



Philequity Corner (October 1, 2018)
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Super Seven

Three weeks ago, the super consortium of seven conglomerates was granted Original Proponent Status (OPS) to rehabilitate Ninoy Aquino International Airport (NAIA). Beyond the profitability of the project, it is the consortium's patriotism that drove it to support the government. In a show of confidence and noble intentions to help the country progress, the Super Seven aims to transform NAIA into a world-class airport as it partners with Singapore's Changi Airport International.

Unprecedented union

In last week's article, we wrote that the market may have overlooked this positive local development amid the focus on high inflation, rising interest rates, trade wars and damage caused by Typhoon Ompong (*A dramatic turnaround*, September 24, 2018). We believe an event of this significance needs to be highlighted and appreciated. This marks a historic milestone as it is unprecedented that the country's biggest conglomerates are working together on such a large scale. It is rare to see these companies banding together as many of them are competitors.

Who is the "Super Consortium"?

The "Super Consortium" is backed by seven of the largest conglomerates, led by the most prominent tycoons in the country. All in all, the consortium's holding companies and listed subsidiaries have a combined market capitalization of P4.8 trillion which comprises 36% of the entire Philippine stock market. Two big conglomerates are not included in the consortium because of their competing bids. San Miguel Corp is bidding for the new Bulacan airport. SM/Belle Corp/Tieng's Solar Group has proposed to build the Sangleys airport. Below we provide key details and financial highlights for each member of the Super Seven Consortium.

- 1. Aboitiz Equity Ventures, Inc (AEV).** Distinguished as one of the best-managed companies in the country and region, backed by the hard work of five generations of the Aboitiz Group. Its subsidiaries include Aboitiz Power Corp, Unionbank of the Phils, Pilmico Foods Corp, Aboitiz InfraCapital, Inc and AboitizLand, Inc.
- 2. Ayala Corp (AC).** Founded in 1834 by the Ayala family, it is the oldest conglomerate in the Philippines. Its subsidiaries are Ayala Land, Inc, Bank of the Philippine Islands, Globe Telecom, Inc, Manila Water Company, Inc and AC Infrastructure Holdings Corp.
- 3. Alliance Global Group, Inc (AGI).** AGI has fast grown into one of the biggest conglomerates since it was established in 1993 by Andrew Tan. AGI controls Megaworld Corp, Emperador, Inc, Travellers International Hotel Group, Inc and Golden Arches Development, Inc.
- 4. LT Group, Inc (LTG).** Named after tycoon Lucio Tan, it holds diversified business interests with a focus on consumers. Lucio Tan is a controlling shareholder of Philippine National Bank, Fortune Tobacco Corp, Tanduay Distillers, Inc, Asia Brewery, Inc, Eton Properties Phils Inc, Asia's Emerging Dragon Corp, Macroasia Corp and Philippine Airlines, Inc.

5. **Filinvest Development Corp (FDC).** The Gotianuns are at the helm of FDC which is into property development (Filinvest Land), banking (East West Banking Corp) and power generation (FDC Utilities, Inc).
6. **JG Summit Holdings, Inc (JGS).** One of the most diversified conglomerates with an international presence in the ASEAN region and Australasia owned by the Gokongwei family. It controls Universal Robina Corp, Robinsons Land Corp, Cebu Air, Inc and Robinsons Retail Holdings, Inc.
7. **Metro Pacific Investments Corp (MPI).** Leading infrastructure company run by the Manuel V. Pangilinan (MVP) Group with investments in water utilities, toll roads, and electricity distribution. Its subsidiaries/affiliates include Maynilad Water Services, Inc, Metro Pacific Tollways Corp, Manila Electric Co, Metro Pacific Holdings, Inc., Metro Pacific Light Rail Corp and PLDT, Inc.

Financial Highlights of Super Consortium Members (in PHP millions)

| Conglomerates | Consolidated revenue for 2017 | Consolidated net income for 2017 | Market Capitalization* as of 28 Sep 2018 |
|--------------------------------|--------------------------------------|---|---|
| Aboitiz Equity Ventures, Inc | 150,422 | 29,279 | 603,750 |
| Ayala Corp | 266,786 | 49,867 | 1,921,455 |
| Alliance Global Group, Inc | 141,622 | 21,827 | 462,326 |
| LT Group, Inc | 63,780 | 14,581 | 216,396 |
| Filinvest Development Corp | 67,590 | 10,273 | 124,607 |
| JG Summit Holdings, Inc | 273,445 | 39,519 | 962,973 |
| Metro Pacific Investments Corp | 62,512 | 19,027 | 532,903 |

*Market capitalization of holding companies and listed subsidiaries

Source: *Wealth Securities Research*

World's best airport to help redesign NAIA

To transform NAIA into a world-class airport, the NAIA Consortium has partnered with Singapore's Changi Airport International to help redesign NAIA. For those who have visited Changi Airport, one can only marvel at its state-of-the-art design and functionality. Ranked as the World's Best Airport for six consecutive years by Skytrax, Changi Airport International has the track record to lend the necessary technical expertise towards developing NAIA into a top international gateway.

Mission: from worst to best

The rehabilitation project for NAIA led by the Super Seven is set to bolster economic growth. The modernization of the country's main international gateway will boost our tourism industry as well as enable more efficient flow of goods and services to support overall GDP growth. In line with the government's ambitious P8 trillion Build, Build, Build infrastructure development program, investments in key infrastructure are laying the groundwork for the country's future growth. Given the combined size and resources of the NAIA Consortium as well as the technical expertise from Changi Airport International, there is a solid plan in place to modernize NAIA. Armed with their collective financial might, wisdom and foresight, the Super Seven's mission is to turn NAIA from 'worst' to 'most improved' to 'best.'

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email ask@philequity.net.