Philippine Stock Exchange index (PSEi) 6,492.75 ▼14.74 PTS. ▼0.22%

FRIDAY, JULY 5, 2024 BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P568.00	-P2.50	-0.44%
ACEN	ACEN Corp.	P4.86	-P0.13	-2.61%
AEV	Aboitiz Equity Ventures, Inc.	P37.00	-P0.55	-1.46%
AGI	Alliance Global Group, Inc.	P8.58	-P0.02	-0.23%
ALI	Ayala Land, Inc.	P29.25	+P0.05	+0.17%
BDO	BDO Unibank, Inc.	P138.80	+P0.60	+0.43%
BLOOM	Bloomberry Resorts Corp.	P9.70	-P0.01	-0.1%
BPI	Bank of the Philippine Islands	P119.00	+P0.70	+0.59%
CNPF	Century Pacific Food, Inc.	P32.50	-P0.80	-2.4%
CNVRG	Converge ICT Solutions, Inc.	P11.18	-P0.02	-0.18%
DMC	DMCI Holdings, Inc.	P11.00	——	
EMI	Emperador, Inc.	P18.44	-P0.06	-0.32%
GLO	Globe Telecom, Inc.	P2,110.00	-P24.00	-1.12%
GTCAP	GT Capital Holdings, Inc.	P592.00	+P2.00	+0.34%
ICT	International Container Terminal Services, Inc.	P360.00	-P9.00	-2.44%
JFC	Jollibee Foods Corp.	P234.00	+P2.60	+1.12%
JGS	JG Summit Holdings, Inc.	P25.70	-P0.45	-1.72%
LTG	LT Group, Inc.	P9.30	-P0.10	-1.06%
MBT	Metropolitan Bank & Trust Co.	P65.00	-P0.60	-0.91%
MER	Manila Electric Co.	P374.00	-P2.00	-0.53%
MONDE	Monde Nissin Corp.	P9.88	+P0.02	+0.2%
NIKL	Nickel Asia Corp.	P3.65	-P0.03	-0.82%
PGOLD	Puregold Price Club, Inc.	P24.75	——	
SCC	Semirara Mining and Power Corp.	P33.40	+P0.05	+0.15%
SM	SM Investments Corp.	P850.00	+P9.50	+1.13%
SMC	San Miguel Corp.	P100.00	-P0.50	-0.5%
SMPH	SM Prime Holdings, Inc.	P28.65	——	
TEL	PLDT Inc.	P1,470.00	-P9.00	-0.61%
URC	Universal Robina Corp.	P109.00	——	
WLCON	Wilcon Depot, Inc.	P18.24	+P0.24	+1.33%

Higher NAIA charges to weigh on travel demand

By Ashley Erika O. Jose
Reporter

THE EXPECTED INCREASE in fees at the soon-to-be privatized Ninoy Aquino International Airport (NAIA) could alter travel demand dynamics, potentially impacting passenger volumes and operational margins for airlines operating at the airport, according to analysts.

"Higher charges ultimately end up in passengers' wallets, and it may depress demand in the short term," Rene S. Santiago, former president of the Transportation Science Society of the Philippines, said in a Viber message on Sunday.

"[This is] highly favorable to SMC (San Miguel Corp.) as it inherits these higher charges that cannot be attributed to it," he added.

In June, the Department of Transportation announced that the proposed increase in passenger service fees at NAIA is intended to enhance operational efficiency.

The department said that the planned rate hike is within the approved parameters, terms, and conditions specified in the tender documents for the NAIA rehabilitation project.

Passenger service charges, also known as terminal fees, are imposed on departing passengers. Landing and take-off fees, on the other hand, are charges levied for the use of airport facilities and services during aircraft landings and takeoffs. Both fees contribute to the total cost of airfares paid by passengers.

Currently, domestic travelers pay a passenger service charge of P200, while foreign travelers pay P550. It is anticipated that these fees will rise to P390 and P950, respectively.

"The passenger service fees will be [implemented] in 2025, but other planned airport fees [are expected] before the end of the year; we have to finalize the amounts," Transportation Secretary Jaime J. Bautista said, noting that the proposed hike will still require approval from Congress.

This means that landing and take-off fees levied on airlines will also increase by the end of the year.

"There will be an increase because the concessionaire needs to be compensated for their investments. The charges they will collect are expected to improve the airport's efficiency," Mr. Bautista said.

Enrico P. Villanueva, a senior lecturer at the University of the Philippines Los Baños Economics department, described the expected increase in airport fees as enhancing services but said, "It is just lamentable that fee increases appear to be sudden and pervasive, and mostly front-loaded."

He said the new airport operator could phase in the proposed hike gradually or wait until services improve.

"Air travel is not a necessity for the majority, so demand for it is price sensitive or elastic. It is unfortunate that service fee increases come at a time when air travel is just beginning to surge again," Mr. Villanueva said.

Nigel Paul C. Villarete, senior adviser on public-private partnership at the technical advisory group Libra Konsult, Inc., said the proposed hike is justified.

"This will result in better airport terminal services in NAIA, which seems to lag behind," he said in a Viber message.

"Airlines may be tempted to increase airfares too, but let us hope they won't... These [fees] are negligible in amount compared to the ticket sales revenues," he added.

He also said that travel demand might not be directly impacted by the proposed increases in passenger service charges or landing and take-off fees, as these costs are already included in the ticket price.

"It is just a small portion thereof. It is when airlines jack up their fares that may affect demand."

For the first quarter, international passenger volume surged to 6.97 million from 3.8 million in the corresponding period last year, according to data from the Civil Aeronautics Board.

Domestic passenger numbers for the first quarter alone totaled 7.44 million, equivalent to 25.7% of last year's total domestic passenger volume of 28.97 million.

This year, the Department of Tourism aims for 4.8 million international arrivals, up from 2.65 million last year.

In March, the New NAIA Infrastructure Corp. (formerly SMC SAP & Co. Consortium) signed a P170.6-billion contract to operate, maintain, and upgrade the country's primary gateway for 25 years. It is scheduled to assume NAIA operations by September.

The New NAIA Infrastructure plans to construct a new passenger terminal building with a capacity of 35 million passengers annually, as part of efforts to alleviate airport congestion.

The government anticipates earning P900 billion from the project, equating to P36 billion per year. This figure is 20 times larger than the P1.17 billion annually remitted by the MIAA over the 13 years through 2023, according to the Department of Transportation.

Mitsubishi PHL eyeing hybrid, plug-in EV launches

MITSUBISHI Motors Philippines Corp. (MMPC) said it is studying the potential launch of hybrid electric vehicles (HEVs) and plug-in hybrid EVs in the Philippines following the expansion of the coverage of Executive Order (EO) No. 12.

MMPC President and Chief Executive Officer Ritsu Imaeda said the company actively monitors developments in Philippine government policies.

"We are now very much studying the implementation of those hybrid or battery EV products with stronger momentum. So right now, we are working on that," Mr. Imaeda said on the sidelines of the launch of the Mitsubishi XForce on Friday last week.

The National Economic and Development Board approved in May the expansion of the coverage of EO 12, which temporarily reduces tariffs on EVs to zero until 2028.

Aside from the 34 lines of EVs covered by EO 12, it will now also cover e-motorcycles, e-bicycles, nickel metal hydride accumulator batteries, e-tricycles and quadricycles, hybrid EVs, and plug-in hybrid EV jeepneys or buses.

However, Mr. Imaeda said the company does not anticipate launching HEVs or plug-in hybrids in the near future.

"In a shorter term, for the model that is going to come in next year, we are not expecting that to come," he said. "But we are expecting it to come at a certain time. But the actual time, I cannot say when it is going to be."

"We are intensively studying which is the most reasonable solution for this market. So, whether we should go for battery EVs, plug-in hybrids, or hybrids, there are decisions that we have to make that fit the market," he added.

He added that introducing hybrids or plug-in hybrids next year is possible but will be difficult.

"If the miracle happens, then we can expect that. So the right timing and the right component are something that we are studying right now," he said.

"Maybe it could be like 2026 or 2027; of course, at least, I would like to enjoy the two-year period of the zero tariff," he added.

He said that what is making the launch in the Philippines a bit difficult are government directives, infrastructure, and capacity issues.

"We acknowledge that the EV market is a bit too early for this market to implement in terms of infrastructure, uncertainty, and electricity supplies," he added.

Meanwhile, MMPC is projecting its sales for this fiscal year at 90,000 units amid increasing demand for its existing products and new products.

Mr. Imaeda said that the company recorded its highest sales last fiscal year at 81,500 units. The company's fiscal year is from April to March.

"So for this fiscal year 2024, we are aiming to go around 90,000 units," he said on the sidelines of the launch of the Mitsubishi XForce on Friday.

"The biggest driver is the wealthy demands coming from the customers. They are very proactive in buying cars. So that is very much supporting us," he added.

For their part, he said that to support this target, the company plans to push forward several product lines.

"We have several lineups that we would like to push forward, led by Xpander. We are also having good sales of Mirage, and we have the Triton, which we launched this January, which is also picking up right now," he said.

"On top of that, we have this new XForce. So it's very difficult to say which product we are focusing on because we have a good balance in the sales for all of those products. So with all of those models, we are aiming to achieve 90,000," he added.

Mitsubishi launched on Friday a new compact sports utility vehicle, which will retail for P1.37 million for the GLS CVT variant and P1.58 million for the GT CVT variant.

In terms of market share, Mr. Imaeda said that they are targeting to go over 20% from the 18.5% share last fiscal year.

For 2024, the Chamber of Automotive Manufacturers of the Philippines, Inc. and Truck Manufacturers Association projected sales to reach 470,000. — **Justine Irish D. Tabile**

OUTLIER

Jollibee Foods Corp. shares climb following acquisition in South Korea

SHARES in Tony Tan Caktiong-led Jollibee Foods Corp. (JFC) rose last week following a disclosure of its acquisition of a majority stake in South Korean brand Compose Coffee.

Data from the Philippine Stock Exchange showed that a total of 2.71 million shares worth P623.46 million were traded from July 1 to 5, positioning JFC as the 10th most active stock in the local market during that period.

JFC shares increased by 3.5% week on week, closing at P234 per share, up from P226 per share on June 28.

Year to date, JFC's share price has decreased by 6.9%.

Philippine National Bank Senior Equity Research Analyst Jonathan J. Latuja said in an e-mail that Jollibee's share price was up by more than 3% last week, which was a continuation of its ascent since the previous week.

"Excitement about the acquisition of the Korean brand, Compose Coffee, was positively received by the market, which drove Jollibee stock price higher. Compose Coffee could be earnings accretive," said Mr. Latuja.

"This looks bullish as they are expanding their presence one country at a time. With the new acquisition, valuation will surely increase since it will add value to their current portfolio," Jeff Radley C. See, head trader at Mercantile Securities Corp., said in a Viber message.

In a disclosure last week, JFC announced that its wholly owned subsidiary, Jollibee Worldwide Pte. Ltd. (JWPL), acquired a 70% stake in Compose Coffee Co., Ltd. and its roasting facility, JMCF Co., Ltd., collectively referred to as Compose Coffee, for $340 million (approximately P20 billion). This acquisition aims to strengthen JFC's coffee and tea business.

Private equity firm Elevation Equity Partners Korea Ltd. will get a 25% stake while Titan Dining II LP (Titan Fund II) will have the remaining 5%.

Jollibee has a 90% participating interest in Titan Fund II through JWPL. The deal was finalized after the signing of definitive agreements.

With the acquisition of Compose Coffee, Jollibee expects a 2% increase in revenues, bringing the international business' contribution to 41% of global revenues.

Jollibee's attributable net income in 2023 amounted to P8.77 billion, up by 16% from P7.56 billion in 2022.

Its revenues increased by 15.2% to P244.11 billion in 2023 from P211.9 billion previously.

Jollibee saw a 26.9% increase in its first-quarter attributable net income to P2.62 billion as system-wide sales grew by 10.4% to P86.83 billion.

Mr. Latuja projected a year-on-year revenue growth of 12%.

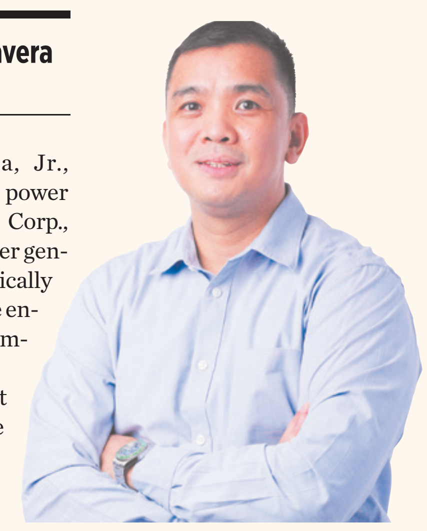
Mr. See identified support levels at P230 and PHP224 per share, with a resistance level at P240 per share.

The company expanded its store network by 5.3% to 6,886 stores as of the end of March, comprising 3,337 stores in the Philippines and 3,549 international branches. — **Lourdes O. Pilar**

BW ONE-ON-ONE

DMCI Power's Gatdula sets sights on lowering off-grid power costs

By Sheldeen Joy Talavera
Reporter



ANTONIO E. GATDULA, JR.

ANTONIO E. Gatdula, Jr., president of off-grid power generator DMCI Power Corp., prioritizes reducing power generation costs and strategically incorporating renewable energy sources into the company's portfolio.

"Aside from the fact that we have to provide reliable, quality, stable supply of power, I think most importantly... we have to bring down the cost of power in the off-grid," Mr. Gatdula said in an interview with *BusinessWorld*.

"The effect is not just limited to the area where we are operating; it extends to the entire country. So, if we bring down the cost of power in the off-grid, the UCME (Universal Charge for Missionary Electrification) rate that consumers are paying will decrease," he added.

To further reduce costs, he mentioned plans to integrate renewable energy into the company's portfolio, noting that it is "much cheaper than bunker and diesel."

Mr. Gatdula said the company aims to maintain DMCI Power's leadership position as "the largest privately owned power provider in the off-grid sector."

DMCI Power currently operates and maintains bunker-fired power plants, diesel generating sets, and thermal power plants in Masbate, Palawan, and Oriental Mindoro.

PROFESSIONAL JOURNEY

Mr. Gatdula, a certified public accountant, began his professional journey as an audit associate in 2000 and an instructor at San Beda College.

"It is really my passion to teach as I feel relaxed every time I share what I know... Teaching is a two-way stream, right? You teach and then at the same time you learn," he said.

He entered the energy industry in 2003, starting at the Energy Regulatory Commission before moving to the state-led Power Sector Assets and Liabilities Management Corp.

In 2008, Mr. Gatdula joined DMCI Power as a marketing and business development officer. Recognized for his expertise in accounting and finance, he was later promoted to controller and subsequently assumed the role of chief finance officer. Approximately seven years later, he was appointed as the company's chief operating officer.

FULL STORY
Read the full story by scanning the QR code or by typing the link <tinyurl.com/yc4cbasn>