

Republicans, President savoring victory upon approval of American Health Care Act

# FINANCE

## WINNERS FOR THE WEEK ▲

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 4/28	PRICE 5/5	CHANGE
Evertec Inc.	EVTC	13.11	18.60	15.85	16.50	0.65
First BanCorp	FBP	3.55	7.05	5.88	5.98	0.10

## LOSERS FOR THE WEEK ▼

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 4/28	PRICE 5/5	CHANGE
Popular Inc.	BPOP	26.72	45.96	41.91	41.01	-0.90
OFG Bancorp	OFG	7.60	14.48	11.70	11.50	-0.20
Triple-S Management Corp.	GTS	16.49	26.86	18.10	18.08	-0.02

## U.S. STOCKS

	Mon	Tues	Wed	Thurs	Fri
Dow	-0.13%	0.17%	0.04%	-0.03%	0.26%
S&P	0.17%	0.12%	-0.13%	0.06%	0.41%
Nasdaq	0.83%	0.26%	-0.34%	0.02%	0.35%

## U.S. FUELS AVERAGE PRICE - MAY 5

Regular Gasoline	\$2.361
Premium Gasoline	\$2.887
Diesel	\$2.520

## EUR/USD

	Mon	Tues	Wed	Thurs	Fri
Open	1.0905	1.0898	1.0927	1.0884	1.0981
Close	1.0899	1.0930	1.0885	1.0984	1.0997

## USD/JPY

	Mon	Tues	Wed	Thurs	Fri
Open	111.29	111.83	111.98	112.73	112.55
Close	111.84	111.98	112.75	112.46	112.54

# Think Strategically: The Serial Monopolist & Title III Become Reality

BY FRANCISCO RODRÍGUEZ-CASTRO  
frc@birlingcapital.com

## THE SERIAL MONOPOLIST

A serial monopolist is defined as an individual who continually seeks to own large portions of, or nearly all, markets in which one is involved. The phrase is used to highlight the victory that both the U.S. Republican House and President Trump are savoring upon approving the American Health Care Act. However, the celebratory victory lap may prove short lived as the Senate has pointed out it may start the bill from scratch.

Another issue, approval of the Final Spending Bill, prevented a

government shutdown. Republicans did not have all the votes, and this provided Democrats leverage to eliminate some Republican funding priorities. In this fight, Puerto Rico benefited by being able to receive an additional \$296 million in Medicaid funds, which Trump signed into law May 5.

## U.S. JOBS REPORT

Last Friday, the Bureau of Labor Statistics published the Jobs Report, which shows an increase in Total Nonfarm payroll employment of 211,000 and unemployment changed little, remaining at 4.4% in April, which compares

favorably with the 98,000 jobs created during March. The first four months of the year, a total of 744,000 new jobs were created. If the economy can maintain this pace of job growth, it may expand by up to two million new jobs. The job gains occurred in leisure and hospitality, healthcare, social assistance, financial activities and mining.

## P.R. UPDATE: TITLE III BECOMES REALITY

Since Promesa's initial stay expired without any consensual agreement between bondholders and a flurry of new lawsuits, the government of Puerto Rico requested the Financial Oversight & Management Board (FOMB) to pursue a Title III proceeding for the central government. The FOMB approved and filed the petition May 3 in the U.S. District Court for Puerto Rico. Subsequently, Judge Laura Taylor Swain of the U.S. District Court for the Southern District of N.Y. was appointed. Judge Taylor, who previously served as a judge in the Bankruptcy Court in New York,

has extensive private-sector experience with Erisa, employee benefits and compensation. In the District Court, she presided over cases such as the SAC Capital's Steve Cohen and the Bernard Madoff case.

The initial filing included the P.R. central government with \$18 billion in claims, and on May 4, the FOMB filed a Title III proceeding for Cofina, with another \$17 billion in bond claims. With these two filings, the total debt included in Title III is \$35 billion—nearly 50% of Puerto Rico's \$70 billion total debt. We may see the FOMB filing additional Title III proceedings for other public corporations. Title III is a particular form of bankruptcy, and some issues may inevitably arise during these proceedings. The nature of Title III and the differences that Promesa has from the structure of a Chapter 9 proceeding under the Bankruptcy Code, added to the already complex, variety of issuers and overall legal framework of Puerto Rico's debt obligations, makes this a very complex process.

Although some compare Detroit with Puerto Rico, we should note that Detroit is a city with limited resources and assets and a limited array of issuers, while Puerto Rico is much larger, more like a country with a large asset base, extensive resources, ample taxing power and more sophisticated variety of issuers.

## Final word: What to expect during Title III?

- There are no sacred cows in bankruptcy.
- The creation of new standards for government operations.
- Bondholders, workers and retirees will share the pain.
- The validity and priority of debt will be contested—Constitutional vs. Revenues.
- If revenues are not sufficient, claims and expenses may be further reduced and additional taxes imposed. The Title III plan must be consistent with the approved fiscal plan.
- The need for public services will be reviewed, changed and technologically enhanced.
- Reduction and elimination of unnecessary operations, transactions with assets and land to generate additional revenues.
- Expansive use of public-private partnerships.
- Streamlining of government size and focus.
- Municipality size & operations may change. Municipalities are not subject to Promesa, but the elimination of the GDB and limited access to capital will surely impact towns.

We should prepare for dramatic changes. ■

*Francisco Rodríguez-Castro, president & CEO of Birling Capital, has over 25 years of experience working with government, multinational and public companies.*

## IPO CALENDAR-WEEK OF MAY 8, 2017

Company	Ticker	Trade Date Estimate	Deal Size
Gardner Denver Holdings	GDI	5/8/17	\$1.012 billion
Five Point Holdings	FPH	5/8/17	\$399 M
Solaris Oilfield Infrastructure	SOI	5/8/17	\$175 M
Guaranty Bancshares	GNTY	5/8/17	\$54 M
ASV Holdings	ASV	5/8/17	\$34 M
Veritone	VERI	5/8/17	\$19 M