



SEC News Service

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COL Financial to distribute equities of First Metro Asset Management

By RODERICK L. ABAD

COL Financial Group Inc. has been tapped by First Metro Asset Management Inc. for equity issuance of its affiliates.

The former disclosed on Monday that it executed a memorandum of agreement (MOA) with the latter to distribute shares of the First Metro Save and Learn Equity Fund Inc., First Metro Save and Learn Balanced Fund Inc., and First Metro Save and Learn Fixed Income Fund Inc.

COL Financial will then file an application for amendment of mutual-fund distributor license to the Securities and Exchange Commission (SEC).

The company, formerly known as Citiseconline.com Inc., signed a partnership deal last month for

stake distribution of Philequity Management Inc.

In August it struck a distribution agreement with Philam Asset Management Inc. (PAMI) to sell and issue the latter's mutual funds through its online-distribution platform soon, as well as with ALFM Peso Bond Fund Inc., the ALFM Money Market Fund Inc., the ALFM Growth Fund Inc., the Philippine Stock Index Fund Corp. and BPI Investment Management Inc.

The SEC granted COL Financial a license for issuing the mutual funds of Sun Life Asset Management and ATR Kim Eng Asset Management in July of this year. The firm has so far inked MOAs with various asset-management companies, which together account for around 80 percent of the assets under management of the collective investment

scheme industry outside of money market fund.

For the second quarter of 2014, the company's profits rose by 60.6 percent to P94.5 million from P58.8 million generated in the first three months of this year.

Consolidated revenues also increased by 34.8 percent quarter-on-quarter to P193.9 million.

COL Financial sustained its popularity among Filipino investors given that its client base rose to 96,430 as of June 30, from 89,093 as of end-March this year.

Client equity hit P54.9 billion from P51.7 billion quarter-on-quarter.

It has remained a leader in terms of volume of transactions in the local bourse with a market share of 28.5 percent.

Listing no longer mandatory for foreign banks, exec says

LOCALLY incorporated foreign lenders are no longer required to sell at least 10 percent of their equity to the wider public as part of a menu of regulations to obtain a universal banking license in the Philippines.

This was learned on Monday from Herminio M. Famatigan Jr., president and CEO at Maybank Philippines, who told reporters the central bank mandate had been overtaken and rendered obsolete by more recent events.

"There is no more listing requirement for locally incorporated banks like us. Under new rules we clarified with the central bank, foreign banks are not anymore required to list," he said.

The rule pertains to the mandatory sale of at least 10 percent of any lender's equity to the public to acquire universal banking status, a privilege that allows lenders to engage in so-called allied undertakings as insurance or investment banking activities.

With the rule change imposed by the Bangko Sentral ng Pilipinas (BSP), foreign lenders seeking universal banking licenses have only until December 31, 2015, to observe the mandate.

According to Famatigan, the no-listing rule formed part of a wave of reforms the BSP introduced to liberalize the local banking system and permit greater participation from even foreign entities in the banking space.

"We sought clarification and the BSP came out categorically there is no more listing as a requirement for obtaining a unibank license," he reiterated.

He said Maybank, for instance, has no compelling reason to acquire a unibank license if only to engage in investment banking activities because that function is already performed by ATR Kim Eng.

He also said locally incorporated lenders intending to acquire a unibank license must sell at least 10 percent of their equity by listing a portion of their shares at the Philippine Stock Exchange.

This means listing is an option rather than a mandatory exercise if one aims for a unibank license, Famatigan said.

Famatigan heads a lender 44 percent of whose portfolio has been committed to retail lending.

Maybank's lending business is anchored on auto loans followed by housing or mortgage loans and finally by credit cards.

The goal, according to Famatigan, is to double the bank's mortgage lending business by the end of the year given that the demand for housing units is huge.

Maybank typically grants housing loans in the P3 million-to-P10 million range, the type typically purchased by first-time homebuyers as distinguished by speculators who do not intend to occupy the units they purchase. *Jun Vallecera*

Is it good to invest in bonds

BY ALIJEFFTY C. GONZALES

IF you are setting aside money today to fund a long-term (at least 10 years into the future) financial goal, a long-term bond may not be an ideal vehicle. Some issues worth considering are as follows.

A bond is a contract between a borrower (bond issuer) and a lender (the investor); as a contract, there are three key provisions that will not change over the life of the contract; the Par Value (or the initial amount invested at primary offering), the coupon (stated interest rate) and the maturity date.

Bonds are great cash-flow vehicles as it pays out the coupon regularly, whether quarterly or on a semi-annual basis as stipulated in the contract. As such, this would be an ideal vehicle for retirees, or for people generally living off interest income. But, for investors hoping to grow their money over time, this could be a bad choice.

Investments can be categorized into the lending type of investment and the owning type.

The lending type of investments are vehicles that pays a fixed regular interest and has fixed maturity dates, interest-bearing instruments, like deposits and bonds falls under this category and the main source of returns is the interest.

Owning types of investments are vehicles that do not have a regular interest payouts, the source of returns would be value appreciation. Common types of investments in the owning category are investments in real estate or common stocks.

Albert Einstein is reputed to have said that one of the greatest discoveries of all time is "compounding", this is what allows investments to grow exponentially over time. The basic principle of compounding for the lending type of investments is that interest earned in a period that is left in the vehicle would now form part of the initial investment and would earn interest for the next period, allowing this to happen repeatedly over time would have a "growth effect" on the investment. Long-term bonds that pays out regular interest has "zero" growth potential, and, if the effects of inflation are imputed, there would be a real loss, to illustrate:

The maturity value of a P100,000 investment in a 25-year, 6.25-percent bond, is P100,000, at 3.0



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percent average annual inflation, its adjusted value on the 25th year would be P46,697, a loss of 53 percent.

Credit risk—this is the possibility that the bond issuer may not be able to pay back the investment at maturity, the credit risk of the issuer may be spot free today, but given the long time period to maturity, it may

change depending on evolving business and economic conditions.

Interest rate risk—the current low interest rate environment is beneficial to borrowers (bond issuers) to lock in funding cost at a very low level, it may not be beneficial to lenders (investors) over the long term, because when interest rates starts going up in the future, investors would be locked-in at the current low rates.

Another negative effect of a probable interest rate increase in the future is the valuation of the bonds. The contractual promise of the issuer to return 100 percent of the investment happens on maturity date (on the 25th year) not anytime before, investors that may need to "pre-terminate" would have to sell their bonds at market rates, and market rates is determined by prevailing interest rates, if rates are up the time an investor decides to sell, there is a very real possibility of capital loss, no matter who is the issuer.

In a low interest rate environment, given the choice between a lending or owning type of investment to fund a long-term financial goal, an owning type may turn out to be a more appropriate choice.

Companies issuing bonds normally do so to expand their capacity or efficiency, borrowing at low interest may result in the reduction of their overall operating expenses, this, in turn, may lead to higher profit margins, and, for stock-market investors, looking at the profitability numbers of a company as the basis for stock selection, fresh buying may lead the stock price of these companies to higher levels.

Alijeffty C. Gonzales, RFP is one of the pioneers of the registered financial planners in the Philippines. To learn more about financial planning, attend their free personal finance talk on October 16, 7 p.m. at PSE Center Ortigas. To reserve, e-mail at info@rfp.ph or text <name><e-mail><RFPinfo> at 0917-3464126.

Chemrez eyes Jan. 10 delisting

SPECIALTY CHEMICALS producer Chemrez Technologies, Inc. on Monday said it aims to delist from the bourse on Jan. 10 next year.

"[The] tender offer conducted by D&L (Industries, Inc.) and completed last Oct. 10... brought down [Chemrez] public ownership below 10%," Chemrez said in a disclosure, referring to the stock exchange's required minimum public float.

D&L, a producer of customized food ingredients and plastic, said in August that it intended to absorb its subsidiary as it noted Chemrez's size, in terms of revenue and market capitalization, was "not large enough to attract sufficient attention from investors, which resulted in lackluster trading."

Chemrez is now 99.7% owned by D&L, following completion of acquisition last month. Acquisition cost was P5.1 billion, with the tender offer price of P6 per share valuing the company at P7.81 billion. This represents a 24% premium over the 60-day average price of Chemrez shares as of Aug. 29, the last trading day before the planned acquisition was announced. All of Chemrez's principal stockholders, executive officers, and affiliates said they tendered all their shares.

Last week, D&L bared a plan to conduct a second tender offer for the remaining 0.3% stake in Chemrez, equivalent to up to 3.98 million common shares.

D&L said it would start to "partially consolidate" Chemrez's financial results this quarter, with full-year consolidation to begin 2015. Chemrez — which listed in 2000 and makes oleochemicals, resins, and specialty chemical products — grew net income 45.13% annually to P207.19 million last semester, as gross revenue increased by 29.46% to P2.72 billion. — **Daphne J. Magturo**

San Miguel Jan.-Sept. earnings up 31%

By Daphne J. Magturo
Reporter

SAN MIGUEL Corp., the country's most diversified conglomerate, saw a 31% year-on-year jump in its net income from January to September, buoyed by the double-digit revenue growth in its oil refining and power units, as well as by an uptick in its core businesses.

The conglomerate's nine-month bottom line reached P23.2 billion, while revenues rose 10% to P599 billion, the company said in a statement on Monday.

Operating income inched up 2% to P46.7 billion, which the company attributed to "improvements in the new businesses as well as San Miguel Pure Foods and

Ginebra San Miguel, Inc., which helped offset a weaker third quarter for Petron [Corp.], which had to weather volatility in crude oil prices."

Even as Petron — counted under San Miguel's new businesses given the expansion in Malaysia — earlier reported lower income on volatile oil prices, its consolidated revenue growth was a firm 13%.

The group's power venture, SMC Global Power, also a new business, reported higher consolidated off-take volume and improved revenues, "on the back of increased bilateral volumes and higher average bilateral and Wholesale Electricity Spot Market prices."

For traditional businesses, San Miguel Brewery, Inc.'s revenues rose 5% to P56.3 billion, while

sales volume reached 153 million cases, up 3% year on year.

"Beer International's operations in Hong Kong, South China, also continued to perform strongly, as did its export business," the statement read.

Ginebra San Miguel, Inc. reversed last year's losses of nearly a billion pesos and made P124 million in the nine months ended September, after sales of its flagship brand Ginebra San Miguel boosted revenue by 7% to P10.6 billion.

Ginebra sold 15 million cases during the period.

Another core business — San Miguel Pure Foods Company, Inc. — earlier reported an 18% boost in operating income.

Shares in San Miguel lost 35 centavos or 0.47% to close at P73.45 each on Monday.

Megaworld nearly triples profit amid consolidation

By Claire-Ann M. C. Feliciano
Senior Reporter

PROFIT of Megaworld Corp. ballooned in the nine months ending September, boosted by a one-off gain from the consolidation of Andrew L. Tan's real estate firms.

The listed property developer's net income nearly tripled to P19.03 billion in January to September from P6.52 billion recorded in the same period last year, according to the company's disclosure.

The end-September bottom line this year, Megaworld said, already includes the P11.62-billion nonrecurring gain from the acquisition of subsidiary Global Estate Resorts, Inc. (GERI), and the sale of an associate, Travellers International Hotel Group, to its parent Alliance Global Group, Inc. (AGI).

Consolidation of Mr. Tan's real estate companies was completed last June following AGI's acquisition of a 49.2% in GERI.

"The acquisition brings Megaworld's majority stake in GERI up to 80.4% and increases the developer's total land bank to around

4,000 hectares," the statement read.

Besides the one-time gain, the developer's bottom line was also driven by strong residential sales in its various townships, particularly in Newport City, Uptown Bonifacio, and Eastwood City.

Higher leasing income from its office and retail portfolio also boosted Megaworld's financial results for the period.

Total revenues of Megaworld and its subsidiaries GERI, Empire East Land Holdings, Inc. and Suntrust Properties, Inc. amounted to P41.86 billion for the nine-month period, which was 57% more than the previous year's P26.68 billion.

Reservation sales of Megaworld and its subsidiaries rose by an annual 11% to P70.2 billion.

"We are confident that Megaworld can achieve another record year for 2014 as we further expand our township developments all over the country," Mr. Tan, who sits as Megaworld chairman and chief executive officer, said in the statement.

Megaworld shares shed eight centavos or 1.66% to end at P4.75 apiece yesterday.

Phoenix eyes P1.7-B annual capex in next three years

PHOENIX Petroleum Philippines, Inc. plans to spend up to P1.7 billion annually until 2017 to support its distribution network expansion, a company official told reporters yesterday.

"We are finalizing the budget. On the average, for the next three years, we expect to spend about P1.5 billion to P1.7 billion every year," Joseph John I. Ong, Phoenix

Petroleum chief financial officer, said on the sidelines of a listing ceremony in Makati City.

Mr. Ong noted that Phoenix Petroleum sees P1.5-billion to P2-billion capital spending (capex) for the entire 2014.

The investments, he said, are usually allotted for its service stations. As of end-June, the company had 405 stations spread across the country.

"We build an average of 60 to 70 (new) stations a year on the average. This year, we expect to have built more," Mr. Ong said.

"We are on track to complete about 80 to 90 stations this year," he added.

Phoenix Petroleum also expects to close the year with sustained profit growth. "We are trending. I think we can sustain first-half performance," Mr. Ong said.

The company's net profit rose nearly 8% to P401.83 million in the first semester from P372.27 million in the same period last year.

Yesterday, Phoenix Petroleum listed P2 billion worth of short-term commercial papers on the Philippine Dealing & Exchange Corp. The issuance — which was two times oversubscribed — will be used for the company's working capital.

Phoenix Petroleum is engaged in the business of trading refined petroleum products and lubricants, operation of oil depots and storage facilities, as well as shipping, logistics and allied services, according to its statement.

Shares of the company gained one centavo or 0.25% to end at P3.96 apiece on Monday. — **Claire-Ann Marie C. Feliciano**

Max's Group sets new price guidance for P4.6-B share sale

MAX'S Group, Inc., formerly known as Pancake House, Inc., has firmed up the price for its follow-on offering at an initial P21.75 per share in a bid to raise as much as P4.6 billion from that share sale that has yet to secure clearance from regulators.

The restaurant operator had earlier planned to launch the follow-on offering from Nov. 4 to 10, but on Monday it said it is still awaiting approvals from the Philippine Stock Exchange and the Securities and Exchange Commission (SEC).

When it first filed its preliminary prospectus with the SEC in September, Max's Group said it was looking at an initial offer price of P29.50 per share although it had said at the time that that could change.

Max's Group shares rose 1.81% to P22.50 on Monday.

Monday's announcement came after talks with its underwriters and prospective investors, it said, adding that the final offer price will be announced after bookbuilding.

"[F]ollowing consultations with its underwriters and discussions with key institutional investors, the Company is proposing to undertake the offer at an offer price of up to P21.75

per share," Max's Group said in a disclosure to the stock exchange yesterday.

The transaction involves 300.14 million common shares. The group hopes to raise P4 billion from the primary offer and up to P600 million from the over-allotment option.

"The final offer price of the offer shares shall be determined through a bookbuilding process and further discussions between the Company and the underwriters," Max's Group said.

BPI Capital Corp. was given the mandate as bookrunner, issue manager and lead underwriter.

The proceeds will go towards financing the expansion of stores and commissaries, working capital, and for general corporate purposes.

Last July, Max's Group announced it is consolidating its assets under Pancake House, in a share swap described as creating the country's largest casual dining restaurant group, with 498 outlets nationwide and 27 abroad.

Pancake House then changed its name to Max's Group, Inc. and its ticker symbol to MAXS from PCKH. — **Daphne J. Magturo**

Tax on stock options — clarified?

SHARE-BASED payments have become prevalent in the corporate world, especially for publicly listed companies. One of the most common share-based payments is the stock option plan (SOP) or stock-based compensation for employees. Just recently, the Securities and Exchange Commission (SEC) allowed a publicly listed company to exercise its employees' SOP amounting to as much as P7 billion.

Stock-based compensation has been acknowledged as an effective means of rewarding and motivating employees, attracting and retaining the best talent, and enhancing employee commitment and performance.

Stock plans could take various forms. In an SOP, the employee is given the option to purchase a specific number of shares on specified dates at a specified price which is lower than the market value of the stocks.

There are three important events in SOP — the grant date, the vesting period and the exercise date

The grant date is the date on which the employee is given a stock option by the employer. The vesting period is the time that an employee must wait in order to be able to exercise employee stock options. The exercise date is when the employee/option holder notifies the company that he or she would like to buy the stock at the strike price/option price indicated in the SOP.

In 2012, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular No. (RMC) 88-12, which provides clarifications on the tax treatment of SOPs. Recently, RMC 79-14 was issued to

further clarify the taxability of SOPs and other option plans.

RMC 79-14 is more detailed than RMC 88-12. The former contains the tax treatment from the grant to the exercise of a stock option. It even discusses the tax implications of the sale or transfer of options and the reporting requirements. The tax implications on the subsequent sale of the shares of stock obtained from the exercise of the option were not discussed in RMC 79-14 but these were covered in RMC 88-12.

While RMC 79-14 contains more discussions on the tax treatment of stock options, there are still some issues that must be clarified.

Based on the new RMC, if the option was granted by the employer to its employees and no payment was received for the grant of the said option, the grantor/employer cannot claim a deduction on grant date. This is consistent with the provisions of the Tax Code since at the time of grant, the actual benefit of the employees cannot be determined yet until the employee exercises the option. Therefore, no actual expense is incurred yet by the employer upon grant of the option.

However, it is also provided under the said RMC that if the option is granted for a price, the full price of the option shall be considered capital gains and shall be

taxed at such. The new RMC does not provide exceptions on this. Hence, it seems that the price received for the option shall be taxable to the grantor, regardless of the conditions or circumstances. There are various instances, however, where the shares of stock to be issued will

LET'S TALK TAX EDWARD L. ROGUEL

Stock-based compensation has been acknowledged as an effective means of rewarding and motivating employees, attracting and retaining the best talent, and enhancing employee commitment and performance.

come from the unissued shares of the grantor. Would it be proper to treat the price received as taxable income or part of the capital of the grantor? If the price received is refundable upon fulfillment of the conditions, when will you consider the taxable event — upon receipt or upon the occurrence of the condition? These are some of the issues that I believe should be further clarified.

Moreover, based on the new RMC, upon issuance of the option, the same is subject to documentary stamp tax (DST) provided under Section 175 of the 1997 Tax Code, as amended. It is not clear, however, if the imposition of DST refers only to the option granted for a price. Please note that the grant date is normally different from the exercise date and the grantee may or may not exercise the option. Hence, the sale/transfer or subscription (in case of original issuance) of shares of stock will occur only upon exercise and not upon issuance of the option. Accordingly, DST on shares

of stocks subject of the option should be imposed upon the exercise. Again, this is one of the areas that needs further clarification.

On the other hand, in the event that the option is transferable (although in most cases, options are non-transferable especially in the case of employee stock option plan), the RMC 79-14 clarified that the sale, barter or exchange of the stock option is subject to capital gains tax. If the option was granted without any consideration, the cost base of the option for purposes of computing the capital gains shall be zero. Moreover, if the option is transferred by the grantee/subsequent owner without any consideration, the same shall be treated as a donation subject to 30% donor's tax. The basis shall be the fair value of the option at the time of the donation.

Upon exercise of the option, the benefits (i.e., the difference between the book value or fair market value, whichever is higher, at the time of the exercise of the option and the option price) shall be subject to withholding tax on compensation if provided to rank-and-file employees. If such benefit is granted to supervisory and managerial employees, it will be subject to FBT. The same rules apply in case of Cash-settlement Option. In a cash-settlement option, the actual delivery of the stock is not required. Rather, the difference between the market value of the stocks at the exercise date and the option price is paid by the grantor to the holder of the option.

RMC 79-14, however, does not provide for the timing of the deductibility

of the benefits given to employees. But in BIR Ruling 119-12, it was found that the expenses incurred by the employer pertaining to the difference between the exercise price (i.e., price fixed on the grant date) and the market value of the shares when its employees exercised their rights on stock options, are considered ordinary and necessary business expenses deductible for purposes of computing the employer's taxable income.

On the other hand, the RMC also provides that in the event that the option was granted to a supplier of goods or services, the difference between the book value and fair market value — whichever is higher at the time of the exercise and the price fixed on grant date — shall be recognized as additional consideration for the purchases. Hence, the same is subject to the relevant withholding tax at source and other taxes applicable.

The issues cited in are just some of the concerns on the taxation of option. There are still various issues that must be clarified, and in some cases, the BIR's positions must be re-evaluated. A clear position and simple guidelines in implementing to tax laws will help in ensuring compliance and administering tax collections. As former US Senator Max Baucus pointed out, "tax complexity itself is a kind of tax."

EDWARD L. ROGUEL is a Partner with the Tax Advisory and Compliance division of Punongbayan & Araullo. P&A is a leading audit, tax, advisory and outsourcing services firm and is the Philippine member of Grant Thornton International Ltd.



Lack of leads, 'meager' results pull down shares

LOCAL SHARES opened the week in the red on the back of lackluster trading as corporate earnings failed to uplift investor sentiment, analysts said.

The benchmark Philippine Stock Exchange index (PSEi) touched a high of 7,234.60 in intraday trading but fell to 7,192.12 at the closing bell, down 13.60 points or 0.19%.

The broader all-shares index similarly dipped 9.48 points or 0.22% to settle at 4,234.20.

"The market came out strong in the morning as it rebounded from last Friday's losses. However, we saw it erode in the afternoon," Alexander Adrian O. Tiu, research analyst at AB Capital Securities, Inc., said by phone.

He noted that most of the big foreign brokerages have been dumping stocks on the back of "meager" company forecasts and third-quarter results.

"Some of the companies' bottom line fell, such as Petron

[Corp.] due to the declining prices of fuel, so there is a bearish pressure on the market," Mr. Tiu said.

Justino B. Calaycay, Jr., analyst at Accord Capital Equities Corp., said in a note to clients: "Given the rather slack backdrop, local investors trained crosshairs on corporate numbers. These, however, were not enough, so much so that the PSEi dipped into negative territory by the afternoon session."

He noted that investors were "growing impatient for positive

spins," and opted to head to the exits, dragging the main index below 7,200.

All counters were down except services as index heavyweight Philippine Long Distance Telephone Co. (PLDT) recovered from last week's slump. The services subindex rose 0.51 point or 0.02% to 2,124.06, while shares in PLDT gained P8 or 0.27% to P2,950.

"Value turnover was light, however, suggesting that a good number simply held positions through

the day, awaiting still the bulk of corporate numbers," Mr. Calaycay noted.

Value turnover shrank to P5.51 billion as 3.96 billion shares changed hands, from Friday's P9.46 billion.

Decliners also overwhelmed advancers, 92-76, while 47 stocks did not move.

Net outflow persisted for a second straight session, although it fell to P51.09 million from Friday's P410.76 million.

AB Capital's Mr. Tiu, however, said that the market is still on a bullish mode and is trading at a "really narrow band," with support levels between 7,160 to 7,170 and resistance from 7,235-7,240.

PLDT is one of the Philippine units of Hong Kong-based First Pacific Co. Ltd. Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary Media-Quest Holdings, Inc., has a majority stake in *BusinessWorld*. — **D. J. Magturo**

No more listing for Maybank

MAYBANK PHILIPPINES, Inc. will no longer list on the Philippine Stock Exchange under newly liberalized banking rules, its top official yesterday said.

"The BSP (Bangko Sentral ng Pilipinas) categorically said a month ago that foreign banks are not anymore required to go public. Therefore, we're not going to list," Maybank Philippines President and Chief Executive Officer Herminio M. Famatigan, Jr. told reporters yesterday at an informal media briefing in Makati City.

The central bank, in Circular No. 775 dated Nov. 28 2012, required Philippine-based lenders that are majority-owned by foreign banks to list on the local bourse. Circular 775 cited as basis for the listing requirement the provisions of the Republic Act (RA) No. 7721 of 1994, or An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines.

In July, however, President Benigno S.C. Aquino III signed Republic Act 10641, or An Act Al-

lowing the Full Entry of Foreign Banks in the Philippines. This new law amended certain parts of the two decade-old RA 7721.

BSP Circular 775 enforced Section 3 of the old RA 7721, which mandated the Monetary Board to secure the listing in the Philippine Stock Exchange of the shares of stocks of banking corporations established under RA 7721. RA 10641 did away with that portion of Section 3 of RA 7721. BSP Governor Amando M. Tetangco, Jr. last month confirmed that the list-

ing requirement for foreign banks ceases to exist under RA 10641.

At the same briefing, Mr. Famatigan said Maybank Philippines last month turned its branch in Newport City complex in Pasay City into the bank's first and only 24-hour 7-days-a-week branch in the country to provide better service to customers.

Maybank Philippines is a fully-owned foreign bank that serves as the Philippine unit of Malaysian financial giant Malayan Banking Bhd. — **Daryll Edisson D. Saclag**

Tuesday, November 11, 2014

Xurpas enjoys brisk demand ahead of IPO

TECHNOLOGY firm Xurpas Inc. is enjoying brisk demand for its shares ahead of an initial public offering that will fund its foray into regional markets and domestic expansion.

While the deal has yet to be formally launched pending the release of regulatory approvals, Xurpas said the order book is more than 100 percent covered at the maximum price of P4.19 per share by demand generated by SB Capital Investment Corporation, the sole issue manager and lead underwriter. The quality of the book is good, with substantial volumes coming from domestic and foreign qualified institutional buyers (QIBs) and long-only funds who are expected to be long-term holders in the offered shares. Not yet included are orders from the brokers and retail investors that are expected to come in when the public offer period commences.

Despite strong demand at the offer price ceiling, Xurpas is strongly committed to ensure maximum success of the offering, leaving profits on the table for investors.

"We will probably not price at the maximum. We believe our investors are our partners in this endeavor and we want to share the success of our offering with them," said Nix Nolleto, President of Xurpas, Inc.

In determining IPO pricing and final allocations, SB Capital and Xurpas are striving to strike that delicate balance between retail and institutional orders as well as ensuring that the various participants in this offering, including its other partners, the underwriting syndicate composed of other investment houses, as well as the trading participants and the small investors receive a fair share.

Xurpas has added First Metro Investment Corp and Unicapital Inc. as co-lead underwriters as well as Philippine Commercial Capital Inc, PentaCapital Investment Corp and Abacus Capital & Investment Corp as participating underwriters.

SM Group eyes JV projects with ALI on Ortigas

By MADELAINE B. MIRAFLOR

The Henry Sy-led SM Group is now contemplating on the possible joint ventures with property giant Ayala Land, Inc. (ALI) with regards to the resolved ownership issue of OCLP Holdings, Inc., the property holding firm of the Ortigas family.

On Friday, the row between SM Group and the Ayala group over OCLP finally ended, with the scenario turning 360 degrees to as far as the termination of all the cases relating to the issue and a pact between the two property giants to jointly develop the firm's properties.

SM Group, which has always been interested to acquire a stake in OCLP, has long been allied with the Fernando Ortigas group (FOG) of the Ortigas family, while the Ayalas are with the Rafael Ortigas group (ROG) within OCLP.

Over the years, the faction among the Ortigas family has resulted to court battles with several pending ownership cases.

This situation completely turned around as the SM Group

and ALI simultaneously disclosed last week that they have already decided to resolve the quarrel.

SM Prime Holdings, Inc. president Hans Sy indicated that delaying the disagreements may just cause further turmoil on all the parties involved in the transaction.

Instead, ALI and SM Prime will just try to come up with possible joint projects within OCLP Holdings.

"We felt, maybe, rather than stressing ourselves out, we just decided to see what we can do together," Sy told reporters on the sidelines of Top Leaders Forum held in Pasay on Monday.

For his part, ALI president and chief executive officer Bernard Vincent Dy said the resolution of this row with SM Group will "open a lot of opportunities" when asked if the company is now willing to resolve its other issues with the SM Group.

Based on a Philippine Stock Exchange filing, ALI, SM Prime Holdings, Inc. (SMPH), FOG, and ROG, have already signed an agreement to cause the termination of all cases relating to the ownership and management of OCLP.

Phoenix Petroleum sets annual capex of ₱1.7B up to 2017

By **MADELAINE R. MIRAFLOR**

Independent oil player Phoenix Petroleum Philippines, Inc. has pegged its annual capital expenditure (CAPEX) for the next three years at ₱1.5-billion up to ₱1.7-billion range as it bankrolls its on-going expansion program, which largely involves efforts in growing its presence throughout the whole country.

For this year alone, the company targeted to spike its store network target within record levels with a plan to build a hundred stores in a single year.

Joseph John Ong, Phoenix Petroleum chief finance officer, said starting next year until 2017, the company may deploy a yearly budget of up to ₱1.7 billion to support its growth targets.

Although he did not assure if the company will build more than a hundred stores next year until 2017, he said the company's branch network target has been growing every year.

"We announced that we will build a hundred this year. We are on track but we can build 80 to 90 stations for sure. If we hit 100 stations, then that will be the first time [that Phoenix Petroleum has been able to establish such number of branches in one year]," Ong said in an interview with reporters in Makati.

In 2013, the company put up 80 stations spread out across the country, while it established 60 stations in 2012, bulk of which are located in Mindanao where the company has already established a strong foothold to date.

As of the first half of this year, the company has 405 retail service stations throughout the country.

Amid on-going expansion activity, Ong said the consolidated capital expenditure of the company for this year alone could go as high as ₱2 billion.

This should be followed by a sustained growth performance in the firm's overall income this year, he added.

On Monday, the oil firm has wrapped up its ₱2-billion issuance of short-term commercial paper (SCTP) by listing the debt instrument in the Philippine Dealing Exchange Corp. (PDEX).

STCPs are unsecured debt instrument issued by a company to finance its receivables, inventories, and short-term liabilities.

During the listing ceremony held in Makati, Phoenix Petroleum president Dennis Uy said the offer, which is considered as the first SCTPs issuance by an independent oil company in more than a decade, is two times oversubscribed by investors.

A few weeks ago, the Securities and Exchange Commission (SEC) has allowed the company to conduct such fundraising, which should be done in one or more tranches at an offer price of 100 percent face value.

The company said in documents earlier filed with the SEC that it intends to use the proceeds from the offer for working capital purposes.

"Proceeds will be used to finance regular importation of fuels and lubricants by Phoenix. The company will use the net proceeds from the offer within the fiscal year 2014," Phoenix Petroleum told the corporate regulatory agency.

Multinational Investment Bancorporation and AB Capital Investment Corporation served as the Joint Issue Managers and Underwriters of the transaction.

With a ₱2-billion fundraising in place, independent oil player Phoenix Petroleum Philippines, Inc. is planning to make an immediate expansion within the Luzon and Visayas region after cementing its presence in Mindanao.

"We intend to really expand more in Visayas and Luzon as we have smaller number of stations in these regions compared to Mindanao," Phoenix Petroleum vice president for external affairs, Raymond Zorilla earlier said in a text message.

Stocks slip; ALL, Bloomberg drop

THE stock market fell slightly Monday in thin trading, as investors digested third-quarter earnings reported so far by some listed companies. Profit-taking hit a number of blue chips.

The Philippine Stock Exchange Index slipped 13.60 points, or 0.2 percent, to 7,192.12 on a value turnover of just P5.5 billion. Losers beat gainers, 92 to 76, with 47 issues unchanged.

Bloomberg Resorts Corp. declined 0.8 percent to P14.18 after surging to a year high of P15.82 last week. SSI Group Inc., a specialty retailer controlled by the Tantoco family, retreated 1.8 percent to P7.85 after climbing 6.5 percent to P7.99 in its stock market debut Friday.

Ayala Land Inc., a major property developer, lost 1.2 percent to P34.30, while Vista Land & Lifescapes Inc. of the family of former senator Manuel Villar fell 1.6 percent to P6.30.

GT Capital Holdings Inc. of tycoon George Ty declined

1.2 percent to P1,050, while Megaworld Corp. of tycoon Andrew Tan lost 1.7 percent to P4.75. Food and ingredients producer D&L Industries slipped 2.3 percent to P14.58.

Philippine Long Distance Telephone Co., the biggest telecommunications firm, added 0.3 percent to P2,950, while Security Bank Corp., the eighth largest lender, gained 1.3 percent to P155.

The rest of Asian markets were mixed Monday, with Japanese shares succumbing to profit-taking while Hong Kong and Shanghai rallied after a launch date was announced for a trading link between their stock exchanges.

The dollar retreated from multi-year highs despite another

record close on Wall Street that came in response to broadly upbeat jobs data.

Tokyo slipped 0.59 percent, or 99.85 points, to finish at 16,780.53 after ramping up gains of more than 10 percent in the previous six sessions as the Bank of Japan unveiled fresh monetary easing measures.

In the afternoon, Hong Kong was up 1.80 percent and Shanghai was 2.09 percent higher.

Seoul closed up 0.95 percent, or 18.36 points, at 1,958.23 while Sydney fell 0.45 percent, or 25.1 points, to 5,524.0.

Dealers in Hong Kong and Shanghai cheered news that the delayed trading link between the two stock exchanges would start on Nov. 17.

The connection—which is expected to allow the equivalent of \$3.8 billion a day in cross-border transactions—had originally been slated for last month, but was put off as pro-democracy protesters shut down sections of Hong Kong. **With AFP**

Alsons says 9-month profit down 24%

ALSONS Consolidated Resources Inc. on Monday reported a consolidated net income of P606.7 million in the first nine months of 2014, down 24 percent from P793.2 million year-on-year on higher interest expenses and foreign exchange losses.

Alsons said in a disclosure to the Philippine Stock Exchange net income attributable to the parent dropped 7 percent to P339 million from P363.3 million on year. Earnings per share in the first nine months of 2014 also fell to P0.054 from P0.058.

Alsons, owned by the Alcantara Group, said full-year consolidated net income was expected to rise by at least 6 percent to P891.32 million from

P837.18 million in 2013.

Full-year net income attributable to the parent in 2014 is expected to grow at least 6 percent to P496.25 million from P466.87 million in 2013. Earnings per share for 2014 is expected to increase at least 6 percent to P0.079 from P0.074 in 2013.

The board, meanwhile, approved an increase in the capital of wholly-owned unit ACR Mining Corp. to P500 million from P5 million.

"This increase will enhance its financial capability in pursuing opportunities in the mining industry starting with the development of its mining assets in the Compostela Valley in Mindanao," the company said.

Revenues in the first nine

months of 2014 rose 66 percent to P3.9 billion from P2.3 billion in the same period in 2013.

The 103-MW diesel plant of Mapalad Power Corp. in Iligan City was the main contributor to the revenue increase. The Mapalad diesel plant has been operating for over a year since its reacquisition and rehabilitation by ACR in early 2013.

The diesel plant provides power to the cities of Iligan, General Santos, Zamboanga, Butuan, Bayugan, Dapitan, Dipolog and Pagadian as well as key areas in the provinces of Sarangani, South Cotabato, Agusan del Norte, Agusan del Sur, Zamboanga del Norte and Zamboanga del Sur.

San Miguel's net income surges 31% to P23.2B

Revenues from new units jumped 10%

By Doris C. Dumlao

CONGLOMERATE San Miguel Corp. grew its nine-month net profit by 31 percent year-on-year to P23.2 billion on higher revenues from both traditional food and beverage as well as new businesses.

Consolidated revenues from January to September were up 10 percent year-on-year to P599 billion as a 12-percent growth in new businesses complemented a 5-percent growth in the traditional units.

Operating income rose 2 percent to P46.7 billion in the first nine months, attributed to improvements in the new businesses as well as those of San Miguel Pure Foods and Ginebra San Miguel Inc., thereby making up for the slump in the third-quarter performance of oil refining and distribution unit Petron Corp., which had to weather volatility in crude oil prices.

Recurring cash flow as measured

by consolidated recurring earnings before interest, taxes, depreciation and amortization improved by 8 percent year-on-year to P67.2 billion.

"We were able to build on the gains we made in the first semester. While adverse oil and fuel prices had an impact on Petron, we were able to ride out much of the volatility. This goes to show that our current portfolio of businesses is largely resilient to external stresses that could otherwise greatly impact our financial result," SMC president Ramon S. Ang said in a statement.

San Miguel Brewery grew consolidated revenues by 5 percent to P56.3 billion while operating income amounted to P15.3 billion, backed by a 3-percent growth in sales volume to 153 million cases.

Ginebra San Miguel's revenues rose 7 percent to P10.6 billion, resulting in an operating income of P124 million or a turnaround from a loss of nearly a

billion pesos year-on-year, as sales volume rose 2 percent to 15 million cases.

San Miguel Pure Foods grew revenues by 4 percent to P74.4 billion, led by agro-industrial, flour-milling and dairy businesses, resulting in an 18-percent growth in operating income to P4.3 billion despite the adverse effects of typhoon "Glenda" and the Manila port congestion.

San Miguel Yamamura Packaging Corp. reported flat revenues at P17.3 billion but operating income improved by 6 percent to P1.6 billion, on improved efficiencies and lower fixed costs.

For new businesses, Petron's operating income declined by 27 percent year-on-year to P6.9 billion in the first nine months, attributed to a sharp drop in the benchmark Dubai crude oil in the third quarter that in turn resulted in high-priced inventories being sold at much lower prices.

Metrobank net profit jumped 57% in Q3

LOCAL banking giant Metropolitan Bank and Trust Co. grew its third-quarter net profit by 57 percent year-on-year to P4 billion on better-than-expected lending business alongside one-time gains from property divestment and sale of noncore assets.

For the nine-month period, Metrobank's net profit amounted to P13.1 billion, 34.8-percent lower than the level in the same period last year, which was marked by extraordinary trading gains and bigger asset disposals in line with tighter capital adequacy ratio requirements under the Basel 3 framework.

Net interest income grew by 23 percent year-on-year to P34 billion in the first nine months, contributing 64 percent to Metrobank's P53 billion in total operating income for the period. This was attributed to better-than-expected growth in loans and deposits alongside relatively healthy spreads.

"The robust core income growth reflects positively on our strategy. Our thrust is to maximize returns from traditional revenue sources while prudently managing balance sheet growth," Metrobank president Fabian Dee said in a statement.

Jette Gamboa, senior vice president and head of strategic plan-

ning at Metrobank, said the net interest margin of 3.8 percent—one of the highest in the industry—had been stable in the last eight quarters. Moving forward, she said there was a possibility that margins could firm up as local interest rates rise from record lows.

The bank grew its loan book by 21 percent year-on-year to P697.3 billion in the first nine months, ahead of its full-year guidance of 15-18 percent target.

The robust loan growth was supported by a 23 percent year-on-year growth in deposits to P1.1 trillion in the first nine months. This was faster than the original goal of 12-15 percent growth in deposit base for this year.

Challenged by a record-high net profit base last year, Gamboa said the bank mitigated the impact by rebuilding net interest income. "It's the back-to-basics strategy of focusing on net interest income," Gamboa said.

Nonrecurring items booked by Metrobank in the first nine months included the sale of some idle property assets as well as the disposal of the stake in Charter Ping An (to parent GT Capital) and Toyota Financial, said Metrobank vice president and head of investor relations Juan Placido Mapa III.

Doris C. Dumlao

Concepcion firm boosts 9-month profit by 36.4%

LEADING local airconditioning and refrigeration appliance manufacturer Concepcion Industrial Corp. (CIC) boosted its nine-month profit attributable to equity holders of parent by 36.4 percent year-on-year to P495 million.

The company said the nine-month results were supported by the favorable economic fundamentals despite the challenges seen in the third quarter arising from the peso depreciation and rising logistics costs, which affected industries across the board.

COL Financial head of research April Lee-Tan said CIC's results were in line or slightly above market estimates. The nine-month results accounted for 72.5 percent of COE's full-year forecasts and 74.4 percent of consensus forecasts for the year.

For the third quarter alone, sales were up 15 percent while earnings jumped 20 percent. These were, however, slower than the respective growths of 28.5 percent and 45 percent in the first six months.

"The key drivers of first-time buyers and consumer replacement market growth are peak month drivers and as we approach the leaner months for consumer channels, the growth in airconditioning shifts toward the building and industrial markets with the latter growing at 29 percent against a 2-percent growth in consumer airconditioning and 8 percent in domestic refrigeration," the company reported.

Net sales for the nine-month period rose by 24 percent year-on-year to P6.9 billion. Gross profit for the period improved by 20 percent to P2.4 billion.

Doris C. Dumlao

B4 **Foreign direct investments more than doubled in Aug.**

By Paolo G. Montecillo

AUGUST was another solid month for investments in the Philippines, which surged to more than double the 2013 level as foreign firms dug in for the long term, confident of the country's prospects.

Data from the Bangko Sentral ng Pilipinas showed net inflows of foreign direct investments (FDI)—which are more permanent, job-generating bets in the country—rising for the eighth consecutive month this year.

The BSR, in a statement, said the country's "sound macroeconomic prospects" remained the main draw for investors to set up shop in the Philippines.

Net inflows of FDIs rose to \$299 million in August, more than double the \$141 million recorded in the same month last year. For the eight months ending August, FDI net inflows reached \$4.3 billion.

FDIs come in the form of significant buy-ins by foreign firms in local companies, and advances by multinationals to their local affiliates. Earnings of foreign firms operating in the Philippines that are kept in the country are also counted as FDIs.

The government considers FDI flows as more meaningful votes of confidence in the country's economic health since this money is usually spent on the construction of new facilities or the acquisition of heavy equipment.

This makes it harder for companies to divest.

In the meantime, foreign portfolio investments, or placements in local stocks and bonds that can easily be sold, are seen as quicker indicator for how investors view the country. Portfolio investments, however, are subject to the ebb and flow of financial markets. As a result, fundamentals are often overlooked by these investors.

By FDI component, net inflows of equity capital rose significantly (by 329.9 percent) to \$180 million in August 2014 from \$42 million in the same month last year.

This was due to the rise in equity capital placements (107.6 percent), coupled with the decline in equity capital withdrawals (by 83.7 percent).

Equity capital investments in August—which came mostly from the United States, Thailand, the Netherlands, Sweden and Singapore—were channeled mainly to financial and insurance; manufacturing; transportation and storage; real estate, and administrative and support services sectors.

In the second quarter of the year, the Philippines and Malaysia were tied as Southeast Asia's fastest growing economies, both expanding by 6.4 percent.

The government remains confident of hitting its target for economic growth this year, set at 6.5 to 7.5 percent. Last year, the Philippine economy grew by 7.2 percent—the fastest in Southeast Asia.

Index eases as investors take profits

The local benchmark index failed yesterday to advance above the 7,300 level as investors decided to book little profits gained earlier in the day.

The Philippine Stock Exchange index (PSEi) fell 0.19 percent or 13.60 points to end at 7,192.12 while the all shares index dropped 0.22 percent or 9.48 points or to 4,234.20.

"Investors, growing impatient for positive spins, have opted to head to the exits pulling the index below 7,200," said Justino Calaycay, analyst

By **RICHMOND S. MERCURIO**

at Accord Capital Equities Corp.

The PSEi was trading healthily in the morning session on the back of upbeat US jobs data, but slowly fell through in the afternoon session as profit takers entered the scene.

In Wall Street, the Dow and the S&P 500 rallied to gain 0.11 percent and 0.03 percent, respectively.

Locally, only the services sector provided a bright spot as it climbed 0.02 percent or 0.51 points.

Property firms, meanwhile, suffered the biggest loss, dropping 0.97 percent or 27.74 points.

Market breadth stayed in the negative as decliners beat advancers, 92 to 76, while 47 stocks did not change.

Value turnover slimmed further to P5.51 billion from P9.46 billion last Friday.

"Half-way through the earnings season, the numbers have proven to be rather decent except for a handful of disappointments," Calaycay said.

Nickel Asia profit surges 370%

Listed miner Nickel Asia Corp. (NAC) saw its net income surge 370 percent year-on-year in the January to September period due to higher shipment volumes as well as nickel prices.

In a disclosure to the Philippine Stock Exchange yesterday, NAC said its attributable net income reached P8.18 billion as of end-September this year, well-above the P1.74 it earned billion in the same period last year.

The miner attributed the sharp rise in earnings to the uptick in shipments as well as nickel prices.

The company sold and delivered 14.26 million wet metric tons (WMT) of nickel ore from its four operating mines in the January to September period this year, up from the 10.32 million WMT sold in the same period in 2013.

Of the total volume of ore shipped, 4.79 million WMT was saprolite ore and 9.47 million WMT was limonite ore.

The surge in shipment volume was mainly the result of increased ore deliveries to Taganito HPAL Nickel Corp. (THPAL), which was commissioned last year and is now on its first full year of operations.

By LOUELLA D. DESIDERIO

Ore shipments to the plant from the company's 65 percent-owned subsidiary, Taganito Mining Corp., climbed to 2.78 million WMT in the nine-month period this year from 0.27 million WMT in the comparable period last year.

Shipments of ore to China went up to 7.31 million WMT for the nine-month period this year from 6.62 million WMT last year, while shipments to Japan likewise increased to 1.56 million WMT as of end-September this year from 0.90 million WMT a year ago.

In terms of price, NAC realized an average of \$7.87 per pound of payable nickel on its shipments of ore to the HPAL plants, with the pricing linked to the London Metal Exchange.

As for shipments to China and Japan, the company achieved an average value

of \$46.72 per WMT, much higher than the \$20.96 per WMT in the same period last year.

Given the increase in shipment volume, the firm's total cash operating costs and expenses grew 58 percent to P6.45 billion as of end-September from P4.09 billion in the comparable period last year.

Apart from the uptick in shipment volume and prices, NAC also recognized additional earnings of P401.9 million, representing its share of profits from THPAL, where the company has a 22.5 percent equity stake.

"We are delighted with our strong results for the first nine months of this year and our ability to build on the combination of higher prices and increased production to meet higher demand for our ore," Nickel Asia president and chief executive officer Gerard H. Brimo said.

Philseven net income up 8.5% to P468M

By RICHMOND S. MERCURIO

Philippine Seven Corp., the exclusive local licensee of convenience store chain 7-Eleven, posted strong earnings growth in the first nine months of the year driven by improvement in same store sales and continued store expansion all over the country.

Net income jumped 8.5 percent in the first three quarters to P468.3 million from P431.4 million a year ago, the firm said yesterday.

Retail sales of all stores during the nine-month period also rose 18.1 percent to P14.8 billion from P12.5 billion in 2013.

"The rate of net income growth could have been faster if not for the high base year effects. Earnings in the previous year were temporarily benefitted during the first few months of the implementation of the excise tax on cigarettes," Philseven said.

"In addition, accrual estimates in the first three quarters of this year for marketing income are likely more conservative than last year. Hence, as the impact of the said factors normalize, last quarter and full year earnings growth is expected to be brought more in line with the rate of increase in sales," it added.

For the third quarter period alone, sales growth of the company accelerated to 25.7 percent from only 14.5 percent in the first half driven by the opening of 169 new stores in the nine-month period and the recovery in sales generated by mature stores.

Store count in the first three quarters grew 24.8 percent to 1,169 stores, with franchisees accounting for 66 percent of total.

Alsons hikes capital of mining unit

By IRIS C. GONZALES

Alsons Consolidated Resources Inc. (ACR), the publicly listed holding company of the Alcantara Group, has approved an increase in the authorized capital of wholly owned subsidiary ACR Mining Corp. to P500 million from just P5 million.

In a disclosure to the Philippine Stock Exchange, ACR said the increase in the authorized capital stock would enhance the subsidiary's financial capability in pursuing opportunities in the mining industry, starting with the development of its mining assets in Compostela Valley in Mindanao.

This developed as ACR reported a 66 percent increase in revenues in the nine months to September to P3.9 billion, from P2.3 billion in the same period last year.

The increase in revenues came from the 103-megawatt Mapalad Power Corp. (MPC) diesel plant in Iligan City, which has been operating for over a year since the company re-acquired and rehabilitated the facility early last year.

At present, the facility provides power to the cities of Iligan, General Santos, Zamboanga, Butuan, Bayugan, Dapitan, Dipolog and Pagadian as well as key areas in the provinces of Sarangani, South Cotabato, Agusan del Norte, Agusan del Sur, Zamboanga del Norte and Zamboanga del Sur.

Despite higher revenues, however, the company posted a consolidated net income of P606.7 million during the period, 24 percent lower than the P793.2 million recorded a year ago.

The decline in net income stemmed from higher interest expenses and foreign exchange losses.