Sinophil Corporation (SINO):
Reduction in par value no effect on share price

What did SINO do?
SINO reduced the par value of the corporation’s common and preferred shares from the present One Peso (P1.00) per share to Twenty-Five Centavos (P0.25) per share. However, unlike in stock splits, the number of shares outstanding does not change.

What does the change in par value mean?
The par value of a share refers to the minimum amount a company may issue its shares. The change in par value merely shifts amounts from one equity account to another (from capital stock to additional paid in capital). However, more importantly, total capital remains unchanged.

What is the effect on SINO’s share price?
Since no changes occurred in the number of shares outstanding, and no additional capital is raised, the market value per share should remain the same after the transaction.

What is the purpose of the reorganization?
The reorganization is merely an accounting transaction done in order to eliminate part of the accumulated deficit in the balance sheet. Doing so would speed up the company’s ability to pay dividends in the future. Note that a company with negative retained earnings cannot declare dividends. Prior to the transaction, SINO had a deficit of Php3.5Bil. The reorganization reduced the deficit by Php2.6Bil to Php929Mil.
Investment Rating Definitions

**BUY**

Stocks that have a **BUY** rating have attractive fundamentals and valuations, based on our analysis. We expect the share price to outperform the market in the next six to twelve months.

**HOLD**

Stocks that have a **HOLD** rating have either 1.) attractive fundamentals but expensive valuations; 2.) attractive valuations but near term earnings outlook might be poor or vulnerable to numerous risks. Given the said factors, the share price of the stock may perform merely inline or underperform the market in the next six to twelve months.

**SELL**

We dislike both the valuations and fundamentals of stocks with a **SELL** rating. We expect the share price to underperform in the next six to twelve months.

**Important Disclaimers**

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