

Aboitiz sets expansion plans

Company to invest P170 billion in next three to five years for their power generation business

AMID economic challenges in the international and domestic fronts that caused a decline in revenues in 2011, Aboitiz Equity Ventures (AEV) will embark on various expansion programs to facilitate growth in all of its businesses this year.

During the stockholders' meeting yesterday at the Radisson Blu Hotel Cebu, AEV president and chief executive officer Erramon Aboitiz said growth of the company will come from new greenfield and brownfield projects of its core business, Aboitiz Power (AP), as well as strong expansion from its banking business. Greenfield projects involve building new facilities while brownfield projects are those that need rehabilitation of existing facilities.

Aboitiz said the company will pour in P170 billion in investments in the next three to five years for their power generation business. Some P35 billion worth of projects are set aside for Mindanao.

Power capacity

According to Aboitiz, the company is looking at putting up 354 megawatts (MW) in new power capacity by 2015 to help address the critical power shortage in the region. The new capacity will come from a 300 MW clean coal facility of Therma South and 54 MW from run-of-river hydro plants of Hedcor.

AP will also add 1,000 MW of capacity to the Luzon grid with the company's partnership with the Meralco group, Taiwan Cogeneration Corp. and Team Energy Philippines Corp.

The company has yet to disclose additional capacity in the Visayas grid, saying the region has a fair amount of capacity for the next four to five years.

Aboitiz added AEV will continue to participate in the bidding for the remain-



ERRAMON ABOITIZ (3rd from left) talks to reporters shortly after reporting on the performance of Aboitiz Equity Ventures during the annual stockholders' meeting. With him are (from left) power distribution group EVP and COO Jaime Jose Aboitiz, SVP and chief information officer Steve Paradies and first vice president and CFO Iker Aboitiz.

(SUN. STAR FOTO/ALEX BADAYOS)

ing assets of the National Power Corp. when that resumes this year.

"We are interested in bidding for hydro assets," Aboitiz said during the press conference. "We will also keep a watchful eye for acquisition opportunities in both the generation and distribution sectors," he said.

AEV's consolidated revenue was close to P72 billion last year, a slight decline from 2010's P75 billion in revenues.

AEV is the publicly-listed holding company of the Aboitiz Group. Its consolidated net income in 2011 was at P21.2 billion compared to P21.9 billion in 2010.

AboitizPower's net income stood at

P16.5 billion, while Union Bank of the Philippines (UnionBank) and City Savings Bank (CitySavings) posted P3.4 billion and Pilmico Foods Corp. at P1.2 billion.

According to the company, lower net generation, soft spot market prices and increased coal costs brought on lower margins of their power generation business. Its food business was likewise affected by the increased input costs last year.

However, Aboitiz said, the slight decline was offset by the strong growth of its banking business. Aboitiz said UnionBank will continue to strengthen its customer franchise through enhanced retail focus and stronger

sales management approach. The bank will also pursue investments in technology and rationalize branch network expansion in strategic areas to maximize growth channels for deposits and loan accounts. UnionBank currently has 190 branches.

Meanwhile, CitySavings will expand this year as it intends to become the preferred lending institution of the public school teachers across the country. According to Aboitiz, CitySavings will open six more branches in Luzon this year, in addition to its existing 34 branches.

Investments

"We are looking at P10 million to P15 million investments per branch," Aboitiz said, adding that they will open five to six branches every year.

For its food business, Aboitiz said Pilmico is already planning for a third feedmill in support of the growth of the feeds business. The company will also increase the percentage of owned farms to grow the sow and swine inventory.

"We are looking at an investment of P4 billion to P5 billion in the next few years to grow the food business unit of the company," he said.

AEV reported a net income of P5.9 billion in the first quarter this year, 27 percent higher over the same period last year. The power business contributed P4.3 billion, the banking group at P1.3 billion while the food group contributed P219 million.

The company meanwhile expressed interest to participate in the government's public-private partnership (PPP) programs. "We haven't made a decision yet but we will look into it. We are interested in infrastructure projects such as airport and water-projects," Aboitiz said. **KOC**