

Philequity Corner (January 10, 2011)

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Mano-a-Mano: MVP vs RSA

Mano-a-mano is a Spanish term meaning "hand-to-hand". It is a term commonly used in bullfights, where two matadors alternately compete to please the crowd. The term was also adopted in English, similar to head-to-head or one-on-one. It conveys the idea of intense competition. The term also describes any kind of rivalry between two people trying to outdo each other.

In the local bourse, the two competing head honchos, Manny "MVP" Pangilinan of the PLDT group and Ramon "RSA" Ang of the San Miguel group, are doing just that, *mano-a-mano*. They are currently embroiled in a battle for acquisition of some of the lucrative industries and/or priced assets of the government. The friendly fight between the two is not something new. In fact, we have highlighted their storied bouts in the past (*Turf Wars* 13 July 2009 and *Return Bout* 17 August 2009 articles of the **PhilStar**).

The market now perceives their competition going further. Market punters believe that the rivalry has gone into competing for market cap size and stock market influence. Both MVP and RSA own significant blocks of shares in the Philippine Stock Exchange.

Topping the List

The country's biggest telecom company, PLDT, is still the biggest in terms of market capitalization. As of last Friday, PLDT has a total market value of Php471.8 billion. Not far behind is RSA's San Miguel Brewery with a market cap of Php446.9 billion.

Of the Top 10 companies by size, both MVP and RSA each control two of the ten largest companies in the country. MVP has PLDT and Meralco while RSA has SMB and SMC. However, though MVP has control over Meralco, RSA, through San Miguel Corp, owns a strategic block in Meralco.

Top 10 Listed Companies by Market Cap (as of Jan 7, 2011)

Listed Company	Market Cap in P' billion
PLDT	471.75
San Miguel Brewery	446.90
San Miguel Corp.	399.58
SM Investments	333.53
Meralco	279.56
Aboitiz Power	224.81
BPI	210.71
Aboitiz Equity Ventures	210.38

Opening Salvo

In the first week of the year 2011, both MVP and RSA stocks were at the forefront of the trading action. Their stocks were vying for the most gains, trying to outpace each other.

Heavily traded during the week were PLDT, Metro Pacific Investments, and Meralco on MVP's camp while San Miguel Corp, Petron Corp, and CyberBay were the most active on RSA's end. Considering each one's desire to be at the top, one would expect this head-to-head battle to continue.

The Bigger of the Two Matadors

In terms of size dominance, we sum up the market capitalization of MVP and RSA stocks. The table below shows the slight edge of RSA stocks over MVP counters.

MVP vs. RSA Market Capitalization (as of Jan 7, 2011)

MVP Stocks		RSA Stocks	
Company	Market Cap	Company	Market Cap
PLDT	471.8	San Miguel Corp.	399.6
Meralco	279.6	San Miguel Brewery	446.9
Metro Pacific	83.0	Petron Corp.	164.1
Philex Mining	76.5	San Miguel PureFoods	133.3
PLDT Comm & Energy	85.3	San Miguel Properties	45.6
Metro Pacific Tollways	48.8	Ginebra San Miguel	9.2
Prime Media	0.9	Liberty Telecoms	6.6
TOTAL	1,046	CyberBay Corp.	6.3
		TOTAL	1,212

It is only now that RSA stocks have exceeded the 1 trillion peso mark. In fact, it was just in the last two months that his stocks soared to unprecedented heights. See *And the Winner is...* 3 January 2011 issue of the **PhilStar**. Prior to this, the market cap of MVP stocks' were way ahead.

But investors should be cautioned that most RSA stocks are not as liquid as MVP companies. In terms of liquidity, depth, trading volume, and free float, MVP companies are ahead. Examples of these are PLDT and MPI.

Nevertheless, San Miguel companies are aware of these concerns and will be addressing the said issues. They intend to expand their companies' respective public floats by conducting share offerings within the year. A wide public shareholder base is necessary for very large companies like San Miguel.

I Will Follow Him

Just like the song "I Will Follow Him" made popular by the movie Sister Act, RSA seems to have made the popular tune his theme song as he hounds MVP. The first stanza of the song aptly captures RSA's secret message to MVP.

*I will follow him
Follow him wherever he may go
And near him, I always will be
For nothing can keep me away
He is my destiny*

RSA is hounding MVP in all his endeavors after MVP held control of Meralco. Together with allies Winston Garcia and Bobby Ongpin, there were market talks that RSA bought substantial shares to thwart the takeover of MVP before finally selling at

P300. In Philex Mining, there were also speculation that RSA teamed up again with Winston Garcia and Bobby Ongpin to take control of the mining company before finally making a huge profit by selling out to MVP at P21. These twin moves made the takeover of Meralco and Philex more expensive for MVP.

Recently, everybody was expecting MVP to acquire the Tampakan project when RSA unexpectedly popped into the picture by snaring 10.1% of IndoPhil Resources (which owns 37.5% of Tampakan) with an option to buy 100% of the company. More recently, RSA's Petron partnered with the Romeros and was able to buy a 35% stake in Manila North Harbour Port. Recall that MVP's Metro Pacific Investments pulled out from the same company in June 2010 after it failed to get a controlling stake in the company.

Rivals in PPP

Expect their rivalry to continue as the government bids out prime infrastructure projects within the year. More popularly known as the Public-Private Partnership projects (or PPP), the government aims to tap the private sector in investing in infrastructure projects such as express tollways, railroads, and airports, and the privatization of the LRTs and MRTs.

PBA is now PVA

PBA is now euphemistically called PVA (or **P**angilinan **V**ersus **A**ng). The Philippine Basketball Association is now dominated by RSA with three teams and MVP who has two clubs. Talks are rife that MVP is set to acquire another team to "even the playing field". Air21 is closely linked to MVP while Red Bull is rumoured to be another target candidate of MVP. In the PBA Philippine Cup semi-final series, Team RSA has the upper hand. Team RSA outnumbered Team MVP 3 to 1. Indeed, their rivalry has gone from the corporate boardroom to the basketball arena.

PVA Teams: Pangilinan Versus Ang

Team MVP

Talk N' Text Tropang Texters
Meralco Bolts

Team RSA

San Miguel Beermen
Brgy Ginebra Kings
B-MEG Derby Ace Llamados

Hold and Conquer

Investing in MVP and RSA stocks, especially the large cap and well-established ones, is a must for institutional investors, mutual funds, and the like. Their size cannot be simply ignored. While they may be perceived as risky considering their aggressiveness, their long-term strategies are carefully analyzed and well-thought out. For RSA stocks, however, the vast acquisitions also mean absorbing a load of liabilities. Many are still wary that San Miguel may be biting more than it can chew. Nonetheless, over the long-term, MVP and RSA companies would reflect above-average earnings growth rates and their stocks should continue to outperform.

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