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# PHILEQUITY CORNER

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## When rivals unite

Ramon S. Ang (RSA) and Manuel V. Pangilinan (MVP) were fierce rivals in basketball and business. Thus, many were pleasantly surprised when the two frenemies banded together to lead the Gilas team that won gold in the Asian games last year. RSA and MVP extended their collaboration to their tollway businesses that are set to merge into a tollway giant. Moreover, it was recently announced that RSA and MVP would partner with Aboitiz Power (AP) to build an integrated natural gas facility worth \$3.3b.

## Unity powers Gilas gold

The MVP-RSA alliance formally started when MVP asked RSA to join the board of Metro Pacific Investments Corp (MPI). However, it appears that their collaboration flourished behind-the-scenes when they started working together in the lead-up to the Asian games. Both MVP and RSA are avid patrons of Philippine basketball. They are known to spend billions on their respective basketball teams and Gilas. Both of them are competitive, intelligent, and charismatic billionaire industrialists who have a grudging but mutual admiration for each other. Both titans of business love their country and are extremely nationalistic, and this is what binds them together. What is most admirable is how they have put their differences aside to unify and achieve a common goal for the benefit of the country.

When former Gilas coach Chot Reyes resigned after the FIBA tournament, many wondered what would happen to Gilas. The program was saved when RSA came in. This resulted in the entry of Tim Cone (winningest coach in the Philippines), Alfrancis Chua (team manager of San Miguel group in the PBA), and Junemar Fajardo (multiple-time PBA MVP) to lead the Gilas roster. Though short in preparation time, Gilas was able to topple powerhouses such as Iran, China, and Jordan to win the gold medal at the Asian games. This brought widespread jubilation to the Philippines, a basketball-loving country.

## Merger to give rise to tollway giant

Aside from basketball, the cooperation between MVP and RSA has extended to the tollway business. MPI and San Miguel Corp (SMC) are in the middle of merger talks that would result in a tollway giant. MPI and SMC are undergoing a comprehensive valuation of their assets that would form the basis for the merger. The union between the two tollway operators would give rise to a "significant company" that could list in the stock exchange. MVP said, "We might be rivals in the business space, but if we decide to set aside differences and work together in the business space, I think the benefits will be significant for our people."

## From basketball to tollways to LNG

The cooperation between RSA and MVP which started in basketball and tollways has now resulted in a collaboration for a \$3.3b integrated gas facility in Batangas. The latest partnership between RSA and MVP also involves the Aboitizes. Meralco and AP will buy into 67% of SMC's 1,278MW Ilijan gas plant and the 1,320MW Excellent gas-fired project which is expected to be completed by end of the year. The trio will acquire almost 100% of Linseed Field Power Corp's regasification terminal which will receive, store, and process fuel for the two plants. Meralco will have a 40.2% attributable stake in the project, followed by SMC with 33% and AP with 26.8%. The Gokongweis and Tys are also involved as JG Summit Holdings (JGS) has a 29.6% stake in Meralco while GT Capital Holdings (GTCAP) has a 17.1% stake in MPI.

## Benefits of the integrated gas facility

By coming together, the parties will share the burden of financing the investments and therefore make it feasible for them to pursue an enterprise of this magnitude. The project could reduce the country's dependence on coal by ensuring a more stable supply of natural gas to run the country's gas-fired plants which account for about 16.6% of the country's baseload capacity. It could also provide a boost to the ESG scores of the companies involved and make them more attractive to foreign investors.

## Landmark deal; pathbreaking venture

RSA said that their most recent partnership is a landmark deal that would "secure our country's energy needs while transitioning towards cleaner power sources." MVP called the acquisition a "pathbreaking venture." MVP further said that "apart from transforming the energy landscape of the Philippines, this symbolizes a milestone alliance among major players in the energy industry towards a more sustainable future." AP Chairman Sabin Aboitiz remarked that "this effort will not only meet the country's energy requirements but also support its environmental objectives by significantly lowering emissions."

## The power of unity

RSA and MVP were fierce rivals in basketball and business. Recently, however, they have found areas of cooperation that would allow them to realize increased scale and synergies. For example, their collaboration in Gilas resulted in a stronger lineup of coaches and players that won gold in the Asian games. Their prospective tollway merger would give rise to a bigger and more comprehensive tollway company that could eventually list in the stock exchange. Lastly, their new partnership with AP for the integrated gas facility could augment the country's power supply needs. These highlight the power of unity and cooperation in achieving outcomes that would not have been possible if they remained as competitors. We laud RSA and MVP together with the Aboitizes for putting their personal and professional differences aside in order to do something special for the country.