

Philequity Corner (November 9, 2009)

By: Valentino Sy

Manny “Pacman” Pangilinan

Manny V. Pangilinan, or MVP to most people, should be known these days by a new nickname: **Pacman**. Boxing icon Manny “Pacman” Pacquiao challenged bigger opponents, claimed six world title belts, and became the Pound-for-Pound King. On his end, Manny “Pacman” Pangilinan reigned supreme in all of his corporate acquisition pursuits in spite of the many hurdles and oppositions. The two Pacmans are alike in many ways. They’re both winners and they’re reigning champions in their respective leagues. And like the famous Pacman game, both Pacquiao and Pangilinan gobbled up everything, overcame every challenge, and seized every opportunity that crossed their paths.

Over the course of the year, Manny “Pacman” Pangilinan bought a number of companies and entered into projects that strategically fit the theme of his companies. Considering all these deals, his group could easily be the most active acquirer for the year. We recall below his list of acquisitions for the past year.

Period	Company / Project
November 2008	Manila North Tollways
November 2008	Philex Mining Corporation
March 2009	Manila Electric Co.
July 2009	DMCI-MPIC Water Company
September 2009	Manila North Harbor
October 2009	Makati Medical Center
October 2009	ABC 5

Potentially, MVP is looking at South Luzon Expressway (infrastructure), Philippine Star (media), and both Lepanto and Manila Mining to add to his Philex investment.

Well-Planned Acquisitions

Just because he has the money to do it, people think MVP is acquiring aggressively just for the sake of buying. In fact, MVP does not invest haphazardly. There is a plan and a reason behind all these acquisitions. They are all inter-related and well-thought out moves. Acquiring ABC 5 adds content and will complement the convergence strategy of PLDT. The plan is to converge media with telecom. While Meralco is a defensive move against upcoming competition, it is also an investment which fits very well with Metro Pacific Investments’ (MPI) goal to be the largest industrial conglomerate.

PLDT is currently the biggest in the telecom business. MVP also intends to be the biggest industrial conglomerate and the largest in the medical services industry. If he gets control of Philex, it could be the vehicle into other mining ventures.

Putting an End to the Meralco Saga

The long-drawn drama in Meralco seems to have finally concluded. Late last week, MPI exercised its right of first refusal after the group of Henry Sy, Jr. made an astounding offer to buy the remaining 13.4% stake of the Lopezes in Meralco at P300 per share or P44.8 billion. In the end, Meralco's parent company, First Philippine Holdings (FPH) opted to sell to MPI its 6.7% stake. FPH will remain a strategic shareholder of the distribution utility.

Philex Mining Shines Anew

Prior to the megabuck deal in Meralco, the share price of Philex hit a fresh record high after reports surfaced that GSIS is gobbling up shares to gain a seat or two in the board. Many believe that GSIS is trying to replicate its move in Meralco. We wrote in our *Return Bout* article (Philippine Star 17 August 2009) that the turf war may have shifted to Philex.

The past two weeks of trading showed that foreign buying in Philex had accelerated. Over this period, foreign net buying reached P5.2 billion. Who is buying? CLSA and Macquarie who crossed blocks of Philex shares are brokers identified with MVP. Perhaps, a pro-MVP foreign investor/fund is accumulating the stock. Or maybe, it is Manny "Pacman" Pangilinan yet again. And who is selling? Asiasec, who has been buying Philex heavily, suddenly crossed blocks with CLSA and Macquarie. Asiasec has been identified with GSIS. Could GSIS and/or its allies be both buying and selling Philex shares? Who knows?

Biggest Market Contributor

MVP's group of listed entities is the biggest in terms of market capitalization – almost reaching one trillion pesos – surpassing the dominance previously cornered by dominant families. Considering their income contribution, these Pangilinan-led companies could potentially report one billion dollars in annual profits. Given the magnitude of profits, this makes the buying binge all the more sustainable.

Below is a rundown of listed companies controlled by the top groups/families in the country.

Top Groups with Controlling Investments in PSEi Listed Companies

	Market Cap in P'bn		Market Cap in P'bn
MVP Group		SM Group	
PLDT	479.1	SM Investments	192.5
Meralco	216.2	SM Prime Holdings	130.6
Piltel	94.7	Banco de Oro	80.7
Philex Mining	65.9	China Bank	35.3
Metro Pacific Invest	58.4	SM Development	16.3
Metro Pacific Tollways	38.8	Belle Corp.	8.8
	953.1	Highlands Prime	6.1
			470.3
Ayala Group		San Miguel Group	
Ayala Corp.	146.3	San Miguel Corp.	152.0
Bank of P.I.	152.6	San Miguel Brewery	137.2
Ayala Land	139.4	Petron Corp.	46.9
Globe Telecom	129.0	Ginebra San Miguel	6.3
Manila Water	31.6	Liberty Telecoms	3.8
	598.9		346.2

Source: Philequity Research

Pacman vs. Pacman

Before Manny Pacquiao became a world boxing icon which earned him the monicker “Pacman”, Danding Cojuangco was called the Pacman in the corporate scene. As head honcho of San Miguel Corporation, Danding was simply unchallenged in the business circle during SMC’s glory days. With his string of acquisitions, it now appears that MVP has emerged as the new corporate Pacman.

Go Manny! Go Pacman! Manny, Manny, Manny!

This Sunday, Manny Pacquiao faces yet another tough opponent in WBO Welterweight champion, Miguel Cotto. Pacquiao is eyeing another boxing feat by trying to capture his 7th world title in seven different weight classes – an achievement no boxer has ever accomplished. After the lopsided match against Ricky Hatton, many boxing experts see the Pacquiao-Cotto match as the real fight of the year. Go Manny!

Manny Pangilinan, meanwhile, emerged victorious after concluding what is touted as the deal of the year – the purchase of Meralco shares at a lofty premium. Market experts believe that the string of M&A activities MVP has carried out has kept the stock market buoyant. More M&As may be forthcoming. Go Manny!

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