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PAL's 15-B share listing may attract value investors — analysts

By Ashley Erika O. Jose
Reporter

THE LISTING of over 15 billion shares by flag carrier Philippine Airlines (PAL), operated by PAL Holdings, Inc., on the stock exchange may spur investor interest as it is expected to improve the company's market visibility, according to analysts.

"This move reflects a key milestone in PAL's restructuring efforts and demonstrates its intent to stabilize and strengthen its financial base," Globalinks Securities and Stocks, Inc. Head of Sales Trading Toby Allan C. Arce said in a Viber message.

While this move may not directly spur operational growth for the company, it could provide liquidity for creditors and bring focus to PAL's shares at the local bourse, Mr. Arce said.

"The large number of shares entering the market might suppress prices temporarily due to selling pressure, especially if creditors offload their holdings quickly," he said.

According to Mr. Arce, the trading opportunity is expected to attract "value-focused" investors or those banking on PAL's turnaround trajectory.

"Overall, while there might be short-term volatility, this listing could bolster long-term investor interest by improving liquidity and transparency," he said.

In its listing notice to the stock exchange last week, PAL Holdings, Inc., the operator of Philippine Airlines, said it would list over 15 billion common shares on Jan. 27 at the stock exchange.

These shares were just being listed and were already issued back in 2021 and accounted for against PAL's outstanding shares, Mr. Arce said.

"Most of these shares were issued in 2021 during PAL's bankruptcy restructuring, with Lucio Tan's Buona Sorte Holdings and 46 creditors, including major entities, receiving shares. These listings will potentially lead to significant selling pressure as creditors might cash out to recoup their losses," Mr. Arce said.

According to its notice, PAL Holdings listed 15.24 billion of its shares, of which about 5.04 billion shares belonging to the creditors will be tradable while the remainder have a lock-up period of 180 days.

"[This is a] positive step, [and] will improve share liquidity and share price discovery, one that is more reflective of company growth potential and inherent fundamentals," First Metro Investment Corp. Head of Research Cristina S. Ulang said in a Viber message.

At the stock exchange on Tuesday, shares in the company closed unchanged at P5.15 apiece.

Senate bill extending Meralco franchise OKd on 2nd reading

THE SENATE on Tuesday approved on second reading a bill that seeks to extend Manila Electric Co.'s (Meralco) franchise for another 25 years.

Under House Bill No. 10926, Meralco will be allowed to continue to construct, operate, and maintain its electric distribution systems in areas such as Metro Manila, Bulacan, Cavite, Laguna, Batangas, and Rizal.

The power provider supplies electricity to at least 7.775 million Filipinos.

Meralco will have to offer at least 30% of its outstanding capital stock to Filipinos; otherwise, its franchise would be revoked, based on the measure.

The Senate can only give the measure a final nod three days after its second reading approval.

Senator Emmanuel Joel J. Villanueva, who sponsored the measure, earlier said Meralco plans to invest about P24 billion over the next five years to upgrade its power distribution system and replace more than 45,000 aging poles and power lines.

Under the Electric Power Industry Reform Act (EPIRA) of 2001, power suppliers are mandated to ensure a reliable supply of electricity in a "least-cost manner" or at reasonable rates.

In his third address to Congress in July last year, President Ferdinand R. Marcos, Jr. sought a review of EPIRA to address issues hounding the energy sector, particularly high energy prices.

The House energy committee in November last year approved a bill that would give the Energy Regulatory Commission (ERC) "quasi-judicial, quasi-legislative, and administrative" powers to fast-track the resolution of pending applications and cases.

Energy Undersecretary Sharon S. Garin earlier urged senators to amend the ERC charter to allow price increases without regulatory approval as long as these fall within a set benchmark or bracket.

P19-BILLION REFUND

Typical households in areas served by Meralco may expect a refund of around P19 billion.

"We confirm that Meralco will be filing an application to refund a total of P19 billion, in compliance with the order of the ERC in December that declared July 2022-June 2025 as a lapsed period," the company said in a statement on Tuesday.

Meralco said that the application was "duly published as well as a pre-filing requirement."

The ERC is mandated to establish and enforce a methodology for setting transmission and distribution wheeling rates for a distribution utility.

Distribution utilities such as Meralco are subject to performance-based regulation wherein they are required to undergo a rate reset process prior to the start of the next regulatory year.

The rate reset process is usually a "forward-looking" exercise that requires the regulated entity to submit forecasted expenditures and proposed projects for the ERC to review and adjust rates.

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In March 2022, Meralco filed its application for the fifth regulatory period (5RP), which spans from July 1, 2022 to June 30, 2026.

However, the rate reset during the period, which was supposedly under the 5RP, has not been completed.

Last year, the ERC decided to forego the regular regulatory reset process and declared July 2022 to June 2025 as a lapsed period.

With the application of Meralco, it said that the total proposed amount covers the difference between its actual weighted average tariff and the last approved rate of P1.35 per kilowatt-hour from July 2022 to December 2024.

The company is proposing to implement the refund over a period of 36 months, equivalent to around 19 centavos per kilowatt-hour for residential customers.

"It will be up to the ERC to accept, approve, or modify this application," Meralco said.

Sought for comment, ERC Chairperson and Chief Executive Officer Monalisa C. Dimalanta confirmed that Meralco is undergoing the pre-filing process with the agency's legal services.

"Once cleared and filed, we shall act on their application in due time," she said in a Viber message. The commission has yet to receive the application, she said.

In a briefing earlier this year, Ms. Dimalanta said that the commission was targeting to complete Meralco's rate reset for 5RP within the first semester of 2025.

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. — **John Victor D. Ordoñez** *and* **Sheldeen Joy Talavera**