BusinessWorld TUESDAY, FEBRUARY 20, 2024
EDITOR ARJAY L. BALINBIN

## Philippine Stock Exchange index (PSEi) 6,798.61 ▼74.62 PTS. ▼1.08%

MONDAY, FEBRUARY 19, 2024 BusinessWorld

### PSEi MEMBER STOCKS

| | | | | |
|---|---|---|---|---|
| AC | Ayala Corp. | P703.50 | -P5.50 | -0.78% |
| ACEN | ACEN Corp. | P4.20 | -P0.04 | -0.94% |
| AEV | Aboitiz Equity Ventures, Inc. | P45.30 | -P0.70 | -1.52% |
| AGI | Alliance Global Group, Inc. | P10.86 | -P0.58 | -5.07% |
| ALI | Ayala Land, Inc. | P33.95 | -P0.30 | -0.88% |
| BDO | BDO Unibank, Inc. | P153.10 | -P1.20 | -0.78% |
| BLOOM | Bloomberry Resorts Corp. | P11.40 | —— | |
| BPI | Bank of the Philippine Islands | P116.70 | +P1.70 | +1.48% |
| CNPF | Century Pacific Food, Inc. | P36.00 | +P0.35 | +0.98% |
| CNVRG | Converge ICT Solutions, Inc. | P9.94 | -P0.05 | -0.5% |
| DMC | DMCI Holdings, Inc. | P10.78 | -P0.30 | -2.71% |
| EMI | Emperador, Inc. | P19.70 | -P0.85 | -4.14% |
| GLO | Globe Telecom, Inc. | P1,760.00 | -P21.00 | -1.18% |
| GTCAP | GT Capital Holdings, Inc. | P690.00 | -P5.00 | -0.72% |
| ICT | International Container Terminal Services, Inc. | P276.00 | -P4.00 | -1.43% |
| JFC | Jollibee Foods Corp. | P259.00 | —— | |
| JGS | JG Summit Holdings, Inc. | P39.05 | -P0.60 | -1.51% |
| LTG | LT Group, Inc. | P9.58 | -P0.11 | -1.14% |
| MBT | Metropolitan Bank & Trust Co. | P58.70 | -P0.35 | -0.59% |
| MER | Manila Electric Co. | P364.00 | -P5.00 | -1.36% |
| MONDE | Monde Nissin Corp. | P10.48 | -P0.34 | -3.14% |
| NIKL | Nickel Asia Corp. | P4.65 | —— | |
| PGOLD | Puregold Price Club, Inc. | P28.00 | —— | |
| SCC | Semirara Mining and Power Corp. | P31.90 | -P0.60 | -1.85% |
| SM | SM Investments Corp. | P900.00 | -P5.00 | -0.55% |
| SMC | San Miguel Corp. | P107.00 | -P1.00 | -0.93% |
| SMPH | SM Prime Holdings, Inc. | P33.05 | -P0.95 | -2.79% |
| TEL | PLDT Inc. | P1,270.00 | -P30.00 | -2.31% |
| URC | Universal Robina Corp. | P114.50 | -P3.50 | -2.97% |
| WLCON | Wilcon Depot, Inc. | P22.80 | -P0.15 | -0.65% |

# CreditSights: NAIA consortium faces negative profit outlook

THE 82.16% revenue share offered by the San Miguel-led consortium to the government could lead to lower annual profits from the Ninoy Aquino International Airport (NAIA) even after finishing expansion works, financial research firm CreditSights said.

"We are surprised at the high proposed revenue share of 82.16%, which we expect to result in modestly negative annual EBITDA (earnings before interest, taxes, depreciation, and amortization) generation from the airport even post the expansion works," the financial research firm said in its outlook report for San Miguel Corp. (SMC), e-mailed to reporters on Monday.

"We are alarmed that the revenue share that SMCC [SMC SAP & Co. Consortium] bid for and is willing to pay to the government is much higher than the bids placed by its competing bidders," it added.

This move could suggest San Miguel's "strong desire" to capture a large share of the air traffic market in Metro Manila, as its infrastructure unit is also constructing an international airport in Bulacan, CreditSights said.

"We expect NAIA to complement SMC's greenfield international Bulacan Airport that is slated to be completed in 2027, thereby driving revenue and cost synergies."

The winning consortium for the NAIA bid consists of San Miguel Holdings Corp., RMM Asian Logistics, Inc., RLW Aviation Development, Inc., and Incheon International Airport Corp. (IIAC).

The other two qualified bidders, GMR Airports Consortium and Manila International Airport Consortium, have proposed revenue shares of 33.3% and 25.9%, respectively.

The 15-year concession agreement for NAIA can be extended for a further 10 years based on the consortium's performance.

The SMC-SAP consortium has estimated an investment of around P122.3 billion for its capital expenditures (capex) over the duration of its concession agreement, according to the Department of Transportation.

The credit research provider said that SMC will likely fund its share through a mixture of 70-30 debt and equity.

It also said that the proposed investments of the SMP-SAP group will have little impact on SMC's cash flow, as the capex will likely be divided among the members of the consortium.

Under the agreed concession, the group will make an up-front payment of P30 billion and an annuity payment of P2 billion, in addition to the revenue share.

"We anticipate the project to have a manageable impact on SMC's credit profile, given the project capex will likely be split among the consortium partners and over a potentially five-year period, which eases cash flow pressure," CreditSights said.

"Based on these assumptions, we estimate SMC's pro forma net leverage to worsen modestly to 7.8x-8x which we see as manageable," it also said.

Ramon S. Ang's SMC holds a 33% stake in the consortium, South Korea's IIAC, the operator of Incheon International Airport, has a 10% share, while RMM Asian Logistics and RLW Aviation hold a 30% and 27% stake, respectively.

Data available from the Securities and Exchange Commission showed that RMM Asian Logistics was incorporated in December 2023, while no data was available about RLW.

"We are... unclear about the background/capabilities of two of SMCC's other partners, RMM Asian Logistics and RLW Aviation. Though SMC in its press release did not disclose or refute if the two entities are in any way related to SMC, we cannot rule out the possibility that they are related parties of SMC. If it were true, then SMC will incur a higher proportion of capex/higher debt for the airport upgrade, than what we have assumed," CreditSights said. — **Ashley Erika O. Jose**

# SM Prime says income climbs 33% to P40B

SY-LED property developer SM Prime Holdings, Inc. logged a 33% increase in its net income to P40 billion in 2023, led by higher revenues across its business units.

The company's net income for 2023 marks an improvement from the P30.1 billion recorded the year prior, SM Prime said in a stock exchange disclosure on Monday.

SM Prime said its consolidated revenue increased by 21% to P128.1 billion from P105.8 billion in 2022, while operating income rose by 24% to P61.3 billion.

The company's mall business, which took up 56% of its consolidated revenue, posted a 30% revenue growth to P71.9 billion, as mall rental income climbed by 24% to P61.3 billion.

The residential business group, led by SM Development Corp., recorded an 8% increase in revenue to P43.1 billion.

The group's gross profit grew by 15% to P25.4 billion while reservation sales stood at P102 billion, equivalent to over 21,000 residential units sold.

Meanwhile, SM Prime said its revenues for other key businesses, including offices, hotels, and convention centers, rose by 26% to P13.1 billion.

Broken down, the company's office unit generated P6.8 billion, while the hotels and convention centers unit had P6.3 billion in revenue.

"The favorable result we achieved in 2023 reflects the strong support and trust from our tenants and customers despite the economic challenges encountered in 2023," SM Prime President Jeffrey C. Lim said.

"We continue to see this growth momentum this year as we pursue our expansion plans in our key businesses, and explore new opportunities to expand our businesses," he added.

The property developer previously said that it was looking at a P100-billion capital expenditure program for this year.

SM Prime shares fell by 2.79% or 95 centavos to P33.05 apiece on Monday. — **Revin Mikhael D. Ochave**

# GCash, CICC team up to combat financial fraud

ELECTRONIC WALLET platform GCash has partnered with Cybercrime Investigation and Coordinating Center (CICC) to address the rising cases of financial fraud.

"What this collaboration actively does is to put together a rapid incident response mechanism so that the public can be properly protected in real time," Department of Information and Communications Technology (DICT) Secretary Ivan John E. Uy said during a media briefing.

The CICC is an attached agency of the DICT.

"We are taking a preemptive action today so that a certain modus is identified — whether phishing or scamming — and immediately reported to our hotline," Mr. Uy said.

"Our analysts, investigators will now be able to alert the financial institution that there is a new mode of scam," he added.

In January, GCash partnered with the National Bureau of Investigation (NBI) for a data-sharing deal to track online financial fraud.

The collaboration with NBI will help GCash understand the pattern of frauds, it said, adding that the partnership will also help them trace accounts that may use GCash wallets for crimes.

In 2023, GCash said it had removed over four million accounts due to engagement in fraudulent transactions and other malicious activities. — **Ashley Erika O. Jose**

# Meralco allots P280M to power Manila subway

MANILA ELECTRIC Co. (Meralco) will spend P280 million to power the Metro Manila Subway, the electricity distributor said on Monday.

The amount is intended for the development of the 115-kilovolt switching station "that will ensure the provision of reliable and stable power for the country's underground mass transport system," the company said in a statement.

The Department of Transportation and Meralco signed an agreement last week for the construction of the switching station in Valenzuela City, which is slated for completion in 2026.

"The Metro Manila Subway will definitely change the way of living in the country's economic center," Meralco Executive Vice-President and Chief Operating Officer Ronnie L. Aperocho said.

"As we continue to make significant contributions to nation-building and economic growth, this ceremony underscores Meralco's unwavering commitment to powering the country's critical infrastructure by providing reliable, efficient, and sustainable power," he added.

The Metro Manila Subway is an underground railway line that will run from Mindanao Ave., Quezon City to the Ninoy Aquino International Airport Terminal 3 in Pasay City, reducing travel time between the cities from an hour and 10 minutes to only 45 minutes.

"This collaboration goes deeper than a public-private partnership. It translates to the benefit of subway commuters whom we promised comfortable, affordable, safe, sustainable and accessible train rides," Transportation Secretary Jaime J. Bautista said.

The Metro Manila subway will connect 17 stations in Metro Manila. It is initially scheduled to start full operations by 2027 but was then delayed to 2029 on right-of-ways acquisition issue.

### JUSTIFYING PASSED-THROUGH COSTS

Meanwhile, the Energy Regulatory Commission (ERC) is expecting Meralco to submit its complete validation of the fuel costs component this week, justifying the rate adjustment imposed for February electricity bill.

"I think they will file the appropriate pleading with the ERC this week. Will wait for their filing," ERC Chairperson Monalisa C. Dimalanta said in a Viber message.

Meralco has confirmed that it will file the validated costs with the ERC this week.

Ronald V. Valles, Meralco's vice-president and head of its regulatory management, previously said that the company was ready to issue refunds to its consumers after it sought guidance from the ERC on how to deal with the increase in the price of fuel costs from one of its suppliers, First Gas Power Corp. (FGPC).

He earlier said that Meralco received the ERC's response on Feb. 13 to its "various letters." This, however, was after the cost component had already been covered in the February electricity rates.

For the month, Meralco said that it would raise power rates by P0.5738 per kilowatt-hour, attributing it to the higher generation charges from power supply agreements and independent power producers (IPPs).

It said that the increase in IPP charges was brought by higher fuel costs at the Sta. Rita and San Lorenzo power plants operated by FGPC, mainly resulting from the increased use of imported liquefied natural gas.

Meanwhile, the price of Malampaya gas to Sta. Rita increased by almost 12%, following the signing of a new gas supply and purchase agreement between First Gas Corp. and Malampaya consortium.

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. — **Sheldeen Joy Talavera**

# Del Monte eyes capital securities offering via subsidiary

DEL MONTE PACIFIC Ltd. (DMPL) is seeking more fundraising opportunities, as a subsidiary of its Philippine unit explores a US dollar senior perpetual capital securities offering.

DMPL said in a regulatory filing that Jubilant Year Investments Ltd. has engaged UBS AG as the sole global coordinator, lead manager, and bookrunner to arrange a series of fixed income investor meetings and calls starting Monday.

Jubilant Year Investments is a wholly owned subsidiary of Del Monte Philippines, Inc. (DMPI). The company hinted that a perpetual capital securities offering could follow after selecting UBS AG.

"A Reg S US dollar senior perpetual capital securities offering may follow, subject to market conditions. The issuance will be guaranteed by DMPI and Philippine Packing Management Service Corp.," DMPL said.

However, DMPL said the announcement "does not constitute or form part of and should not be construed as an offer or invitation or the solicitation of an offer to sell, issue, or subscribe for securities in the United States, Philippines, or elsewhere where such offer or sale would be unlawful."

UBS AG is incorporated in Switzerland and has branch registered in Singapore.

DMPL logged a $22-million net loss in the first half of its fiscal year that started in May, a reversal of the $19-million net profit a year ago.

The company's sales improved 2% to $1.2 billion led by higher sales in the US but posted a 28% decline in gross profit to $244 million as a result of higher costs.

On Monday, DMPL shares fell by 3.04% or 18 centavos to P5.74 apiece. — **Revin Mikhael D. Ochave**

# Laus Group of Companies mulls solar installations in more Luzon facilities

PAMPANGA-BASED Laus Group of Companies (LGC) is considering installing solar-powered systems in more of its facilities across Luzon after adopting solar energy solutions for two of its flagship businesses.

"This is only the beginning. We will continue to find ways to operate our facilities wherever possible through alternative energy as well as projects that will help us become more responsible caretakers of this planet," LGC Chairman and Chief Executive Officer Lisset Laus-Velasco said in a media release on Monday.

LGC recently partnered with PHILERGY German Solar for the installation of solar power systems in the building of Carworld, Inc. and Corporate Guarantee and Insurance Co.

The two solar-powered systems can independently produce around 500 kilowatt-peak of electricity, which generates 50% savings on electricity bills, the company said.

"We at the Laus Group of Companies are dedicated to advancing environmental sustainability. We are committed to transitioning to utilizing renewable energy sources wherever feasible," Ms. Laus-Velasco said.

The conglomerate's businesses span the industries of automotives, nonlife insurance, media, food, and hospitality. — **Sheldeen Joy Talavera**