

PHILIPPINES

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The ASEAN pearl for investors

Bumper growth from diaspora remittances and multiple fast-growing sectors look set to rise even faster when the Philippines integrates fully with ASEAN.

The Philippines is riding the crest of a wave, finding growth and economic expansion in historically well performing sectors, such as construction, fast moving consumer goods (FMCG) and finance, but also new industries such as Business Process Outsourcing (BPO) and manufacturing. Areas directly related to the ongoing integration with ASEAN—the Association of South East Asian Nations, a 10-country block comprising over 600 million people, or 8.8% of the world's population—and the huge infrastructure projects will continue to drive growth for decades to come. This coupling of the Philippine economy with its ASEAN partners may bring about long term prosperity for the archipelago nation, with its geographical location at the crossroads of international shipping lanes a key factor. In addition, it has a well educated, multilingual workforce with vast experience in the BPO sector, an industry the Philippines is now the number one provider in the world.

GDP growth for the nation slowed somewhat in the first half of last year to a still impressive 5.3%, mostly due to Super Typhoon Haiyan, which hit the agricultural sector hard in November 2013. However, the Pearl of the Orient Seas has not disappointed, and the second half of 2014 saw the country once again post a rise in GDP of 6.9%. That followed the trend of the past decade, with economic output keeping pace with the Philippines' bigger and more developed competitors in the region—a resounding endorsement of the government's policies,

and a demonstration of the confidence of foreign investors, the domestic private sector and the Philippine diaspora.

On the domestic political front, there has been a great effort by the government to enact the Bangsamoro law, which aims to replace the current legal framework on the Autonomous Region for the Islamic population of Mindanao. Before this proposed legislation takes effect, a plebiscite in the region will be held. There are likely to be constitutional challenges to the Bangsamoro Basic Law, which will make the transitional period longer, as well as the challenges stemming from the recent military clash in Mampasano, southern Philippines. Hopefully this negotiated legislation will bring peace, and political and economic development, to Mindanao.

Just as it did after Haiyan struck, the Philippines has shown remarkable resilience in the face of adversity, recovering rapidly from the aftershocks of the global economic crash of 2008, unlike many European nations. The underlying strength of the Filipino economy rests upon some of the country's greatest assets—its workforce and the innovation that is evident throughout all sectors. A nation forging ahead with economic reforms, infrastructure development programs and improvements to the legal structures that govern business and trade, the Philippines is truly one of the hottest investment destinations in Southeast Asia, with a huge increase in Foreign Direct Investment (FDI) of 61.6% (January through November) last year.



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As Teresita T. Sy-Coson, vice chairperson, SM Investments Corp. suggests on FDI: "They [investors] are quite curious, and a lot of them are focusing on the equity side, on the stock market. The actual FDI may not be as high as other nearby South East Asian economies, and perhaps it will take some time to reach those levels, because it will take a while for investors to understand how our country works."

The figure for 2014, which is still in the process of being fully compiled, stands at \$5.7 billion, impressive but nonetheless a number that is somewhat dwarfed by ASEAN partners: Vietnam's \$8.9 billion, Malaysia's \$12.3 billion, Indonesia's \$18.44 billion, and Singapore's \$63.77 billion. However, the race for FDI is on, and making investment procedures easier, transparent and ensuring a level playing-field in bidding processes will be key factors, especially when it comes to infrastructure projects, which are slated to reach some \$8 billion through numerous Public Private Partnerships (PPP).

"A new cycle of growth, more robust and more sustainable, and current momentum will continue."

Victor B. Valdepeñas, President and COO, UnionBank

A factor in this rapid increase in FDI into the country is its fortunate demographic—the majority of the workforce is below 34. Also, the dependency burden is rapidly falling, and that has helped China, South Korea and Singapore post such impressive growth figures while their populations were younger and just as dynamic as the Filipino one is currently. Another huge plus for the Philippines, and an impressive driver for the economic outlook, is the continued successes, and remittances of, the Overseas Filipino Worker (OFW). The Philippines is one of the world's biggest suppliers of workers to the global workforce, reaching some 10 million at current estimates.

These ambassadors for the Philippines wired back more than \$12.3 billion in the first six months of 2014, a 6.2% hike from the previous year, and a record amount. The money the OFWs send helps the local economy grow, and drives consumerism throughout the country—with the mass housing sector in particular feeling the glow of their remittances, which are helping the government slowly but surely attack the housing shortage, currently estimated at over 5 million units.

Banking on continued successes

The Philippines has a highly developed financial sector that is both well capitalized and managed. However, these positives contrast with the provision of quality banking facilities for rural and remote communities, of which thousands are scattered throughout the country's many islands. Also vital for the banking sector to take note of is the impending integration with ASEAN, which will see a great deal of consolidation in the sector over the next few years.

The most recent Aquino legislative agenda contained resolutions favoring the relaxation of constitutional restrictions on foreign ownership. A law was passed recently to allow foreign banks to own 100% of domestic banks, and establish their own branches.

As Helen Yuchengco Dee, chairperson of Rizal Commercial Banking Corp., explains, "Philippine banks need to scale up continually to deal with the more intense competition that is already being felt with the economic integration.

"However, they need to diversify more in terms of geography and business lines, not just domestic corporate lending, in order to increase in size and meet the needs of a bigger regional market."

AUB Banks on Expanding its Customer Base and Profits

Asia United Bank (AUB) is a relatively new and exciting financial sector player in the Philippines that specializes in corporate and middle-market lending. Its solid performance and capital base over the past 17 years has given AUB a fantastic opportunity to extend its geographic presence and operations.

To further this aim, AUB is looking to diversify its portfolio of assets, with a new focus on addressing two of the country's rapidly growing sectors. One is serving the needs of individual consumers, a sector

which has propelled the country's recent economic momentum. The other is lending to the infrastructure sector, where demand has been growing exponentially in recent years.



AUB is unlocking the Philippines' potential.

Focusing on sustainable profitability

"We cannot continue with our current growth rate of 6-7% in GDP without improving our infrastructure. So we are starting to focus more on infrastructure projects," says Abraham T. Co, president of AUB.

As Co says, the Philippines has had a positive 10-year growth trajectory, indicating that things will continue to get better. "We are still relatively under-invested. We have a rising middle-class consumer sector, and on that basis, we do look attractive for foreign investment." Co, however, has a word of advice to anyone looking at the Philippines for growth opportunities. "You need to be very adaptable," he explains, "as long as you know that things are always changing, you should be okay. But opportunities abound, in public-private partnership projects, in infrastructure, energy, airports, rail, and in tourism."

In the highly competitive financial market, the ability to secure new business is vital, as the banking sector has seen an explosion in players and branches over the last decade, but still remains relatively concentrated in Metro Manila.

"We had a good 2014, beginning in the middle of the year. Our strategy for 2015 is to continue in the same direction, use our competitive strength in electronic banking, and be a significant player in the consumer and infrastructure sectors. We will also train our sights more to the north and outside Metro Manila," Co says.

And by venturing into new markets outside of the highly concentrated banking zone of the metropolis, AUB is confident it will unlock bigger opportunities that will serve it in good stead.

AUB
Philippines, www.aub.com.ph





Victor B. Valdepeñas
President and COO, UnionBank

The challenges that face the sector in the Philippines now are also areas for banks to increase both their market share and their capitalization, and to take full advantage of the current global situation—which has seen falling oil prices, lightening the burden for consumers because of reduced prices at the pump, increasing their disposable income.

And Abraham T. Co, president of Asia United Bank (AUB), agrees that the global situation benefits the consumer, and, of course, the banks that are there to serve them. “Last year,” Co says, “we were thinking that there could be a slowdown in 2015. But because of the drop in oil and commodity prices we no longer think that there will be a slowdown. Car owners are saving 3,000 to 4,000 pesos a month (\$66-\$88)—quite a lot for an average worker.” The question for the sector is how can they tap, and therefore turn, this newfound disposable income of the average worker into a driver for the whole economy, much the same as has been done with the remittances from the OFWs.

AUB and other well renowned banks from the sector have been looking to expand their exposure to the funding of infrastructure projects throughout the country, as a route to both improving their balance sheets and profits, while driving the national economy forward. And this sure fire way of increasing profits and overall access to new customers will also appeal to foreign investors.

As Co explains, “The Philippines has had a positive 10-year trajectory, indicating that things will continue to get better and better. It is relatively under-invested, meaning that we still have a lot of opportuni-

ties here, and the fact we have a rising middle class consumer sector is a positive.”

Rising stars of Asia: middle-class Filipinos

The growth in prosperity of the middle class in the Philippines has been remarkable, and has not been as concentrated in the north of the country as in previous years. There are many drivers, from the movement of the economy away from being an agriculturally based one, to the continued and ever-increasing amounts of money the famous OFWs send back to the motherland.

President and chief operating officer of UnionBank, Victor B. Valdepeñas, has seen the effect of both these and other influences have had on the country. As he explains: “The tremendous growth in OFW remittances coupled with the fast-moving Business Process Outsourcing industry (BPO) has produced a wider dispersal of wealth that is benefiting the countryside, especially the secondary cities outside Metro Manila. What you can see in the last decade is the emergence of several polar points of growth that are reinforcing the traditional center of growth, which is Metro Manila.”

And it is key for both the Philippine nation and UnionBank to ensure the growth now found in secondary cities is utilized to maximum benefit to avoid any repeat of the boom and bust cycles that so often damaged Southeast Asia and the Philippines in previous decades, such as the Asian financial crisis in 1997. The banking sector in the Philippines took a long, hard look at the faults inherent in its system and made the wholesale changes that saw it emerge from the global recession of 2008 onward in rude health. One reason for UnionBank’s particular strength can be seen in its award as one of Asia’s Most Promising Companies for Corporate Governance in October 2014, a ringing endorse-

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Asian Banking and Finance

Philippines Domestic Cash Management Bank of the Year 2013

Banking Administration Institute

Finalist for Global Banking Innovation Awards, 2013



Gilda E. Pico
President and CEO,
Land Bank of the Philippines

ment of the efforts in building a bank that is based on a culture of integrity, good values and ethical business conduct. “We will still see the kinds of cycles that you will normally see in emerging markets,” says Valdepeñas, “but this time the trajectory will be elevated, meaning we are on a new cycle of growth, more robust and more sustainable. I don’t expect the boom and bust cycles that we have seen in the ’60s, ’80s and ’90s to return; they are behind us. A reason for that is we see domestic demand steadily increasing. Which is unlike past decades when we were an agricultural commodity-based country,

and the economy had to dance with the world market, which determined the price of commodities such as sugar, coconut, and timber.”

The increase in domestic demand has been a fantastic opportunity for the bank, as it has looked to increase lending to the growing parts of society that are seeing increased prosperity. The challenge for Union-Bank and Valdepeñas is the balance of the bank’s lending sheet: to ensure that loans made perform well, but also with the element of risk that carries with it the prospect of profit, all the while staying within the regulations that have helped the country encounter less pain from the global financial meltdown of 2008. However, when the elements of recent growth—OFW remittances, a more complex economy, investment in infrastructure, and so on—are combined, the risk factor appears minimal. “One of the significant developments in the bank in 2014 was that we are now more focused on consumer finance to take advantage of the emerging middle class in the country,” says Valdepeñas.

“We have significantly increased our business exposure in the consumer market, especially in the home mortgage and credit card businesses. Secondly, we are preparing ourselves for the ASEAN integration,” he says. “Consolidation is happening among local banks and more foreign banks are also entering the banking system. Last year we bought City Savings Bank. A goal is to grow faster than the industry through organic and inorganic growth.”

ASEAN integration inciting competitiveness

Both organic and inorganic growth will settle on the shores of the Philippines when the final aspects of full ASEAN integration has been completed. There will be a more competitive banking environment, especially when, as of September 2014, there are 652 operating banks in the country, 36 of which are universal banks. The overcrowding of the banking system emphasizes greater operational inefficiencies and higher cost-to-income ratios for all the major and minor players in the market, meaning more banks and businesses could be at risk from takeovers by



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larger foreign neighbors, or indeed face closure. Hence, the continuation of the mergers and consolidation of stronger banks, and of the closure of weaker banks as seen over the past few years, is inevitable. This will strengthen the local banking industry, and taking into account the increased capitalization requirement of Basel III, and the entry of foreign banks into the Philippines in line with the Republic Act No. 10641, which states that the law now allows for foreigners to own up to 100% of domestic banks, points towards a huge jump in the right direction for the country as regards inward investment.

Gilda E. Pico, president and CEO of Land Bank of the Philippines (LANDBANK), also sees more than just opportunity in the impending ASEAN integration; she also views it as the chance to increase her bank’s foothold in the less well serviced regions of the country. To this end, LANDBANK has opened its 346th branch, on the remote Dinagat Islands, in October 2014, making it the first universal bank to cover all of the 81 provinces in the Philippines, a landmark achievement. As she explains, “For 2015, the bank will bring its business excellence to a higher level through operational alignment. Guided by our vision and set of strategies, the bank is poised to further expand its loan coverage to support the national development programs of the government. In particular, by supporting inclusive growth and poverty alleviation as a primary thrust of the government’s policies, LANDBANK will further increase its loans to the 20 poorest provinces in the country.”

In further support of her aims, the country’s solid macroeconomic fundamentals, following recent investment-grade ratings from Fitch



Henry Soesanto
Executive Vice President,
Monde Nissin Corporation

Ratings, Standard & Poor's, and Moody's, will encourage resurgence in investor confidence at both home and abroad. Also, by accessing and attempting to tap the untouched markets in the hinterlands of the country, LANDBANK will catch the crest of the wave before many of their competitors, claiming a stake in the continued successes of these 'new' internal markets and provinces. And the bank's ability to expand its operations in such way stems from the huge increase in capital it saw in the last financial year.

"LANDBANK capped on a high note of 1.051 trillion pesos (\$23.4 billion) in total assets, a hefty 25% increase from 841.8 billion pesos (\$18.7 billion) in 2013," says Pico. "The increase in the bank's total resources was largely driven by the 47% growth in the net loan portfolio to 449 billion pesos (\$9.9 billion) from 305 billion pesos (\$6.8 billion), and a 32% expansion in investments from 240.8 billion pesos (\$5.4 billion) in 2013 to 317.2 billion pesos (\$7.1 billion) in 2014. The bank maintained its ranking as number four amongst the 36 universal and commercial banks in terms of asset size as of the end of December 2014."

Fiscal policy is expected to receive a huge boost in spending during 2015. The proposed budget will increase by 15.1%, with higher allocations for manufacturing, tourism, infrastructure, agriculture and social services—a concerted effort towards building more inclusive economic growth, and further economic diversification throughout the country. Furthermore, the elimination of trade barriers, in view of the ASEAN economic integration, adds further potential for the government to start capital-expenditure acceleration in the Philippines.

"Meanwhile," Pico finishes, "the bank is proactively preparing for its possible merger with the Development Bank of the Philippines. Merging the two government banks will improve the balance sheet of LANDBANK and strengthen its position, especially in the advent of the ASEAN economic integration." Consolidation we might be seeing more often between other Philippine banks.

Hitting the demographic sweet spot for FMCG

The Philippines is truly at the crossroads of a great moment, as the population's make up changes, and moves into the "demographic sweet spot," meaning the majority of the people in the nation are of active age—between 15 and 65 years old. This represents an opportunity for the Pearl of the Orient Seas to boost its output in all sectors, and drive the growth of the country to the same levels that were previously seen in China, Japan, Singapore, and South Korea, as the aforementioned countries all hit this "sweet spot" over the past three decades, and during this period experienced massive economic expansion.

The explosion in people of working age, with an increased disposable income, means one specific sector of the economy will experience a tremendous lift in sales and profits, and that is Fast Moving Consumer Goods (FMCG). By definition the FMCG sector includes items that, for the consumer, involve frequent purchasing and low price. For the retailer, the goods are high volume, low margin, widely distributed to a target market, and have a high stock turnover. FMCG are one of the key drivers of an economy, as by their very nature they involve most elements of the service sector—wholesale, retail, logistics and more. The growth of companies such as Monde Nissin, headed by executive vice president Henry Soesanto, shows that the Philippine economy is fast becoming more consumer-based, with high levels of consumption of

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Jonathan C. Ng
President, Rebisco

FMCG products. As Soesanto explains, Monde Nissin has been at the forefront of innovation in their production methods for a long time. He says, “We started as a small, family-run company. We had a large biscuit company in Indonesia, but we were looking to expand in the region, and that took us to the Philippines in 1979. This strategic move made us one of the first multinational companies in ASEAN. We began with biscuits, diversified 10 years later, and today we have over 75% market share for instant noodles.”

He adds, “We keep our products at the highest quality and the lowest cost, and we innovate a lot. For so long instant noodles were only consumed with soup. We were the first ones in the country to introduce instant noodles that can be eaten dry, thereby making it convenient and tasty. We put a lot of effort in educating our consumers.”

And the high quality and innovative production methods will more than likely see revenue grow from \$800 million in 2014 to \$1 billion in 2015, catapulting Monde Nissin into billion-dollar-company territory. “We are one of a few companies in the world to position their production plant beside the flour mill. Our capacity of almost 1,000 tons per day beside the production plant is unique, and a huge cost-saver. We control the quality from the very beginning of the process.”

Its growth strategy involves keeping quality as high as its loyal customers have come to expect, but also to expand through mergers and acquisitions. “We look for companies that can give us technology and synergies on products, and distribution that can help us expand geographically. Our recent acquisitions include Black Swan and Nudie,

two cold chain food and beverage producers from Australia. Black Swan is the market leader in dips. Nudie is the No.1 chilled juice brand and is also into coconut water and carbonated beverages.” With these acquisitions keeping the company growing apace, and its geographical reach expanding, expect to see a Monde Nissin product in a shop near you soon. Soesanto concurs, “We want to see Monde Nissin as a significant food player in the Asia Pacific region.”

Another market leading FMCG brand that has already taken the Philippines by storm and that is looking for expansion into other markets is Rebisco. Its vision is bold: to have a Rebisco snack within the reach of every consumer around the world. The firm started from small beginnings as a bakery in Metro Manila, but after more than 50 years of operations became one of the top three brands for biscuits in the country. As president Jonathan C. Ng says, “We develop new products all the time. We bring foreign products in, we ‘Filipinize’ them. We had to figure out a strategy that could sustain the company, so we stick with quality products—low profit, keenly priced and with a high sales volume.” However, product innovation is not the only area of the company that Ng is investing in to help its continued expansion. It is actively taking an interest in a big export of the Philippines: the OFWs.

And with a diaspora of some 10 million, they are a huge market ripe for utilization. As Ng explains, “We are already a 50-year-old company and a Filipino favorite brand. We do bank on the OFWs going abroad, and on giving them a taste of home. Some of the products that we bring out will hopefully catch the attention of the mainstream market, wherever these OFWs are. We’ve seen this happen for us in South Korea, Hong Kong and in the Middle East. One thing I found out in the Middle East is that a lot of the cooks there are Filipino. So Middle Eastern children grow up with knowledge of Filipino tastes. All of these

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Female CEO explodes the myth of a male-dominated construction industry



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The story of Alice Eduardo, president and CEO of Santa Elena Construction Development Corporation, is the story of success thanks to a having a clear goal in sight. Sta. Elena delivers the best, each and every time, because, as Eduardo says, “In modern times, passion and hard work are essential, and there is no substitute for them.” Sta. Elena is a Filipino nation-building partner, particularly in addressing shortfalls in the energy sector, and in supporting the consumer-driven economy.



Alice G. Eduardo
President and CEO, Sta. Elena

The company has built numerous power stations in Batangas, the latest of which are the 450 MW San Gabriel and 415 MW Sta. Maria Combined Cycle Power Plants. For these projects, Sta. Elena has enjoyed the trust of exacting global leader Siemens. “The more demand for energy/power plants, mixed use developments, malls and infrastructure, the more demand for our expertise. One simple growth strategy is to maintain the quality, competence and pricing that keep us the construction firm of choice.”

Driven by its tagline: going beyond structural integrity, Sta. Elena is the contractor of choice for local and international clients including the nation’s most successful business leaders: Henry Sy, Enrique Razon Jr., Andrew Tan and George Ty. “We work in areas where it makes economic sense. We have projects in the Cebu Reclamation, roads and bridges north of Manila in Pangasinan and Ilocos Norte, and a large-scale, world-class port in Northern Luzon. Our work for the development at Pagcor Entertainment City has driven greater recognition for our ‘brand’.”

Eduardo has advice for people wanting to follow in her footsteps, because, as she says, “In difficult times, keep your eye on the goal, remembering that ‘this shall pass’. Learn lessons well, hardship is the greatest teacher.” Her most heartfelt advice, however, is to young people, “Success knows no gender.”

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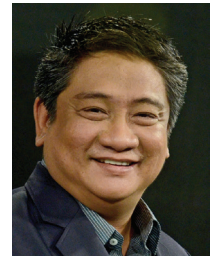


8990’s Most Influential Person: the Overseas Filipino Worker



Building low cost but high quality homes for OFWs and their families

The Philippines has one of the world’s largest contingents of overseas workers, so much so that they have their own abbreviation, OFW, or Overseas Filipino Workers. And these bedrocks of the Philippine economy are driving the growth of many sectors in their home country, with mass housing in particular feeling the benefit of their economic power.



Jesus Atencio III
President and CEO
8990 Housing

As Jesus B. Atencio, president of 8990 Holdings Inc. remarks, their contribution to the Philippine economy is immense, both in terms of percentage of GDP, conservatively estimated at 13.5%, and the way in which remittances drive a primary element of the economy—consumerism. “OFW contributions have become the bedrock of the Philippine economy,” Atencio explains, “and if you look at the GDP, the consumption lead growth is due to the fact that there are so many Filipinos that are global workers.

“Their love of their family and their loyalty to the country is shown by their continuous remittances back to their loved ones here. It’s not government spending, not exports, nor direct foreign investments, the No. 1 driver for this country’s growth is consumption.”

And 8990 Holdings is well placed to take full advantage of the desire of the OFWs to support their families, as their growth in gross sales from the sector has quadrupled over the last five years, from 5% to 20%, because 8990 is seen as a leader and a company of proper values. “OFWs tell me that buying a DECA home makes them worry-free, because it’s gated, and the money that they’re spending is going to a good thing – that their children’s futures are well taken care of, because they have a house.”

Remittances from OFWs will continue to rise, and Atencio and 8990 are ready to build their homes. By exploiting word of mouth advertising, their top quality builds at low cost, and being the retirement nest egg of choice, the number of proud 8990 homeowners is set to grow alongside their new assets.

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are distribution lines.” Ng aims to grow the figure from the current 5% of the company’s revenue to 10% within the next two years, ultimately reaching 20% to 25% of revenue in the next five years—an ambitious goal, but with a solid plan behind it. Ng also wants to expand physical operations outside of the Philippines, creating a manufacturing hub to serve the rest of the world with their products, taking full advantage of the synergies that the impending ASEAN integration will bring about.

As Rebisco is looking toward adding value and revenue, and branching out geographically, there is also ample room for expansion in the type and quality of biscuits, crackers and snack packs the company sells. Company employees have been given a mandate to bring back samples of new products and exciting packaging they encounter on their travels, and by utilizing inspiration from the U.S. and Canada, they hope to find the next big “lunch box” idea that will propel revenue even higher. “From popular pricing, we’re actually going to the next tier, thanks to the more affluent market that is now around,” Ng says, expounding his view that the FMCG market has huge amounts of growth potential to fuel the company’s continued rise. “We acquired a candy company, and recently gotten into ice cream,” he says, which is good news for those OFWs with a sweet tooth and a yearning for a taste of the homeland.

The future has yet to be built

With continuous economic growth, which the Philippines has seen since before the recent global economic crisis, and the regal economic performance of recent years, comes the need and indeed the want of the population to buy real estate as both an investment and for the future of their children. This is a factor as to why the current backlog in the country, particularly in the low- to medium-cost homes market segment, is estimated at a mammoth 5 million.

Couple this with the need to service these new housing developments with waste management infrastructure, transport, retail space, and other tertiary services such as schools, hospitals and so on, and the opportunities for the construction industry are almost limitless. Alice G. Eduardo, president and CEO of Sta. Elena, agrees that there is much work to be done, particularly as regards the need for improved infrastructure in the Philippines. As she says, “I think aggressive construction will last for another three to five years, so even if there is an economic downturn, we will be okay. Maybe it’s because of our huge population: there are 100 million Filipinos, who are all in desperate need of better infrastructure.”



Michael Allan E. Sicat
President and CEO,
M.E. Sicat Construction

However, the national president of the Chamber of Real Estate and Builders’ Associations Inc., Noel Cariño, cautions that the government needs to carefully plan how these new developments will be funded and built, and that the legislation needed to help the builders is in place. As he explains, “The Central Bank recently issued cautionary regulation on financing real estate developments which could slow projects down. This could affect the chain of industries and services directly associated with real estate, but will create higher-quality procurements and investments. We identified that we need a fund to finance low cost economic housing to eradicate the backlog. There’s a law that says that the unused funds for agricultural initiatives are to be used for housing. We are in conversations with the government, and with the chairman of the House of Representatives, to create a mechanism that helps us. With that fund we can turn around this 5 million housing backlog by building 200,000 homes a year, and in less than 15 years we will be able to eradicate the problem.”

Emigdio P. Tanjuatco, III, president and CEO of Clark International Airport Corp., believes the apparent slowness in attribution of key projects is a sign of a paradigm shift in public administration. “Making sure public biddings are all above board has resulted in the slower rollout of vital infrastructure projects,” he adds, “since government agencies must initially adjust to stricter and more transparent processes. However, the long-term benefits of these reforms to our economy, and our people in general, are all worth it.”

For many in the real estate and construction industry, the question is a simple one. Where does the government want the Philippine working population to place their disposable income—into consumer goods, or towards something with more inherent value, such as property or stocks and shares? It is an issue Jesus B. Atencio, president and CEO of 8990 Holdings Inc., is keenly aware of, because, as he says, “What’s driving this country is consumption. Now the government needs to protect the goose that lays the golden eggs. Do we want to direct them [the workers] to the consumption of fugacious consumer goods? A better idea is to encourage them to buy real estate and become property owners.

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Bobby G. Madrid
CEO, Philam Life

Or they could invest in the stock market, and become owners of large companies.” Those are sentiments that Reghis M. Romero II, chairman of the board, Harbour Centre Port Terminal, Inc., agrees with. “For the last three years we have been ahead of all nations in the region, and just behind China, in GDP growth terms,” he says. “And since 2011 we have been growing above 6% every year. The economy is booming, and I can say that because I am a port developer and port operator, so I encounter this expansion firsthand.”

And if the government fully supports the dreams of the population in becoming homeowners, the realization that better infrastructure is needed to support that dream becomes obvious. As with Metro Manila, waste management systems throughout the whole country need substantial investment to cope with the expansion of the housing market, and also of the population growth in these “pinch” points around the capital and other major population centers.

One of the foremost specialists in this field is M.E. Sicat Construction, led by president and CEO Michael Allan E. Sicat, whose company went from just three people six years ago to the 600 he now employs. M.E. Sicat is also a triple AAA company, the highest rating a company can hold in the Philippines, and he has noted an increase in employment of former OFWs by the industry. “I direct engineers, and many used to go abroad for a better paying job. Now, they are coming back because their salaries are not that different, and also because they can be closer to their families.”

With the rise in workers staying close to home also comes the rise and quality in the types of technology the company is beginning to use, specifically after partnering with French giant Veolia, Dutch company Aqua, and other partner companies from Japan. This transfer of knowledge and technology has helped Sicat become a leader in the Philippines for waste management.

“The whole Metro Manila has only 5% coverage; that’s why our rivers are so polluted. There must be 100% coverage in the next 20 years. In terms of business, as long as I do well, for the next 20 years I will have projects, as there are only a few companies in this market. The Philippines will apply the Clean Water Act, which states that every municipality in the country will need its own system. So in terms of growth, I don’t need to look outside the Philippines just yet. There are so many opportunities here.”

Another potential future driver of the economy is the mining sector, which is hugely underutilized at the moment. Reserves have consistently proven bigger than imagined, and the industry behind it is raring to begin extraction. Once again, it is about the government matching the wishes of local communities with industry, and of those with environmental concerns. Isidro C. Alcantara Jr., president of nickel producer Marcventures Holdings Inc., explains that “it is a real pity that mining

in the Philippines is still so underexplored given that we are one of the top seven most mineralized countries in the world. When we [began managing the company,] we studied our reserves and realised that there were three times more deposits than what we originally expected. We reorganized our corporate structure and our mine management, which resulted in a fivefold increase in tonnage and a tenfold increase in profits.”



Antonio G. de Rosas
President and CEO,
Pru Life U.K.

Insuring Filipinos future wealth

As with the construction sector, the rapidly growing and aspirational lower and middle classes of the Philippines are looking for ways to secure both their futures and the futures of their children. Buying property is one way of ensuring some wealth is passed down generations, as is proper and well-planned insurance and health care. The insurance sector in the Philippines is a well-developed, mature market, which has made good inroads into the Metro Manila area. However, the sector needs expansion out into the provincial areas of the country if it is truly to see growth to match the rest of the economy.

One company at the forefront of the sector is giant PruLife U.K., headed by president and CEO Antonio G. de Rosas, who explains his idea of how to expand his market share, “There is an untapped market for insurers so we expect that business will continue to grow.

First of all, the real life-insurance-penetration rate in the Philippines is less than 1%, whereas our Southeast Asian neighbors are at 2% to 3%, so if we even just do 2% to 3%, that means double or triple what we are doing right now. Prudential is a very big company in Asia, but is always looking for diversification. While older and more mature markets like Singapore, Hong Kong or Malaysia will continue to be the pillars of the company in the near future, we have great hopes for the Philippines.”

First and foremost the efforts of the insurance industry are to provide protection for the unforeseen issues that may happen in a person’s lifetime, but as a secondary service, Pru Life U.K. aims to help its clients generate wealth, because, as de Rosas says, “protection is always first, then savings. Of course we have some really great investment products, but the primary purpose of our business is to protect and secure your family.” Past financial crises have affected the way in which the population views these types of financial instruments, and in the Philippines, for example, savers have begun to look for vehicles that give a greater return on investments, bringing about greater yields.

Which is exactly where Philam Life enters the market, with products designed to glean the highest yield possible for their clients, as well as serving as much of the Philippines as it can. As CEO Bobby G. Madrid explains, the company is innovating with technology to reach as wide an audience as possible, such as developing a new iPad app allowing its staff to interact with their clients on a more personal level. “Right now,



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Romeo Ocampo, Jr., Financial Consultant

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Rizalina G. Mantaring
President and CEO,
Sun Life Financial

we have ties with BPI and Citibank. We are quite excited about these partnerships because BPI, for instance, is one of the biggest banks in the Philippines with more than 800 branches. And we are very happy with our partnership with Citibank, given its wide global network. Philam Life is also a member of the AIA Group, the largest independent publicly listed pan-Asian life insurance group, and we stand to benefit from the innovations and best practices shared across all 17 AIA markets. We are proud to be the first life insurance company in the country to use an iPad-based sales application called Interactive Point of Sale, which is a huge advantage.”

The competition in the sector is fierce, and another leading light in the insurance industry in the Philippines is Sun Life, originally of Canada but with a presence in the country for over 120 years and a prime player in the market. Sun Life president and CEO Rizalina G. Mantaring is confident of both the company’s position at the top of the market and of the continued performance of the Philippine economy.

“This year, growth has run up so fast that you wonder how much room there is still left. We expect good corporate earnings growth this year as well, up to 20%, and liquidity remains high. While current growth has been driven by foreign inflows, which, as you know, could easily exit, the long-term outlook for the Philippines is positive with a very young population reaching working age over the next few decades and driving consumption. In insurance, if you aim to be number one, rather than focusing on having a strong, rational, sustainable business model, then you could take shortcuts that could damage the company

in the long run, and we’ve seen that happen time and again. As long as you have a sustainable business model and a long enough outlook you can ride out practically anything—wars, coups, depressions. Everything is just noise.”

Another player at the top of its game in their sector is Metropolitan Medical Center (MMC), which since 1964, has been at the vanguard of high-quality medical care in the Philippines. Started by a group of renowned doctors and a group of top businessmen from the Christian Gospel Church, MMC created a tertiary level hospital in the heart of downtown Manila. Today MMC stands as a hospital with 350 beds, which they plan to more than double in the next two years to 800 beds.

In direct relation to the insurance sector, the more the economy grows, the more demand for its high-quality service comes into play, which is why, in the words of president Joel T. Go, “All of our medical practitioners are graduates from top universities in the country, and most of them have been educated and trained in the U.S. as well. Our nurses are from our nursing school, and many of our graduates have found work in the U.S., Canada, Japan and the U.K. In terms of skills, we are at par with the best in the world.”

A sentiment Filipinos understand as they charge towards growth, diversification and harnessing the economic rewards of ASEAN integration. No longer just an agricultural nation, the Pearl of the Orient Seas is again rising as a manufacturing hub, and set to shine as a global center for BPO, construction, health care, finance, tourism and any industry that needs the backing of a driven, forward-looking population.



Joel T. Go
President,
Metropolitan Medical Center

Making lives brighter for 120 years

Today, Sun Life shines brightest as the No.1 and longest standing life insurance company in the Philippines. And as it makes financial freedom attainable for more Filipinos, Sun Life also bears witness to a people on the verge of achieving their fullest potential.

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HCPTI: Revitalizing the Philippine Port Industry



HCPTI is at the core of the country's economic growth

The Philippine economy is strongly linked to maritime trade and commerce, and needs a well-developed system of ports, commercial vessels and passenger ferries throughout the archipelago. Reghis M. Romero II, Chairman of Harbour Centre Port Terminal Inc. (HCPTI), knows that through developing the country's port system, further opportunities for investment arise.

As Romero explains, "Seaports all over the world are the engines of development of any country, and once there is a port you need industries around it, and then once you have these industries you need commercial and residential property around that."



Reghis M. Romero II
Chairman of the Board, HCPTI

Developing Communities, Ports and the Nation

Reghis M. Romero II started as a developer. He is an astute promoter of rational land use that he staunchly promoted when he was President of the Chamber of Real Estate and Builders Associations. His foray into the port industry was an offshoot of his vision to build port cities in strategic areas in the country. His port city concept stands on having a port and an industrial park in one area that progressively adheres to international standards, backed up by up-to-date systems, a highly-skilled workforce and state-of-the-art equipment. Through this, the port city serves as a fulcrum of development and a gateway to progress. RII Builders, Inc., the company Romero started twenty-six years ago is geared towards helping the government address the housing backlog. He is also behind PhilEcology Systems Corporation that provide solutions to waste management concerns. Today, PhilEcology's sanitary landfill projects are in place throughout the country.

Romero is committed to continuing as an active partner of the government in attaining economic progress. He passionately believes that the country will attain greater heights if the love of country, hardwork and honesty, the virtues shown by Dr. Jose Rizal, Philippine national hero, are put into action.

Harbour Centre Port Terminal, Inc
Philippines, www.harbourcentre.com.ph



CRK is ready to push for more flights and passengers



Clark International Airport is primed for investment and traffic arrivals

The Clark International Airport (IATA: CRK) serves as a major global gateway to the Philippines, allowing residents of Central and Northern Luzon (including Northern Metro Manila) and foreign visitors easy access to the capital region, and should be considered a complementary partner to its Southern sister-airport, Ninoy Aquino International Airport, in increasing air traffic into the nation.

As Emigdio P. Tanjuatco, president and CEO of Clark International Airport Corporation explains, he wants to make the idea of air travel second nature to Filipinos, and that by expanding CRK, his vision will be realized. As he says, "A lot of people don't realize how serious the government is in developing CRK, but the truth is that from 2010 to 2014 government has already spent some Php1.36 billion for the airport's improvement. This year, there's an additional Php1.2 billion in the national budget for the start of a new passenger terminal building."



Atty. Emigdio Tanjuatco III
President and CEO
Clark International Airport Corporation (CIAC)

Investment brings further development

The support that CRK is receiving from the government is being matched by the private sector, who are coming to recognize Clark Freeport as a prime destination for investments. "Big-time investors both foreign and Filipino have already come in and around Clark. Inside the zone, you have Texas Instruments and a subsidiary of Samsung, as well as the investments of a Kuwait-based group in the 177-hectare master-planned Global Gateway Logistic City that is expected to reach as much as \$3 billion. Immediately next outside of Clark are surrounding developments such as the Php75 billion Ayala township project in Pampanga and major urban development projects by Century Properties along the NLEX."

Couple the opportunities to invest at CRK with its newly acquired Category 10 safety rating, the central government's investment in improving access to the airport from Manila, and the pursuit of new customers and airlines from home and abroad, and CRK is set to take-off as another major player in regional civil aviation.

Clark International Airport Corporation
Clark Freeport Zone, Pampanga, Philippines
www.clarkairport.com



The flagship airline of a nation is a vital part of a country's identity, the image gleaned on board being that all-important first impression visitors have of their host destination.

Philippine Airlines (PAL) first took to the skies on March 15, 1941, and in the midst of a world war became Asia's first airline. Since that date, it has grown to become one of the most respected airlines on the planet, with a young and modern fleet of aircraft, and a route network that spans 36 foreign cities and 30 domestic points. Furthermore, PAL's attention to detail is so strong, it has been certified by the IATA Operational Safety Audit (IOSA) as one of the safest airlines in the world for the last 10 years.

This year the airline has raised its game again, with new routes in the U.S. and Europe now confirmed, including a flight to New York that started March 15, 2015—74 years to the day since its first flight. This has been possible thanks to the European Commission and the U.S. FAA upgrading the Philippines to Category 1 in 2014.

"The E.U. decision to allow PAL back into Europe was a watershed event in Philippine aviation history and in our own corporate annals as well. The U.S. FAA upgrading of the Philippines to Category 1 also beneficially impacted PAL as we are the only Philippine carrier that has been flying to the U.S. (Since 1946)." says PAL's esteemed chairman and CEO Lucio Tan. "Both the E.U. and U.S. actions were strong endorsements of PAL's technical capabilities, and the Philippines' stature as an aviation nation also rises when its flag carrier achieves such high international credibility."

With the U.S. home to the greatest number of expatriated Filipinos, this upgrade carries a double significance. "The New York route marks PAL's return to the East Coast of the U.S., which is home to about half a million ethnic Filipinos, after an absence of 18 years and augurs well

for our future expansion in that country."

Tan, who celebrated 20 years as chairman and CEO of PAL in January, was delighted that Pope Francis chose PAL as his official airline the same month during a much-lauded visit to the Philippines.

"In safely flying the pontiff during his domestic trip to Tacloban and back, in turbulent weather, and then on his 14.5-hour transcontinental journey back to Rome, PAL showed its true mettle; an airline that can proudly stand, like the Filipino nation it represents, alongside the best in the world," he says. "The Philippines attracted just under 4 million visitors in the first 10 months of 2014, and although that is a record high for the country's tourism sector, it also exposed the limits to future growth posed by inadequate infrastructure. Arrivals increased just 2%, to 3.5 million, during the January-October 2014 period from a year earlier despite a travel boom in Asia. That is well short of the government's annual target of 6.8 million. The challenge we face going forward is clearly the infrastructure gap, particularly the critical need for a new international airport to serve metropolitan Manila."

As a matter of policy, PAL constantly invests in both its technological and human resources. "We are in the midst of a comprehensive modernization program that is transforming our fleet into one of the youngest and most modern in the world. We are currently reviewing our strategic thrusts and direction with the objective of making PAL more responsive to the demands of the markets we serve. The new strategy is anchored on cost efficiency, enhanced services and revenue generation," Tan says.



Dr. Lucio Tan
Chairman and CEO, PAL

START SPREADING THE NEWS...

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