Philippine Stock Exchange index (PSEi) 6,944.76 ▲ 54.89 PTS. ▲ 0.79%

TUESDAY, AUGUST 20, 2024
BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P620.50	+P1.00	+0.16%
ACEN	ACEN Corp.	P5.53	-P0.11	-1.95%
AEV	Aboitiz Equity Ventures, Inc.	P35.60	+P0.15	+0.42%
AGI	Alliance Global Group, Inc.	P8.85	-P0.05	-0.56%
ALI	Ayala Land, Inc.	P34.35	+P0.05	+0.15%
BDO	BDO Unibank, Inc.	P152.80	+P5.80	+3.95%
BLOOM	Bloomberry Resorts Corp.	P7.90	+P0.20	+2.6%
BPI	Bank of the Philippine Islands	P122.10	+P1.40	+1.16%
CNPF	Century Pacific Food, Inc.	P35.80	-P0.20	-0.56%
CNVRG	Converge ICT Solutions, Inc.	P14.48	+P0.16	+1.12%
DMC	DMCI Holdings, Inc.	P11.10	-P0.38	-3.31%
EMI	Emperador, Inc.	P18.80	-P0.08	-0.42%
GLO	Globe Telecom, Inc.	P2,260.00	-P30.00	-1.31%
GTCAP	GT Capital Holdings, Inc.	P630.00	+P4.00	+0.64%
ICT	International Container Terminal Services, Inc.	P412.00	+P16.00	+4.04%
JFC	Jollibee Foods Corp.	P245.80	-P2.20	-0.89%
JGS	JG Summit Holdings, Inc.	P24.20	——	
LTG	LT Group, Inc.	P10.08	-P0.02	-0.2%
MBT	Metropolitan Bank & Trust Co.	P73.00	+P2.95	+4.21%
MER	Manila Electric Co.	P415.00	-P6.60	-1.57%
MONDE	Monde Nissin Corp.	P9.30	-P0.30	-3.12%
NIKL	Nickel Asia Corp.	P3.14	+P0.01	+0.32%
PGOLD	Puregold Price Club, Inc.	P27.70	+P0.50	+1.84%
SCC	Semirara Mining and Power Corp.	P32.50	-P0.50	-1.52%
SM	SM Investments Corp.	P930.00	+P5.00	+0.54%
SMC	San Miguel Corp.	P96.10	——	
SMPH	SM Prime Holdings, Inc.	P30.00	-P0.65	-2.12%
TEL	PLDT Inc.	P1,599.00	-P9.00	-0.56%
URC	Universal Robina Corp.	P96.05	+P1.95	+2.07%
WLCON	Wilcon Depot, Inc.	P17.90	-P0.10	-0.56%

Energy projects set for boost from rate cut, say analysts

By Sheldeen Joy Talavera
Reporter

THE RECENT interest rate cut is expected to boost both existing and new energy projects, especially renewable energy projects that require substantial funding, analysts said.

"The rate cut reduces borrowing costs, making it cheaper for companies to finance large projects like energy projects," AB Capital Securities, Inc. Vice-President Jovis L. Vistan said in a Viber message.

He said that cheaper credit should encourage more investment in the energy sector and that developers may be more likely to pursue new projects or expand existing ones as the lower cost of capital improves the return on investment.

Reduced interest rates could also accelerate the country's energy transition goal by encouraging the development of new renewable energy capacities, Seedbox Securities, Inc. Equity Trader Jayniel Carl S. Manuel said.

"The rate cut is a step in the right direction, providing a more conducive environment for sustainable energy development," he said.

The Philippine government has set an ambitious goal of increasing the share of renewable energy in the country's power generation mix to 35% by 2030 and 50% by 2040.

"This is especially true for renewable energy like wind, solar, or hydropower, as these require substantial upfront investments. Lower interest rates make these projects more financially viable," Mr. Vistan said.

The Bangko Sentral ng Pilipinas (BSP) cut policy rates last week for the first time since November 2020, driven by the improving inflation outlook. The Monetary Board implemented a 25-bp rate cut, lowering the benchmark rate to 6.25% from the over 17-year high of 6.5%.

Despite the accelerated inflation, BSP Governor Eli M. Remolona, Jr. said that inflation is expected to trend downward to within the government's target range of 2% to 4%.

Juan Paolo E. Colet, managing director at Chinabank Capital Corp., said that lower financing costs should improve "the economics of renewable energy projects and encourage expansion in the sector."

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"For operating energy companies, lower borrowing costs will improve their profit margins (assuming other costs remain constant). The hope is that the interest rate savings are passed on to the consumers via lower power rates," he said in a Viber message.

April Lynn C. Lee-Tan, chief equity strategist at COL Financial Group, said in a Viber message that lower rates will make it cheaper for companies to borrow over the longer term.

"If it encourages more power projects, then we can enjoy lower power costs," she said.

The Department of Energy (DoE) is expecting at least 4,164.92 megawatts (MW) of conventional and renewable energy projects to come online this year. As of April, 161.20 MW of the committed projects are in full commercial operation, while 835.89 MW are under the testing and commissioning stage.

"These additional capacities will strengthen the reliability and stability of the grid, providing much-needed capacity to meet the growing energy demand in the country," the DoE said in a statement in April.

"The anticipated increase in capacity will prevent supply deficiencies and potential power interruptions, particularly during peak demand periods," it added.

Meralco proceeding with 1,000-MW bid

MANILA Electric Co. (Meralco) will proceed with the bidding process for its 1,000-megawatt (MW) power supply requirement after the dismissal of an injunction petition, the power distributor said on Tuesday.

The Taguig Regional Trial Court (RTC) dismissed the petition and deemed the 20-day temporary restraining order (TRO) as "without force and effect," Meralco said in a statement.

"This allows us to continue our efforts to secure our power supply requirements in the least-cost manner, consistent with our mandate," the power distributor said.

"We will now resume the bidding procedures for both 600 MW and 400 MW..., for which new bid bulletins will be issued, particularly with respect to the timelines," it added.

Last month, the Taguig RTC issued a TRO stopping Meralco from proceeding with its bidding processes for additional power supply of 600 MW and 400 MW.

Members of the Malampaya consortium — Prime Energy Resources Development B.V., Prime Oil & Gas, Inc., UC38 LLC, and PNOC Exploration Corp. — sought the restraining order, saying the bid terms violate the preference given to indigenous natural gas under the law.

"There exists an extreme urgent necessity for the writ as to warrant the issuance of a temporary restraining order to prevent further damages to the plaintiffs' interests, the government, and the environment," according to an order promulgated on July 31.

The TRO was extended to 20 days from three days.

"The court finds merit in the urgent motion to dismiss the complaint for injunction of plaintiffs," the order dated Aug. 17 read.

"Relative thereto, the temporary restraining order the court issued on August 2, 2024, is hereby rendered without force and effect," it added.

Meralco said that all competitive selection processes (CSPs) for its supply requirements "are strictly conducted in accordance with existing rules of the Department of Energy and the Energy Regulatory Commission, which have the primary jurisdiction over the CSPs."

In June, Meralco invited bids for contract capacities of 600-MW baseload and 400-MW mid-merit supply, which are set to take effect in August 2025.

Eight companies expressed interest and participated in the pre-bid conference last month for Meralco's 600-MW supply.

These are First Gas Power Corp. and First NatGas Power Corp. of First Gen Corp.; Mariveles Power Generation Corp. and Masinloc Power Co. Ltd. of San Miguel Global Power Holdings Corp.; GNPower Dinginin Ltd. Co. and Therma Luzon, Inc. of Aboitiz Power Corp.; Southwest Luzon Power Generation Corp. of Semirara Mining and Power Corp.; and Quezon Power (Philippines) Ltd Co.

The distribution utility moved the bid submission deadline from Aug. 2 to Aug. 27. It has yet to issue the updated schedule for the bidding process for the 400-MW capacity.

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**

Kuya J eyeing overseas expansion next year

FILIPINO restaurant Kuya J, owned and operated by Kuya J Holdings Group, Inc., is planning to enter the overseas market next year, with Singapore identified as the ideal location due to easier logistics, a company official said.

"Singapore is an ideal country in Asia. It's easier on logistics in terms of importation... The importation in Singapore is more lenient compared to the others," Carlo L. Fajardo, chief operations officer of the Kuya J group's Franchise Division, told *BusinessWorld* on Tuesday on the sidelines of a media briefing.

Mr. Fajardo also said that most franchising offers come from the Middle East. However, the restaurant's core product is pork, including the best-seller crispy pata.

"We're looking at other alternative pork dishes. That's why we don't want to say we'll go ahead with the Middle East. As long as we fine-tune the menu, that it's appropriate for the Filipinos," he said.

In the Philippines, Mr. Fajardo said the company is bullish on expansion. It expects to open two to three stores by the end of 2024 and is looking to expand 20 branches in 2025.

Currently, Kuya J has 86 branches nationwide, including the recently opened 218-square-meter branch at Robinsons Antipolo, which has a seating capacity of 64.

Don Edrain Tirol, the Kuya J group's chief operating officer, said that Kuya J is financially healthy enough to fund its own expansion.

Kuya J currently has 15 franchised and 71 company-owned stores.

"We have the store, the store size, products, and the organization to back it up. Now we're ready to expand because unlike before, we expanded rapidly, like one to 100 and then, there was a problem...," Mr. Tirol said.

"You have to build a commissary right away, you have to build the organization right away. So now, it's set, it's ready," he added.

He said that with an investment of P1.5 million, one can acquire a local franchise for a duration of 10 years.

In 2024, the capital expenditure (capex) per store reached P15 million, but a lower capex of P14 million is expected in 2025 due to the smaller format of stores.

Mr. Tirol said the company's focus is to reduce the kitchen's physical footprint to make it more efficient for the cooks.

When asked about the company's initial public offering plans, Mr. Fajardo said that while it is not part of the immediate strategy, it remains a consideration for the long term.

In 2018, the Kuya J group announced its intention to go public once it reaches the 100-store mark. — **Aubrey Rose A. Inosante**

Trevolution Group sees 48.3% rise in PHL outbound travel for first half

UNSPLASH

TREVOLUTION Group, a global player in the travel industry, saw a 48.3% increase in outbound tourism from the Philippines during the first half of 2024 compared with the same period last year.

"[This] indicates the market's rapid recovery and progressive economic growth," the company said in a media release on Tuesday.

Trevolution Group operates several travel-related brands, including International Travel Network, ASAP Tickets, Skylux Travel, Dreamport, and Oojo.

"Today, more Filipino travelers choose foreign destinations that are closer to home or prefer to travel domestically, showing almost a threefold increase in flights taken across the country compared with the first half of 2023," said Trevolution Group, a division of the global technology group Dyninno Group of Companies.

"Family-friendly destinations and extended weekend trips are stealing the spotlight while simultaneously boosting the local tourism sector," it added.

The Philippines accounted for almost 20% of Trevolution Group's overall gross profit for the first half, with over 90,000 airline tickets sold, resulting in more than $120 million in gross bookings, the company said.

"Historically, the Philippines has been a top travel choice for the Group's air passengers, and currently, the demand for transpacific flights departing from the country is also growing significantly and surpassing the levels seen before the pandemic," it said.

For the first half, economy class constituted 98.5% of all flight bookings, with a 9.6% increase in demand.

The share of round-trip tickets increased by 2.5%, amounting to 79.7% of all tickets sold, the company said.

The average length of stay abroad for Filipino travelers decreased to 39.5 days from 62 days last year, indicating a trend towards shorter, more frequent trips.

Economy-class flight prices from the Philippines decreased by 23.7%, amounting to $767 per ticket, while business-class fares dropped by 14%.

The top departure countries for travelers to the Philippines were the United States, Canada, the United Kingdom, and Japan.

Notably, there was almost a fifteen-fold increase in inbound flights from the UK's major airports compared with the first half of 2023.

Similarly, the top departure cities remained Los Angeles, San Francisco, New York, Toronto, and Chicago, with Philippine Airlines, EVA Air, United Airlines, China Airlines, and Korean Air being the most popular air carriers.

"Our objectives for the Philippines this year are very ambitious — we are now focusing on local expansion and active hiring, expecting to gain over 1,000 people in Cebu and over 500 in Manila. To provide more value for the market, we are now working on offering our travel products to the local clientele, including the introduction of financial options to help finance air travel," said Alex Weinstein, founder of Dyninno Group of Companies.

"Additionally, our team is excited to launch a new product, the all-in-one travel super-app Dreamspass, designed to further enhance customer engagement," he added. — **Sheldeen Joy Talavera**