

Philippine Stock Exchange index (PSEi)

6,535.17

▲101.93 PTS.

▲1.58%

WEDNESDAY, AUGUST 7, 2024
BusinessWorld

PSEi MEMBER STOCKS

AC Ayala Corp. P599.00 +P10.50 +1.78%	ACEN ACEN Corp. P5.09 +P0.05 +0.99%	AEV Aboritz Equity Ventures, Inc. P33.00 -P0.50 -1.49%	AGI Alliance Global Group, Inc. P8.80 -P0.29 -3.19%	ALI Ayala Land, Inc. P30.00 +P1.45 +5.08%	BDO BDO Unibank, Inc. P138.10 -P1.90 -1.36%	BLOOM Bloomberry Resorts Corp. P7.88 -P0.02 -0.25%	BPI Bank of the Philippine Islands P119.80 +P2.40 +2.04%	CNPF Century Pacific Food, Inc. P33.75 +P0.65 +1.96%	CNVRG Converge ICT Solutions, Inc. P11.60 +P0.24 +2.11%
DMC DMCI Holdings, Inc. P11.02 -P0.14 -1.25%	EMI Emperador, Inc. P18.70 +P0.12 +0.65%	GLO Globe Telecom, Inc. P2,230.00 +P52.00 +2.39%	GTCAP GT Capital Holdings, Inc. P599.50 -P1.50 -0.25%	ICT International Container Terminal Services, Inc. P352.00 +P4.00 +1.15%	JFC Jollibee Foods Corp. P226.80 +P0.80 +0.35%	JGS JG Summit Holdings, Inc. P25.00 -P0.40 -1.57%	LTG LT Group, Inc. P9.86 -P0.06 -0.6%	MBT Metropolitan Bank & Trust Co. P67.75 +P2.75 +4.23%	MER Manila Electric Co. P394.80 +P14.80 +3.89%
MONDE Monde Nissin Corp. P9.35 +P0.19 +2.07%	NIKL Nickel Asia Corp. P3.30 +P0.15 +4.76%	PGOLD Puregold Price Club, Inc. P26.25 +P0.85 +3.35%	SCC Semiraya Mining and Power Corp. P31.90 -P0.05 -0.16%	SM SM Investments Corp. P890.00 +P10.00 +1.14%	SMC San Miguel Corp. P99.10 +P1.10 +1.12%	SMPH SM Prime Holdings, Inc. P28.90 +P1.05 +3.77%	TEL PLDT Inc. P1,550.00 +P58.00 +3.89%	URC Universal Robina Corp. P98.90 +P0.80 +0.82%	WLCON Wilcon Depot, Inc. P17.00 +P0.50 +3.03%

Banking, property boost SMIC's Q2 profit to P21.8B

By Revin Mikhael D. Ochave
Reporter

SM Investments Corp. (SMIC) reported a 13% increase in its net income for the second quarter (Q2), reaching P21.8 billion, primarily driven by a strong performance in the banking and property sectors, which offset the impact of lower retail sales.

"[O]ur banks, property, and portfolio investments continued to deliver," SMIC President and Chief Executive Officer Frederic C. DyBuncio said in a statement on Wednesday.

"We remain cautiously optimistic for the balance of the year," he added.

Second-quarter consolidated revenue increased by 6% to P157.7 billion, SMIC said.

SMIC saw a 10% increase in its first-half consolidated net income to P40.2 billion from P36.5 billion last year.

Its January to June consolidated revenue rose by 5% to P301.4 billion from P286.7 billion in 2023.

The conglomerate's banking segment accounted for 50% of total net earnings, followed by property at 27%, retail at 14%, and share of portfolio investments at 9%.

Sought for comment, AP Securities, Inc. Research Head

Alfred Benjamin R. Garcia said that SMIC is expected to have another "banner year," with its first-half performance meeting expectations.

"It is in line with estimates. It's only slightly behind the P40.4 billion we expected for the first half," he said in a Viber message.

"Considering that the seasonality of SM's earnings leans heavily towards the second half of the year, we can safely assume that the company is headed for another banner year," he added.

However, he also said that SMIC's property segment faces risks following the recent government ban on Philippine Offshore Gaming Operators (POGOs).

"The biggest risk would be the effect of the POGO ban on SMIC's property arm. Granted, they have limited exposure to POGOs, but they have a sizable portfolio of office spaces in the Bay Area. That's one of the areas where we expect office vacancy to rise following the POGO ban, which could directly translate to lower lease rates. There could also be a knock-on effect on the residential side in terms of vacancies," he said.

"Another potential risk is the return of weakness in consumer spending if the latest jump in inflation numbers is not a one-off as we expected," he added.

The conglomerate's banking business led by BDO Unibank,

Inc. grew its first-half net earnings by 12% to P39.4 billion, driven by the momentum of its core lending and fee-based services.

Net interest income rose by 11% to P99.6 billion. Gross customer loans grew by 13% across all market segments, while total deposits increased by 13%.

China Banking Corp. recorded a 6% increase in its first-half net income to a record P11.4 billion on improved core lending and deposit-taking activities.

Net interest income rose by 19% to P30.4 billion as higher interest income offset the increase in interest expense. Gross loans climbed by 10% to P817 billion led by higher demand across market segments, while deposits increased by 14% to P1.3 trillion.

SMIC's property unit, SM Prime Holdings, Inc., generated

P22.1 billion in first-half consolidated net income, up by 13% from P19.4 billion in 2023.

Consolidated revenue increased by 8% to P64.7 billion from P59.9 billion in 2023.

SMIC said its retail business, led by SM Retail, saw a 9.5% decline in first-half net income to P7.6 billion from P8.4 billion as a result of a "high base effect from the impact of the lifting of mobility restrictions on consumption in 2023."

SM Retail grew its first-half revenue by 4% to P196.9 billion from P188.5 billion in 2023.

"The second quarter reflected higher growth by 6% in retail revenues and 2% in net income, indicative of spending on discretionary items such as appliances, beauty, and fashion. Specialty retail revenues increased by 5%.

Food retail revenues grew by 7%," SMIC said.

As of end-June, SM Retail added 355 stores, bringing its total network to 4,208 stores.

Among its portfolio investments, SMIC said Atlas Consolidated Mining and Development Corp. more than doubled its first-half net income to P2.07 billion as revenue went up by 23% to P12.5 billion on higher copper metal prices.

The Philippine Geothermal Production Co., Inc. recently started the exploration and development of new geothermal energy sources in various parts of Luzon. This aims to support power security in Luzon and advance the country's renewable energy objectives.

Logistics company 2GO Group, Inc. launched the 2GO

M/V Masigla and 2GO M/V Masikap vessels in the second quarter, which will sail from Manila to destinations in Visayas and Mindanao. Both vessels will carry containerized freight and rolling cargo to businesses and consumers.

On July 18, SMIC listed \$500 million worth of debt notes on the Singapore Exchange Securities Trading Ltd. The issuance came from the conglomerate's \$3-billion Euro Medium-Term Notes program established in May.

Final demand for the issuance reached \$1.6 billion, marking SMIC's largest offshore bond issuance since 2014.

"We were also pleased with the demand and positive feedback on our recent maiden Euro Medium-Term Notes issuance, highlighting the quality of our financials and the investability of strong Filipino companies," Mr. DyBuncio said.

In a separate stock exchange disclosure, SMIC said its board also approved a property-for-share swap with its subsidiary InterContinental Development Corp. (ICDC). The transaction involves ICDC landholdings in Muntinlupa City in exchange for new SMIC shares.

The conglomerate did not provide further details on the deal.

On Wednesday, SMIC shares rose by 1.14% or P10 to P890 apiece.

CEB income halved to P1.31B amid soaring costs

CEBU Air, Inc. (CEB), the operator of budget carrier Cebu Pacific, saw its attributable net income plunge by 50.9% to P1.31 billion for the second quarter from P2.67 billion, mainly due to higher expenses during the period.

In a regulatory filing, Cebu Air reported a combined revenue of P26.14 billion, higher by 15.3% from the P22.67 billion in the same period last year.

Broken down, the company recorded passenger revenues of P17.85 billion for the second quarter, up by 12.7% from the P15.84 billion a year ago; cargo revenues increased to P1.38 billion, significantly higher from last year's P866.9 million, and its ancillary revenues climbed by 15.6% to P6.9 billion, compared with P5.97 billion in the same period a year ago.

Cebu Pacific carried a total of six million passengers in the second quarter alone, the company said, describing the feat as its highest passenger count in a quarter in its entire history.

The company said its cargo business also soared, flying nearly 36 million kilograms of cargo for the April to June period.

Still, despite posting higher revenues, Cebu Air's attributable net income for the second quarter declined, attributed to higher expenses during the period, its financial statement showed.

The operator of the budget airline registered gross expenses of P23.3 billion for the second quarter, marking a 15.6% increase from the P20.15 billion in the same period last year.

For the six-month period, Cebu Pacific's attributable net income also declined to P3.55 billion, lower by 5.3% from the P3.75 billion in the first half of 2023.

Cebu Air reported gross revenue of P51.44 billion for the first half of 2024, climbing by 18.1% compared



with the P43.55 billion in the January to June period last year.

Passenger revenues account for the majority of the company's increase in top line for the period, at P35.68 billion, up by 18.4% year on year.

For the first half, Cebu Air's gross expenses soared to P45.95 billion, higher by 15.5% from last year's P39.79 billion, mainly driven by flying operations expenses.

Its flying operations expenses for the first semester increased to P19.15 billion, higher by 14.2% from P16.77 billion a year ago; however, its expenses in repairs and maintenance decreased slightly to P7.38 billion, down from P7.41 billion last year.

Despite posting lower earnings for the second quarter and first six months, Cebu Pacific Chief Executive Officer Michael B. Szucs described the company's developments for the period as a "significant achievement."

"This has been a very important quarter for our airline, marked by significant achievements and crucial milestones. We've set new highs in terms of passengers flown, finalized our quasi-reorganization, and made the historic order of up to 152 aircraft from Airbus," Mr. Szucs said.

Earlier this month, Cebu Air secured the approval of the Securities and Exchange Commission for its re-

structuring plan aimed at clearing the company's deficit.

On July 17, 2023, Cebu Air's board of directors approved its proposal to pursue an equity restructuring of its deficit.

The company proposed to use its additional paid-in capital of P20.66 billion to clear its deficit amounting to P16.27 billion, leaving it with a capital of P4.39 billion.

In June, the company announced that it would order up to 152 A321neos worth P1.4 trillion, or \$24 billion, described as the largest aircraft order in the country.

"This substantive commitment, through the new aircraft order, aligns CEB's ability to grow with the robust economic story in the Philippines and its ongoing investment in infrastructure," Mr. Szucs said.

Alexander G. Lao, president and chief commercial officer of Cebu Air, has said that the airline is actively exploring various financing strategies for its pending aircraft acquisition.

The company anticipates the commencement of aircraft deliveries in 2028, with the procurement contract slated to be finalized by the third quarter of this year.

At the stock exchange, shares in the company gained five centavos or 0.18% to end at P27.85 apiece. — Ashley Erika O. Jose

Manulife Investment Management

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BALANCE SHEET AS OF JUNE 30, 2024

Assets	Amount	Board of Directors
Deposit in Banks	P 427,657,420.56	Gianni Fiacco
Available-for-Sale (AFS) Financial Assets (Net)	642,456,302.64	Chairman of the Board
Accrued Interest Income from Financial Assets (Net)	10,338,893.78	Boon Choy Wong
TC Premises, Furniture, Fixture and Equipment (Net)	34,942,981.25	Vice Chairman
Deferred Tax Asset	11,317,539.92	Macaria Trinidad Gaspar
Other Assets (Net)	243,477,621.59	Director/President and CEO
Total Assets	P 1,370,190,759.74	
Liabilities		
Income Tax Payable	27,704,159.92	Rahul Hora
Other Taxes and Licenses Payable	6,871,115.80	Director
Accrued Other Expenses	20,346,034.64	Edwin Mapantay
Other Liabilities	174,337,103.21	Independent Director
Total Liabilities	P 229,258,413.57	
Stockholder's Equity		Luz Lorenzo
Paid-in Capital Stock	300,00	