Philcomsat Holdings' future

MARKET RIDER

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THE CHANGE IN THE CURRENT name of Philcomsat Holdings Corp. (PHC) will incidentally be on its 13th year by July of this year, a number considered lucky or unlucky depending on the social culture one believes in. It's also about the length of time the more than 2,500 minority stockholders of PHC—like me—have been given the "lucky or unlucky" chance to learn firsthand what I studied in graduate school that management is an essential aspect to consider in investments.

PHC's tale

PHC is the former Liberty Mines Inc. where I acted as finder in transforming it into a listed communications holding company for Philippine Communications Satellite Corp. or Philcomsat some 13 months before July 23, 1997. At that time, I was part of a team that just winded up a 14-month telephony investment deal.

Back then, the business of a company was what I thought only mattered when making investment choices; a solid business idea behind a company was more than enough ingredient for success.

Deeply rooted in my consciousness, too, was the belief that telecommunications was—and is up to now—one solid business proposition that is difficult to go wrong, no matter what. It falls under "the category of business that require simple management skills that even a moron can handle successfully when charged to run it," following one of the stock-picking pieces of advice of the legendary Wall Street trader and investor Peter Lynch.

But I was wrong. A solid business idea is not enough. It can be driven down by bad management. PHC proved to be both a classically tragic and absurdly comical case study on bad management for practicing investors and business graduate students.

For instance, PHC was once headed by one who styled himself fit to be chair and president but was ridiculously "clueless" about PHC's business. This was revealed during the public hearing called by the Senate that investigated complaints about the systematic plunder and ruin of PHC, among other things.

As if that was not enough, PHC also had a CFO and treasurer who professed absolute ignorance about any of the large outflow of money and almost absence of revenue. But he was all too diligent in collecting reimbursements from PHC out of his title like, for example, the 10 restaurant receipts he spent in one day and the five receipts from five different gas stations he accumulated in just one afternoon, which the Senate was shown as proof that he had collected outrageous reimbursements.

Before the above hilarious episodes happened, PHC also had an earlier chair whose first act and only accomplishment seemed to be to grant a loan, without going through the regular process of board approval, favoring a relative even if PHC's primary business was definitely not financing. This act may cause the present PHC to slash or reserve for write off some P272 million in its balance sheet to be considered in a clean slate.

With the help of lower ranking underlings in the organization who were just as willing to treat PHC as their own piggy bank, too, they forced PHC as well to go into housing and car loan business precisely for no other enterprising reason but their own. Along with the other spurious acts committed by these management teams, the present PHC may be forced to write off another P139.4 million, again to be in clean slate.

Like the blind leading the blind, PHC was also made to venture into the call center business before it was organizationally prepared. It was an investment venture that already failed before it begun. Aside from patent signs of overspending in organizational and material costs, the adopted business model was basically flawed. Sadly, too, this was compounded by the fact that the only preponderant evidence of serious and direct involvement of the management team in the business was on the record of honoraria or allowances that they regularly collected. For this, the current PHC may have to write off another P97.6 million.

Due to the reluctance of some banks to still submit a complete record of checks issued by previous management that issued "pay-to-cash" checks amounting to millions, PHC may have to bite another P211.1 million in write offs. To beg the question further, the check payments run contrary to normal practice. That alone should serve as a warning sign for the banks to already help preserve and protect the financial resources of a company embroiled in an internal conflict that would potentially imperil the interests of investors.

All in all, the present PHC is at the threshold of absorbing some P720.1 million in write offs.

With that staggering amount of ridiculous waste and loss of financial resources, I don't blame why the chair and treasurer of the present PHC are hell bent in making the president of a universal bank become their adverse witness, for why should this universal bank escape responsibility to answer for some of PHC's loses.

Bottom line spin

On a transactional basis, it may be my "investor's luck" that PHC's remaining woes will soon go away. But will it be, for this brings me to the more important question of whether PHC's present management will be able to fulfill its fundamental role to provide growth and value that will enhance stockholders' value?

I was troubled when plans to stir PHC out of the telecommunications business were suggested. But in the last board meeting I was relieved to learn that this will not be pursued.

PHC has resources that can enable it to pursue any major business interests it can indulge in. But I believe in the foresight of its original founders. Telecommunications hold a lot of possibilities as a primary business before as they are now—and in the far future.

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