



PHILIPPINES - MALAYSIA BUSINESS COUNCIL



PMBC NEWSLETTER

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Message of the Chairman of the Philippines-Malaysia Business Council



Ramon S. Ang,
President and COO,
San Miguel Corporation

from Esso/Mobil.

*(Delivered at the Roundtable Meeting with The Honourable Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry of Malaysia
25 May 2015, Fairmont Hotel, Makati City)*

We are upbeat and optimistic about our investments in Malaysia. Like the Philippines, Malaysia is one of the fastest-growing economies in Asia, and highly attractive as an investment destination. San Miguel is committed to growing its businesses in Malaysia, [as we hope other companies in the Philippines would do so as well].

Speaking on behalf of San Miguel—and to give an overview of our portfolio—our investments in Malaysia includes Petron Malaysia, and several packaging companies that produce flexibles, plastic films, woven products, and industrial laminates. We also used to own an ice cream manufacturer, King's Creameries, but later on sold this to National Foods of Australia. To date, our biggest investment is Petron Malaysia, which we acquired in 2011 for over US\$600 million in equity

In a number of international rankings, Malaysia has improved greatly in terms of the ease of doing business. There are fewer regulatory hurdles, and the average time required to start a business has dropped from 37 days in 2005 to less than six days in 2014—which is quite an achievement.

For San Miguel, Malaysia is the perfect place to duplicate its commercial successes in the Philippines, with its business-friendly environment, progressive policies, and a skilled workforce. In the process of our acquisition of Petron Malaysia, we found our Malaysian counterparts very easy to talk to and deal with—straightforward and transparent. Moreover, its employees have adapted to change very well, and are committed to our growth plans and objectives. Because of this, we are quite proud that our investment in Petron Malaysia is the single largest investment by a Filipino company.

While the recent months have been very challenging for the petroleum industry, we are confident we can ride out this difficult period. Our more recent challenges in the downstream include price volatility, where petrol's price point has teeter-tottered between US\$110 to as low as US\$60 per barrel.

On the brighter side, Petron has successfully completed its upgrading and rebranding program ahead of schedule, having transformed all 550 former Esso/Mobil stations to the Petron brand—a Philippine-grown company now proudly visible along many of Malaysia's major roads and highways. These rebranded stations now provide the Petron experience to thousands of Malaysian motorists.

We are already beginning to see results of this project, with domestic sales increasing by 4% to 31.6 million barrels last year versus 30.5 million barrels in 2013.

Petron is also happy to report that promising growth is palpable across its other business segments, such as in the entry of its Gasul-branded LPG cylinders in the market. Last year's upward trajectory upon entering Malaysia's consumer market gives us confidence that we can expect our market share to significantly grow faster than expected. Likewise, sales grew 100% in the aviation business, on the back of new contracts to service major carriers, regional airlines, and international air terminals. This lends credence to the Petron brand becoming the preferred and trusted partner of major airlines. Meanwhile, sales in commercial trade surged 27% as well, primarily driven by the demands in the power industry.

Due to the overall positive market response, Petron has ramped up efforts for expansion of its retail network, one of its key focus areas. Ten (10) service stations have been opened and operational in 2014, with an additional thirty (30) planned for 2015.

From an initial investment of over US\$600 million, Petron's investments in Malaysia is expected to reach over US\$1 billion, replete with network expansion programs, scaling up of logistics capabilities, and upgrades to its Port Dickson Refinery.

We believe that we have barely scratched the surface of the endless possibilities and prospects in Malaysia. There is a widely untapped potential and numerous windows of opportunities for Philippine enterprises and ventures to take advantage of, most notably the vast Malaysian consumer market. As Chairman of the Philippines-Malaysia Business Council, I implore fellow Philippine companies to join San Miguel and Petron in looking for more growth opportunities to complement our respective Philippine businesses, and expand our footprint in the Malaysian market. Join us, as we are in Malaysia for the long haul. ■

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