

Philequity Corner (October 15, 2012)

By Valentino Sy

Yehey!

Yehey! Corporation, a digital marketing company, will be listed in the Philippine Stock Exchange by way of introduction on October 18, 2012. Yehey!'s shares were issued as a property dividend to shareholders of Vantage Equities, Inc.

What are dividends?

Dividends are payments that a company distributes to its shareholders. These can be in the form of cash, stock or property.

What are the types of dividends?

- 1) Cash dividends – Most investors are familiar with the concept of cash dividends where the company pays its shareholders cash from the earnings it has accumulated throughout the years. The amount is determined by the company's Board of Directors through its dividend policy.
- 2) Stock dividends – Other than cash, the firm can opt to pay its shareholders with additional shares of the company by giving out stock dividends. As a result, the company's share price will drop commensurately.
- 3) Property dividends – Finally, a property dividend is a form of payout where shareholders receive assets other than cash or the issuer's shares. Property dividends may be drawn from the company's inventory, land, or its shares in another company. In this case, Vantage Equities is issuing Yehey! shares it owns as a property dividend.

One reason for a company to give out property dividends is to divest a certain business that is not in line with its core operations. Another would be to give its investors the chance to gain from the growth prospects of the underlying property. A property dividend may also be declared in order to give a particular subsidiary a chance for it to realize its value outside of the parent company.

What is Listing By way of Introduction (LBI)?

When a company decides to "go public," it usually conducts an Initial Public Offering (IPO) where a company appoints an investment house to arrange the terms of the offering, such as the price at which to sell each share.

Alternatively, listing by way of introduction (LBI) is a way for a company to issue shares without undergoing the same process as an IPO. LBI is an accepted form of listing when the shares are "of such an amount and would be so widely held that their adequate marketability when listed can be assumed."

Hence, LBI can only be carried out in defined circumstances, one of which is when the company's shares are issued as property dividends by a listed company.

What are companies that listed by way of introduction?

- 1) Philex Petroleum Corp. (PXP) – In August 2011, Philex Mining (PX) distributed property dividends from its shareholdings in PXP. Specifically, shareholders of PX were entitled to receive 1 PXP share for every 8 PX shares. The property dividends represented 36% of PXP's outstanding capital. The remaining 64% ownership was retained by PX.
- 2) Rockwell Land Corp. (ROCK) – In May this year, Manila Electric Co (MER) distributed property dividends from its 51% stake in ROCK. Specifically, shareholders of MER were entitled to receive 2.818 ROCK shares for every 1 MER share. MER fully dispossessed ROCK because the latter was not in-line with the former's core business of power distribution.

Are there similar listings in the US?

In the US, a company that spins off one of its businesses issues shares of that particular division it wishes to divest. The spun-off business is then listed on the exchange. This undertaking is much like LBI via property dividends, although, a main difference is that US companies usually spin-off 100% of the business segment. Spin-offs benefit both the original and the new company such that the former is able to streamline its operations and the latter becomes more nimble.

What are examples of companies that were spun-off?

- 1) Kraft Foods Group (KRFT) – Just this month, Kraft Foods (old company) spun-off its North American grocery business, which became KRFT. The old company then changed its name to Mondelez International (MDLZ). The issuance gave shareholders 1 share of new Kraft for every 3 old Kraft shares. KRFT holds brands like Jell-O, Kool-Aid and Planters while MDLZ retained Cadbury, Oreos and Chips Ahoy.
- 2) Philip Morris International (PM) – In 2008, Altria Group Inc (MO) spun-off its international tobacco unit, Philip Morris International and retained Philip Morris USA. This separation allowed the international group to move more freely beyond the regulatory constraints in the US. Under the terms of the spin-off, shareholders received 1 PM share per MO share.

What does Yehey! do?

Established in 1998, Yehey! has evolved from its humble beginnings as a database search engine into one of the country's leading digital marketing agencies. Yehey! helps brands develop, engage and build profitable relationships with their customers by expanding their online marketing reach, whether through developing web-based games, websites, viral videos or marketing campaigns. Yehey! even engages its client's target audience and customers such that they too can help add value to the client's brand by writing product reviews, "sharing" the advertisement of the product, and by "liking" the Facebook page.

Why is there a shift from traditional to non-traditional advertising?

As of 2011, the country's online advertising industry is still quite small, with revenues of only PhP 100 million, representing a paltry 0.2% of total advertising expenditures. Thus, there is room for explosive growth as the shift from traditional advertising to digital advertising accelerates with the surge in

unlimited surfing plans for mobile networks and the proliferation of affordable smart phones. According to Internet World Statistics (IWS), in 2011 the Philippines ranked 7th amongst Asian countries in terms of number of internet users. Of our country's population of 104 million, more than 29 million people are internet users. Social Bakers, a social marketing company in the Philippines, notes that the country's 27.7 million Facebook users spend an average of 18.6 hours online per month.

Yehey! is confident that the online advertising industry will grow very quickly as companies realize the need to create an online presence for their brands. With elections coming up, Yehey! might even be able to capitalize on the need for refreshing and creative campaigns to win the hearts and minds of voters.

The Drive for Five is completed

We at Philequity would like to congratulate the Ateneo Blue Eagles for completing a historic 5-peat championship. We view this as a momentous feat for the team, considering the many line-up changes that the team had to endure through the years and the formidable challenges posed by the other UAAP teams. On that note, we would also like to commend the UST Growling Tigers for their strong showing this season and for putting up a good fight in the finals. Lastly, we would like to congratulate Mr. Manny Pangilinan and Coach Norman Black for their contributions to the Ateneo basketball program, which is already being emulated by other schools. Though they have both parted ways with the university, their efforts have given the Ateneo community much to cheer about for the past 5 years.

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