

The Daily Dispatch

Weekly Special Feature

November 25, 2022

Why the Philippines Is Southeast Asia's Best Kept M&A Secret

By: Manuel Baigorri and Elffie Chew (Published on October 21, 2022)



*Buildings in the Central Business District (CBD) in Makati City, the Philippines.
Photographer: Veejay Villafranca/Bloomberg*

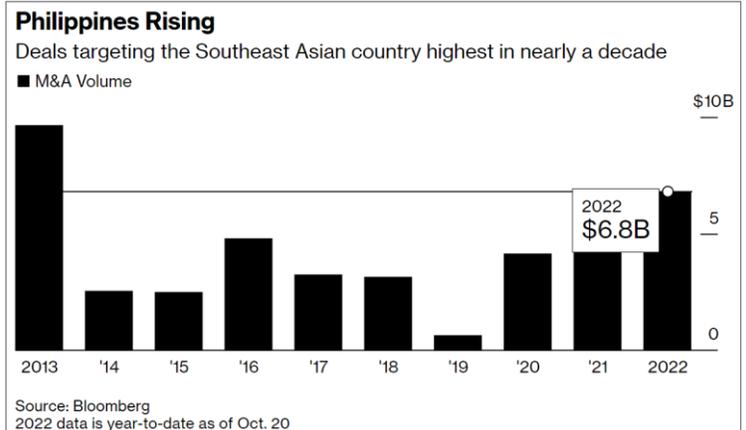
Riding the wave

We're both just a short flight from Southeast Asia's fastest-growing M&A market. Financiers have long known the Philippines as an island paradise full of sun-dappled beaches. It's now becoming another kind of hot spot, drawing investors with its robust growth potential.

In a sluggish year for transactions around the world, the Southeast Asian nation has turned into a booming M&A market. The volume of deals this year targeting Philippine assets has soared to about \$6.8 billion, making 2022 already the country's busiest year in almost a decade, according to Bloomberg data.

The jump in volume of almost 90% compared to the same period in 2021 is the second biggest in APAC, after India, at a time when most markets are seeing sharp YOY declines.

"The Philippines has seen a surge in M&A activity this year," said Tom Barsha, co-head of APAC M&A at Bank of America. Both financial sponsors and companies are exploring opportunities in the country, and the momentum is poised to continue over the coming quarters, he added.



The busiest sector by far has been digital infrastructure, as the country's relatively young and well-educated population is poised to increase its usage of digital services. Only 68% of Philippines internet users were consuming online services as of 2021, the lowest share in the region.



Tom Barsha Source: Carl Lam and Michael Wong/Bank of America

PLDT and Globe Telecom, the biggest telecommunications providers in the country, have sold several thousand mobile towers to companies backed by global investment funds including KKR, Stonepeak, DigitalBridge, Macquarie and EQT. Some have also set up data center joint ventures with local partners.

"The country's quest for improved connectivity, combined with its strategic location in Asia, makes it an attractive

The Daily Dispatch

market for investors, some of whom are willing to pay a premium to have that first-mover advantage,” according to Lauro Baja, head of global capital markets for Asia Pacific at UBS.

Investors are attracted by the country’s fundamentals — a population of about 115 million people, many of whom are educated and speak English, with an average age of just 25, according to Baja.

Other active-M&A sectors in the Philippines include industrials, health care, financial institutions and renewables. Recent deals include conglomerate San Miguel agreeing to buy a controlling stake in rival Eagle Cement in a transaction valued at about \$1.5 billion, and insurance giant AIA purchasing local health-care provider MediCard Philippines.

The country’s stable business operating environment has been a key factor for deals, according to BofA’s Barsha.

“It’s a market that has demonstrated financial sponsors can invest and successfully exit,” Barsha said. “There’s a good track record of successful investments by financial sponsors, making it very attractive for others to explore future transactions. — *Manuel Baigorri and Elffie Chew*

Please take note that the text above is an excerpt from the original article on Bloomberg. To view the full article, please refer to the link below or visit <https://www.bloomberg.com/>

Source: Manuel Baigorri and Elffie Chew (2022). Why the Philippines Is Southeast Asia’s Best Kept M&A Secret. *Bloomberg*. Available at: <https://www.bloomberg.com/news/newsletters/2022-10-20/why-the-philippines-is-southeast-asia-s-best-kept-m-a-secret>

The Daily Dispatch

November 25, 2022
TODAY'S TOP NEWS

NEDA endorses 0 tariff rate on electric vehicles

The NEDA board, in its first meeting under the administration of President Marcos, endorsed the EO modifying tariff rates on EVs such as passenger cars, buses, mini-buses, vans, trucks, motorcycles, tricycles, scooters and bicycles, including EV parts and components.

Premiere REIT cuts IPO price

Premiere Island Power REIT Corp., the second real estate investment trust (REIT) of the Villar Group, has reduced its offer price by 25 percent to P1.50 from the previous indicative price of P2 per share. Premiere REIT has kept its offer size of 1.4 billion in secondary shares and 210 million overallotment option shares.

CIMB Bank, SeaMoney to double customer loans

CIMB Bank Philippines, a leading digital banking services provider, said Thursday it teamed up with Southeast Asia's leading digital payments firm SeaMoney to double the 1.3 million SPayLater users in the country to 2.5 million loan customers next year.

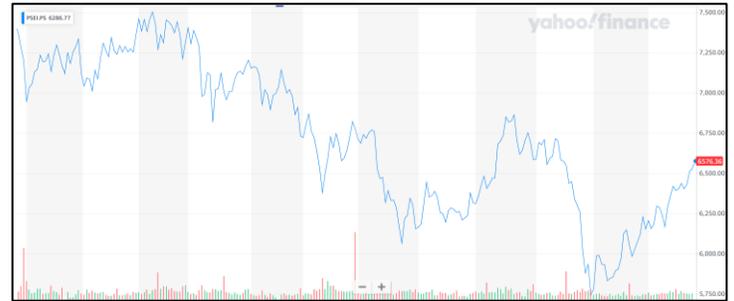
Hot money registered net inflows of \$83m in Oct

Foreign portfolio investments yielded net inflows of \$83 million in October, following six straight months of net outflows, data from the Bangko Sentral ng Pilipinas show. The BSP said in a statement this resulted from the \$645-million gross inflows and \$561-million gross outflows in October.

Fintech start-up bags \$4.5M from investors

Financial technology (fintech) firm Bayani Pay Inc. announced having raised \$4.5 million in a seed funding round led by Talino Venture Labs Pte. Ltd., Wavemaker Partners Global Ltd. and East West Bank of America. The fresh funding will enable the fintech to grow its suite of services and expand its customer base to enterprises.

Philippine Stock Market Update



Previous Close:

6,530.51

1 Yr Return:

-9.56%

Open:

6,529.11

YTD Return:

-7.58%

52-Week Range:

5,699.30 - 7,552.20

Source:

Yahoo Finance

Foreign Exchange

As of November 24, 2022

US Dollar	Philippine Peso
1	56.78

BVAL Reference Rates

As of November 24, 2022

Tenor	Rate
1Y	5.067
3Y	6.364
5Y	6.666
7Y	6.891
10Y	7.285
20Y	7.735

Daily Quote

"What lies behind you and what lies in front of you,
pales in comparison to what lies inside of you."

— Ralph Waldo Emerson

The Daily Dispatch

MORE LOCAL NEWS

San Miguel secures SEC permit to sell P60-B bonds

San Miguel Corp. has received the permit to sell P60 billion worth of fixed-rate retail bonds from the SEC, the listed firm said. San Miguel said it received the permit dated Nov. 22. The bonds will have a base offer of P40 billion and an oversubscription option of up to P20 billion to be issued at 100% of face value.

AbaCore unit, partner plan 4-star hotel in Batangas

Abacore Capital Holdings, Inc. said its subsidiary executed a memorandum of agreement with a partner to develop a four-star hotel with an amusement park in Batangas. The listed holding firm said the deal was forged on Nov. 23 between its unit Philippine Regional Investment Development Corp. and Highsource Prime Building, Inc.

ACEN subscribes to shares in wind energy units

Ayala-led ACEN Corp. announced on Thursday that it had executed subscription agreements with two of its subsidiaries to fund a wind energy project in Pagudpud, Ilocos Norte.

STI narrows loss to P42.37M on higher enrollments

STI Education Systems Holdings, Inc. managed to shrink its attributable net loss in the past quarter to P42.37M from the P114.23M loss incurred last year after recording higher revenues. The listed company said that in the three months ending September, its revenues reached P500.35M, up by 34.2% from P372.8M a year ago.

Prices of building materials jump in October

Wholesale and retail prices of construction materials continued to rise in the NCR in October, as economic activity picked up. Preliminary data from the PSA showed wholesale prices of construction materials in NCR jumped by 11% year on year in October, the fastest since the revised 10.5% growth in September.

DOE: 2 LNG projects to go online next year

The Department of Energy (DOE) said that 2 liquefied natural gas (LNG) projects are expected to go online next year, which will aid in stabilizing the country's power supply. DOE said the joint venture between Linseed Field Power Corp. and AG&P is on track to complete its first integrated LNG import terminal in Batangas.

Budget deficit widens in October

The national government's budget shortfall skyrocketed in October amid surging government spending and improving revenue collections. Data released by the Bureau of the Treasury on Friday showed that the budget deficit expanded 54.08% year-on-year to P99.1 billion in October, as spending outpaced recovering revenues.

PH, 'fastest growing' digital economy in ASEAN

The Philippine digital economy is projected to reach \$20 billion (P1.1 trillion) by the end of 2022, an economic report on Southeast Asia said. The annual e-Conomy SEA report said that the country's digital economy enjoyed a growth of 22 percent over the past year.

SMC power unit appeals ERC decision to CA

SMC Global Power has asked the Court of Appeals (CA) to reverse an Energy Regulatory Commission (ERC) decision denying its request for temporary relief from skyrocketing global fuel prices. The ERC in an order promulgated last Sept. 29 denied a joint rate hike petition of SMC power units and Manila Electric Co. (Meralco).

Grab seeks law on regulation of motorcycle taxis

Grab Philippines is asking lawmakers to approve a law that will legalize and regulate the operations of motorcycle taxis to open up the industry to additional players. Currently, motorcycle taxis are prohibited under Republic Act 4136 or the Land Transportation and Traffic Code to ply the streets and carry commuters.

The Daily Dispatch

TODAY'S TOP ASIAN NEWS

BOK needs strong signs inflation curbed before pivot

The Bank of Korea (BOK) needs to see “strong” signs that inflation is under control before discussing any prospect of a pivot away from policy tightening. The BOK came closer to the end of its tightening cycle when it raised its benchmark interest rate by a quarter-percentage-point to 3.25% on Thursday.

Singapore's factory output shrinks 0.8% in October

Singapore's factory output contracted 0.8% year on year in October, a reversal from the previous month's gains of 1.6%, according to data from an Economic Development Board (EDB) release on Friday. But excluding the typically volatile biomedical cluster, factory output grew 1.9%, which was slower than the revised 3% in September.

Binance flags possible fund for distressed crypto assets

Crypto billionaire Zhao Changpeng has further outlined his plans to support the stricken industry, pledging to amass at least US\$1 billion (S\$1.38 billion) for buying distressed assets and saying his Binance Holdings will make another bid for bankrupt lender Voyager Digital.

Ringgit rallies for 2nd day with new Prime Minister

The ringgit continued to rally on Friday, making the currency the best performer in the region for a second day, following the appointment of Anwar Ibrahim as Malaysia's new prime minister. The currency had surged by 1.8% after Anwar's appointment on Thursday, the largest single-day gain since March 2016.

Tang couple offer to privatise Chip Eng Seng

Chip Eng Seng chairman Celine Tang and her husband Gordon Tang have made a voluntary conditional cash offer to acquire all the issued ordinary shares in the property firm at 72 cents apiece, with the end goal of taking the company private should they attain more than 90 per cent of shares.

TODAY'S TOP GLOBAL NEWS

Oil markets show warning signs on demand angst

A closely watched gauge of Asian oil demand has slumped to a seven-month low as surging virus cases in China trigger lockdown-like restrictions in the biggest crude importer. The premium of Oman futures over Dubai swaps fell below US\$1 a barrel on the Dubai Mercantile Exchange on Thursday. It has plunged about 80% this month.

Tesla recalls thousands of cars in China

Tesla is recalling almost 81,000 electric cars in China — more than it typically ships from its Shanghai factory in any given month — due to a software issue and seat belt problems. The US EV maker will call back 70,434 imported Model S, Model X and Model 3 vehicles, and 10,127 China-made Model 3 cars.

Bundesbank warns of financial system risks

Financial stability in Germany, Europe's largest economy, has taken a turn for the worse this year, triggering warnings from the country's Bundesbank. Banks, insurers and investment funds have already recorded losses as markets adapt to deteriorating growth prospects, high inflation and rising interest-rate and risk premiums.

US mortgage demand rises 2.2%

Mortgage applications rose 2.2% last week compared with the previous week, prompted by a slight decline in interest rates, according to the Mortgage Bankers Association's seasonally adjusted index. While overall mortgage applications rose for the week, the level was still far below last year's levels.

Retailers pressured to post big Black Friday sales

Major retailers are under intense pressure to deliver on Black Friday after several of them reported a slowdown in sales heading into the holiday shopping season. A record number of people — 166.3 million — are expected to shop over the long weekend, according to the National Retail Federation.