

# LESSONS and CHALLENGES: TRANSFORMING A BUSINESS

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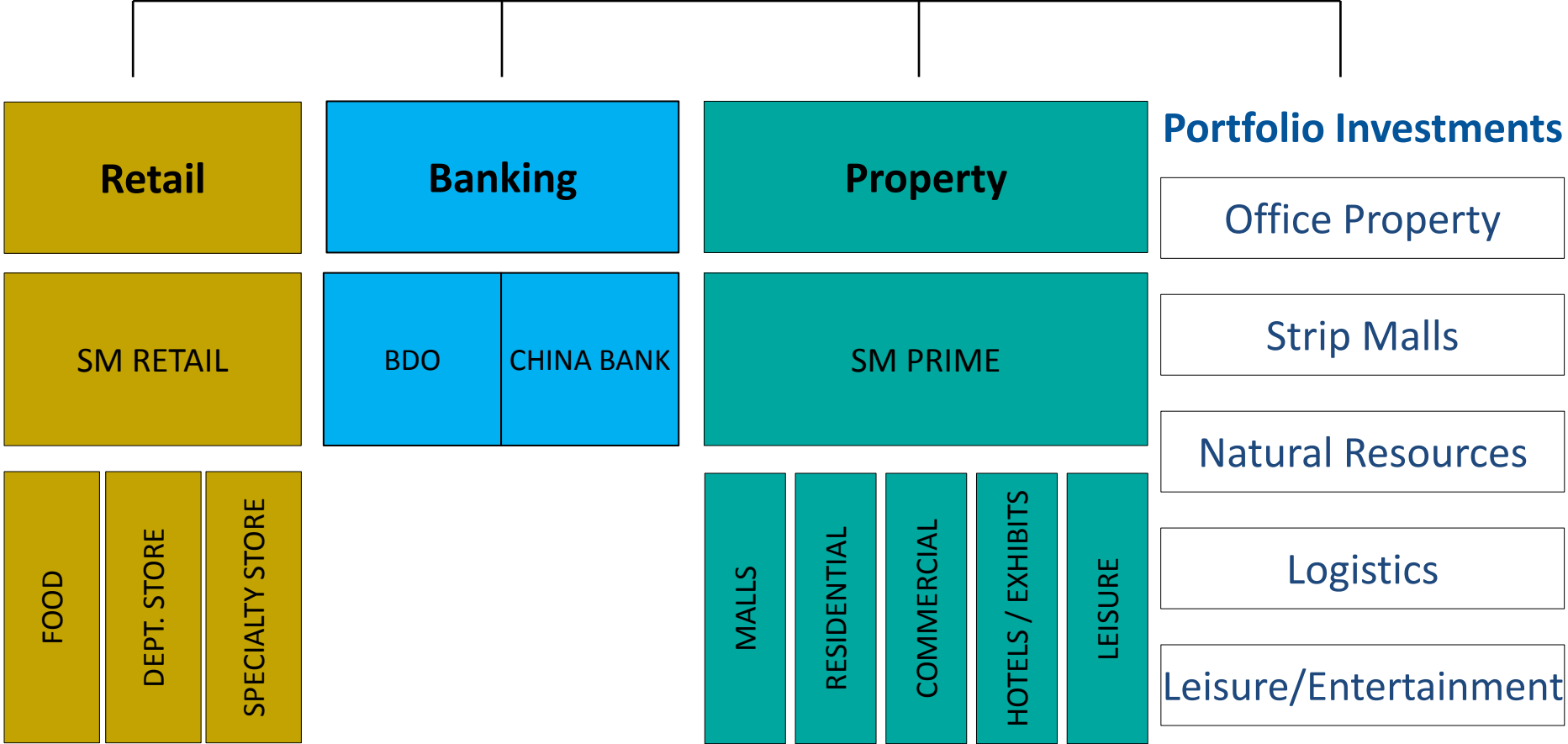
# Agenda

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- SM Group Business Structure
- SM 10-Year Growth and Performance (2007-2017)
- SM Share Price Movement
- SM Business Footprint
- How did SM Grow?
- Difference: Family and Professional Organization
- Investment Guides

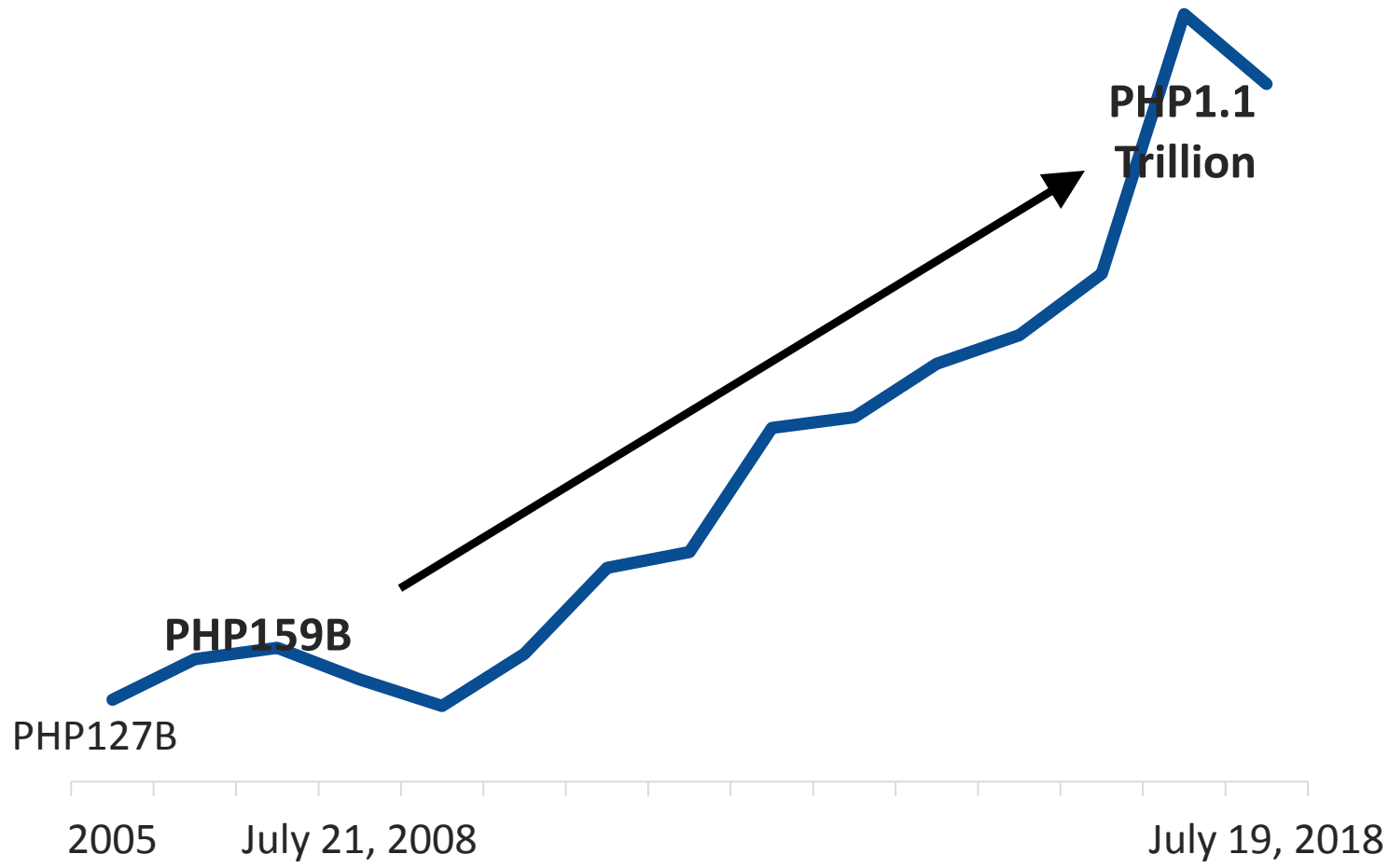
# SM Group Structure

## SM INVESTMENTS CORPORATION



# SM 10-Year Growth

Market Capitalization  
Annual Growth Rate **21%**



# SM Share Price Movement

IPO price grew 7 times!



Sources: Bloomberg  
Figures as of July 19, 2018

# SM 10-Year Performance

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<i>As of December</i>	2007	2017	Annual Growth
Assets	250	960	14%
Revenue	124	396	12%
Net Income	12	33	11%
EPS	10.57	27.33	10%

Figures in PHP Billion except for EPS

<i>As of March</i>	2008	2018
PB Ratio	1.61	3.29
PE Ratio	13.72	32.77

# SM's Business Footprint

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## Retail

- Department Stores: **59 (765,556 sqm)**
- Food Retail Stores: **739 (1,325,419 sqm)**
- Specialty Stores: **1,283 (548,249 sqm)**
- **Total Stores: 2,081 (2,638,225 sqm)** of selling space

## Property

- SM Prime Market Cap: **PHP1.1T**
- Malls: **68 (8.0M sqm)** in PH, **7 (1.3M sqm)** in China
- Condominium Units Launched: **110,940**
- Commercial Offices: **8 buildings (466,000 sqm)**

## Banking

- BDO Market Cap: **PHP563B**
- China Bank Market Cap: **PHP89B**
- Bank Branches (BDO and China Bank): **1,805**

# How did SM grow?

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- Visionary
- “Think big, start small, move fast”
- Hard Work and Perseverance
- Creative solutions (Think outside the box)
- Ambitious: Large scale, willing to be bold
- Customer focused
- Market leadership
- Going Publicly Listed
- Environmental, Social and Governance



# Environmental, Social and Governance

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## **Environment**

- Marine Protected Areas (Pico de Loro)
- Responsible use of resources (water and energy), solid waste management
- Renewable Energy: Solar Panels

## **Social (Thru BDO and SM Foundations)**

- Education
- Health and Wellness
- Disaster Response: Operation Tulong Express
- Livelihood Program: Farmers' Training

## **Governance**

- Debt and Equity Investors
- Government
- Other Stakeholders

# Difference: Family and Professional Organization

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## Family Owned Business

- Long-term Vision
- Trust
- Focus and Commitment
- Agility in decision-making
- Deep Insights in the Industry
- Family Succession

# Difference: Family and Professional Organization

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## Professional Managed Business

- Long-term vs. Short-term View
- Clear defined Hierarchy
- Access to a Large Pool of Talent
- Operates on "Pay for Performance" Model
- Box Type Environment

# Above Anything Else

- **LEADERSHIP**
- **COMMITTED PEOPLE**

# Investment Guides

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## **Investment Horizon**

1. Short Term
2. Medium Term
3. Long Term

## **Risk Profile**

1. Conservative
2. Moderate
3. Aggressive

Thank you!

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