

Philequity Corner (May 9, 2011)
By Valentino Sy

Does Size Matter?

Yet again, Manny Pacquiao has proven that he is indeed the People's Champion. Just yesterday, he successfully defended his WBO Welterweight World title when he won convincingly via unanimous decision. What makes Pacquiao's achievements outstanding is the fact that he won his first title at the 112-pound arena. From there, he went on to defeat heftier and bigger opponents, in the process winning a record 8 world titles in different weight divisions.

Tale of the tape

While the statistics of Pacquiao and his opponent, Shane Mosley, are all over the internet, comparative statistics for companies in the Philippine index hardly ever make it to the top of Google search. For easy reference, we compiled such data below. We ranked listed companies by market capitalization (see Table 1), revenues (see Table 2) and profits (see Table 3). Market capitalization is based on the company's stock price as of May 6, 2011, while revenues and net income are taken from the latest reported figures for each company.

Table 1 – Top 30 Listed Philippine Companies Ranked by Market Capitalization

Ticker	Name	Market cap (PhP millions)
SMB	San Miguel Brewery	470,020
TEL	Philippine Long Distance Telephone Co	438,504
SM	SM Investments Corp	342,098
MER	Manila Electric Co	266,261
SMC	San Miguel Corp.	259,234
AP	Aboitiz Power Corp	215,239
ALI	Ayala Land Inc	210,718
AEV	Aboitiz Equity Ventures Inc	207,346
BPI	Bank of the Philippine Islands	206,269
AC	Ayala Corp	184,761
JGS	JG Summit Holdings Inc	174,008
PF	San Miguel Pure Foods	166,667
SMPH	SM Prime Holdings Inc	164,842
BDO	Banco de Oro Unibank Inc	147,972
MBT	Metropolitan Bank & Trust	142,413
EDC	Energy Development Corp	125,438
PCOR	Petron Corp.	124,689
DMC	DMCI Holdings Inc	118,435
AGI	Alliance Global Group Inc	116,049
GLO	Globe Telecom Inc	113,820
JFC	Jollibee Foods Corp	95,128
ICT	ICTSI	93,114
PX	Philex Mining Corp	88,945
URC	Universal Robina Corp	78,234
MPI	Metro Pacific Investments Corp	70,965
MEG	Megaworld Corp	54,096

RLC	Robinsons Land Corp	50,764
FGEN	First Gen Corp	48,287
CHIB	China Banking Corp	46,658
PNB	Philippine National Bank	40,662

Table 2 – Top 30 Listed Philippine Companies Ranked by Revenues

Ticker	Name	Sales (PhP millions)
SMC	San Miguel Corp.	246,109
MER	Manila Electric Co	245,461
PCOR	Petron Corp.	229,094
SM	SM Investments Corp	171,434
TEL	Philippine Long Distance Telephone Co	144,459
JGS	JG Summit Holdings Inc	118,969
AC	Ayala Corp	82,080
PF	San Miguel Pure Foods	79,270
AEV	Aboitiz Equity Ventures Inc	72,017
PAL	PAL Holdings Inc.	69,673
BDO	Banco de Oro Unibank Inc	67,771
SMB	San Miguel Brewery	67,575
GLO	Globe Telecom Inc	65,548
FPH	First Philippine Holdings Corp	61,508
MBT	Metropolitan Bank & Trust	60,384
URC	Universal Robina Corp	60,086
AP	Aboitiz Power Corp	59,551
BPI	Bank of the Philippine Islands	54,908
JFC	Jollibee Foods Corp	53,353
FGEN	First Gen Corp	50,920
DMC	DMCI Holdings Inc	43,484
AGI	Alliance Global Group Inc	36,883
ALI	Ayala Land Inc	35,408
ABS	ABS-CBN Corp	32,186
LPZ	Lopez Holdings Corp.	32,185
MPI	Metro Pacific Investments Corp	27,496
RCB	Rizal Commercial Banking	24,925
EDC	Energy Development Corp	24,902
SMPH	SM Prime Holdings Inc	24,394
ICT	ICTSI	22,703

Table 3 – Top 30 Listed Philippine Companies Ranked by Profits

Ticker	Name	Net income (PhP millions)
TEL	Philippine Long Distance Telephone Co	40,217
AP	Aboitiz Power Corp	25,041
FPH	First Philippine Holdings Corp	24,850
AEV	Aboitiz Equity Ventures Inc	21,865
SMC	San Miguel Corp.	20,091
SM	SM Investments Corp	19,049
JGS	JG Summit Holdings Inc	16,322
LPZ	Lopez Holdings Corp.	13,175

SMB	San Miguel Brewery	11,768
BPI	Bank of the Philippine Islands	11,312
AC	Ayala Corp	11,161
GLO	Globe Telecom Inc	9,745
MER	Manila Electric Co	9,685
BDO	Banco de Oro Unibank Inc	9,210
MBT	Metropolitan Bank & Trust	8,366
SMPH	SM Prime Holdings Inc	8,090
PCOR	Petron Corp.	7,894
DMC	DMCI Holdings Inc	7,867
URC	Universal Robina Corp	7,213
SECB	Security Bank Corp.	7,160
AGI	Alliance Global Group Inc	6,909
ALI	Ayala Land Inc	5,458
UBP	Union Bank of the Philippines	5,185
MEG	Megaworld Corp	5,026
CHIB	China Banking Corp	5,000
PX	Philex Mining Corp	4,754
RCB	Rizal Commercial Banking	4,248
ICT	ICTSI	4,233
EDC	Energy Development Corp	4,116
MWC	Manila Water Co Inc	3,979

The familiar names are the big names...

While the biggest company is not necessarily the most profitable, notice that out of 30 companies listed in the tables above, 21 of them appear in all 3 tables. Most, if not all of them, likewise appear in the news daily, such that even a non-investor would be familiar with them. A good number of them are also associated with the various families that control big chunks of our countries wealth and resources. Their ubiquity is thus a necessary consequence of their size.

... but small names can eventually become big

Very few companies get to start from the top in our stock market, and when that happens, it is usually because it had already grown as a private company prior to listing. Cliché as it is, great things always start from small beginnings. When JFC had its initial public offering in 1993, it listed with a market capitalization of only PhP 3.3 billion. Prior to that, it was engaged in what most thought to be a losing battle against the international brand that is McDonald's. It was almost like watching David fight Goliath. Eventually, this homegrown company, just like Pacquiao, was eventually able to overcome much bigger, foreign opponents. 18 years later, JFC is now one of the most recognized brands in this country with a market capitalization of PhP 95 billion, about 30 times larger than it was when it listed.

In the stock market, size DOES matter

While Pacquiao may have proven that size does not matter inside the ring by virtue of his unparalleled skill, it matters for a company listed in the exchange. Larger companies are more liquid and are therefore more attractive to buyers with large volumes, such as fund managers and institutional

investors. Foreign interest is likewise focused on these companies since foreign funds usually have a minimum market capitalization for their investments.

Looking out for “Pacquiao” companies

Size does not affect the fundamentals of the company. On the contrary, it is the other way around. A small company will eventually become large if it has great fundamentals, while a mismanaged large company will eventually shrink since its assets are not utilized properly. Investors can therefore look for companies that start unknown and small just like Pacquiao, but that will eventually become ten or twenty-baggers in the future by virtue of a robust business model. In the case of Pacquiao, he grew to become the international icon he is now because of his unmatched talents. The smaller Pacquiao has proven yet again that Filipino skill and speed trump heft and bulk. Congratulations, Manny Pacquiao! Manny! Manny! Manny!

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