



SEC News Service

SERIES OF 2014

OCTOBER 31, 2014

- | | |
|---|------|
| AYALA CORP. RAISES P13.5B FORM PREFERRED-SHARE SALE
VG Cabuag, Business Mirror, p. B1 | [1] |
| AYALA CORP. RAISES P13.5 BILLION FROM PREFERRED SHARE ISSUE
Business World, p. S1/5 | [2] |
| NEW RULES ON COLLATERAL 'CREDIT POSITIVE'
J.V.E. Castillo, Business World, p. S2/3 | [3] |
| BIGGEST PHILIPPINE FUND MANAGER BUYING SHARES AS FOREIGNERS SELL
Bloomberg, Business World, p. S2/1 | [4] |
| SSS TAPS FUND MANAGERS TO DIVERSIFY PORTFOLIO
Angela Celis, Malaya Business Insight, p. A1/4 | [5] |
| SSI SHARES DEMAND ROBUST; OFFER ENDS
Albert Castro, Malaya Business Insight, p. A1/4 | [6] |
| AYALA RAISES P13.5 BILLION FROM SALE OF PREFERRED SHARES NON-VOTING
James A. Loyola, Manila Bulletin, p. B2 | [7] |
| PETRON SCHEDULES EARLY REDEMPTION OF P10-B NOTES
Myrna M. Velasco, Manila Bulletin, p. B2 | [8] |
| SSI SHARES FOR FOREIGN INVESTORS OVERSUBSCRIBED
Madelaine B. Miraflor, Manila Bulletin, p. B6 | [9] |
| FED ACTIONS TO CALM MARKET—BSP
Julito G. Rada, Manila Standard Market, p. B1 | [10] |
| INVESTORS SWARM SSI OFFERING
Jenniffer B. Austria, Manila Standard Market, p. B1 | [11] |
| AYALA SELLS PREFERRED SHARES WORTH P13.5B
Jenniffer B. Austria, Manila Standard Market, p. B1 | [12] |
| HOLCIM SETS SIGHTS ON LAFARGE'S ASSETS
Miguel R. Camus, Philippine Daily Inquirer, p. B3 | [13] |
| SHARE PRICES CLOSE HIGHER
Miguel R. Camus, Philippine Daily Inquirer, p. B1/3 | [14] |
| NEW BSP RULE SEEN 'CREDIT POSITIVE' FOR LENDERS
Paolo G. Montecillo, Philippine Daily Inquirer, p. B2-5 | [15] |



SEC News Service

SERIES OF 2014

OCTOBER 31, 2014

TECHNOLOGY FIRM PREPARES FOR P1.43-B IPO

Doris C. Dumlao, Philippine Daily Inquirer, p. B2-5

[16]

END OF US BOND BUYING PROGRAM BOOSTS INDEX

Richmond S. Mercurio, Philippine Star, p. B2

[17]

MARKET WARMS UP TO SSI PUBLIC OFFER

Richmond S. Mercurio, Philippine Star, p. B4

[18]

Ayala Corp. raises P13.5B from preferred-share sale

By VG CABUAG

AYALA Corp. on Thursday said it raised some P13.5 billion from the sale of its preferred share, some P1.5 billion short of its total offer as not all of its overallotment option were sold.

The company said in its report to the Philippine Stock Exchange that it sold all of its 20 million share-base offer and only 7 million of its original 10 million preferred class b series 2 shares.

The offering started on October 23 and ended on Wednesday, October 29.

The preferred shares were sold at P500 apiece and will have dividend rate of 5.575 percent per year.

The shares will be issued on

November 5, the same time it will become available for trading at the PSE.

Class B shares, which are not convertible to common shares, are available for purchase to both local and international investors, but the company will only sell the securities locally.

The shares are perpetual equity securities that have preference in the payment of dividends. If the shares are not redeemed at the end of the fifth year from the

date of issue, the dividend yield shall be reset to higher of either the original dividend rate or the sum of the closing of the five-year secondary market rate for bonds plus a spread of 175 basis points.

On the 10th year, the dividend rate shall reset to the higher of either the adjusted dividend rate or the sum of the closing of 10-year secondary market rate and a spread of 300 basis points.

Proceeds of the offer will be used by the company to pay off its maturing domestic loans reaching P12.98 billion.

The company said it has a P1.46-billion loan from Metropolitan Bank and Trust Co. and P5 billion from Banco de Oro. Both loans fell due in October.

Ayala has a P1.49-billion loan in corporate note from various lenders, which included Government Service Insurance System and Philippine American Life and General Insurance Co., falling due in February 2018 and another P5 billion loan from BDO that will mature in November 2019.

Ayala Corp. raises P13.5 billion from preferred share issue

AYALA CORP. (AC), the holding company of the Ayala Group of Companies, on Thursday said it raised a total of P13.5 billion from its offering of class B series 2 preferred shares to be issued on Nov. 5, with proceeds to be used to refinance debt.

In a statement attached to a disclosure, the country's oldest conglomerate said it sold 20 million shares worth P10 billion, which constitute the base offer.

It also sold an additional seven million shares worth P3.5 billion "in order to address excess demand for the shares." The maximum overallotment option was P5 billion.

Ayala Corp. has a total of P12.95 billion in debt, according to a registration statement filed with the Securities and Exchange Commission last Oct. 13.

Broken down, these are: a P1.46-billion loan from Metrobank due October 2014; a P5-billion loan from Banco de Oro due also in October; P1.49 billion worth of corporate notes due February 2018; and a P5-billion loan from Banco de Oro due November 2019.

The shares, which will be re-issued from Ayala's capital stock, were sold at P500 apiece and carry an interest rate of 5.575% per annum.

The offer period ran from Oct. 23 to 29.

BPI Capital Corp. won the mandates for issue manager and lead underwriter. BDO Capital Corp. and First Metro Investment Corp. were also joint lead underwriters.

"AC expects to use the net proceeds from the Offer... solely to

refinance certain peso-denominated debt obligations. The terms of each of these debt obligations have provisions that allow for prepayment by AC of outstanding amounts prior to their final maturity," the document read.

In case the net proceeds exceed the total amount of debt, the company said it will use the extra funds for general working capital.

"Correspondingly, if the net proceeds are less than the above total, Ayala will satisfy the balance from internally generated funds and/or other credit facilities including bank borrowings as Ayala considers commercially favorable at the relevant time," the document read.

Ayala Corp. is primarily engaged in real estate and hotels; financial services and insurance; telecommunications; water distribution and wastewater services; electronics manufacturing solutions services; automotive dealerships; business process outsourcing; investments in overseas real estate projects and technology-related ventures; power generation; and transport infrastructure.

It is 50.56% owned by Mermac, Inc., 10.52% by Mitsubishi Corp., and the rest by the public, while its significant subsidiaries include Manila Water Company, Inc., Ayala Land, Inc., and Integrated Micro-Electronics, Inc.

The conglomerate reported a 34% year-on-year rise in net profit for the first half of the year to P9.8 billion.

On Thursday, its shares gained P8.50 or 1.27% to close at P680 apiece.

New rules on collateral 'credit positive'

THE BANGKO Sentral ng Pilipinas' (BSP) new regulation governing the use of real estate to secure a borrower's loan bodes well for Philippine lenders' credit score, Moody's Investors Service, Inc. said yesterday.

In its biweekly "Moody's Credit Outlook", the global debt watcher said the fresh rules are expected to force domestic lenders to trim their exposure to the percolating real estate market.

"The new regulation is credit positive for Philippine banks because it will require them to cap the value of real estate collateral and will accelerate loan-loss provisioning for distressed loans," the report read.

Under the BSP directive, announced last Oct. 20, only 60% of the appraised value of a borrower's property should be treated as loan collateral. That means when the borrower defaults, the property won't be enough for the lending bank to recoup all of its losses.

The remaining 40% will be booked as unsecured loan, which means banks need to set aside more funds to cover possible losses when the account becomes distressed.

On Wednesday, BSP Governor Amando M. Tetangco, Jr. reiterated that the cap on the value of real estate collateral is distinct from the loan-to-value ratio which, he said, remains an internal policy among lenders. That ratio dictates how much a borrower needs to shell out from his own pocket when purchasing homes through mortgage.

Moody's also noted that the BSP told banks to be prudent in lending to affiliates. The single-borrower limit is 25% of the banks' net worth.

"Because most Philippine banks are already exposed to real estate through their large conglomerate owners and loans to their affiliates, which are also leading players in the real estate

market, we expect the new regulation to limit banks' exposure to real estate and related sectors," Moody's said.

The new BSP regulation follows the real estate stress test the central bank introduced in July. The stress test required banks to maintain certain levels of capital buffers to stem potential credit risks.

"The limit (on loan collateral and single borrowers), in combination with the stress test, will protect asset-quality amid property price volatility," Moody's said.

By Moody's reckoning, loans to the Philippine property market have "grown rapidly over the past five years, fueled by robust economic growth and strong domestic demand."

It said that between 2009 and the first half of 2014, the 19% compound average growth rate of banks' real estate loans is well above the 12% growth of overall banking system loans. — *report from J. V. E. Castillo*

Biggest Philippine fund manager buying shares as foreigners sell

THE LARGEST Philippine money manager has been buying shares as record foreign outflows drive the country's benchmark stock index toward its biggest monthly loss this year.

Frederico Ocampo, who became chief investment officer at Manila-based BDO Unibank, Inc. last month, said he sees the decline as an opportunity to buy

shares of banks, real estate, gaming and power companies. The benchmark Philippine Stock Exchange index rallied 1.1% yesterday, extending early gains after his comments.

"We always say buy on dips and this is it," said Mr. Ocampo, 47. "It's a trading window that we as fund managers have to maximize. We remain bullish for 2015 as

a resilient economy and robust corporate earnings growth will support the equities market."

Accelerating economic expansion and corporate profits forecast to grow at least 13% next year will propel the benchmark gauge to as high as 8,000 in 2015, Mr. Ocampo said. That's a 12% advance from today's close.

Fund manager, S2/3

Fund Manager, from S2/1

The Philippine equity market is overvalued and doesn't offer opportunities to investors, HSBC Global Asset Management said in a statement Thursday. While the country's long-term growth outlook supports part of its premium valuation, infrastructure remains inadequate to support its growing population and economy, it said.

Even Mr. Ocampo says the Philippine stock gauge may be little changed through yearend, before resuming its advance in 2015.

VALUATION 'JUSTIFIED'

The benchmark index is valued at 17.9 times projected 12-month earnings, the most in Asia-Pacific, according to data compiled by Bloomberg.

"The expensive valuation is justified, especially at a time when investors are looking for growth," Mr. Ocampo said.

The Philippine economy will grow 6.5% to 7.5% this year, accelerating to between 7% and 8% in 2015, according to government forecasts.

Mr. Ocampo said BDO added to holdings in banks, property, gaming and power generators, while cutting mining and telecom companies. Power generators will benefit from anticipated electricity shortages next year, while gaming stocks will lure investors as casinos open in Manila's Entertainment City, he said. — *Bloomberg*

SSS taps fund managers to diversify portfolio

BY ANGELA CELIS

THE Social Security System (SSS) will outsource some of its investments to three local fund managers, to help diversify its portfolio and benchmark comparative investment classes.

The pension fund said that the fund managers will each handle P1 billion investible funds allocated in a mix of equity and fixed income securities.

To bid for the fund management contract, the companies must be duly licensed and have at least five years in fund management experience, with investment performance published in national broadsheets, the SSS said.

It must also have Assets Under Management of at least P10 billion in equities and at least P25 billion in fixed income securities as of Dec. 31, 2013.

The pension fund said that the deadline of submission of eligibility documents to the SSS Head Office in Quezon City is on November 18.

Appointing external fund managers by the SSS is allowed as per Section 26-A of Republic Act No. 8282 or the Social Security Act of 1997.

Early this year, SSS President and Chief Executive Officer Emilio de Quiros Jr. said that the agency would like to take advantage of

See SSS > Page A4

SSS

the investment skills of fund managers.

This is the first time that the agency will hire fund managers to handle its investments.

"It will be small, we'll start with a billion each, so that's around P3 billion. We'll build that up eventually," De Quiros said.

The pension fund's investible funds is around P370 billion.

"We're going to choose the fund managers based on the amount of assets that they're managing right now and based on their performance in the past," de Quiros previously said.

"We're looking at evaluating them every

two years. The top two fund managers will be retained and the last one will be dropped," he added.

De Quiros said that the fund managers will only manage local investments.

"Once we've gained experience on outsourcing to fund managers, then we can start looking beyond Philippine shores," De Quiros said.

"I think it's important (to hire fund managers). One, you are able to compare the performance of fund managers versus in-house, and you're able to learn from them in terms of strategies," he added.

SSI shares demand robust; offer ends

BY ALBERT CASTRO

SSI (Stores Specialists Inc) Group, Inc., said orders from foreign institutional buyers exceeded by several times the number of shares offered and that domestic take up has been robust as it closed its initial public offering (IPO) yesterday.

SSI plans to raise as much as P7.45 billion on a total of 993.9 million shares, at an offer price of P7.50 apiece.

The IPO is divided into 864.2 million shares comprising the primary offer, and another 129.6 million for the secondary offer.

Approximately 80 percent of the offer comprises primary shares while the rest are secondary shares from existing shareholders. The offered shares are divided into,

See SSI ► Page A4

SSI

695.7 million unissued common shares and 168.52 million shares held by selling shareholders, for the primary offer and another 129.63 million shares covering the greenshoe or over-allotment option.

Shares will be listed by November 7.

The company plans to use the proceeds to expand its specialty retail businesses, to fund additional investments in the Family Mart convenience store chain and Wellworth department stores and to retire some debt. SSI Group represents 103 international brands and operates 655 stores as of June 30, 2014.

SSI Group has secured cornerstone inves-

tors who committed to take up 34 percent of the offered shares - Bank of the Philippine Islands Asset Management and Trust Group, Government Service Insurance System, Havenport Asset Management Pte Ltd, Macquarie Asia New Stars Fund, MLIS - York Asian Event-Driven Ucits Fund, and York Asian Opportunities Investment Master Fund.

The company is looking at a more robust growth, capitalizing on the 12 percent compounded growth it had between 2011 and 2013 and a 52.6 percent compounded growth in net income for the same period.

Ayala raises ₱13.5 billion from sale of preferred shares non-voting

By **JAMES A. LOYOLA**

Ayala Corporation, the country's oldest conglomerate, has ₱13.5 billion from the issuance of its Series 2 Class B Non-Voting Preferred Shares from a possible maximum offer size of ₱15 billion.

In a disclosure to the Philippine Stock Exchange, Ayala chief finance officer Delfin C. Gonzalez Jr. said the firm sold 20 billion shares, at ₱500 per share, constituting the base size of the offer.

In addition, as a result of the exercise of its oversubscription order to address the excess demand for the shares, an additional 7 billion shares for ₱3.5 billion. It had set aside as much as 10 billion shares worth ₱5 billion for

oversubscription.

Ayala had set the dividend rate for the preferred shares at 5.575 percent per year due to strong investor demand during the book-building process.

The firm said it is offering ₱10 billion worth of shares, at ₱500 per share, to investors from October 23 to 29, 2014 plus ₱5 billion worth of shares to cover over-allotments.

The shares will be issued on November 4, 2014 and will be tradable on the PSE.

Proceeds from the issue will be used by Ayala solely to refinance certain peso denominated debt obligations. Ayala expects to apply the proceeds toward such pre-payments within 12 months from the issue date.

If the net proceeds exceed the loan repayment, such excess will be used for the general working capital of the company.

But, if the proceeds are lower, Ayala said it will satisfy the balance from internally-generated funds or other credit facilities including bank borrowings "as Ayala considers commercially favorable at the relevant time."

The Ayala Group earmarked nearly ₱190 billion for capital expenditures this year to continue its investment programs in its real estate, banking, telecommunications, and water businesses as well as to ramp up its new businesses.

Ayala reported that its net income jumped 34 percent to ₱9.8 billion in the first half of the year, driven by the solid performance of its core businesses, particularly Ayala Land, Globe Telecom, and Manila Water.

Equity earnings from Globe, which quadrupled year-on-year, more than offset the decline in the contribution of banking unit, Bank of the Philippine Islands (BPI), which registered lower trading gains in the first half of this year.

The substantial improvement in equity earnings from international businesses also boosted earnings in the first semester, which included a ₱1.8 billion net gain from the sale of Stream Global Services, Inc. by LiveIt.

Altogether, these put total equity earnings in the first half of the year at ₱12.8 billion, up 35 percent versus the same period last year.

Petron schedules early redemption of ₱10-B notes

By MYRNA M. VELASCO

Leading oil firm Petron Corporation is scheduling an earlier redemption of its ₱10-billion notes facility by December this year.

The company, in a disclosure to the Philippine Stock Exchange (PSE), has noted that its executive committee has "approved the redemption of the Series B Notes (which) was issued by the corporation under the fixed rate corporate notes facility agreement dated May 29, 2009."

For that notes issuance then, the Bank of the Philippine Islands Asset Management and Trust Group had been engaged as facility agent.

"The target redemption date of the Series B notes is on December 5, 2014. The corporation exercised its early redemption option under the provisions of the Notes Facility Agreement," Petron said.

The oil firm further explained that such move was "on account of the rate of the final withholding tax on the interest coupon on the Series B Notes

that the Corporation shoulders," in accordance with the transaction.

It emphasized that such rate on the tax for the coupon had already inched up from 2.0-percent in 2009 to 20-percent in December 2012.

The company previously raised funding for the expansion of its retail network as well as on its foray into putting up its own power generation facility to serve the requirements of its refinery in Limay, Bataan.

In 2010, the company has targeted massive expansion of its retail network with the addition of 1,000 stations until 2015 or at a rate of 200-station retail portfolio beefing up on a yearly basis.

Beyond the retail segment, the oil firm also funneled hefty capital outlay of \$2.0 billion for its refinery upgrade which will be reaching full commercial operations next year.

This venture will elevate the facility's stature into a "more complex refinery" which will then enable it to extract more high-value products that could help shore up the company's revenue stream.

Friday, October 31, 2014

SSI shares for foreign investors oversubscribed

By **MADÉLAINE B. MIRAFLOR**

The shares of SSI Group, Inc., the country's largest specialty retailer, have been oversubscribed by foreign investors during the international road show conducted by the firm in line with its ₱7.45-billion initial public offering (IPO) next month.

The international road show of the company for its scheduled listing in the Philippine Stock Exchange (PSE) was held in Singapore, Hong Kong, and London.

During the roadshows, SSI Group said orders from foreign institutional buyers exceeded by several times the number of shares offered and that domestic take up has been robust.

To be listed in the PSE on November 7, the shares of SSI Group was priced at ₱7.50 per share.

SSI Group earlier set the indicative price range for its IPO within ₱7 to ₱7.50.

SSI Group vice president for investor relations Marti Atienza said the group set its price within that range because it reflects its earning potentials.

The group's public offering is intended to raise ₱6.5 billion with the issuance of 864.2 million shares but should the over-allotment option for additional 129.6 million shares be fully exercised by the company, the IPO could raise as much as ₱7.45 billion.

The company plans to use the proceeds to expand its specialty retail businesses, to fund additional investments in the Family Mart convenience store chain, and Wellworth department stores and to retire some debt.

As of June 30, 2014, SSI Group represents 103 international brands and operates 655 stores.

SSI Group's public offer for its shares will end today (Friday).

Beforehand, SSI Group had already secured cornerstone investors who committed to take up 34 percent of the offered shares.

These "cornerstone investors" include Bank of the Philippine Islands Asset Management and Trust Group, Government Service Insurance System, Havenport Asset Management Pte Ltd, Macquarie Asia New Stars Fund, MLIS - York Asian Event-Driven Ucits Fund, and York Asian Opportunities Investment Master Fund.

B

ci

▲ 7,170.99
77.68

Fed action to calm market — BSP

By Julito G. Rada

THE Bangko Sentral ng Pilipinas said Thursday it may keep interest rates steady, even after the US Federal Reserve announced it will end its stimulus program.

"The Fed's announcement of the end of taper was widely expected, and to the extent this confirms the underlying strength of the US economy," Bangko Sentral Governor Amando Tetangco Jr. said in a text

message to reporters.

He said the Fed action "gives us some latitude to keep rates steady [as our own domestic inflation dynamics are also now fairly stable] and allows previous monetary policy actions to filter

through the economy."

The US Fed, citing the improving labor market in the world's largest economy, said it would end its bond-buying program, which signaled potential increase in US interest rates in the future.

The Fed's bond buying, also known as stimulus program, led to lower interest rates and helped drive funds to and contribute to volatility in emerging markets such as the Philippines.

Tetangco said the latest Fed's action was also seen as having positive effects for emerging

market economies and trading partners of the US, including the Philippines.

"This also takes out one aspect of uncertainty in the market. However, language that Fed could keep rates low for a considerable time, could still keep market participants on the lookout and therefore still mean some market volatility before the lift off actually happens," he said.

Tetangco said the Bangko Sentral would remain watchful of market conduct, especially in the near-term in the spot foreign exchange market, "to check for

threats of possible excessive moves and if there is need for BSP to act."

Private economists earlier said there could be no further policy-tightening measures from the Bangko Sentral for the rest of 2014 as inflation likely eased from a peak of 4.9 percent in August.

"We think the BSP is done with its tightening cycle for the year," First Metro Investment Corp. and University of Asia and the Pacific said in the Market Call Capital Markets Research for the month of October.

The Monetary Board, the policy-making body of the Bangko Sentral, kept the benchmark interest rates steady at 4 percent for overnight borrowing and 6 percent for overnight lending last week on benign inflation outlook.

The board said inflation expectations remained broadly stable and aligned to the inflation target.

Inflation rate in September eased to 4.4 percent from 4.9 percent in July and August this year due to lower increases in the prices of commodities.

Investors swarm SSI offering

By Jenniffer B. Austria

SSI Group Inc., a specialty retailer controlled by the Tantoco family, said its initial public offering has been warmly received by offshore investors.

SSI, which resells 103 international brands in the Philippines and operates convenience stores through the FamilyMart chain, said in a statement orders from foreign institutional buyers exceeded the shares offered by several times while domestic take-up had also been robust.

SSI recently completed international roadshows in Hong Kong, Singapore and London. Offer period, which started on Oct. 27, will end on Oct. 31.

SSI set its IPO price at P7.50 per share, at the top end of its P7 to P7.50 indicative range. The shares will be listed with the Philippine Stock Exchange on Nov. 7.

SSI Group said prior to the roadshows, it had secured cornerstone investors who committed to take up 38 percent of the offered shares.

These investors include Bank of the Philippine Islands Asset Management and Trust Group, Government Service Insurance System, Havenport Asset Management Pte Ltd, Macquarie Asia New Stars Fund, MLIS - York Asian Event-Driven Ucits Fund, York Asian Opportunities Investment Master Fund, HSBC-FS B for Macquarie Asia New Stars Fund and RBC Investor Services Bank S.A. a/c Macquarie Asia New Stars Fund (Macquarie FD S)

The initial public offering could raise as much as P6.5 billion from the sale of 864.2 million shares, of which approximately 80 percent are primary shares to be issued by SSI Group and 20 percent secondary shares from existing shareholders.

An overallotment option for another 129.6 million shares could bring the total fund raising to P7.45 billion, covering a total of 993.9 million shares.

The company said it planned to use the proceeds to expand its specialty retail businesses, infuse additional investments in the Family Mart convenience store chain and Wellworth department stores and to retire some debt.

SSI Group represents 103 international brands and operates 655 stores as of 30 June 2014.

SSI Group tapped HSBC, Credit Suisse (Singapore) Ltd, and BPI Capital to manage the IPO.

It said after the IPO, the company would have public float of 30 percent while the shareholdings of Tantoco family in the SSI Group would drop to 70 percent.

SSI Group will be the third company to conduct an IPO this year. The first two were DoubleDragon Properties Inc. and Century Pacific Food Inc.

Ayala sells preferred shares worth ₱13.5b

CONGLOMERATE Ayala Corp. said Thursday it has raised P13.5 billion from the sale of preferred shares.

Ayala said in a disclosure to the stock exchange it sold 20 million shares at P500 apiece, worth P10 billion and another 7 million in over allotment shares, worth P3.5 billion.

The series 2 of the Ayala Corp's Class B non-voting preferred shares were offered from Oct. 23 to 29. The preferred shares carry a dividend rate of 5.575 percent per annum. The shares will be issued on Nov. 5.

Ayala said proceeds from the fund raising activity would be used to prepay debt.

BPI Capital Corp. served as the issue manager and lead underwriter while BPI Capital, BDO Capital Corp. and First Metro Investments Corp. are the joint lead underwriters for the offering.

Ayala said it intended to build on its dominant position in core businesses in real estate and hotels, financial services and insurance, telecommunications and water distribution and water services.

It said over the past two years, the company made strategic investments in the power generation and transport infrastructure sectors, with a goal of building a portfolio that could be a source of predictable earnings and cash flow over the medium to long term.

Ayala is also expanding to automotive dealerships and improving the growth and profitability of international businesses in electronics manufacturing solutions and business process outsourcing.

Jennifer B. Austria

Holcim sets sights on Lafarge's assets

By Miguel R. Camus

HOLCIM Philippines Inc. is finalizing an offer for select cement-making and related businesses of Lafarge Republic Inc., ahead of a \$40-billion global merger between their parent companies.

The company is currently conducting technical and financial due diligence, Holcim Philippines president and CEO Eduardo Sahagun yesterday told reporters in a briefing.

The cement-maker is also prepared to borrow money to finance any acquisition, Sahagun added.

Holcim Philippines earlier identified the assets it was keen to take on as Lafarge Iligan Inc., Lafarge Mindanao Inc. and Lafarge Republic Aggregates Inc. The company said it would also consider Star Terminal at Harbour Centre, Manila.

Holcim, which controls a third of the Philippine cement market, will see its market share rise to about 37 percent once it completes the transaction for Lafarge's

Mindanao assets by mid-2015, Sahagun said.

There are other Lafarge plants that Holcim Philippines is not interested in acquiring. These include facilities in Bulacan, Batangas and Rizal, which collectively account for about 22 to 27 percent of the market, Sahagun said.

"They are not the best in the combination," Sahagun said when asked why Lafarge's other assets were not considered. "If they are the best, then they will be selected."

In the third quarter of 2014, Holcim Philippines' sales rose by about 18 percent to P8.1 billion year-on-year, while profit hit P721.9 million, up by 4.4 percent.

The company's profit in the nine months to September hit P4.04 billion—up almost 8 percent.

Sahagun said both private sector and government spending drove the company's growth, with sales expected to continue to rise as more public-private partnership deals are rolled out.

Share prices close higher

PHILIPPINE stocks yesterday surged, bringing the measure closer to the 7,200 level. But analysts remained cautious as they noted challenges here and abroad, which had not yet been factored into domestic valuations.

The benchmark Philippine Stock Exchange index rose 1.10 percent, or 77.68 points, to close at 7,170.99, while the broader all-shares index increased by 0.86 percent to P4,225.46. There were 103 gainers against 70 decliners, while 40 issues were unchanged.

The gain comes as the US Federal

SHARE/B3

Share prices close higher

From page B1

Reserve finally ended an asset purchase program, citing improving employment figures.

Jonathan Ravelas of BDO Unibank Inc. yesterday said that other domestic factors were keeping investors optimistic, like corporate earnings and low commodity prices. But he noted that the strengthening of the US economy could cap gains in equities here.

Ravelas noted that the 7,200 was a key resistance level for the PSEi.

BDO is keeping its year-end forecast of 7,000 for the PSEi, he added.

HSBC Global Asset Management yester-

day reported that local equities are already overpriced.

"HSBC believes that the equity market is currently over-valued, with near term challenges not fully priced in, and thus does not present opportunities to investors," it said.

A total of 12.4 billion shares changed hands, valued at P7.62 billion. The most actively traded stock was Philippine Long Distance Telephone Co., which declined by 1.33. It was followed by Ayala Land Inc. (up 1.53 percent) and BDO Unibank Inc. (up 0.10 percent).

Miguel R. Camus

New BSP rule seen 'credit positive' for lenders

Better risk management, lending standards

By Paolo G. Montecillo

THE BANGKO Sentral ng Pilipinas this month unveiled a new rule to dampen the banks' appetite for the lucrative real estate business. This, according to many, is just what the banking industry needs.

Moody's Investor Service in a new report this week cheered as "credit positive" the BSP regulation that would strengthen credit risk management and tighten bank lending standards.

"The new regulation is credit positive for Philippine banks because it will require them to cap the value of real estate collateral and will accelerate loan-loss provisioning for distressed loans," the debt watcher said in a report.

The regulation would also reduce the banks' credit risk concentration among borrowers in interconnected industries.

This follows the real estate stress test (REST) limits on banks that the BSP introduced in July.

REST limits linked the size of banks' exposure to real estate to the amount of capital they have set aside for possible losses.

The limit, in combination with the stress test, will protect asset-quality amid property price volatility.

Moody's said most Philippine banks are already exposed to real estate through their large conglomerate owners and loans to their affiliates, which are also leading players in the real estate market.

The new regulations are expected to limit banks' exposure to real estate and related sectors.

The new regulations have two key elements: a cap on the value of real estate collateral at 60 percent of appraisal value and an expanded definition of large exposures. Banks must migrate to these new regulations within the next two years.

For the purpose of treating a loan as secured, banks will have to cap the value of real estate collateral at 60 percent of its appraisal value.

Although banks will still be allowed to lend above the 60 percent cap, the remaining portion will be treated as an unsecured loan, and will require banks to set up higher provisioning for potential loan losses if the account were to become distressed.

Technology firm prepares for ₱1.43-B IPO

By Doris C. Dumlao

TECHNOLOGY firm Xurpas Inc., one of the country's major independent mobile consumer content providers, has obtained the approval of the Securities and Exchange Commission for its plan to raise as much as ₱1.43 billion via an initial public offering.

Based on SEC documents, Xurpas was given the go-ahead to sell 344 million primary common shares through an initial public offering at a maximum price of ₱4.19 per share, to bring 20 percent of its total shares to public hands.

Xurpas is a technology company specializing in the creation and development of digital products and services for mobile end-users. Its portfolio includes online casual games, messaging and other social discovery applications as well as call/SMS/ data bundles, peer to peer mobile airtime credit transfers and mobile commerce.

The company is owned and managed by a team of technopreneurs led by Nico Jose Nolleddo (chair, president and chief executive officer), Raymond Gerard Racaza (treasurer and chief operating officer) and Fernando Jude Garcia (chief technology officer).

The company targets to list its shares on Nov. 12 but the timetable is still subject to the approval of the Philippine Stock Exchange.

Xurpas plans to use the proceeds from the offering for regional expansion, particularly to beef up distribution capabilities in Indonesia, Bangladesh and Thailand. The rest will be used to develop and expand existing content alongside other general corporate purposes.

SB Capital is the sole issue manager, bookrunner and lead underwriter of this offering.

Originally incorporated in 2001 as a subcontractor of a Finland-based telecom operator Sonera, the company has since then obtained a license from the National Telecommunications Commission to create and deliver mobile consumer content directly to local telcos like Smart, Globe Telecom and Sun Cellular and other businesses. It is one of the largest independent mobile consumer content providers in the Philippines in terms of revenue.

Xurpas has since then grown into a technology company with an extensive mobile consumer content and services portfolio designed

for mobile and online consumers. It has also developed considerable expertise in creating, developing and managing proprietary platforms and enterprise applications for telcos and other businesses. The company has grown by an average of 75 percent from 2011 to 2013, enjoying an average margin on earnings before interest and taxes of 42 percent over the same period.

As of the end of 2013, the company had total

assets of ₱182 million while total revenue and net income for the year amounted to ₱252 million and ₱133 million, respectively. In the first semester this year, net income amounted to ₱100 million on the back of ₱189 million in revenue.

For 2014, the company believes that its online casual games business, with operating margins in excess of 70 percent, will be its largest cash cow.

End of US bond buying program boosts index

The local benchmark index moved past the 7,100 mark on Thursday following the US Federal Reserve's decision to end its bond purchase program.

The Philippine Stock Exchange index (PSEi) surged 1.10 percent or 77.68 points to close at 7,170.99, while the broader all shares index gained 0.86 percent or 35.98 points at 4,225.46.

Astro del Castillo, managing director at First Grade Finance Inc., said the combined influence the Fed's decision and leads from third quarter

By **RICHMOND S. MERCURIO**

earnings of listed companies lifted the bellwether index back to the 7,100 level after staying below the mark in the past two trading sessions.

"Investors were waiting for the move of the fund managers," Del Castillo said.

The US Federal Reserve on Wednesday decided to keep interest rates on hold as well as end its quantitative easing stimulus program which started in 2008.

The decision, however, has had little impact on the US market as indexes in Wall Street fell in the negative territory.

The Nasdaq tumbled 0.33 percent, the Dow lost 0.18 percent, and the S&P 500 dropped 0.14 percent.

In the local market, meanwhile, four counters finished in the green led by holding firms which climbed 2.21 percent or 135.43 points. Services and mining and oil firms lost 0.34 percent and 0.30 percent, respectively.

Market warms up to SSI public offer

By RICHMOND S. MERCURIO

Tantoco-owned specialty retailer SSI Group Inc. said it has received strong demand both locally and abroad for its shares which are expected to be listed on the Philippine Stock Exchange by Nov. 7.

"Orders from foreign institutional buyers exceeded by several times the number of shares offered and that domestic take-up has been robust," SSI said.

SSI started the public offer on Oct. 27 and is scheduled to end today. The country's largest specialty retail company has set its initial public offering (IPO) price at P7.50 per share.

Before the roadshows, SSI had already secured cornerstone investors who committed to take up 34 percent of the offered shares.

The cornerstone investors include Bank of the Philippine Islands Asset Management and Trust Group, Government

Service Insurance System, Havenport Asset Management Pte Ltd, Macquarie Asia New Stars Fund, MLIS - York Asian Event-Driven Ucits Fund, and York Asian Opportunities Investment Master Fund.

The IPO could raise as much as P6.5 billion on 864.2 million shares, of which approximately 80 percent are primary shares to be issued by SSI and 20 percent secondary shares from existing shareholders.

Should the over-allotment option for 129.6 million shares be fully exercised, the IPO could raise as much as P7.45 billion on a total of 993.9 million shares.

The company plans to use the proceeds to expand its specialty retail businesses, to fund additional investments in the Family Mart convenience store chain and Wellworth department stores, and to retire some debt.