

PHILIPPINES

THE IDEAL LOCATION TO INVEST IN 2018

One of the fastest-growing economies in Asia, there are an increasing number of attractive opportunities opening up in what could currently be the best country in Asia to invest in.

"The Philippines is a sure bet for investors," says Edwin R. Bautista, president and CEO of UnionBank, a major local bank. Having experienced remarkable growth for over a decade, the tropical archipelago in the South China Sea, containing nearly 7,500 islands and over 100 million people, saw a 6.7% year-on-year growth in gross domestic product (GDP) in 2017.



Edwin R. Bautista
President and CEO,
UnionBank

That makes the Philippines one of the top three performers in Asia, says the World Bank, which predicts that its economy will continue to expand at about 6.7% a year until at least 2020.

The country's National Eco-

13th-biggest population is "relatively young and increasingly middle class. We have the right demographic profile to support future economic growth," says Cesar G. Romero, president and CEO of Pilipinas Shell Petroleum Corporation (PSPC), a subsidiary of Royal Dutch Shell.

"Within 30-50 years, over 50% of the population will be at a productive age," adds Jaime E. Ysmael, president and CEO of another important developer, Ortigas & Company; "That provides opportunity for creating jobs, building the middle class and keeping the engine revved."

Having a highly skilled, English-speaking population has other positive impacts. Many move abroad and send earnings back home, for example, there are over 3.5 million Filipinos in the U.S. and in the first half of 2017, remittances from overseas citizens were \$5.4 billion.

As well as importing dollars, these expats introduce those at home to the latest technologies from their adopted countries, giving a further boost to knowledge in the consumer-led, high-spending Philippines.

Increasingly, the private-sector is investing in new activities, such as manufacturing in export processing zones. As in all sectors, investors are encouraged by a stable macro environment, prudent debt management and attractive tax incentives.

Rising Foreign Investment

When the competitive costs of running a business in the Philippines are also considered, it is no surprise that much of the investment is international. In 2017, total foreign direct investment

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CESAR G. ROMERO, PRESIDENT AND CEO,
PILIPINAS SHELL PETROLEUM CORPORATION

conomic Development Authority expects even more, says Federico A. Laxa, chairman and CEO of leading property developer First Shelter Ventures and Realty Corporation: "They are looking at 7% for the next few years, possibly until 2022."

Home to a Huge Talent Base

A range of factors is driving this achievement, not least the Filipinos themselves. Expanding at around 2% a year, the world's

This large and well-educated talent base explains why, despite not having a huge manufacturing sector, the Philippines is an important force in services. For example, it is the global capital for business process outsourcing (BPO), with about 1,000 companies in the country generating \$13 billion in 2017 by handling 16-20% of the world's BPO business, according to Texan consultants The Everest Group.

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IN EVERYTHING WE DO,
BECAUSE YOU DESERVE NO LESS.**

UNIONBANK

- cfi.co AWARDS 2017**
Best Universal Bank Philippines 2017
- 2017 STEVIE GOLD WINNER FOR GREAT EMPLOYERS**
Gold for Employer of the Year in Banking 2017
- ASSET ASIAN AWARDS 2017 THE ASSET TRIPLE A**
Digital Bank of the Year Philippines 2017
- COUNTRY AWARDS 2017 ASIA MONEY**
Best Digital Bank Philippines 2017
- THE EUROPEAN**
Most Innovative Bank of the Year 2018

A Constant Pursuit of Excellence

For Helen Yuchengco Dee, chairperson of the Yuchengco Group of Companies (YGC), the secret to success in leading a multi-billion-peso conglomerate is continuing and building upon an already solid foundation that was laid down by her father before her. "His lessons of discipline, excellence and integrity have constantly served as a guide for the entire conglomerate," she explains.

It has long been at the forefront of innovation in various sectors, such as finance, education, construction and insurance. Mapúa University and its subsidiaries are some of the Philippines' best institutions. Offering courses in IT, engineering and technology, they have a high standing with local and international accreditation bodies. In infrastructure and construction, EEI Corporation is a leading global construction service provider that continually pursues partnerships and projects that better the country.

Malayan Insurance is one of the top Philippine non-life insurance companies, providing a world-class service that is affirmed by its stability rating from A.M. Best and its rankings from the Philippine's Insurance Commission, where it takes the lead in both gross and net premiums written. Lastly, RCBC, the flagship company of the YGC, continues to expand its ventures through pursuing new innovations for its products and services that constantly modernize the country's current banking landscape. "The YGC's pursuit of excellence is one that constantly places nation building and the betterment of our countrymen at the forefront," Dee concludes.



Helen Yuchengco Dee
Chairperson,
Yuchengco Group
of Companies



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Philequity Sets the Benchmark

Founded in 1994 by three veteran stockbrokers — Ignacio Gimenez, Roberto Lorayes and Wilson Sy — Philequity Management, Inc. (PEMI) boasts an outstanding track record for returns on investment and towers above its peers as the preeminent investment manager and principal distributor of leading mutual funds in the Philippines.

With a commitment to helping investors achieve long-term financial goals via an array of mutual funds suited to their specific needs, PEMI has been recognized many times by the Philippine Investment Funds Association for its excellent returns.

Giving investors access to a diversified portfolio managed by some of the best fund managers in the country, the flagship Philequity Fund, Inc. (PEFI) has garnered multiple awards from local and foreign agencies for its consistent track record of eye-catching returns. Taking into consideration PEFI's talent for managing risk, the fund has also earned several accolades for its risk-adjusted performance in relation to its peers, underlining it as the ideal choice for people who wish to invest in the stock market, but lack the time and expertise.

"In the fund management business, it is not the size of the capital of the manager but rather the experience, analytical ability, sourcing of data and executions that count," states PEMI Chairman Roberto Z. Lorayes. In that context, Wilson Sy has developed a highly efficient management team blending youth with experience. An added strength is PEMI's board that consists of respected names from industry and government.



Roberto Z. Lorayes
Chairman, Philequity
Management, Inc.

Philequity Management, Inc.
www.philequity.net



inflows reached over \$10 billion, 21.4% up on 2016. And, after being named 2018's best country in the world to invest in by a report from U.S. News, the BAV Group and the University of Pennsylvania, inflows for August were \$1.6 billion — 142.9% more than for the same month in 2017.

After sharing a close relationship for over 100 years, U.S. companies are at the forefront of this investment and bullish about the Philippines. Helen Y. Dee, chairperson of Rizal Commercial Banking Corporation (RCBC), one of the country's largest universal banks notes: "The U.S. is among our top trading partners and investors. Always strong, the partnership between us is at an all-time high,

inclusivity. RCBC is one, Dee states: "Investment in technology is indispensable for our continued growth." The largest investor in this area is UnionBank, one of the country's biggest banks.

This year, it became the first in the world to pilot cross-border business-to-business payments using blockchain technology in partnership with Visa, enabling funds to be transferred within 24 hours. It has since adopted the same technology to link rural branches and for internal processes as part of the bank's ongoing digital transformation to create inclusive prosperity by "penetrating market segments not serviced by our peers. If we succeed, we expect to have 50

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HELEN Y. DEE, CHAIRPERSON,
RIZAL COMMERCIAL BANKING CORPORATION

following President Trump's visit in 2017."

International firms are investing in various sectors, including BPO, manufacturing, real estate, energy and transport infrastructure, trade and technology.

Looking forward, Roberto Z. Lorayes, chairman of Philequity Management Inc. (PEMI), an experienced and top-performing equity fund manager, advises, "We are a country with thousands of islands, so there is a lot of profit to be made in industries like logistics and tourism. Conservative investors will typically stick to bread-and-butter industries such as banks."

Banks Turn to Technology

Financial services are indeed a major pull for investors and some Philippine banks themselves are investing to modernize for a digitally active society with only 28% financial

million individual and 1 million entrepreneur customers," explains Bautista of UnionBank.

So far, UnionBank has invested about \$56 million on new technology, will spend the same again in 2018 and is, "Engaging fintech partners to embrace future technologies, like robotics, agile thinking and artificial intelligence," he adds.

The bank is utilizing these, and training their staff in their use, to deliver best-in-class services and a seamless, omnichannel user experience to customers. It is also exploiting them to innovatively access new markets. For example, to establish "branch-lites", a type of outlet recently approved by the Philippines' central bank that performs limited banking activities in under-banked areas.

UnionBank's transformation is bringing success. "Our customer loan book has grown

above the industry average for the last three years and core net income is up 30%, for example. New technology is at the core of strengthening our market position," states Bautista.



Jose Silvestre M. Natividad, President and CEO, CRESPHIL

Build, Build, Build

Historically, insufficient infrastructure has been a handicap for investors. That is set to change, with the government's plan, "Build, Build, Build", to spend \$180 billion on 75 flagship infrastructure schemes.

The program is open to global investors, but should largely be funded by government revenues and official development assistance. As of May 2018, seven projects were already being constructed, while another 23 were in procurement.

"When the 'Build, Build, Build' projects go on stream, we can expect another big boost to the economy," says Lorayes of PEMI, and many predict they will contribute an additional 1-2% to GDP. As well as improving connectivity, productivity and sustainability, they will help decongest the capital region, Metro Manila, as well as encourage investment in other areas of the country.

Included in the plans are airports, railways, bus rapid-transit systems, roads and bridges, ports, water projects, flood control facilities and urban redevelopment schemes. Four new energy plants are also in the "Build, Build, Build" program,

but they will only go a small way to meet the country's urgent requirement for 43 GW of extra energy by 2040.

To achieve this quickly, the government has adopted a technology-neutral stance and implemented investor-friendly policies and incentives. For

example, new energy projects now only take 30 days to gain approval and an inter-agency Energy Investment Coordinating Council has been set up to streamline larger projects.

These changes are attracting attention. Evidence of this came in June, when four South Korean firms expressed interest in investing \$4.4 billion in coal, wind, solar and liquid natural gas plants. There is particular activity in renewable energy. In January, for example, Solar Philippines Commercial Rooftop Projects pledged \$481 million for three solar power facilities.

Leading local energy company Global Business Power (GBP) is "strategically bringing renewables into our portfolio," states its president and CEO Jaime T. Azurin, and Pilipinas Shell is also looking to invest in the sector says Romero, who points out that, "Under the country's renewables legislation, projects should be 60%-owned by Filipinos."

An ideal partner could be Clean Renewable Energy Solutions Philippines Inc. (CRESPHIL), which already has alliances with U.S., German,

Fueling an Economic Boom

By fueling one in three Filipino vehicles, refining and marketing company Pilipinas Shell Petroleum Corporation (PSPC) is a significant contributor to the Philippine economy and one of the country's largest investors. It keeps growing, with 2017 earnings up 39% versus 2016, but President and CEO Cesar G. Romero is equally proud of the jobs PSPC creates: it has over 700 employees and generates work for about 25,000 more. "As we expand, we remain conscious of ways to contribute to the economy," he says, noting that PSPC is investing heavily: "We have improved our refinery's environmental standards and are completing a bitumen production facility. We traditionally invest about \$20 million a year in retail, but in 2018, we are doubling that."



Cesar G. Romero, President and CEO, Pilipinas Shell Petroleum Corporation

Listed on the Philippine Stock Exchange, it is 55%-owned by Royal Dutch Shell, which has two other major Philippine investments: Shell Philippines Exploration B.V. and Shell Business Operations Manila. "Shell is bullish and optimistic about the country," welcoming the chance to continue investing in its current sectors and renewable energy, says Romero. Sustainable development is integral to PSPC and its social arm, PSFI, has helped 12 million people. Through its flagship project, Movement Against Malaria, 42 provinces are now malaria-free. It strives to strengthen its industry leadership, provide a world-class opportunity for shareholders and support nation building.

Pilipinas Shell Petroleum Corporation

www.shell.com.ph



Investing in Energy's Future

In April 2018, the Philippines took a major step towards developing a sustainable and efficient energy sector when Global Business Power (GBP) inaugurated its GBP Institute for Energy (GIE). The two-storey, 1,863m² training facility in Iloilo City will enable the leading company to enhance energy efficiency by providing a learning and development hub for its employees across 11 power generation plants in Panay, Mindoro and Cebu.



The GIE highlights GBP's commitment to learning and to supporting the government's "Build, Build, Build" infrastructure program. It will "help move the country forward through the creation of a robust pool of highly skilled, highly dedicated professionals," says GBP President Jaime T. Azurin; "It's a big investment, but we have to train people how to run modern plants in the most efficient way possible." The institute houses a state-of-the-art coal-fired power-plant simulator with circulating fluidized bed technology — a cutting-edge clean-coal combustion method that GBP already uses. It also features training rooms, laboratories, an audio-visual room and an e-learning classroom.

Demonstrating the company's focus on efficiency and sustainability, the GIE generates part of its own energy requirements from solar power, which GBP aims to build, along with hydropower and biomass, to complement its existing plants. "For the next five years, our intention is to grow by 60%, organically or through acquisitions," says Azurin; "With GIE, we can build knowledge and capacity that will secure the future of our company, our employees and the energy sector."

Global Business Power

www.gbpc.com.ph



DIGOS SOLAR POWER PLANT



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AFLUIS Development & Construction Corp.



ALPHAROUJE Corporation



Paragon Pegasus Solutions Inc.



ALPHARENE Corporation

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Building on a Legacy of Quality

According to Jaime Ysmael, president and CEO of Ortigas & Co., a pioneer in up-market property development, "The luxury real estate sector will keep growing at its current pace." With about \$4 billion of mixed-use schemes in key locations, Ortigas & Co. has spent more than 87 years building groundbreaking multi-use projects. Now, the country's two biggest property groups, Ayala Land and SM Prime Holdings, are partnering with Ortigas & Co. to move it forward. "Their best practices have been brought in, the business model is right and 2017 was a good year," notes Ysmael.



**Jaime E. Ysmael,
President and CEO,
Ortigas & Company**

That year saw Connor, a 55-storey luxury residential development, go on sale. "In ten hours we sold over 51% of the units. It was perfect for the location, timing, pricing and unit configuration," he explains; "This year, we launched our first office building for sale. We sold 81% on the first day, generating \$120 million for about 288 units. We were flooded!" In addition to its sales income, Ortigas & Co. is increasing its recurring income base through a shopping mall expansion program. It is extending its Estancia mall and redeveloping its 16-hectare Greenhills complex. "We are accelerating the pace of our developments, primarily in Metro Manila for now," says Ysmael; "Ortigas & Co. has a legacy of quality developments that were ahead of their time and have stood the test of time. We would like to continue drawing on that legacy of success."

Ortigas & Company
www.ortigas.com.ph



Taking the Middle Ground

"Real estate is booming, but most developers serve the high-end market, leaving the middle behind," says Federico A. Laxa, Chairman and CEO of First Shelter Ventures and Realty Corporation, a development company with "over ten years of experience." "This is where First Shelter comes in. Catering to first-time buyers who can afford \$32,500-57,500 because it is cheaper than renting. There is significant demand — our Alsea project sold out in three days."

In Paranaque, 160-unit Alsea is characteristic of the company's approach to planning projects to serve customers' needs. A similar development is Bloomfield, where it is building a sold-out second phase and pre-selling a third. At the higher-end of the company's offerings is Avilion Gardens, a mixed development with an average unit price of about \$190,000.

First Shelter offers innovative, affordable financing options and an unconventional construction method, Laxa adds: "We use cast-in-place technology, saving on labor and time. We have not had one complaint from a buyer and I attribute that to our technology." Although Manila has seen large land-price increases, First Shelter's business model for middle-income homes is profitable. As well as its larger developments, it is also buying land blocks in prime areas for townhouses and will continue acquiring plots for medium-scale projects, potentially with partners. "Our aim is to build 3,000 houses every year," says Laxa.



**Federico A. Laxa
Chairman and CEO,
First Shelter
Ventures and
Realty Corporation**

First Shelter Ventures and Realty Corporation  **First Shelter**
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Chinese and Japanese firms. Its president and CEO Jose Silvestre M. Natividad explains, "With over 7,000 islands, 2,000-3,000 rivers and streams, wind and solar sources — renewable energy is viable."

A holding company with subsidiaries, CRESPHIL owns hydro-power and solar plants, mainly on less-developed islands, and grows through acquisition and project development.

"Our advantage is we do everything, from consultancy to feasibility, engineering, construction and operation. If a

this, as it opens up new, economically attractive markets outside Metro Manila to developers — although the capital region is still at the heart of the sector.

The residential market is being driven by factors such as the ever-expanding population, rapid urbanization and a thriving middle class that can afford to buy and are facing expensive rents, according to Laxa of First Shelter: "We focus on properties for middle-income buyers and there are many financing options for them, including the

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ROBERTO Z. LORAYES
CHAIRMAN, PHILEQUITY MANAGEMENT, INC.

project is too large for us alone, we find partners and financing, as local banks and international institutions have major funds available for renewables," says Natividad of CRESPHIL.

Looking to make more investments, his vision is, "To have many hydroelectric plants powering inclusive development in communities."

GBP's Azurin confirms that energy facilities ignite economic activity: "Take Iloilo. We set up energy generation in the formerly sleepy city and now all the major real estate developers are there buying land. Progress has been tremendous."

Real Estate Flourishing

Reflecting the performance of the country's economy as a whole, the Philippine real estate industry has increased consistently over the last decade, with revenue from residential sales, and recurring revenues from shopping malls and offices seeing double-digit growth in 2017.

The construction of energy, transport and other infrastructure is having a part to play in

government's Home Development Mutual Fund and local banks."

Ysmael adds that demand for properties of the type that his company, Ortigas & Co., builds — luxury homes, offices and shopping centers — is also on the up as, "People upgrade their residencies and the Philippines' significant consumerism fuels construction of more malls."

With an undersupply of about 4 million housing units in the country at the moment, and commercial rental rates hitting record highs as vacancies fall, the demand for new developments will not be slowing down anytime soon.

To encourage international investors to the sector, the government has introduced a range of initiatives, including relaxing foreign ownership restrictions on retail and construction.

As a result, says global property consultancy firm Colliers International, opportunities abound in the country's real estate — as they do in most other sectors of the Philippine economy in 2018. **PANORAMA**