PHILIPPINE COMPETITION COMMISSION
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25/F Vertis North Corporate Center 1, North Avenue, Quezon City 1105
www.phcc.gov.ph
queries@phcc.gov.ph
(+632) 8771 9722

IN THE MATTER OF THE PROPOSED ACQUISITION BY METRO PACIFIC TOLLWAYS CORPORATION OF 55.42% OF EGIS INVESTMENT PARTNERS PHILIPPINES, INC.
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MAO Case No. M-2025-001

COMMISSION DECISION NO. 05-M-2025

This refers to the proposed acquisition by Metro Pacific Tollways Corporation (MP Tollways) of 55.42% of Egis Investment Partners Philippines, Inc. (Egis Investment) (hereinafter shall be collectively referred to as Parties). The Parties submit this acquisition (the Transaction) to the Philippine Competition Commission (the Commission) for review.[1]

Upon careful review of the existing market conditions, various submissions and representations of the Parties to the Commission, the application of the Philippine Competition Act (PCA), its Implementing Rules and Regulations, related issuances and regulatory frameworks, and based on the findings and recommendation of the Mergers and Acquisitions Office (MAO), the Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition for the reasons discussed below.

The Parties

MP Tollways is a domestic holding company wholly owned by Metro Pacific Investments Corporation (MPIC).[2] Its subsidiary, NLEX Corporation, is the concessionaire and operator[3] of the North Luzon Expressway (NLEX).

The Ultimate Parent Entity (UPE) of MP Tollways and MPIC is Pilipinas Enterprise Management Holdings, Inc. (PEMHI). PEMHI is a domestic holding company with investments in water, toll roads, rail, logistics, real estate, agriculture, and energy.

1 The Philippine Competition Commission reviews mergers and acquisitions, including joint ventures, pursuant to Sections 16 and 17 of Republic Act No. 10667, otherwise known as the Philippine Competition Act (PCA), and Rule 4 of the Implementing Rules and Regulations of the PCA.

2 MPIC is a domestic company with investments in real estate, infrastructure projects, water, toll roads, power, health, logistics and storage, rail, and other industries.

3 MP Tollways is also the concessionaire and operator for NLEX-South Luzon Expressway Connector Road, Subic-Clark-Tarlac Expressway, Cebu-Cordova Link Expressway, Cavite-Laguna Expressway, and other tollway concessions in Indonesia and Vietnam.

Egis Investment is a domestic holding company owning 10.49% of the outstanding capital stock of NLEX Corporation, [redacted].[4] MPIC currently owns 44.58% of the outstanding capital stock of Egis Investment, with the remaining 55.42% held by Egis Projects SAS (Egis Projects). Egis Projects is a French-registered company engaged in the business of developing transport infrastructure by offering design, engineering, finance, operations, and maintenance services.[5]

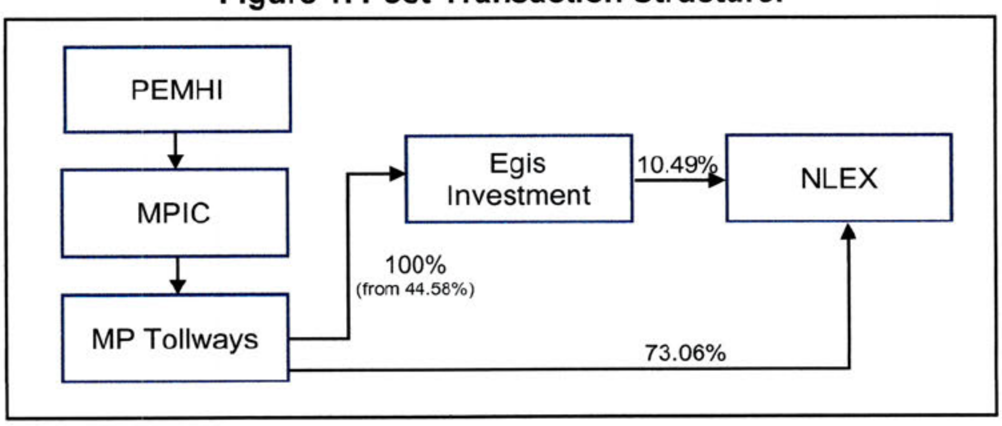
The UPE of Egis Investment and Egis Projects is Tikehau Capital Advisors SAS,[6] a company whose main activities are acquisition, holding, and management of any type of equity interests and securities.

The Transaction

Pursuant to the Share Purchase Agreement (SPA) executed by Egis Projects, MP Tollways, and Egis Investment on 4 October 2024, MP Tollways will acquire the shares of Egis Projects in Egis Investment. As a result, MP Tollways shall own 100% of the outstanding capital of Egis Investment.[7]

Through this Transaction, MP Tollways will increase its direct and indirect ownership interest in NLEX Corporation through Egis Investment from 77.74% to 83.55%.[8]

Figure 1. Post-Transaction Structure.



[4] Egis Investment is a pure investment company. It is a [redacted] of housing investments in NLEX Corporation.

[5] Tikehau Capital Advisors SAS Notification Form.

[6] Tikehau Capital Advisors SAS has 100% indirect control over Egis Investment through its subsidiary Egis SA (Egis). Egis is a French limited liability company engaged in the business of architecture, consulting, construction engineering and operation. Egis wholly owns Egis Projects, who in turn owns 55.42% of the outstanding capital stock of Egis Investment.

[7] Pre-Transaction, the shares of Egis Project and MP Tollways in Egis Investment consists of 55.42% and 44.58% of the outstanding capital, respectively.

[8] Pre-Transaction, Egis Projects and MP Tollways each own indirect shares in NLEX Corporation through Egis Investment at 5.81% and 4.68%, respectively. Post-Transaction, MP Tollways indirect interest in NLEX Corporation shall increase by 5.81%.

Discussion

After a careful assessment, the Commission finds that the Transaction will not likely result in substantial prevention, restriction, or lessening of competition, as there are no horizontal, vertical, or complementary relationships between MP Tollways, including its Notifying Group,[9] and Egis Investment and the entities it controls.

No Horizontal Overlaps

Egis Investment is purely an investment holding company whose sole investment lies in NLEX Corporation. As for MP Tollways and the PEMHI Group, none of their purely investment holding companies keep investments in Egis Investment.

Broadly speaking, holding companies are categorized into: (a) investment holding companies, (ii) managerial holding companies, and (iii) operating holding companies.[10] Investment holding companies derive profits solely from investments in the securities of their subsidiaries.[11] On the other hand, managerial holding companies, in addition to deriving profits from investments, intervene in their subsidiaries' transactions.[12] Lastly, operating holding companies, on top of their investments in subsidiary firms, are also engaged in the business of selling products or providing services to its customers.[13]

Egis Investment operates solely as an investment holding vehicle without active managerial control or business operations, differing from the PEMHI Notifying Group's targets.[14] Furthermore, none of the purely investment holding companies within the PEMHI Notifying Group are involved in the purchase, acquisition, or investment in the shares of stock of, or partnership interest and participation in, NLEX Corporation. Their target sectors or entities are different from those of Egis Investment, hence, no horizontal overlaps between the Parties exist.[15]

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9 Under Section 1.4(f) of the PCC Rules on Merger Procedure, Notifying Group refers to all entities directly or indirectly controlled by the UPE filing the proposed merger to the PCC for its review.

10 Erlinda Echanis, *Holding Companies: A Structure for Managing Diversification*, Philippine Management Review 1-12, (Vol. 16, 2009), *available at:* https://pmr.upd.edu.ph/index.php/pmr/article/view/164/163, (last accessed 24 January 2025).

11 *Id.*

12 *Id.*

13 *Id.*

14 PEMHI Notification Form.

15 A holding company, regardless if established purely for investment or is involved in the operations or management of a subsidiary, can be considered an entity that may be considered as a UPE, "so long as it is engaged in an economic activity, regardless of its legal status and the way in which it is financed"; *See* Richard Whish and David Bailey, *Competition Law,* 83-84, (9th ed., 2018).

No Vertical Relationships

Egis Investment only holds shares and dividends generated by NLEX Corporation, which does not constitute a customer-supplier relationship between them. Thus, there is no vertical relationship between Egis Investment and the PEMHI Notifying Group, as they are neither customers nor suppliers of each other in any market.

Even considering the vertical relationship between MP Tollways and Egis Projects Philippines, Inc.[16] for the electronic toll collection platform for the various tollways operated by MP Tollways,[17] there appears no likelihood of input foreclosure since there can only be a single electronic toll collection (ETC)[18] platform provider for each toll road. Further, no risk of customer foreclosure will also arise since the Toll Regulatory Board (TRB) aims to fully implement interoperability[19] among toll road systems. With such interoperability, customers could multi-home (i.e., use one account for toll roads) between ETC platforms.

The operations of toll operators, such as NLEX Corporation, are considered businesses affected with public interest.[20] They operate under strict regulatory oversight[21] to ensure that they do not exploit their market dominance to the harm of

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[16] Egis Projects Philippines, Inc. is a subsidiary of Egis Projects focused on the development and implementation of Egis Projects in the Philippines; *See SEC Form 17-C of NLEX Corporation, accessible at:* chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://nlex.com.ph/wp-content/uploads/2023/07/ NLEX-Corporation-SEC-17-C-Resignation-and-Election-of-NLEX-Director.pdf (last accessed on 3 February 2025).

[17] Camus, M., *MPTC to use Egis toll collection system*, Inquirer.net, 1 September 2018, *available at:* https://business.inquirer.net/256460/mptc-use-egis-toll-collection-system (last accessed 3 February 2025); MPIC SEC Form 17-C, *available at:* chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.mpic.com.ph/wp-content/uploads/2024/10/MPIC-17C-MPTC-Transactions-with-Egis-8-October-2024.pdf (last accessed 3 February 2025).

[18] An electronic toll collection (ETC) is a wireless system to automatically collect the usage fee or toll charged to vehicles using toll roads; Toll Regulatory Board, Electronic Toll Collection System, *available at:* https://trb.gov.ph/index.php/faqs/how-to-enroll-your-autosweep-rfid-to-easytrip-nlex-sctexcavitex#:~:text=Electronic%20toll%20collection%20%28ETC%29%20is%20a%20wireless%20system,the%20driver%20manually%20pays%20the%20toll%20with%20cash (last accessed on 3 February 2025).

[19] ABS-CBN News, *One RFID to rule all tollways, elimination of cash lanes eyed this year*, 9 January 2024, *available at:* https://www.abs-cbn.com/business/01/09/24/one-rfid-to-rule-all-tollways-full-cashless-payments-eyed (last accessed on 3 February 2025).

[20] Toll operations in the Philippines are also considered a legal monopoly. A legal monopoly is a market structure where a company is granted the exclusive right by the government to supply or control a particular good or service. This type of market structure typically arises due to the critical nature of such goods or services to public interest, especially when it involves significant infrastructure or capital investment. In effect, the monopoly is artificial, in that this structure is rationalized by a legal or administrative franchise granted by the government, including a public-private partnership (PPP) infrastructure contract; *See* Fabella, Raul, et al. *Competition Policy and Inclusion in the Philippines*. University of the Philippines Center for Integrative and Development Studies – Public Policy Monograph Series 2020-05, 2020.

[21] Tollway operations are overseen primarily by the Toll Regulatory Board (TRB), which was established under Presidential Decree (PD) No. 1112, otherwise known as the Toll Operation

the consumers.[22] From the foregoing, no competition concern is seen to arise from the *Transaction due to the prevailing regulatory framework over toll operators.*

ACCORDINGLY, the Commission resolves to **CLEAR** the proposed acquisition by Metro Pacific Tollways Corporation of 55.42% of Egis Investment Partners Philippines, Inc.

This Decision is rendered solely based on the facts disclosed, circumstances of the Transaction known to the Commission during the review period, and documents submitted by MP Tollways and Egis Investment.

SO ORDERED.

3 February 2025.

[redacted]

MICHAEL G. AGUINALDO
Chairperson

[redacted]

MARAH VICTORIA S. QUEROL
Commissioner

[redacted]

MICHAEL B. PELOTON
Commissioner

[redacted]

LOLIBETH RAMIT-MEDRANO
Commissioner

[redacted]

FERDINAND M. NEGRE
Commissioner

Decree. PD No. 1112 authorizes the collection of toll fees for the use of certain public improvements by the private sector, provided that such collection of toll fees and the operation of toll facilities by the private sector must be closely supervised and regulated for the public interest.

22 Fabella, et al., *Supra* note 20.

Copies Furnished:

Mergers and Acquisitions Office
25/F, Vertis North Corporate Center 1
North Ave, Quezon City
mergers@phcc.gov.ph

Metro Pacific Tollways Corporation
5th Floor, Rockwell Business Center Tower 1, Ortigas Avenue, Pasig City
[redacted]

Picazo Buyco Tan Fider & Santos Law Offices
Counsel for MP Tollways
Penthouse, Liberty Center – Picazo Law
104 H.V. Dela Costa Street, Salcedo Village, Makati City 1227
Metro Manila
[redacted]

Egis Investment Partners Philippines Inc.
Unit 701, Citystate Centre, 709 Shaw Blvd., Brgy. Oranbo, Pasig City
[redacted]

InsightsLaw & Company
Counsel for Egis Investment
Unit 15 B, ACT Tower, 135 H.V, dela Costa St., Salcedo Village, Makati City
[redacted]