.

“Aside from that, the company still has a buyback program with a remaining balance of P4.7 [billion] as of [Feb. 16],” Mr. See said.

On the other hand, China Bank Securities Corp. (Chinabank) Research Associate Stephen Gabriel Y. Oliveros said that URC’s gain last week was mainly due to the net foreign buying on the stock and better margins this year as raw material costs normalized on easing inflation.

“With respect to its planned capacity expansion, we think this is a welcome development for URC as this would allay investor fears on capacity constraints, enable URC to develop new products, and position them to capitalize on incremental demand for its products going forward,” he said in a separate e-mail.

“Recall that URC experienced capacity limitations in some of its products last year given the stronger-than-ex-

pected resurgence in demand,” he added.

URC announced last week its new production plant based in Malvar, Batangas, which aims to expand its production capacity.

With construction beginning this year to finish in 10 to 15 years, the “mega plant” is estimated to bring 3,000 jobs directly and indirectly.

“We also think that URC has the capacity to finance this investment given its healthy cash flows and relatively low gearing ratios,” Mr. Oliveros said.

The food and beverage firm’s net income increased by 5.8% to P10.29 billion in the third quarter last year from P9.72 billion in the same period in 2022.

Similarly, net attributable income rose by 4.2% to P9.74 billion from P9.35 billion in 2022.

However, URC’s attributable net income in the July-to-September quarter slid by 2.3% to P3.07 billion from P3.15 billion in the same period in 2022.

Additionally, the monetary board decided to keep its interest rates steady at 6.5% for a third straight meeting.

While companies expected the move and have factored in the possibility of elevated rates for a while, Chinabank’s Mr. Oliveros said that for URC specifically, movements in interest rates could affect its profitability as the stock’s borrowings are short-term in nature as of September last year.

“We project full-year 2023 net income to be at P13.3 billion,” he said.

For the week, Mr. See penciled his support at P155 and P110, while resistance at P122 and P124.

Meanwhile, Mr. Oliveros pegged his support and resistance levels at P114.4 and P121, respectively.

“A key headwind we are monitoring for the company is how the international business would fare following the price rollbacks it implemented last year in select markets in response to softer demand for its products,” he said. — **Bernadette Therese M. Gadon**

Local airlines’ fuel surcharge to rise next month

THE Civil Aeronautics Board (CAB) has increased the airline fuel surcharge for March.

The fuel surcharge, which is added to the base fare, was increased to Level 6 from Level 5 in February, the agency said in an advisory signed by CAB Executive Director Carmelo L. Arcilla.

“Airlines wishing to impose or collect fuel surcharge for the same period must file its application with this office on or before the effectivity period, with fuel surcharge rates not exceeding the above-stated level,” CAB said in an advisory over the weekend.

At Level 6, the domestic passenger surcharge ranges from P185 to P665, while

the international surcharge ranges from P610.37 to P4,538.40.

The CAB said the applicable conversion rate for March is P56.14 to the dollar.

At the current Level 5, domestic passenger surcharge ranges from P151 to P542, while for international flights, the surcharge varies between P498.03 and P3,703.11.

Airline fuel surcharge is an optional fee, collected and imposed by airlines to recover fuel costs. It is based on the movements in jet fuel prices, using a benchmark known as MOPS (Mean of Platts Singapore).

Budget carrier Cebu Pacific has encouraged passengers to book their flights ahead

to take advantage of the lower fuel surcharge.

“Despite the increase in fuel surcharge, Cebu Pacific will continue to offer great value to our passengers through our seat sales that help keep air travel affordable and accessible. We enjoy our passengers to book their flights ahead of time to take advantage of low fares,” Alexander G. Lao, Cebu Pacific president and chief commercial officer, said in a Viber message.

BusinessWorld sought comments from flag carrier Philippine Airlines and low-cost airline Air Asia but has yet to receive comments as of the deadline. — **Ashley Erika O. Jose**

Oriental Mindoro offshore wind farm eyed for operations by 2029

SINGAPORE-BASED The Blue Circle Pte. Ltd. is planning to start the commercial operations of its 1,200-megawatt (MW) offshore wind project in Oriental Mindoro by 2029, a company official said.

“We are aiming to connect to a substation — that’s still prospective — and that is planned for December 2026. Whereas, we’re talking about a COD (commercial operation date) in maybe 2029,” The Blue Circle Development Manager Amaury Brucker said in a forum last week.

The Blue Circle and its partner CleanTech Global Renewables, Inc. obtained in

2021 their wind energy service contract for the offshore wind project.

“We have an ongoing system impact study for this project and a wind measurement campaign,” Mr. Brucker said.

System impact study is conducted to determine the adequacy and capability of the grid to accommodate the new connection.

“There are some exclusions that we’re already considering because in the Philippines, there’s a lot of biodiversity, which is not something you see in a lot of other countries,” Mr. Brucker said.

“Overall, we’ve noticed that for this project, there’s so far fairly low impact on a lot of aspects — marine traffic, shipping lanes, fishing, etc. — so quite favorable for development,” he said.

Mr. Brucker said that most components will come via sea transport to a nearby port that serves as a logistic hub.

“It’s something that we are also looking into on our end, but of course, we will require support, especially during the construction phase, because here, we’re talking about massive quantities components that you

need to store for at least a couple of years,” Mr. Brucker said.

Founded in 2013, The Blue Circle identifies, develops, finances, owns, and operates utility scale wind and solar power projects in geographies of the Asia-Pacific region.

“Most of our activities these days in the Philippines — now, one of the reasons why, in particular, [is] because the framework... is very favorable for investment and development in general, especially for offshore and onshore wind,” Mr. Brucker said.

The Blue Circle and CleanTech has also been awarded the 100-MW Kalayaan project in Laguna. The construction for the project started last year, Mr. Brucker said.

To date, the Department of Energy has awarded 82 offshore wind project service contracts with an estimated total capacity of 63.36 gigawatts (GW).

According to Energy Undersecretary Rowena Cristina L. Guevara, at least 10 offshore wind projects with a combined capacity of 6.72 GW are expected to produce electricity by 2028. — **Sheldene Joy Talavera**