



Vista and Blackstone nearing \$8-billion deal to acquire Smartsheet

NEW YORK — Buyout firms Vista Equity Partners and Blackstone are in advanced talks to acquire Smartsheet, in a deal that could value the collaboration-software maker at close to \$8 billion, people familiar with the matter said on Monday.

The private-equity firms are discussing an offer of around \$56 per share for Smartsheet, the sources said, adding that the deal could be signed in the coming weeks assuming there are no last-minute snags.

Reuters was first to report this month that Vista and Blackstone were in talks to acquire Smartsheet. Its shares have risen more than 16% since Reuters reported in July that the company was fielding interest from potential acquirers.

Vista and Blackstone have been in talks with direct lenders to raise financing for the takeover, the sources said, cautioning that terms could change as talks progress.

Vista and Smartsheet did not immediately respond to requests for comment. Blackstone declined to comment.

If the talks are successful, the deal would rank as one of the largest take-private transactions of the year and come at a time when the market is

anticipating that the US Federal Reserve will start cutting interest rates, which could trigger a jump in leveraged-buyout activity.

Silver Lake's \$13-billion buyout of talent agency Endeavor Group the biggest take-private deal so far this year, according to LSEG data.

Smartsheet's software allows organizations to manage, track and automate their workflow using a single platform, offering more features and capabilities than Microsoft's Excel.

It focuses on big corporate clients that have complex operations, such as Pfizer, Cisco and American Airlines, serving 85% of Fortune 500 companies, according to its website. Some of its competitors offering similar products, like Asana and Monday.com 6B6.SG, target smaller companies.

Smartsheet reported second-quarter earnings this month that beat market expectations, driven by robust growth in orders from new enterprise customers.

"Smartsheet is effectively navigating the tough macro environment, and we still believe the company will gain traction with its new pricing strategy and product improvements," Morningstar analysts wrote in a Sept. 6 note. — **Reuters.**

How Intel lost to AMD in Sony PlayStation business bidding

SAN FRANCISCO — Intel lost out on a contract to design and fabricate Sony's PlayStation 6 chip in 2022, which dealt a significant blow to its effort to build its fledgling contract manufacturing business, according to three sources with knowledge of the events.

The effort by Intel to win out over Advanced Micro Devices (AMD) in a competitive bidding process to supply the design for the forthcoming PlayStation 6 chip and Taiwan Semiconductor Manufacturing Co. as the contract manufacturer would have amounted to billions of dollars of revenue and fabricating thousands of silicon wafers a month, two sources said.

Intel and AMD were the final two contenders in the bidding process for the contract.

Winning the Sony PlayStation 6 chip design business would have been a victory for Intel's design segment and would have doubled as a win for the company's contract manufacturing effort, or foundry business, which was the centerpiece of Intel Chief Executive Officer (CEO) Pat Gelsinger's turnaround plan.

Gelsinger announced plans for Intel to create a foundry unit in 2021 and formally launched it at an event in San Jose, California, in February of this year. The PlayStation chip deal originated in Intel's design segment, but would have been a boon to the financial performance of the foundry business after this year's separation.

Details of the discussions and how Intel missed out on the contract for Sony's as-yet-unannounced next-generation game console are reported here for the first time.

Typically, Sony consoles sell more than 100 million units

across a half decade. For a chip designer, the console business delivers a lower profit than the gross margins of more than 50% for products like artificial intelligence chips, but nonetheless represents steady business that can profit from technology a company has already developed. Sony's business also could have helped boost Intel's contract manufacturing business, which now struggles to find big new clients.

A dispute over how much profit Intel stood to take from each chip sold to the Japanese electronics giant blocked Intel from settling on the price with Sony, according to two of the sources. Instead, rival AMD landed the contract through a competitive bidding process that eliminated others such as Broadcom, until only Intel and AMD remained.

Discussions between Sony and Intel took months in 2022, and included meetings between the two companies' CEOs, dozens of engineers and executives.

In response to Reuters reporting about the PlayStation 6 talks and Intel's failure to win the business, an Intel spokesperson said: "We strongly disagree with this characterization but are not going to comment about any current or potential customer conversations. We have a very healthy customer pipeline across both our product and foundry business, and we are squarely focused on innovating to meet their needs."

Sony and Broadcom did not respond to requests for comment. AMD declined to comment.

Sony announced the PlayStation 5 Pro last week, but has not yet unveiled the next generation. Years after its 2020 launch, Sony said it sold 20.8 million of the first-generation PlayStation 5 systems in fiscal 2023.

Similar to how big tech companies like Google and Amazon rely on outside vendors to help design and manufacture custom AI chips, Sony relies on experienced design contractors to make the processors for systems.

Console chip designs typically try to ensure compatibility with earlier versions of the system, to allow users to run older games on the new hardware. Moving from AMD, which made the PlayStation 5 chip, to Intel would have risked backwards compatibility, which was a subject of discussion between Intel and Sony engineers and executives, the sources said.

Ensuring backward compatibility with prior versions of the PlayStation would have been costly and taken engineering resources. Allowing PlayStation users to play games they have purchased for older systems is a feature Sony often includes in a next-generation system.

Having missed the first wave of the AI boom dominated by Nvidia and AMD, Intel reported a disastrous second quarter in August. Intel announced plans to cut 15% of its workforce to save \$10 billion and has prepared a plan to reduce its capital spending on factory expansion that was a cornerstone to its foundry strategy.

other Intel executives presented plans to the board at a meeting last week, multiple sources said. Reuters reported early this month on the planned board meeting, citing a source familiar with the board discussions.

The potential plans include ideas on how to shave off businesses Intel can no longer afford to operate, Reuters reported. Executives are also expected to debate the future of Intel's programmable chip unit Altera, including a potential sale, and its manufacturing expansion in Germany.

Intel split its design and manufacturing operations under Gelsinger's tenure, and has reported financial results separately since the first calendar quarter this year. In April, the company disclosed \$7 billion in operating losses for the manufacturing businesses.

Intel has struggled to find a marquee customer it can publicly talk about for the first manufacturing process, known as 18A, open to other companies. If Intel had won the PlayStation 6 chip, it could have occupied its foundry unit for more than five years, two of the sources said.

Sony's console business could have pumped roughly \$30 billion into Intel over the course of the contract, according to Intel's internal projections, two of the sources said. The PlayStation 2 sold roughly 150 million units since its launch in 2000.

A long-term Sony contract would have helped bring in big new clients for Intel's contract manufacturing effort, two sources said, as Intel continues to struggle with attracting customers to its advanced 18A process. — **Reuters**

Climate change, from SI/1

Also, 23% of respondents are concerned they will not be able to finish their education, while 22% are worried about finding a job and about their health (both physical and mental).

The results of the survey were released ahead of the Summit of the Future 2024 in New York on Sept. 22-23.

"The U-Report findings reveal the sobering, yet hopeful outlook young people have about their prospects for the future," UNICEF Representative to the Philippines Oyunsakhan Dendevnorov was quoted in a statement.

"We should listen to what they have to say and work together to address these issues so that every child is cared for, protected, and given a fair chance in life," she added.

The U-Report poll was conducted online from June 13 to July 14, 2024. Of the 3,109 respondents, 44% were aged 15-19 and 37% were aged 20-24.

Asked what the biggest obstacle will be to getting their dream job or starting a business in the future, 33% of respondents were worried about the lack of jobs for people without experience.

Another 26% were concerned about the economic situation, while 20% said access to a good education is hampering their prospects.

Asked what they will do if given a chance to be the Philippine president, respondents said they will prioritize education, health and the economy to build a better future. They also want to address corruption as well as issues related to agriculture, poverty, and the environment.

"New generations are bringing a reinvigorated sense of solidarity and a compelling call for collective action. Both are essential to build the future we want," UN Philippines Resident Coordinator Gustavo González was quoted as saying.

The survey also showed the majority, or 69%, of respondents said the United Nations (UN) is "very important" in creating a better future for them as well as for future generations.

"Every young person's concern has always been to finish their studies and find a job good enough to support their families. This is a fundamental aspiration, as quality education has a real corresponding impact on the quality of jobs offered to the youth in the future," Terry L. Ridon, a lawyer and former party-list lawmaker, said in a Viber message.

The Philippine government should address climate-related challenges, Mr. Ridon said. It must also bolster measures to boost job generation and expand access to quality education. — **Beatriz Marie D. Cruz**

Vehicle sales, from SI/1

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said new vehicle launches and improving employment data are driving the growth of car sales in recent months.

"Newer models, more brands, more electric and hybrid vehicles [launches], favorable demographics, and improving employment data in recent months are still driving the demand for vehicles," Mr. Ricafort said in a Viber message.

"[This was] reflected in the double-digit growth in consumer loans, particularly auto loans, defying relatively higher interest rates," he added.

A preliminary report from the Bangko Sentral ng Pilipinas showed that consumer loans to residents grew by 24.3% to P1.42 trillion as of end-July, with motor vehicle loans going up by 19.9% to P424.93 billion.

"For the coming months, lower Federal Reserve and local policy rates could increase demand for auto loans and also vehicle purchases," Mr. Ricafort said.

In August, the Bangko Sentral ng Pilipinas (BSP) cut policy rates for the first time in nearly four years. The benchmark rate was trimmed by 25 basis points to 6.25%, from the nearly 17-year high of 6.5%.

Toby Allan C. Arce, head of sales trading at Globalinks Securities and Stocks, Inc., said the auto industry's sales were driven by commercial vehicles.

"These vehicles cater more to businesses, logistics, and transport needs, reflecting a shift towards



PHILIPPINE STAR/RYAN BALDEMOR

CAR ENTHUSIASTS attend the Manila International Auto Show in Pasay City, April 4.

utility and functionality, possibly in response to increased demand for delivery services, logistics support, or business expansions in the post-pandemic era," said Mr. Arce via Viber.

"The passenger car segment saw a notable drop in August. However, the continued strong performance in the commercial sector more than offset this decline, suggesting that businesses, rather than individuals, are leading the market's recovery," he added.

In the first eight months, Toyota Motor Philippines Corp. remained the market leader with sales of 140,654 units, up by 10.9% from 126,795 units a year ago. Toyota sales accounted for 46.15% of the industry's total.

Mitsubishi Motors Philippines Corp. ranked second with a market share of 19.2%. Mitsubishi sales jumped by 16% to 58,513 units in the first eight months.

In third spot was Ford Motor Co. Phils., Inc. which saw sales drop by 3.8% to 18,961 units. This accounted for 6.22% of the industry.

Rounding out the top five were Nissan Philippines, Inc., whose sales went up by 2.2% to 18,270, while Suzuki Phils., Inc. posted an 11.7% rise in sales to 13,206 units.

Last month, CAMPI raised its sales target to 500,000, from 468,300 initially. If realized, this will be the industry's highest annual sales to date and will represent a 16.3% increase from last year's 429,807 units sold.

Credit rating, from SI/1

Mr. Phua also flagged potential risks, such as an economic slowdown, that could hinder a credit upgrade for the Philippines.

"On the downside, however, we believe that if economic recovery were to weaken, leading to the long-term growth rates below its peers, this will also lead to an associated weakening of the government's fiscal and debt positions," he said.

He also noted risks to external settings, such as the current account deficit.

"If we see that the (current account deficit) starts to get persistently large, this will actually lead to a structural weakening of the Philippines' external balance sheet. And we believe this could exert downward pressure on the ratings."

In the second quarter, the current account deficit reached \$5.1 billion, which accounts for 4.6% of GDP. The BSP projects a \$4.7-billion current account deficit for 2024, equivalent to 1% of GDP.

Meanwhile, Mr. Phua noted that S&P Global's lower-than-expected growth forecasts for the Philippines are due to still-elevated interest rates.

"So far, the BSP has only cut once. Therefore, our expectation is that we expect the cutting phase to be done gradually over the next year or so. And therefore, monetary policy will still remain tighter than normal for a while more," he said.

Last month, the Monetary Board delivered a 25-basis-point (bp) rate cut and brought the key rate to 6.25% from the over 17-year high of 6.5%. This was the first time the central bank cut rates since November 2020.

Prior to this, the central bank raised borrowing costs by a cumulative 450 bps from May 2022 to October 2023 to tame inflation.

"At the same time, we are also seeing the consumption and investments are also showing slowing momentum than usual," Mr. Phua said.

"We believe this could last for some more time, given as the central bank moves tend to be a bit more long and variable lags before they can start to impact the real economy."

RRR, from SI/1

Mr. Remolona earlier signaled the possibility of another 25-bp cut before the year ends.

The Monetary Board cut benchmark interest rates by 25 bps to 6.25% at its Aug. 15 meeting, the first rate reduction in nearly four years.

However, Mr. Mapa said that it is still uncertain if slashing the RRR while interest rates are still elevated would lead to higher bank lending.

"Banks that have more funds available for lending might choose to deposit this money back with the central bank, where they can earn attractive interest rates of about 6.25%."

Metrobank expects the central bank to reduce the RRR by 150 bps first, followed by another 100-bp cut within the year.

"As such, should the BSP carry out a 150-bp RR reduction in the near term,

banks may become attractive again in the near term. However, caution about its impact on bank lending and overall growth momentum is warranted."

Data from the central bank showed that outstanding loans of universal and commercial banks rose by 10.4% year on year to P12.14 trillion. This was the fastest growth since 13.7% in December 2022. — **Luisa Maria Jacinta C. Jocsnon**

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