



SEC News Service

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JUNE 11, 2014

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Market retreats; GT Capital rallies

STOCKS retreated Tuesday, after the government announced exports grew at the slowest pace in three months' and as investors took profit from recent gains triggered by a record close on Wall Street.

The Philippine Stock Exchange index, the 30-company benchmark, fell 24 points, or 0.4 percent, to close at 6,777.98, on a value turnover of P8 billion. Despite the drop, the index was still up 15.1 percent since the start of the year.

The heavier index, representing all shares, also lost 17 points, or 0.4 percent, to settle at 4,070.62, as losers outnumbered gainers, 105 to 67, with 42 issues unchanged.

The Philippine Statistics Authority said Tuesday exports

grew 0.8 percent year-on-year in April, the slowest increase this year.

GT Capital Holdings Inc., the investment company of tycoon George Ty, bucked the downtrend, as it climbed 2 percent to P862. BDO Unibank Inc., the country's largest bank, added 0.1 percent to P90.70.

Belle Corp. was the biggest loser among the 20 most active stocks, as it tumbled 4.7 percent to P4.69. Sinophil Corp. dropped 3.9 percent to P1.22. Puregold Price Club Inc. shed 2.8 percent

to P42.05.

Asian stocks closed mixed Tuesday. Shanghai and Hong Kong brushed off data showing Chinese inflation surging to a four-month high.

Tokyo dipped 0.27 percent after closing Monday at a three-month high in the previous session, while Hong Kong lost 0.12 percent, Sydney gained 0.40 percent, Shanghai was 0.13 percent higher and Seoul climbed 0.36 percent.

Global markets have been on an uptrend in recent weeks as dealers cheer a string of impressive data, including a healthy US jobs report, stronger Japanese economic growth and a marked improvement in Chinese manufacturing and trade.

The results, as well as fresh merger and acquisition activity, sent Wall Street surging. The Dow rose 0.11 percent to its third straight record close, while the S&P 500 edged up 0.09 percent, hitting an all-time high for the fourth straight session. The Nasdaq added 0.34 percent.

Dealers decided to take their cash off the table with a lack of any buying incentives. There was little initial reaction to data showing Chinese inflation came in at 2.5 percent in May, in line with expectations.

The figure is also much higher than the 1.8 percent recorded the month before, and is the highest since January, alleviating fears earlier in the year that the country will slip into deflation.

However, it is still well below the government's target of 3.5 percent for 2014, and will not be enough to quell calls for the government to introduce easing measures to boost the economy. **With AFP**

Pancake increasing capital base to ₱1.4b

By Jenniffer B. Austria

RESTAURANT chain Pancake House Inc. said Tuesday it will increase its authorized capital stock to P1.4 billion from P400 million to cover the planned stock dividend declaration.

Pancake House said in a disclosure to the stock exchange its board approved the declaration of a 100-percent stock dividend amounting to 259.210 million common shares at P1 apiece.

Shareholders will be entitled to one common share for every one share owned.

"The increase in capital stock of the corporation from P400 million to P1.4 billion [is] to be funded by way of stock dividends declared," Pancake House said.

"The stock dividends will be distributed and paid to stockholders of record as of the record date and payment date as will be determined and fixed by Securities and Exchange Commission," it said.

Pancake House, which was recently acquired by the Max's Group of Companies, reported a net income of P29.7 million in the first quarter, slightly lower than previous year's level on increased spending for marketing campaigns and revitalization programs dedicated to fledgling brands.

"In-keeping with strategies from last year, the company continued to fortify its brands from aggressive competition," said Pancake House president and chief executive Robert Trota.

SMC eyes 20% revenue growth

CONGLOMERATE San Miguel Corp. said it expects revenues from new businesses such as power generation, airline, oil refinery and infrastructure projects to grow by at least 20 percent in 2014, following a seven-percent increase in 2013.

San Miguel president and chief operating officer Ramon Ang said in an interview at the sidelines of the company's annual stockholders meeting new businesses, which accounted for 72 percent of total revenues last year, would benefit from additional revenues of Southern Tagalog Arterial Road and the start of operation of Petron Corp.'s oil refinery.

Petron's oil refinery in Bataan, which was upgraded at a cost of \$2 billion, is expected to start operating this year while the 41.9-kilometer Star Tollway is targeted to be completed by September this year.

Meanwhile, former trade minister Roberto Ongpin and nephew Eric Recto are no longer part of San Miguel's board of directors. They were replaced by lawyer Estelito Mendoza and Aurora Calderon.

San Miguel said old businesses, including food and beverage manufacturing, beer production, packaging and property businesses, were expected to grow between 5 percent and 10 percent this year, also faster than the 2-percent growth in 2013, on higher sales.

"The traditional businesses are just recovering from high excise tax and drop in sales volume," Ang said.

He said Philippine Airlines was also showing signs of recovery in April and May, with the entry of new aircraft. "PAL will have good results by the end of the year. You will even see a great difference by next year," he said. **Jennifer B. Austria**

BUSINESS Times

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WEDNESDAY
June 11, 2014

Palace optimistic economy will regain pace

BY JOEL M. SY EGCO SENIOR REPORTER

MALACANANG is unwavering in its optimism that the economy will fare better in the coming months even as it cited the slight improvement in the latest unemployment data.

The labor office reported that the unemployment rate in April was at 7 percent compared with 7.5 percent recorded in April 2013.

Presidential Communications Secretary Herminio Coloma Jr. also said that even the underemployment rate improved to 18.2 percent in April 2014. Compared to year-ago levels the underemployment rate was 19.2 percent.

"These positive indicators

bode well for a higher GDP (gross domestic product) growth rate in the succeeding quarters," Coloma told reporters.

The Palace's optimistic statement comes at the heels of reports that the economy slowed down to 5.7 percent in the first three months of the year from a high 7.7 percent during the same period in 2013.

First quarter GDP was the slowest in two years and officials said this is due to disruptions caused by super typhoon Yolanda.

The Philippines has fallen to third place in Asia's growth race, behind Malaysia, which achieved economic growth of 6.2 percent in the January to March period, and China, which grew 7.4 percent.

The National Economic Development Authority (Neda) traced the slowdown to the damage on production capacities and disruption to agricultural supplies caused by the super typhoon that lashed Eastern Visayas in the central Philippines in November last year.

But Coloma insisted that the improved employment figures signified an improved economic performance in the coming months.

Neda reported that the improvement translates to about a total of 1.7 million in additional employed persons. According to Neda chief Arsenio Balisacan, the improvement in employment is broad-based, covering agriculture, industry, and the services sectors.

PH stocks fall after resistance met at 6800

PHILIPPINE shares dropped on Tuesday as the market benchmark hit resistance at 6,800 points.

"Today, we saw the Philippine market react again to the overhang of expensive valuations and recent developments in our local economy. . . . What's positive about the consolidation is that it sees continual support when it nears the 6,750 support, indicating a

good chunk of investors believe that prices at these levels are of fair value. Beyond that, the market is waiting for more concrete catalysts to adjust valuations," DA Market Securities Inc. equity analyst Gab Aguila said.

The Philippine Stock Exchange index (PSEi) ended Tuesday's trade down 24.75 points or 0.36 percent at 6,777.98, while the wider all shares

slipped 17.70 points or 0.43 percent to 4,070.62.

"We continue to expect the market to trade range-bound and advise investors to stay alert when the market nears resistance levels," Aguila added.

Mining-and-oil was down 135.82 points or 0.87 percent at 15,503.66, holding firms slipped 27.13 or 0.44

percent to 6,188.22. Property was lower by 23.92 points or 0.90 percent at 2,623.58, while industrials eased 19.07 points or 0.18 percent to 10,376.89. Services dipped by 11.92 points or 0.58 percent to 2,031.14 and financials by 3.76 points or 0.24 percent to 1,591.11.

Trading volume thinned to 1.7 billion shares valued at P8.17 billion. Advancers outnumbered decliners 98 to 69, while 43 issues were unchanged.

VOLTAIRE PALAÑA

March FDI surges, boosted by US, Japan equity capital

FOREIGN direct investment (FDI) in the Philippines surged 78.5 percent in March from a year earlier, with strong inflows of equity capital recorded from the United States, Japan, Singapore, Hong Kong and Taiwan.

However, the cumulative level of FDIs for the first three months of the year reflected an 11.6 percent year-on-year fall. FDIs are the type of capital investment that generates jobs, in contrast to hot money.

Data from the Bangko Sentral ng Pilipinas (BSP) on Tuesday showed net FDI surged 78.5 percent to \$476 million in March from \$266 million a year earlier.

In the three months to March, net FDI slid to a cumulative \$1.852 billion from \$2.096 bil-

lion in same period last year.

Equity capital inflow

The BSP said in a statement there was a net inflow of \$278 million in equity capital investment in March, out of gross equity capital placements of \$405 million. Withdrawals amounted to \$126 million during the month.

A comparative year-earlier figure stood at \$111 million worth of equity capital investments, indicating growth of 264.8 percent over the period to March this year.

The central bank said the bulk of the equity capital investment originated mainly from the United States, Japan, Singapore, Hong Kong and Taiwan, and were channeled mainly to financial and in-

surance activities; manufacturing; real estate; mining and quarrying; and wholesale and retail trade.

Intercompany borrowings, or non-residents' net placements in debt instruments issued by local affiliates, declined by 18.7 percent to \$143 million in March from \$176 million in the same period last year.

"This was due to the continued lending of parent companies abroad to their local affiliates to fund existing operations and the expansion of their businesses in the country, an indication of sustained confidence in the country's strong macroeconomic fundamentals," the BSP said.

Improvement was also noted in reinvested earnings, which rose 3.5 percent year-on-year to \$54 million in March. The BSP said this was

because foreign investors opted to retain their earnings in local corporations amid favorable prospects for the Philippine economy.

On a cumulative basis, the net inflow of equity capital investments in the first three months reached \$636 million as gross equity capital placements of \$876 million more than compensated for withdrawals of \$241 million.

Reinvestment of earnings and investment in debt instruments also registered net inflows amounting to \$185 million and \$1 billion, respectively, during the January to March period, the BSP said.

Big-ticket items sluggish

In terms of big-ticket direct in-

► FDI B2

Foreign investments jump 78% to \$476m

NET inflows of foreign direct investments in March grew 78.5 percent to \$476 million from \$266 million year-on-year on the back of sustained confidence in the country's strong macroeconomic fundamentals.

The Bangko Sentral ng Pilipinas said Tuesday the net inflows were recorded across key components.

"In particular, equity capital investments posted net inflows of \$278 million during the month. This was on account of the 264.8 percent increment in gross equity capital placements to \$405 million from \$111 million in the previous year, which more than offset the withdrawals amounting to \$126 million during the period," the central bank said.

The bulk of the equity capital investments came largely from the United States, Japan, Singapore, Hong Kong and Taiwan. The investments were channeled mainly to financial and insurance activities, manufacturing, real estate, mining and quarrying and wholesale and retail trade.

"Moreover, intercompany borrowings [net placements of parent companies abroad in debt instruments issued by local affiliates] reached \$143 million in March. This was due to the continued lending of parent companies abroad to their local affiliates to fund existing operations and the expansion of their businesses in the country..." the Bangko Sentral said. **Julito G. Rada**

EastWest merger obtains nod of SEC

By Julito G. Rada

THE Securities and Exchange Commission formally approved the planned merger of EastWest Banking Corp. and Agusan del Norte-based Green Bank Inc., with EastWest as the surviving entity.

EastWest said in a disclosure to the stock exchange Tuesday the SEC issued the certificate of approval on June 5 this year.

EastWest's board of directors and stockholders earlier cleared the merger, which also got the approval of the Bangko Sentral ng Pilipinas and Philippine Deposit Insurance Corp. in April.

"EW will absorb the remaining assets and liabilities of GBI. The effective date of this merger shall be, for all intents and purposes, July 31, 2014," the bank said.

It said the merger agreement

was subject to the fulfillment of a number of conditions.

Among these are the completion of the asset purchase agreement between GBI and East West Rural Bank Inc., formerly Finman Rural Bank Inc. and finalization of the equity restructuring plan of GBI.

"EW shall be the surviving corporation in the merger, in which it shall assume all assets and liabilities of GBI upon the effective date of the merger," EastWest said.

Green Bank is a rural banking corporation with principal office address at Montilla Boulevard, Butuan City, Agusan del Norte. Net assets stood at P128.5 million as of Dec. 31, 2013.

EastWest president and chief executive Antonio Moncupa said the merger with Green Bank was part of the bank's strategy to strengthen its presence in Mindanao and

serve the unbanked areas in the country.

Green Bank is the largest bank in the Caraga region in terms of assets, with 46 branches across the Visayas and Mindanao.

It is also one of three rural banks to be affiliated with a major Philippine interbank network. The bank has been a member of BancNet since 2006. EastWest acquired P750 million worth of shares in Green Bank in 2006.

Green Bank was incorporated with the SEC as the Rural Bank of Nasipit on June 20, 1974. The bank started operations on April 5, 1975 originally to serve the town of Nasipit.

Earlier, EastWest, the banking arm of the Gotianun Group, posted a net income of P455.7 million in the first quarter of 2014, down 38 percent year-on-year on lower trading gains.

Stocks seen ripe for correction

By Doris C. Dumlao

LOCAL stocks are now seen ripe for a correction, consolidation or rotation to allow the bulls to refuel and

retest new highs, analysts from fund management group Philequity said. In a briefing after the stockholders' meeting of Philequity Management Inc. on Monday night, Philequity head

of research Jerome Gonzales said the Philippine Stock Exchange index (PSEi) would consolidate between 6,600 and 6,900 before establishing new highs. He said the PSEi's target would be to hit 7,400 by the first quarter of 2015 and 8,100 by the first quarter of 2016.

Nicolas Fernandez, an analyst at affiliate Wealth Securities, said the market might tolerate a valuation equivalent to 18x to 19x 2015 price-to-earnings, which means investors would be willing to pay 18 to 19 times the expected earnings for next year. "That will be around 7,100 to 7,400. Incidentally, our previous high was 7,400. That falls within that range. That's what we're expecting for the rest of the year," Fernandez said.

The group is expecting muted earnings growth this year given the decline in bank earnings due, in turn, to slower trading gains but for 2015 to 2016, Fernandez said earnings would normalize with a growth of around 15 percent or about two to 2.5 times the likely growth in local gross domestic product (GDP).

Miguel Agarao, an analyst at Wealth Securities, said the local stockbrokerage was "neutral" on the local stock market for the short-term but "bullish" for the longer term.

"Mixed data point toward a pause in the rally, not an end," Agarao said. "The market is ripe for a correction, consolidation or even a rotation. It's a pause in the rally, not an end in the rally. When

we run, a breather is always healthy. The new sideways movement we see now may be the base for the next rally."

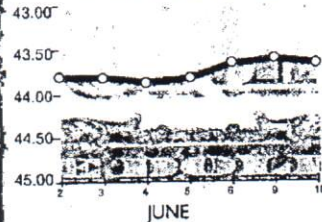
While it would be hard to predict how long the consolidation phase would take, Agarao said what was definite was that the next rally would spring out from this consolidation. At the same time, he said that if the global bull market was intact, deep correction in local equities would not be likely.

INDICATORS

PESO-DOLLAR RATE

June 10, 2014

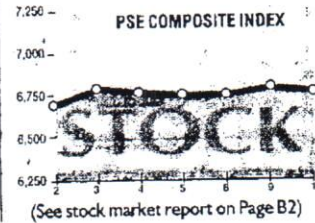
43.675



STOCK MARKET

June 10, 2014

↓ 24.75



(See stock market report on Page B2)

PSEi falls below 6,800

THE LOCAL stock barometer again slipped below 6,800 yesterday as investors pocketed gains after the recent run-up in stock prices.

The Philippine Stock Exchange index (PSEi) lost 24.75 points or 0.36 percent to close at 6,777.98.

All counters were down. Value turnover amounted to P7.99 billion.

There were 105 decliners that edged out 67 advancers while 42 stocks were unchanged.

The PSEi was led lower by AGI, SMIC, LT Group and Petron, which all fell more than 1 percent. PLDT, ALI, EDC, Megaworld, BPI and DMCI also contributed to the day's decline.

Outside of PSEi stocks, the notable decliners were CIC, Belle and Sinophil, which all slumped more than 4 percent.

On the other hand, GT Capital (+1.78 percent) bucked the downtrend alongside URC, BDO and Metrobank.

Dealers said the market was taking a breather after the recent run-up. Yesterday, the Philippines reported a meager growth in April exports but dealers said the market did not give much weight to it. Philippine export receipts grew by a modest 0.8 percent in April, underperforming the market estimate of 10 percent.

On the other hand, many investors decided to cash in

PSEI FALLS/ B3

PSEi falls below 6,800

From page B1

their gains.

The government also reported yesterday that the country's jobless rate in April had gone down to 7

percent from 7.6 percent a year ago.

On the other hand, regional markets were mostly higher yesterday

on the back of improved global growth prospects and buoyant stocks in Wall Street. *Doris C. Dum-lao*

Ongpin's 'trusted' employee

WHAT lies at the root of the complaint for alleged illegal detention which businessman **Roberto Ongpin** finds himself in nowadays?

Well, apparently, it's money. Literally, money. Piles upon piles of money, in fact.

Biz Buzz learned that the problem of Ongpin with his former Philweb Corp. employee, **Eduveges Batalan**, started when the bank accounts of the former Marcos trade minister were frozen by regulators as a result of the complaint filed against him for the Development Bank of the Philippines case (those charges have been dismissed, of course).

Right after authorities froze his funds as Christmas 2012 approached, Ongpin's companies—wary of having their bank accounts frozen, too—withdraw all their cash and stashed them in a big room in the businessman's Alpha-land Southgate Tower office.

It was from this cash hoard (millions upon millions, we're told) that the resources needed to run Ongpin's mini conglomerate were sourced. All the money used for the group's operations came from the pile in this one room, said our source, who explained that the freeze order of the Anti-Money Laundering Council (AMLC) had basically put the entire group on "emergency mode" as far as finances were concerned.

"This was an emergency, and as you can imagine, it was becoming increasingly difficult to keep track of funds in a situation like that," the source explained.

Sooner or later, however, someone decided to do a full audit of the funds when the dust started to settle. Enter Batalan, who was one of Ongpin's officials who had access to that room and the cash.

After an internal inquiry, Ongpin's suspicion fell on his trusted employee. Batalan was eventually sued for qualified theft last February and fired. A notice of termination was also published by Ongpin's firm in a newspaper.

Of course, the question now is ... is Batalan's claim of illegal detention (supposedly done to extract a confession from him) true or not? **Abangan. Daxim L. Lucas**

Exasperated

WHILE San Miguel Corp. president **Ramon S. Ang** or "RSA" is mulling over his next corporate acquisitions, definitely included in his grocery list is a bigger stock of adhesive tapes and staplers.

BIZ BUZZ

By the staff



RSA expressed annoyance at what he describes as "crab mentality" in corporate Philippines in the ongoing bidding for the Cavite-Laguna Expressway. He told reporters that SMC (which had won the Naia Expressway project with a very aggressive bid) would next time buy a lot of adhesive tapes and staplers to use in sealing its bid package so that rivals won't have anything to fret about.

He added that ANZ bank could properly clarify what rivals cite as alleged deficiency in the bid bond for the tollroad, noting that the bid bulletin of the Department of Public Works and Highways gives room for clarifying contentious items.

Asked whether SMC would consider going to court if ever it would be disqualified given its belief that what was raised was a non-issue, RSA said he would be "open" to suggestions.

If government would like to maximize what it could get from any bidding, RSA said the goal would be to allow everybody to compete in a level playing field instead of obsessing over the littlest technical issues.

Doris C. Dumlao

Eased out of UCPB bidding

SMC, which owns Bank of Commerce, wants to join the bidding for sequestered shares of United Coconut Planters Bank but has been barred from doing so.

RSA said the bidding for UCPB had been restricted to banks of a certain minimum size. This, in turn, is seen favoring the bigger players instead of encouraging consolidation among mid-sized players.

It's not surprising that RSA is frustrated in being eased out of the UCPB bidding given the bank's history and sentimental value to his mentor. SMC chair **Eduardo "Danding" Cojuangco** once controlled UCPB, which was instrumental in the latter's entry as the controlling stockholder of SMC.

Cojuangco, incidentally, could not attend yesterday's SMC stockholders' meeting because he's still recuperating from a kidney transplant last December.

But RSA assured stockholders who were looking for the chair that he was now in good shape.

Going back to Bank of Commerce, RSA said SMC's banking arm would participate in mergers and acquisitions, whether as a sell-

er or a buyer. **Doris C. Dumlao**

The \$10-B airport

PERHAPS learning from its bitter experience with the Laiban bulk water

project (which it proposed years ago, but vehemently challenged), RSA has ruled out submitting the \$10-billion airport project—which he had proposed to build on a reclamation project started by Cyber Bay along Manila Bay—as an "unsolicited" proposal.

Instead, he said the proposal was submitted for the government to bid out the project for everyone to participate in. RSA believes that if the \$10-billion airport project were to be submitted as an unsolicited proposal, it would attract more detractors.

"They will say we have an advantage because you have long studied this proposal," he said.

At the end of the day, RSA said the stakeholders—especially the people who are thirsting for a better airport than the gateway currently available in Metro Manila—should have a say in this.

Asked about transportation authorities' perceived bias to develop Clark as the new international gateway instead of considering any new location, RSA's view is: May the best proposal win. **Doris C. Dumlao**

Asiamoney's best

HONG KONG-BASED business and finance publication Asiamoney has named BDO Unibank Inc. the best managed company in the Philippines in its 25th anniversary special edition that features Asia's list of "Best of the Best Managed Companies."

For this recognition, BDO joins other prominent organizations that were adjudged based on performance, achievements and financial fundamentals. The barometer used by Asiamoney indicates that the bank has been a consistent performer over the years.

Meanwhile, BDO's investment banking subsidiary BDO Capital and Investment Corp. was earlier cited as best domestic debt house for winning the award five times in a row.

BDO is, of course, ranked as the largest bank in the Philippines in terms of total assets, loans, deposits, capital and trust funds under management.

In 2013, BDO won the coveted Best Asian Bank award from FinanceAsia, a first ever win for a Philippine bank. **Daxim L. Lucas**

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