Philippine Stock Exchange index (PSEi) 6,562.43 ▼96.96 PTS. ▼1.45%

MONDAY, APRIL 15, 2024 BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P601.00	——	
ACEN	ACEN Corp.	P3.33	-P0.25	-6.98%
AEV	Aboitiz Equity Ventures, Inc.	P38.80	-P0.90	-2.27%
AGI	Alliance Global Group, Inc.	P9.54	-P0.40	-4.02%
ALI	Ayala Land, Inc.	P27.95	+P0.10	+0.36%
BDO	BDO Unibank, Inc.	P147.30	-P2.80	-1.87%
BLOOM	Bloomberry Resorts Corp.	P10.46	-P0.18	-1.69%
BPI	Bank of the Philippine Islands	P117.00	-P1.50	-1.27%
CNPF	Century Pacific Food, Inc.	P36.95	+P0.85	+2.35%
CNVRG	Converge ICT Solutions, Inc.	P9.27	-P0.09	-0.96%
DMC	DMCI Holdings, Inc.	P11.38	-P0.44	-3.72%
EMI	Emperador, Inc.	P18.16	-P0.02	-0.11%
GLO	Globe Telecom, Inc.	P1,726.00	-P12.00	-0.69%
GTCAP	GT Capital Holdings, Inc.	P665.00	-P5.00	-0.75%
ICT	International Container Terminal Services, Inc.	P326.00	-P4.00	-1.21%
JFC	Jollibee Foods Corp.	P227.60	-P8.00	-3.4%
JGS	JG Summit Holdings, Inc.	P30.10	-P0.90	-2.9%
LTG	LT Group, Inc.	P9.50	-P0.31	-3.16%
MBT	Metropolitan Bank & Trust Co.	P68.00	-P1.95	-2.79%
MER	Manila Electric Co.	P354.00	-P4.60	-1.28%
MONDE	Monde Nissin Corp.	P10.60	-P0.10	-0.93%
NIKL	Nickel Asia Corp.	P4.08	+P0.08	+2%
PGOLD	Puregold Price Club, Inc.	P24.35	+P0.10	+0.41%
SCC	Semirara Mining and Power Corp.	P29.40	+P0.10	+0.34%
SM	SM Investments Corp.	P957.00	-P23.00	-2.35%
SMC	San Miguel Corp.	P100.40	-P1.60	-1.57%
SMPH	SM Prime Holdings, Inc.	P29.60	-P0.40	-1.33%
TEL	PLDT Inc.	P1,353.00	+P3.00	+0.22%
URC	Universal Robina Corp.	P99.75	-P0.15	-0.15%
WLCON	Wilcon Depot, Inc.	P16.74	+P0.04	+0.24%

Analysts: Jet fuel prices may challenge airlines after Q1 boost

By Ashley Erika O. Jose
Reporter

A SURGE in demand during Holy Week and the start of the summer season likely boosted revenue growth for airline companies in the first quarter (Q1), according to analysts, but cautioned about potential challenges ahead due to rising jet fuel prices.

"The surge in travel demand coinciding with the timing of the Holy Week, which occurred in late March, and the onset of the summer season would've likely supported the revenue growth of airline companies in the first quarter," China Bank Securities Corp. Research Director Rastine Mackie D. Mercado said in an e-mail on Monday.

However, the volatility of the fuel market due to the ongoing geopolitical tensions and the additional output cut by the Organization of the Petroleum Exporting Countries and their allies including Russia (OPEC+) may hurt airlines growth for the period, he added.

"Prospects of higher jet fuel prices, driven by geopolitical tensions in the Middle East, and prolonged oil output cuts from OPEC+ could lead to some demand and margin pressures in the near term," he also said.

In March, members of OPEC+ announced that they would extend the oil output cut of about 2.2 million barrels per day until the second quarter to maintain a balanced oil market supply.

On Monday, oil companies were set to hike pump prices by P0.40 per liter for gasoline, P0.95 per liter for diesel, and P0.85 per liter for kerosene.

These price adjustments brought a year-to-date net increase of P9.70 for gasoline, P7 for diesel, and P2.25 for kerosene.

The Department of Energy said that surging oil prices are expected to continue due to the OPEC+ cut, while downplaying the impact of the ongoing Israel-Iran conflict.

The Civil Aeronautics Board (CAB) has retained the airline fuel surcharge at Level 6 for April.

Latest data from the Energy department showed that Dubai crude climbed by nearly $4 per barrel for the first week of April. The international prices of gasoline, diesel, and kerosene have also increased by $2.40, $3.60, and $3.40 per barrel, respectively.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort also said that the volatility of oil prices could pose risks to airline operations, as it may drive operating costs to increase further.

"Number of domestic airline passengers already exceeded pre-pandemic levels. Offsetting risk factor is the volatility in global crude oil prices amid increased tensions in the Middle East that could increase operating costs and could narrow profit margins," he said in a Viber message.

For Globalinks Securities and Stocks, Inc. Head of Sales Trading Toby Allan C. Arce, airlines are still expected to significantly benefit from the post-pandemic revenge travel trend.

"Philippine airline companies seem positive based on the momentum gained in 2023 and early 2024," he said, adding that growth may be sustained despite the changing market environment.

"Sustained growth will depend on the ability of airlines to adapt to changing market conditions, diversify their revenue streams, and mitigate risks associated with external factors beyond their control."

For 2023, Cebu Air, Inc., the operator of budget carrier Cebu Pacific, registered a net income of P7.9 billion for 2023, reversing its losses in 2022.

The company recorded an operating income of P8.6 billion, while its EBITDA, or earnings before interest, taxes, depreciation, and amortization, reached P21.8 billion, marking a significant increase from the P664 million in 2022.

Its total expenses climbed 20% to P82 billion, which it attributed to higher fuel costs and fleet-related expenses.

PAL Holdings, Inc., the listed operator of flag carrier Philippine Airlines (PAL), saw its attributable net income more than double to P16.81 billion last year.

PAL noted that its jet fuel consumption rose by 8% due to increased flight activity last year. The company added that fuel costs accounted for 45.3% of its overall expenses.

"The post-pandemic revenge travel trend indeed seems to have benefited airlines... While the outlook appears positive, sustaining this growth and maintaining strong financial results in the first quarter of 2024 may face challenges. External factors such economic instability, and unpredictable shifts in travel restrictions," Mr. Arce said.

To recall, CAB recorded a total of 50.18 million passenger volumes for 2023 covering both domestic and international flights.

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.

Flag carrier PAL said it expects passenger volume to rise up to 20% in 2024 from its more than 14 million passengers in 2023.

Last year, the airline company carried a total of 14.7 million passengers, marking a 58% increase from the 9.3 million passengers recorded in 2022.

Data provided by the company showed that PAL managed to mount a total of 105,294 flights last year, 35.8% higher than the 77,533 total flights in 2022. Meanwhile, Cebu Pacific flew over 20 million passengers on more than 140,000 flights. This translated to approximately a 41% increase in passengers and a 30% increase in flights compared to the previous year.

Inflation uptick makes first-half IPO tough

By Sheldeen Joy Talavera
Reporter

GOING public in the first half of 2024 may be challenging due to the uptick in inflation and hawkish policy stance from the central bank, analysts said.

"We are now seeing volatility in equity markets due to stubborn inflation, a potential delay in interest rate cuts, and elevated geopolitical risk," China Bank Capital Corp. Managing Director Juan Paolo E. Colet said in a Viber message last week.

"As a result, it has become more challenging to do an IPO (initial public offering) during the first half of this year," he added.

Headline inflation accelerated to 3.7% year on year in March, data from the Philippine Statistics Authority showed. This is within the forecast of the Bangko Sentral ng Pilipinas for the month of 3.4% to 4.2%.

The Monetary Board last week kept rates steady at 6.5% for a fourth straight meeting and signaled a possible delay in rate cuts due to upside risks in inflation.

Mr. Colet said that elevated interest rates impact equity valuations and reduce the appetite for equities "because investors can get fairly attractive returns by investing in debt instruments that are considered safer than stocks."

"Tight monetary policy tends to slow down the economy by making borrowing more expensive, so those factors also impact the prospects of a company," he said.

"If we the goal is to raise as much volume at the best valuation, it might be better to wait until we see a tapering of inflation and a clearer path to monetary policy easing before launching a sizable IPO," Mr. Colet said.

Toby Allan C. Arce, head of sales trading at Globalinks Securities and Stocks, Inc., said that while the environment for conducting IPOs may be more challenging, "it's not necessarily prohibitive."

"Companies considering IPOs would need to carefully assess market conditions, investor sentiment, and their own business fundamentals before proceeding," he said in a Viber message.

Despite the uptick in inflation and hawkish cues from the central bank, the market environment remains favorable for potential IPOs, according to Rastine Mackie D. Mercado, research director at China Bank Securities Corp.

"While investor appetite for equities is seeing some softness due to changing expectations on rate cut timings, especially from the US Federal Reserve, we think that this should firm up through the coming months especially as major central banks start to cut rates," he said.

Markets are likely to watch out the take-up and price performance of the first IPO of the year "as this could help set the pace for succeeding issuances," he added.

Mining company OceanaGold Philippines, Inc. is targeting to publicly list on May 13, based on the updated prospectus of its Australian-Canadian parent company OceanaGold Corp.

On Friday, the company secured the approval of the Philippine Stock Exchange (PSE) for its P7.9-billion IPO. It will offer 456 million common shares at a price of up to P17.28 each.

Another planned IPO for this year is Saavedra-led Citicore Renewable Energy Corp. (CREC), which is aiming to list its shares on the PSE on May 31, based on its prospectus dated April 3.

CREC is set to offer 1.79 billion common shares at a maximum price of P3.88 apiece, including an additional 267.86 million shares for overallotment.

The company trimmed its planned IPO size to P7.9 billion from P12.9 billion. The move came after SM Investment Corp. invested P5 billion in its subsidiary Citicore Energy REIT Corp. (CREIT).

CREIT is the country's first real estate investment trust listing focused on renewable energy.

For 2024, the PSE is targeting to have at least six IPOs and is expecting about P40 billion worth of capital to be raised.

CREC taps RCBC for up to P20-billion financing

SAAVEDRA-LED Citicore Renewable Energy Corp. (CREC) has secured a financing deal with Rizal Commercial Banking Corp. (RCBC) totaling up to P20 billion to fund solar projects.

The initial tranche of P9 billion was arranged by RCBC Capital Corp., CREC said in a statement on Monday.

"The structure is believed to be the first-of-its-kind project financing in the Philippines, which covers various project portfolios instead of the typical per-project financing structure," the company said.

Proceeds from the initial funding tranche will be used for CREC's development of solar power plant projects in Batangas, Pampanga, and Negros Occidental.

These have a combined installed generating capacity of at least 600-megawatt direct current and up to approximately one gigawatt of solar energy capacity.

The company is targeting to complete the commercial operations of the first and second phases of the Negros Occidental project in September 2024 and 2025, respectively.

Meanwhile, the expected commercial operation dates for the first and second phases of both Batangas and Pampanga projects are December 2024 and 2025, respectively.

"RCBC's support will assist us to fulfill our 1 GW (gigawatt)," CREC President and Chief Executive Officer Oliver Tan said. "We thank RCBC for their trust in us and we will endeavor to meet our goals with excellence."

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The company is set to offer 1.79 billion common shares at a maximum price of P3.88 apiece, including an additional 267.86 million shares for overallotment. — **Sheldeen Joy Talavera**

ICTSI receives green light for Visayas Container Terminal

THE Philippine Ports Authority (PPA) has issued a notice to proceed to International Container Terminal Services, Inc. (ICTSI) for the rehabilitation and operation of the Visayas Container Terminal (VCT), formerly known as the Iloilo Commercial Port Complex in Western Visayas, the company said.

The Razon-led port operator is set to commence operations and upgrade the facility upon signing the notice to proceed, the company told the stock exchange on Monday.

ICTSI said it will work on improving terminal productivity and service quality by investing in the development and rehabilitation of the terminal's infrastructure and deploying cargo-handling equipment.

The PPA awarded in January the 25-year contract to operate the VCT to ICTSI, the port's lone bidder.

The contract includes a concession fee of P750 million, PPA said. This amount is 50% higher than the P500 million minimum fixed fee set by the agency in its bid invitation.

"Our significant investments in modern infrastructure, cargo-handling equipment, and operational efficiency will drive this transformation," Christian R. Gonzalez, ICTSI executive vice-president said in a statement.

The VCT has about 627 meters of operational quay length and 20 hectares of land for container and general cargo storage, warehousing, and other cargo-handling activities.

The facility caters to Iloilo province and the entire Panay Island. Situated apart from older port facilities on Panay Island's southern coast in Panay Gulf, it benefits from being one of the country's safest harbors, according to ICTSI.

ICTSI said capacity and efficiency constraints have hindered the seaport's full potential as it aims to unlock the facility's full potential.

Currently, the seaport managed a total volume of 100,000 twenty-foot equivalent unit or TEUs and two million metric tons of non-containerized cargo annually.

"ICTSI's involvement will transform the port, addressing these challenges and unlocking its economic benefits. The port will be operated exclusively to serve foreign vessels and cargoes, with a provision for domestic vessels and cargoes in the initial five years," the company said. — **Ashley Erika O. Jose**

ICTSI.COM