

# SEC News Service

SERIES OF 2014

APRIL 7, 2014

- FUND MANAGERS CONTINUE TO SPOT VALUE IN PH** [1]  
Business Mirror, p. A4
- BOI CANCELS MVDP REGISTRATION OF NMPI, UMC** [2]  
Catherine N. Pillas, Business Mirror, p. A5
- RP AN ATTRACTIVE MARKET, SAYS FIRM** [3]  
Ed Velasco, Daily Tribune, p. 8
- SEC OKAYS CENTURY PACIFIC FOOD'S IPO** [4]  
Daily Tribune, p. 8
- MORE INCENTIVES PUSHED FOR MICRO ENTERPRISES** [5]  
Daily Tribune, p. 8
- IMI TO SUSTAIN SUSTAINED GROWTH ON STRONG DEMAND** [6]  
Myla Iglesias, Malaya Business Insight, p. A3
- CENTURY PACIFIC P3.3B IPO GETS SEC APPROVAL** [7]  
Albert Castro, Malaya Business Insight, p. A3
- 8990 HOLDINGS TO RAISE P15.3B FROM SALE OF 1.4B SHARES** [8]  
Jenniffer B. Austria, Manila Standard Today, p. B3
- MARKET EXPECTED TO CLIMB TO 6,700** [9]  
Jenniffer B. Austria, Manila Standard Today, p. B2
- COSCO PLANS TO ABSORB 360 PHARMACY IN 2014** [10]  
Jenniffer B. Austria, Manila Standard Today, p. B2
- STAKE-HOLDER ORIENTED CORPORATE GOVERNANCE PUSHED** [11]  
Doris C. Dumlao, Philippine Daily Inquirer, p. B2
- BELLE NET PROFIT UP 554%** [12]  
Doris C. Dumlao, Philippine Daily Inquirer, p. B4
- EQUITY-LACED FUND GETS SEC PERMIT** [13]  
Doris C. Dumlao, Philippine Daily Inquirer, p. B4
- AYALA SUBSIDIARY AIMS FOR \$1-B REVENUES BY '16** [14]  
Doris C. Dumlao, Philippine Daily Inquirer, p. B4

## Fund managers continue to spot value in PHL

**T**HE Philippines remains among the most expensive stock markets in Asia, yet, United Kingdom-based fund manager Eastspring Investments is invested in three local stocks of the freshly minted investment-grade economy.

"The Philippines is still a very expensive market but we can still spot value there," said Robert Rountree, Eastspring Investment (Singapore) Ltd. global strategist.

He explained that domestic fundamentals is among the main considerations in choosing the Philippines as among the markets to be invested in for the Prulink Global Emerging Markets Dynamic Fund (Prulink GEM Fund) of Pru Life UK.

About 3 percent of the Prulink GEM Fund is placed in the Philippines. It became available here only on April 1.

It is initially available to those with existing, and those who will open, single-pay investment-linked policies of US-dollar denominated Pru Millionaire and Prulink Investor Account (PIA) Plus products.

These funds are being managed by Eastspring Investments.

Rountree said while other emerging economies (EMs) in Asia are being downgraded, the Philippines managed to get investment-grade ratings with its strong growth.

He said investors previously chose advanced markets over EMs because of high returns.

However, the recent developments in the global economy, wherein EMs proved their worth, put some of these economies over the others.

"What is important is people have not forgotten the emerging markets; they spotted opportunities," he said.

Rountree said yields in EM equity markets will eventually equal their counterparts in the major markets, but noted that the trigger for this is yet to be known.

Relatively, Irmak Surenkok, Eastspring Investment portfolio manager for global emerging markets (non-Asia), said perception play a big role on how prices of stocks move.

She said some stocks seem to perform less compared to those of big companies. But in reality they are almost on the same situation.

She said aside from fundamentals, demographics are also a major factor.

"We believe that the trend will continue," she said, noting the structural growth in EMs.

Surenkok believes that EMs will continue to drive global growth.

She reiterated Rountree's statement that some stocks are mispriced because of behavioral biases.

Relatively, Pru Life UK President and Chief Executive Officer Antioch de Rosas said existing policy holders, who want to diversify, will definitely benefit from their latest product.

"Emerging markets present a viable investment option with their favorable demographics, increasing urbanization and economic modernization. Stock-picking opportunities are broadened with the expanding universe of companies in emerging markets," he added. *PMA*

## BOI cancels MVDP registration of NMPI, UMC

By CATHERINE N. PILLAS

**T**HE Board of Investments (BOI) has invalidated the registration of Nissan Motors Philippines Inc. (NMPI) and Universal Motors Corp. (UMC) in the government's incentives program due to the absence of a technical-licensing agreement with existing car firms to assemble new models.

The BOI, however, conditionally approved the registration of Nissan Philippines Inc. (NPI).

According to a BOI source, the agency canceled UMC and NMPI's

registration as the two car assemblers no longer have a technical-license contract with any auto firm to assemble new models.

UMC and NMPI have been distributors and assemblers of NPI's commercial vehicles and passenger cars but have lost the licensing contract with NPI due to a reorganization move.

The BOI approved NPI's registration as a new motor vehicle assembler on the condition that it invests in the manufacturing of auto parts.

The NPI is looking to invest in auto parts through local parts producers.

The firm's registration been approved

by the BOI, on the condition that it fulfills the \$50-million investment requirement a year from date of registration.

For the two assemblers, on the other hand, in an effort to retain registration in the Motor Vehicle Development Program (MVDP) and qualify for government incentives, they are looking for new technical-licensing agreements with Chinese car firms.

The technical-licensing contracts under the MVDP are granted to entities that will engage in the manufacture and/or assembly of brand-new motor vehicles.

NPI said it may tap the two assem-

blers again in the situation that the company decides to go into assembly of motor vehicles.

The BOI has opened the possibility for reapplication, but the two firms are doubtful of meeting the requirements of the BOI as they do not have auto parts manufacturing plants, a requirement in order to qualify as an auto assembler.

Auto assembly is included in the Investment Priorities Plan of 2013, wherein registered and approved assemblers may be granted income tax holidays and zero duty on imported capital equipment.

# RP an attractive market, says firm

The emerging market is full of potential to become the center of finance in the world as Europe, US and Japan already reached their peak as center of business opportunities, according to Pru Life UK.

"I want you think about a very sweet fruit that lies on the end of the tree and everybody is trying to reach the fruit so they can eat it. That fruit is the global emerging market (GEM) and the Philippines is part of it," said Robert Roundtree, the firm's global strategist, before business reporters.

Roundtree said those who will invest in the GEM dynamic fund are assured their money is in safe hands as the firm has a battery of very good, sharp fund managers who know exactly where to invest clients' funds.

"To give you an idea how we invest in various blue chips, the hold are not from Ayala, or any other giant in the Philippines,"

Roundtree said.

There are two types of GEM dynamic fund where investors can choose where to put their money.

These are Pru Millionaire and Pru Link Investor Account Plus.

Tennyson Paras, a manager at Pru Life, said most people don't realize that their product is a simple instrument where clients can put their money, withdraw when the tenor period occurs or simply rearrange it if they want the money to grow more.

"We help them in easing the burden of holding big amount but doesn't know where the money can be spent. Doing business with those who don't know may lead your money to waste," Paras said.

With an interest of eight percent, the GEM funds have shorter tenor than most government bonds and banks.

He said time deposits, the usual destination of those with money, now only have three percent interest and tenor is 180 days.

## SEC okays Century Pacific Food's IPO

Century Pacific Food Inc. (CPFI), the country's largest canned food manufacturer, received approval from the Securities and Exchange Commission (SEC) on its initial public offering application.

The company, known for household names like Century Tuna, 555 Sardines, Argentina Corned Beef, Swift and Birch Tree, expects to raise up to P3.3 billion of gross proceeds from its initial public offering.

The shares could fetch up to P14.50 per share.

CPFI's proceeds will be used to fund its planned capital expenditures for expansion

and profit improvement, potential opportunistic acquisitions, retirement of debt, and working capital for the company's succeeding years' growth plans.

"Over the last 35 years, Century Pacific has established a strong brand and product portfolio through, and supported by, continuous product innovation, brand building and acquisition of brands from third parties," the company said.

Given its portfolio of brands, the company believes that it is well placed to benefit from the country's growing middle class and the multi-year growth trajectory in consumer

spending.

The company is being advised by Evercore Asia Limited and the offer is being underwritten jointly by Bdo Capital, BPI Capital and First Metro Investment Corp.

According to one of the IPO's underwriters, the offer period to the public will be from April 23 to 29, while the listing of the shares with the Philippine Stock Exchange is expected to be on May 6.

Following the SEC's approval, the company will conduct roadshow presentations in Cebu tomorrow and Manila on April 11.

## More incentives pushed for micro enterprises

Owners of micro enterprises such as bakeries, restaurants and beauty spas may soon look forward to additional incentives that include tax exemption on income derived from their operations and exemption from coverage of the minimum wage law.

Rep. Rodrigo Abellanosa (2nd District, Cebu City) said these exemptions are just some of the benefits and incentives proposed for registered micro, small and medium enterprises (MSMEs) under House Bill 4007.

"MSMEs are the lifeblood of the economy. They create avenues for healthy trade and promote productivity by providing income-generating activities for a large portion of our population," Abellanosa said.

The measure proposed that a business enterprise should be classified as a micro enterprise if its total assets have a value of not more than P3 million.

Likewise, a business enterprise shall be classified as a small enterprise if the value of its total assets is more than P3 million but not more than P15 million.

A business enterprise with total assets of more than P15 million but not more than P100 million is classified as medium enterprise.

The Cebu solon said the above classification of MSMEs shall be subject to review and adjustments by the MSME Development Council

created under Section 6 of Republic Act (RA) 6977, and or upon recommendation of sectoral organizations concerned, taking into account inflation and other economic indicators.

The Abellanosa proposal allows deduction from its gross income in the amount of P40,000 for each new employee hired by registered small and medium enterprises subsequent to its registration under this Act.

Such incentive can only be availed for five years from the effectivity of this Act.

In addition to the said incentives, the bill provides that MSMEs shall be entitled to exemption from value-added tax registration and percentage tax; it mandates that local government units (LGUs) shall not charge micro enterprises any local tax and are encouraged to reduce the amount applicable fees and charges.

For the small and medium enterprises, LGUs are encouraged under the measure to either reduce the amount of applicable local taxes, fees and charges imposed or to exempt them from the payment of local taxes, charges and fees.

Abellanosa said the passage of the bill providing support and incentives to MSMEs could be a good start for the proliferation of such businesses, hence boosting employment levels and relieving the poverty gap.

# IMI to sustain sustained growth on strong demand

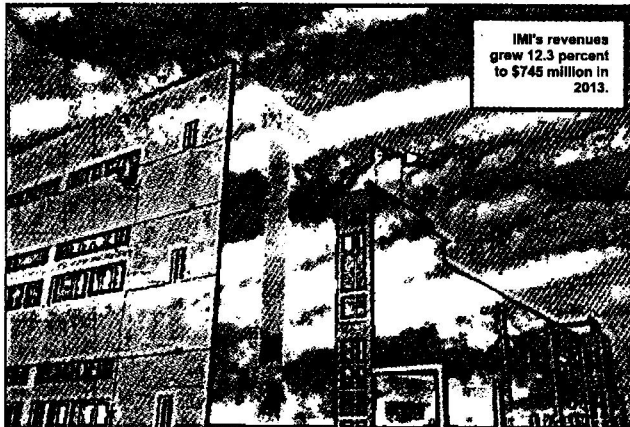
BY MYLA IGLESIAS

LISTED firm Integrated Micro-Electronics Inc. (IMI), a leading worldwide provider of electronics manufacturing services, is optimistic it would be able to sustain its double-digit growth in profit this year driven by continued strong growth in the Philippines and the European markets.

Last year, IMI's revenues grew 12.3 percent to \$745 million from \$662 million in 2012. The company's net income stood at \$10.5 million nearly double from the previous year's \$5.6 million driven by the company's expansion in Europe and the Philippines.

Arthur Tan, IMI president and chief executive officer, said IMI focused on the bottomline, making sure that "we drove business that actually created profitability rather than merely carrying on for the sake of doing business."

"With the improvement in the global market and the electronics manufacturing industry, we anticipate continued growth of IMI this year following our undeniably good performance last year," Tan said.



IMI's revenues grew 12.3 percent to \$745 million in 2013.

Tan said the company's growth driver is the automotive sector.

With business in Europe growing almost 30 percent and despite flat growth in China, IMI has managed to grow 12 percent last year.

IMI China operations were challenged in 2013 due to rising costs and slowdown in consumer demand, Tan said.

"To contain costs, we are down to four plants from six in China, but these plants can easily be scaled up if necessary. We are also adopting low-cost automation, leveraging our ability to develop equipment," he added.

IMI's current market cap is trading by about \$116 million, which is below what it believes is the enterprise value of at \$300 million, Tan said.

For this year, the IMI has allocated \$27 million, slightly lower than last year's capex.

IMI leveraged the capabilities and technologies of its design and development, advanced manufacturing engineering and test and system design groups "to let innovation capture efficiencies and propel revenues" Tan said.

## Century Pacific P3.3B IPO gets SEC approval

BY ALBERT CASTRO

CENTURY Pacific Food, Inc. (CPF) said it has received approval from the Securities and Exchange Commission for its planned P3.3-billion initial public offering.

The company, known for household names like Century Tuna, 555 Sardines, Argentina Corned Beef, Swift and Birch Tree, is offering to the public 227.35 million shares at an indicated maximum price of P14.50 each.

The offer consists of 181.88 million unissued shares as primary offer and 45.47 million secondary shares.

The proceeds of the offer will be used for expansion and profit improvement, potential opportunistic acquisitions, retirement of debt and working capital.

"Over the last 35 years, Century Pacific has established a strong brand and product portfolio through, and supported by, continuous product innovation, brand building and acquisition of brands from third parties," Century Pacific said.

The company expressed confidence that it is well placed to benefit from the country's growing middle class and the multi-year growth trajectory in consumer spending.

Century Pacific is being advised by Evercore Asia Limited for the offer which will be underwritten jointly by BDO Capital, BPI Capital and First Metro Investment Corp.

The offer period will run between April 23 and 29 while the listing of the shares with the Philippine Stock Exchange is expected to be on May 6.

Century Pacific said it will conduct road show presentations in Cebu on April 8 and Manila on April 11.

## 8990 Holdings to raise ₱15.3b from sale of 1.4b shares

By Jenniffer B. Austria

MASS housing developer 8990 Holdings Inc. could raise as much as ₱15.3 billion in fresh capital from the planned sale of up to 1.358 billion common shares for ₱12.50 apiece.

8990 Holdings, according to a registration statement filed with the Securities and Exchange Commission, will sell a maximum of 862.186 million in new common shares and 382.360 million in secondary stocks.

The company has also earmarked 134.950 million

shares to cover for overallotment, which if sold will generate an additional ₱1.68 billion in proceeds. Share price of 8990 Holdings on Friday closed at ₱6.55 apiece.

The company plans to use proceeds from the sale of primary shares amounting to ₱10.77 billion to repay existing debts.

"The company incurred significant expenditures to acquire land for development, complete existing projects and commence developments of new mass housing projects," 8990 Holdings said.

"To partially fund these activities, the company obtained and secured financing, payment for which the company intends to partially be funded from the net proceeds of the primary offer," it said.

8990 Holdings said proceeds from the sale of secondary shares would go directly to the selling shareholder.

The company plans to sell at least 70 percent, or 871.182 million shares, to overseas investors and 30 percent to the domestic market.

8990 Holdings has appointed UBS as the sole global coordinator, international

bookrunner and lead manager, and UBS Investments Philippines Inc. and SB Capital as the domestic lead underwriters.

8990 Holdings, formerly IP Converge Data Center Inc., operates under the brand names Deca Homes for horizontal developments and Urban Homes for medium-rise buildings.

The company as of end-2013 completed 16 mass housing projects comprising 14,000 units. It is currently developing eight more across five cities in the country.

8990 Holdings posted a net

income of ₱2.183 billion in 2013, up 28.1 percent from the previous year. Revenues jumped 40 percent to ₱5.356 billion from ₱3.830 billion in 2012.

8990 Holdings plans to target low to middle-income earners who can afford amortization of between ₱2,800 and ₱10,000 a month under the company's in-house financing program for housing or condominium unit.

The mass housing developer also plans to launch two high-rise condominium projects under the brand name Urban Deca Towers.

# Market expected to climb to 6,700

By Jenniffer B. Austria

**STOCKS** are expected to sustain an upward trend this week, after last week's advance, on positive outlook on corporate earnings as well as strong inflow of overseas investments.

"Chartwise, the week's close above the 6,500 level highlights that further upticks towards the 6,700 levels is to be expected. Any pullback should be limited to the 6,400 levels," BDO chief investment strategist Jonathan Ravelas said.

First Metro Investments Corp. and University of Asia and the Pacific, however, said in a

monthly report the stock market would correct in the next few months, after the recent upswing.

"We do not see the Philippine equities sustaining its current euphoria in the next few months. Volume and foreign activity are likely to normalize, while negative external news flow and not so bright earnings prospect could dampen investor sentiments," the

two institutions said.

"It may be prudent to sell on strength and/or wait for better re-entry/entry points," it added.

The Philippine Stock Exchange index, the 30-company benchmark, gained 3.2 percent over last week's five-day market trading to close at 6,561.20 on April 4 while the all-share index advanced 3 percent to 3,948.94.

Ravelas said stock market opened the week strong, rising by over 200 points in a matter of three days, mainly driven by US Fed chairman Janet Yellen's speech signaling the accommodative policy would remain in place.

All major sub-indices ended in the green, led by the property sub-index which advanced 6.6 percent, followed by industrial sub-index which rose 3.9 percent and holdings firms sub-index, which rose 3.1 percent.

Overseas investors were net buyers by P4.63 billion, bringing year-to-date net foreign buying to P20.756 billion. Total foreign buying last week reached P25.003 billion while foreign selling amounted to P20.369 billion.

Top gainers last week included Berjaya Philippines Inc., which jumped 33.3 percent to P28; Vivant Corp., which climbed 30.5 percent to P15.20; and Victorias Milling Co. Inc., which rose 21.8 percent to P4.63.

Weekly top price losers were F&J Prince Holdings Corp. "B" shares, which fell 20.4 percent to P3; Primex Corp., which dipped 12.6 percent to P2.62; and Nextstage Inc., which decreased 10.67 percent to P2.68.

## Cosco plans to absorb 360 Pharmacy in 2014

BUSINESSMAN Lucio Co plans to fold in his privately-owned pharmaceutical chain called 360 Pharmacy under the holding company Cosco Capital Inc. within the year.

Cosco Capital president Leonardo Dayao said in an interview the holding company was now in the process of streamlining the operations and organization of 360 Pharmacy, in preparation for possible acquisition.

"We are still in the process of streamlining the operation and organization in preparation [for acquisition]. We are seriously thinking of putting that in into the holding company," Dayao said.

Dayao said the Cebu-based 360 Pharmacy was expected to

be folded in under Cosco Capital within 2014. 360 Pharmacy currently has 67 stores mostly in Cebu province.

Meanwhile, Dayao said he expected to finalize the acquisition of Office Warehouse Inc. in the second half.

Cosco Capital reported in February it would acquire 100 percent of Office Warehouse, a retailer of office and school products, which currently operates 47 stores in Metro Manila.

The acquisition is a part of the group's plan to diversify its retail business, particularly into non-food sector. It will also complement its retail business under Puregold Price Club Inc.

Jennifer B. Austria

# Stakeholder-oriented corporate governance pushed

By Doris C. Dumlao

## Advocacy group says PH remains a laggard among Asean

ADVOCACY group Shareholders' Association of the Philippines (SharePHIL) has urged the Securities and Exchange Commission (SEC) to reinstate a "stakeholder-oriented" corporate governance regime in the country, a laggard among Southeast Asian peers in various corporate governance metrics.

SharePHIL, through its president Francis Lim, a former Philippine Stock Exchange president, and its chair Evelyn Singson, recently wrote to SEC Chair Teresita Herbosa to propose the issuance of a circular that would formally reinstate the "stakeholder concept."

"The restoration of the principle will help put the country at par with other countries noted for corporate governance. It will also encourage other stakeholders like employees, creditors and suppliers to support the compa-

ny," Lim explained in a text message.

Apart from the employees, creditors and suppliers who have a stake in a corporation even if they do not necessarily own shares, the notion of "stakeholder" these days has been expanded to include the community where a business operates in, the government and trade associations.

In the 2002 version of the SEC's code of corporate governance, the term "corporate governance" was defined as a "system whereby shareholders, creditors and other stakeholders of a corporation ensure that management enhances the value of the corpo-

ration as it competes in an increasingly global marketplace."

But in the 2009 code, the "stakeholder" principle had been deleted, SharePHIL lamented.

Pending the SEC's amendment of the corporation code, SharePHIL said the reinstatement of the stakeholder principle through a circular would immediately improve the ratings of the Philippines in the Association of Southeast Asian Nations (Asean) scorecard.

In its March 19 letter to the SEC, SharePHIL said that corporations should also give attention to stakeholders of the corporation in addition to its

shareholders. The organization said it believed that corporations' attention to this principle could "better promote the spreading of the benefits of capitalism to more Filipinos, as envisioned by the Constitution."

The group said that embedding the stakeholder principle in the country's corporate governance code would also boost the country's standing as a promoter of good corporate governance in the region.

Based on the Asean Corporate Governance Scorecard Country Reports and Assessments 2012-2013 prepared by the Asean Capital Markets Forum and the multilateral lending

agency Asian Development Bank, Thailand scored 67.7 percent and Malaysia 62.3 percent on the corporate governance scorecard while the Philippines obtained a score of only 48.9 percent.

The corporate governance initiative of the Asean is one of several regional capital market integration initiatives of the Asean Capital Markets Forum (ACMF).

Significantly, Philippine publicly listed companies were rated the lowest on "Role of Stakeholders" with an average score of 28 percent. On the other hand, Indonesia garnered a score of more than 52 percent. SharePHIL noted that this score was the biggest drag on the average score for corporate Philippines.

# Belle net profit up 554%

## Big chunk from lease of casino property

By Doris C. Dumlaog

LEISURE estate and gaming firm Belle Corp. jacked up its net profit last year by 554 percent to P3.64 billion mostly on revenues from the leasing of an upcoming integrated casino and entertainment complex at Pagcor Entertainment City property to operator Melco Crown group of Macau.

Return on equity for the year improved to 19.7 percent from only 3.4 percent in the previous year, based on Belle's regulatory filing.

Revenues for the year surged 431 percent to P2.62 billion due to the lease and operating agreements with the local units of Melco Crown Entertainment Ltd. worth P2.28 billion. Receipts from Melco included about P949.6 million in costs that the foreign group agreed to absorb as one of Belle's conditions in including it as licensee of the City of Dreams Manila integrated resort project. There was also P1.18 billion in interest income on finance lease accounting for 17

hectares of building space while another P157.1 million was generated from the lease of 6.2 hectares of land.

The lease agreement with Melco for the first phase of the casino building was accounted for under finance lease wherein Belle recognized finance lease receivable measured at present value of the minimum lease payments and did not recognize the cost of the related asset. The excess of the present value of minimum lease payments over cost of the asset amounting to P2.32 billion was recognized as "one-time day one" gain.

Under existing rules, the building lease is treated as a theoretical sale under a capital lease arrangement, notwithstanding the fact that Belle is not relinquishing ownership of any property being leased to Melco.

"The company has been devoting significant resources to development activities connected with its integrated resort project located in Aseana Business Park in Parañaque City and is targeted for its grand opening within 2014," the company reported.

Meanwhile, Belle also booked a one-time gain from the swap of its 809 million common shares of Highlands Prime Inc. for 109 million shares of SM Prime Holdings Inc. amounting to P772.2 million last year. This swap was in line with the consolidation of SM property units under a single publicly listed vehicle, SM Prime.

Gross revenues from the sale of real estate and club shares last year fell 46 percent to P175.3 million. There were no new real estate projects launched by the company in 2013 and 2012.

From equity in net earnings of associates, earnings declined by 61 percent to P176.4 million. One of these associates, Pacific Online Systems Corp., which is 35-percent owned by Belle, contributed P113.1 million last year, slower than the P142.1 million in 2012. This company, which leases online equipment to the Philippine Charity Sweepstakes Office for lottery operations in Visayas and Mindanao, reported a 22-percent decline in earnings last year due to the Zamoanga siege and a series of natural disasters.

# Equity-laced fund gets SEC permit

THE SECURITIES and Exchange Commission has approved the registration of a new equity-laced fund, Soldivo Strategic Growth Fund Inc., led by property consulting veteran David Leechiu.

Soldivo has an authorized capital stock of P500 million and a net asset value per share of P0.9682 based on its end-2013 financial statements.

With the approval from the SEC, Soldivo is allowed to operate as an in-

vestment company and offer shares to the public for a minimum investment of P5,000 and increments of P1,000 thereafter.

The fund was set up by Kaiser International Healthgroup Inc., which holds 80-percent ownership, and investment management group Ramper Financials and Insurance Agency Inc., which owns 20 percent and also act as the investment manager of the fund.

Soldivo is chaired by Leechiu, a property consulting veteran, an international director at Jones Lang La Salle and also the head of the Philippine unit. The seven-member board includes Richard Kho, Jose Emmanuel Jalandoni, registered financial planners Randell Tiongson and Henry Ong, Tranquil Salvador and Elizabeth Ison.

Based on its regulatory filing, all investment income derived by the fund will be dis-

tributed proportionately among the shareholders. Dividends may be declared from the surplus profits of the company.

On the portfolio mix, Soldivo is seen investing mostly in securities listed on the primary board of the Philippine Stock Exchange. It may also invest in companies listed on the secondary board but this may not exceed 20 percent of its assets.

The fund may also invest in SEC-registered debt paper or other certificates of indebtedness whose issuers have been determined as financially sound and approved by its investment committee. The fund can also trade in medium- to long-term government securities.

At least 10 percent of the fund's assets must be allocated to short-term government securities, bonds or other evidence of indebtedness issued by the Philippine government or any of its instrumentalities and savings or time deposits with commercial banks.

*Doris C. Dumlao*

## Ayala subsidiary aims for \$1-B revenues by '16

AYALA-LED Integrated Micro-Electronics Inc. (IMI) is in the running to be the first \$1-billion Philippine-owned electronics manufacturing services (EMS) firm in terms of revenues by 2016 but to date, the company believes its shares are significantly "undervalued" by the market.

Speaking to reporters after IMI's annual stockholders' meeting on Friday, IMI president Arthur Tan said the reason why the company was struggling to meet the requirement to conduct an initial public offering (IPO) was that IMI was being valued by the market way below what the company felt was a

reasonable enterprise value of at least \$300 million.

As of Friday's close, IMI was valued by the market at P5.2 billion or about \$116 million.

"We're working on it. We're seriously looking at something to increase the float but unfortunately, if you release more shares right now, it's not fair to the current stockholders," Tan said. "We're visiting what our current structure is, looking at what it will take to unlock values." One option is for IMI to bring in a strategic investor who believes in its growth story.

IMI listed by way of introduction on the Philippine Stock Exchange

in early 2010 but has been unable to meet the subsequent requirement to conduct an IPO.

"At the end of the day it's the sustainability of the business that we have—the type of products that we build and where they go. I think a lot of people will have to understand the value of IMI," Tan said.

Given the type of products that IMI builds, especially its scale toward the automotive industry, Tan said the company was "undervalued" in price-to-earnings ratio relative to EMS peers with a similar focus but once all EMS companies are lumped together regardless of business focus, then its valuations would be deemed high.

In the annual report given to stockholders, Tan said the global market was returning, with electronics playing a central role, giving IMI a good tailwind.

*Doris C. Dumlao*