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SAN MIGUEL: SUCCESSION IN THE PHILIPPINES’ LARGEST corporation[[1]](#endnote-2)

Ruth S. K. Tan and Yupana Wiwattanakantang wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In September 2011, San Miguel Corporation (SMC) celebrated its 122nd anniversary. Its chairman, the enigmatic Eduardo Danding Cojuangco Jr. (informally called Danding in the Philippines), had just turned 76. Two years earlier, he had travelled to the United States to receive a cardiac ablation to correct an irregular heart rhythm. Succession-related questions were on his mind. SMC needed a clear plan for the leadership transition.

The charismatic Cojuangco had spent much of his life successfully exploiting business opportunities. SMC had grown from a small brewery company into a giant business group and one of the most famous commercial names in the Philippines.

By 2011, SMC was the largest corporation in the Philippines in terms of revenue—accounting for about 6 per cent of the country’s gross domestic product and employing about 17,000 people. The group was engaged in a wide range of businesses including mining, oil refining and distribution, power, telecommunications, airlines, airports, and infrastructure. Finding a suitable candidate to succeed as leader of SMC would not be an easy task.

THE COJUANGCOS: THE BUSINESS and POLITICAL CLAN

Cojuangco was born on June 10, 1935, to a landlord and political clan in Tarlac in the Central Luzon region (see Exhibit 1). His grandfather, Melecio Cojuangco, had been successful in rice trading and milling businesses, and had gone on to acquire lands. He was elected to the political post of first representative of Tarlac in 1907, but passed away two years later.

Melecio Cojuangco had four sons. They expanded the businesses into sugar milling and further into the financial industry by setting up the Philippines Bank of Commerce. The eldest son, José Cojuangco Sr., entered politics and was elected to the Philippine Commonwealth Legislature. One of José’s eight children, Corazon Aquino, eventually became president of the Philippines, serving from 1986 to 1992. Corazon’s son, Benigno Cojuangco Aquino III, served as president from 2010 to 2016.

Cojuangco’s father was Melecio Cojuangco’s fourth son. He also ran as governor of Tarlac in 1940. By the 1930s, around the time when Cojuangco was born, the Cojuangco clan had become the biggest landowner, accumulating tens of thousands of hectares in Central Luzon.

Following his family’s footsteps, Cojuangco went into politics in his 30s. In 1969, he served as a congressman and later became a member of the so-called “Rolex 12,” which comprised the most trusted and powerful advisors of then President Ferdinand Marcos.[[2]](#endnote-3) Cojuangco was the godfather of Marcos’ eldest son.

Cojuangco became extremely wealthy during the Marcos regime. By the 1980s, he was worth approximately US$1.5 billion.[[3]](#endnote-4) He was also known as “the coconut king,” controlling more than 80 per cent of the world supply of coconut products. His plantations, covering 8,000 hectares, produced everything from mangoes to palm oil. He was also involved in pearl farming and horse breeding.[[4]](#endnote-5)

EARLY YEARS OF SAN MIGUEL CORPORATION

In 1890, Don Enrique María Barreto de Icaza y Esteban set up La Fabrica de Cerveza de San Miguel and received a royal grant to establish a brewery. In 1939, the ownership was transferred to two related families, the Roxas and Ayala families. Andrés Soriano y Roxas became president of SMC. He ventured into soft drinks production and bottling as a distributor for Coca-Cola. He also ventured into ice cream manufacturing by acquiring Magnolia Ice Cream.

In 1963, the company shortened its name to San Miguel Corporation. When Andrés Soriano died in 1964, his son Andrés Soriano Jr. inherited control of the company. SMC’s dominance of the local beer market declined in the 1980s due to severe competition from Asia Brewery, owned by Lucio Tan, who was a close associate of then President Marcos.

Unhappy with the company’s financial performance, Soriano Jr.’s third cousin Enrique Zobel, who was SMC’s major shareholder, tried to oust him but failed. Frustrated, Zobel sold his 16 per cent stake[[5]](#endnote-6) to Cojuangco. The Soriano family also sold 41 per cent of its shares, keeping only a 10 per cent stake in the company.[[6]](#endnote-7)

In 1983, Cojuangco and the United Coconut Planters Bank (UCPB) were the two major shareholders of SMC with 20 per cent and 27 per cent of the shares, respectively.[[7]](#endnote-8) When Soriano Jr. died in March 1984, Cojuangco became chairman of the company.[[8]](#endnote-9)

COJUANGCO’s LOSs of CONTROL OVER SAN MIGUEL CORPORATION, 1986–1991

In 1986, the People Power Revolution toppled the Marcos dictatorship. Cojuangco fled the Philippines in the same private jet as Marcos. Cojuangco’s cousin, Corazon Aquino, became the president of the Philippines. Aquino formed the Presidential Commission on Good Government and sequestered UCPB’s shares in SMC and the wealth expropriated by Marcos and his cronies, including Cojuangco.

The Presidential Commission on Good Government alleged that Cojuangco’s controlling bloc was illegally obtained using the Coconut Industry Investment Fund (CIIF). The CIIF was set up in the early 1970s. From 1973 to 1982, then President Marcos imposed a tax on coconut millers and farmers. Ostensibly, the objective of the tax proceeds was to fund the development of the coconut industry. However, critics alleged that Cojuangco had used the funds to finance his private projects—in particular, both his controlling bloc in SMC and the UCPB’s shares in SMC.[[9]](#endnote-10) At the time, Cojuangco was the head of both the CIIF and the UCPB.

Andrés Soriano III, who was Soriano Jr.’s son, was appointed to run SMC. Presented with the chance to regain his family’s legacy at SMC, Andrés tried to buy back the shares, but his attempt was blocked by the Aquino administration.[[10]](#endnote-11)

COJUANGCO’s LONG BATTLE FOR CONTROL OF SMC, 1991–2011

Cojuangco returned to the Philippines from exile in 1989.[[11]](#endnote-12) In April 1991, the high court allowed Cojuangco (then aged 55) to control SMC via the votes under the sequestered shares.[[12]](#endnote-13) In 1992, Cojuangco ran for the country’s presidency but was unsuccessful.

He had a chance at controlling SMC when, in May 1998, his close associate Joseph Estrada became the country’s president. Less than a week later, President Estrada appointed board members to represent the government’s 27 per cent stake.[[13]](#endnote-14) The country’s Supreme Court allowed Cojuangco to vote his 20 per cent personal stake.

In early July 1998, Andrés Soriano III tendered his resignation as SMC’s chairman. Several days later, SMC’s board elected Cojuangco as chairman. In January 1999, Cojuangco appointed his protégé, Ramon Ang, as vice-chairman. In November 2000, President Estrada signed an order that permitted the government to sell the 27 per cent stake.

Cojuangco’s control over SMC was shaky, however. Estrada was ousted in January 2001 due to a corruption scandal. The new president, Gloria Macapagal-Arroyo, tried to remove Cojuangco from SMC. On July 11, 2003, the Supreme Court nullified the sale of SMC stake and awarded the UCPB’s 27 per cent stake to the government. Arroyo went on to replace five SMC’s directors appointed by Estrada. The government announced a plan to sell its stake in SMC.[[14]](#endnote-15)

Cojuangco cleverly managed to retain his chair at SMC by forming an alliance with Kirin Brewery of Japan. With its 15 per cent stake in SMC, Kirin had two board seats, which were just enough to support Cojuangco.[[15]](#endnote-16)

By 2005, UCPB’s stake in SMC was reduced to 24 per cent through SMC’s issuance of new shares. In September 2009, the court granted a motion to convert UCPB’s entire 24 per cent stake from common shares to preferred shares.[[16]](#endnote-17) In January 2012, the Supreme Court ruled unanimously to award the ownership of this stake to the government.[[17]](#endnote-18)

In defence of his personal stake, Cojuangco insisted that it was legitimately bought from Zóbel in 1983 through personal loans from the UCPB. In November 2007, the court ruled in Cojuangco’s favour on the grounds that the government had failed to prove that Cojuangco’s SMC stake was bought using the coconut levy.[[18]](#endnote-19) Finally, in April 2011, the Supreme Court granted him the legitimate ownership of the contested 20 per cent bloc of shares.[[19]](#endnote-20)

COJUANGCO and CHILDREN: POLITICS and BUSINESS INTERTWINED

Cojuangco was a political kingmaker. In 2000, he formed the United Negros Alliance (UNA). Control of UNA meant power over local politics in Negros Occidental, a province that produced over half of the country’s sugar. Cojuangco and his allies in UNA were owners of vast sugar lands and major exporters. This area had long been controlled by the political clan of Cojuangco’s wife.

Cojuangco had groomed his first son, Mark Cojuangco (born in 1957), to run the family business, and his youngest son, Carlos “Charlie” Cojuangco (born 1963), to succeed him in politics. Charlie was elected as mayor of Pontevedra town in Negros Occidental in 1992, when he was only 29.

In 2009, however, Mark decided to follow his clan into politics. His wife, Kimi, was a two-term congresswoman. Cojuangco’s two daughters, Tina (born 1958) and Liza (born 1960), were also in politics.

THE DONS: COJUANGCO and ANG

In business, Cojuangco worked closely with Ramon Ang. Ang was highly respectful of Cojuangco, referring to him as “the boss.” While Cojuangco set the long-term strategy, Ang ran the day-to-day operations with his hands-on style of management and keen attention to detail. He played a central role in the political wheeling and dealing that Cojuangco was known for, and negotiated merger and acquisition deals.[[20]](#endnote-21)

Ang was trained as a mechanical engineer, and had started his first venture by selling cars. That was when he became acquainted with Cojuangco, who also loved cars. Ang quickly gained his boss’ trust, and ran his businesses when Cojuangco went into exile. In January 1999 when Cojuangco gained control of SMC, he immediately appointed Ang as vice-chairman. In 2002, Ang became SMC’s president and chief operating officer. Together, Cojuangco and Ang streamlined operations and doubled profits within a few years.

Cojuangco trusted Ang completely. He said, “even if he makes a mistake in his decisions I will still agree with him because we both think the same and most likely will make the same mistake.”[[21]](#endnote-22)

Cojuangco’s sons respected the close relationship between their father and Ang. Charlie said, “Me and my brother, we know our place. Father has a high degree of confidence in Ang’s business acumen.”[[22]](#endnote-23)

DIVERSIFICATION

In 2007, Cojuangco and Ang strategized to rebuild SMC. SMC’s core businesses were beer, food, and packaging. They boldly switched SMC’s focus to industries in which they had no prior experience. They targeted lucrative sectors of the fast-growing Philippines.

Their timing was propitious. When the 2008 subprime mortgage crisis sent the global economy into a tailspin, many companies went into full retreat. SMC, however, had piles of cash in hand and started snapping up deals in the fuel, energy, and infrastructure sectors. It spent more than $4.8 billion on 24 acquisitions between 2007 and 2011.[[23]](#endnote-24)

SMC looked for assets that the government had privatized. In October 2008, SMC purchased the government’s 27 per cent stake in Manila Electric (Meralco), the country’s largest power distributor, which had held all power and electricity-related monopoly rights since the time of President Marcos. The transaction was worth for ₱30 billion[[24]](#endnote-25) (US$615 million).[[25]](#endnote-26) Ang managed to acquire the government’s stake, which was nearly sold to another party. He arrived at the meeting in a private jet and closed the deal over the course of one weekend. SMC’s acquisition of the government’s stake came as a shock to the Lopez family, which had controlled Meralco for decades.

In a joint venture with Qatar Telecom, SMC acquired 32.7 per cent of Philippines Liberty Telecommunications Holdings in July 2009 for ₱1.88 billion.[[26]](#endnote-27) The telecommunications sector had been a pillar of SMC’s diversification plan. The aim was to challenge the top two established players, Philippine Long Distance Telephone and Globe Telecoms of the Ayala group.

Ang spearheaded SMC’s push into the infrastructure construction business in 2009, bidding for government projects such as toll ways, airports, and railways. This move made SMC one of the biggest infrastructure builders. Its projects included an expressway connecting Manila’s airport to a gaming hub near Manila Bay (₱18 billion) and an elevated highway linking the northern and southern outskirts of Metro Manila (₱37.4 billion).[[27]](#endnote-28)

SMC Global Power Holdings Corp. managed several power plants using different technologies such as coal, gas, and hydroelectricity.[[28]](#endnote-29) In April 2010, SMC bought a 50.1 per cent stake in Petron Corp., the biggest oil refiner and retailer in the Philippines.

In 2011, Petron acquired ExxonMobil’s downstream business and consumer service stations in Malaysia. This allowed SMC to form an integrated business in refining facilities, distribution, and marketing channels.[[29]](#endnote-30)

SMC also entered the mining industry. In October 2010, it acquired 10 per cent of Indophil Resources NL for $40 million.[[30]](#endnote-31) Indophil Resources NL had an indirect stake in the Tampakan gold and copper mine in the southern Philippines.[[31]](#endnote-32)

The shift to high-growth businesses seemed successful. By 2011, SMC’s consolidated total assets amounted to more than ₱1 trillion (see Exhibit 2). The income statement for 2011 showed that group revenue, operating income, and income before extraordinary items had surged by 118 per cent, 61 per cent, and 18 per cent, respectively, compared to 2010 (see Exhibits 3 and 4). SMC’s stock price rose steeply and became more volatile (see Exhibits 5 and 6).

Ang held top management positions in many of the group’s firms. He was the president and chief operating officer of PAL Holdings and Philippine Airlines. He served as chairman and chief executive officer (or president) of Petron Corp., Petron Marketing Corp., SMC Global Power Holdings Corp., San Miguel Properties, and San Miguel Beverages. He also held directorships in various domestic and international subsidiaries of SMC.

Ang kept a low profile and rarely spoke in public. He privately owned a hotel and 40 hectares of prime real estate in the Philippines.[[32]](#endnote-33) He also owned Eagle Cement and Fortune Cement, which he had founded before joining SMC. Early in his business career, Ang had run Northern Cement for Cojuangco and helped turned the firm around when “the boss” was in exile.

FINANCING MASSIVE ACQUISITIONS

During the 2000s, SMC completed more than $6 billion in mergers and acquisitions. Its revenue sources became more diversified (see Exhibit 7). To finance its large-scale acquisitions, SMC used various funding sources such as share issuances, bank loans, and bonds. Some of these acquisitions were subsequently sold at a profit.

In 2008, SMC helped San Miguel Brewery go public by listing 5 per cent of its shares. The company controlled 95 per cent of the beer market. SMC sold 5 per cent of its shares to raise ₱6.16 billion.[[33]](#endnote-34) The next year, 2009, SMC sold a 43.25 per cent in San Miguel Brewery to Kirin Brewery for ₱58.9 billion.[[34]](#endnote-35)

In 2009, SMC issued ₱38.8 billion in bonds that ranged from three to 10 years.[[35]](#endnote-36) The San Miguel Brewery bonds carried coupon rates of 8 to 10 per cent (250 basis points above comparable government local currency bonds). The bond sale was the biggest peso denominated debt ever issued in the Philippines, and it was oversubscribed.

In 2011, SMC raised $370 million from common shares and another $600 million from exchangeable bonds. In August 2011, SMC’s board approved the sale of a 5.2 per cent stake in Meralco for ₱13 billion.[[36]](#endnote-37)

SMC’s debt had grown significantly, from ₱98.32 billion in 2008 to ₱502.27 billion in 2011 (see Exhibit 2). As a result, the company’s debt-to-equity ratio rose from 0.66 in 2008 to 2.19 in 2011.

SMC’S OWNERSHIP STRUCTURE, 2011

According to SMC’s annual report, the company had three major shareholders as of December 2011: Top Frontier Investment Holdings (Top Frontier), with a 36.59 per cent share; ECJ Companies, with a 14.77 per cent share; and PCD Nominee Corporation, with a 10.91 per cent share.[[37]](#endnote-38) SMC’s top executives, Cojuangco and Ang, reportedly owned 0.02 per cent and 0.01 per cent of SMC’s shares, respectively. CIIF Companies held 22.57 per cent of SMC’s preferred shares.[[38]](#endnote-39) The annual report provided no information on the ultimate shareholders of ECJ Companies and PCD Nominee Corporation, except that ECJ Companies comprised a group of 25 different companies.

Top Frontier was incorporated in 2008 as an investment arm of three business elites, who had a close relationship with Cojuangco. In 2009, Top Frontier acquired a 28 per cent stake from SMC’s Employee Retirement Plan for $1.4 billion and became one of SMC’s major shareholders.[[39]](#endnote-40) In January 2010, SMC acquired 49 per cent of Top Frontier.[[40]](#endnote-41) Ang represented SMC on Top Frontier’s board.

In April 2010, Top Frontier acquired another 10 per cent of SMC from Roberto V. Ongpin, with an option to buy another 21 per cent. By May 2010, Top Frontier controlled about 55 per cent of SMC.[[41]](#endnote-42)

The three founders of Top Frontier were Jose Y Campos, Inigo Zobel, and Ongpin. Campos and Zobel each owned 40 per cent of shares, while Ongpin owned the remaining 20 per cent.[[42]](#endnote-43) Zobel served as chairman of Top Frontier.

Ongpin was the former minister of trade and minister of industry during President Marcos’ regime. His businesses were mainly in the mining industry. He was ranked by *Forbes* as the ninth richest Filipino in 2011, with a net worth of $1.3 billion.[[43]](#endnote-44)

Inigo Zobel was Enrique Zobel’s son. Enrique was the one who had sold his SMC stake to Cojuangco in the 1980s. Inigo’s cousin, Jaime Zobel de Ayala, was the patriarch of the Ayala group, one of the country’s top business groups.

Campos was known as the “pharmaceutical king.” He and his wife, Beatrice, were the founders of United Laboratories, a major pharmaceutical company in the country.

CHALLENGES AT SMC

SMC had become a giant business group. It needed to plan for a smooth leadership transition and place the company in good hands. What were Cojuangco’s options for an effective succession plan of the company? What challenges would Cojuangco face in planning for his succession?

Exhibit 1: select members of the cojuangco political clan

|  |  |  |
| --- | --- | --- |
| **Name** | **Relationship to Eduardo Cojuangco, Jr.** | **Political Posts** |
| Melecio Cojuangco | Grandfather | Representative of the First District of Tarlac to the 1st Philippine Legislature (1907–1909) |
| Eduardo Cojuangco, Sr. | Father | Former provincial governor |
| Carlos Cojuangco | Son | Representative of the Fourth District of Negros Occidental (1998–2007) |
| Mark Cojuangco | Son | Representative of the Fifth District of Pangasinan to the 14th Congress of the Philippines (2001 to present) |
| Lisa Cojuangco | Daughter | Nil |
| José Cojuangco, Sr. | Uncle | Representative of the First District of Tarlac to the 10th (1934–1935), first (1935–1938), second (1938–1941), and third National Assembly (1941–1946) |
| José Cojuangco, Jr. | Cousin | Tarlac congressman (1961–1969, 1987–1998);  mayor of Paniqui, Tarlac (1959–1961) |
| Corazon Cojuangco Aquino | Cousin | President of the Philippines (1986-1992) |
| Benigno Aquino, Jr. | Cousin-in-law | Senator of the Philippines (1967–1972);  Tarlac governor (1961–1967) |
| Benigno Aquino, III | Nephew | President of the Philippines (2010–2016);  senator of the Philippines (2007–2010);  Tarlac congressman (1998–2007) |

Source: Prepared by the authors with information from Kimberly Jane Tan, “Dynasties to Remain Dominant in 2013 Polls,” GMA News Online, October 1, 2012, accessed December 17, 2015, www.gmanetwork.com/news/story/276343/news/nation/

dynasties-to-remain-dominant-in-2013-polls; “Cojuangco Clan,” GMA News Online, March 20, 2003, accessed December 17, 2015, www.gmanetwork.com/news/story/35032/news/nation/cojuangco-clan.

EXHIBIT 2: San Miguel Corporation BALANCE SHEETS, 2006–2011 (IN ₱ MILLION)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **As of December 31** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **ASSETS** |  |  |  |  |  |  |
| Cash and Equivalents | 7,579 | 5,322 | 8,220 | 25,926 | 17,344 | 30,125 |
| Short-Term Investments | 17,219 | 88,861 | 108,909 | 183,687 | 108,286 | 99,165 |
| **Total Cash and Short-Term Investment** | **24,798** | **94,183** | **117,129** | **209,613** | **125,630** | **129,290** |
| Accounts and Notes Receivable | 43,275 | 61,879 | 50,814 | 49,082 | 75,904 | 84,472 |
| Inventory | 46,197 | 26,176 | 30,642 | 27,983 | 60,709 | 69,844 |
| Other Current Assets | 4,716 | 10,567 | 5,678 | 11,435 | 17,295 | 24,573 |
| **TOTAL CURRENT ASSETS** | **118,986** | **192,805** | **204,263** | **298,113** | **279,538** | **308,179** |
| Gross Property Plant and Equipment | 178,714 | 117,286 | 128,468 | 134,152 | 416,685 | 445,060 |
| Accumulated Depreciation | (77,724) | (51,612) | (58,341) | (66,386) | (107,133) | (123,622) |
| **Net Property, Plant and Equipment** | **100,990** | **65,674** | **70,127** | **67,766** | **309,552** | **321,438** |
| Long-Term Investments and Long-Term Receivables | 903 | 7,437 | 7,439 | 5,933 | 24,783 | 27,471 |
| Other Long-Term Assets | 128,705 | 22,193 | 57,544 | 66,679 | 215,927 | 233,448 |
| **TOTAL ASSETS** | **349,584** | **288,109** | **339,373** | **438,491** | **829,800** | **890,536** |
|  |  |  |  |  |  |  |
| **LIABILITIES AND EQUITY** |  |  |  |  |  |  |
| Accounts Payable | 20,474 | 7,746 | 9,061 | 8,791 | 34,591 | 39,398 |
| Short-Term Borrowings | 53,361 | 45,453 | 57,604 | 57,866 | 97,623 | 117,429 |
| Other Short-Term Liabilities | 22,181 | 21,028 | 20,223 | 27,372 | 46,010 | 34,003 |
| **TOTAL CURRENT LIABILITIES** | **96,016** | **74,227** | **86,888** | **94,029** | **178,224** | **190,830** |
| Long-Term Debt | 84,908 | 54,612 | 40,719 | 71,885 | 353,839 | 384,840 |
| Other Long-Term Liabilities | 16,131 | 13,177 | 43,542 | 31,639 | 30,912 | 15,766 |
| **TOTAL NON-CURRENT LIABILITIES** | 101,039 | 67,789 | 84,261 | 103,524 | 384,751 | 400,606 |
| **TOTAL LIABILITIES** | **197,055** | **142,016** | **171,149** | **197,553** | **562,975** | **591,436** |
|  |  |  |  |  |  |  |
| Total Preferred Equity | - | - | - | 4,852 | 4,852 | 4,852 |
| Common Stock | 46,278 | 47,039 | 47,295 | 115,235 | 117,749 | 119,908 |
| Retained Earnings and Other Equity | 84,589 | 87,725 | 102,622 | 93,730 | 93,430 | 104,654 |
| **TOTAL COMMON EQUITY** | **130,867** | **134,764** | **149,917** | **213,817** | **216,031** | **229,414** |
| Minority Interest | 21,662 | 11,329 | 18,307 | 27,121 | 50,794 | 69,686 |
| **TOTAL EQUITY** | **152,529** | **146,093** | **168,224** | **240,938** | **266,825** | **299,100** |
| **TOTAL LIABILITIES AND EQUITY** | **349,584** | **288,109** | **339,373** | **438,491** | **829,800** | **890,536** |

Note: ₱ = PHP = Philippine peso; US$1 = ₱0.02 on September 1, 2011.

Source: San Miguel Corporation, “SMC:PM,” Bloomberg L.P., accessed September 29, 2016.

EXHIBIT 3: San Miguel Corporation INCOME STATEMENTS, 2006–2011 (IN ₱ MILLION)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **As of December 31** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Revenue** | **249,650** | **154,880** | **168,041** | **174,213** | **246,109** | **535,775** |
| Cost of Revenue | (164,618) | (112,315) | (119,412) | (119,301) | (166,619) | (419,696) |
| **Gross Profit** | **85,032** | **42,565** | **48,629** | **54,912** | **79,490** | **116,079** |
| Operating Expenses | (64,474) | (30,524) | (33,811) | (35,243) | (44,713) | (60,125) |
| **Operating Income** | **20,558** | **12,041** | **14,818** | **19,669** | **34,777** | **55,954** |
| Interest Expense | (9,625) | (5,726) | (5,744) | (7,355) | (13,870) | (25,698) |
| Investment in Associates | 4,159 | 6,316 | 12,826 | 49,205 | 7,770 | 3,907 |
| Net Non-Operating Losses (Gains) | 170 | 164 | (1,132) | 2,816 | 6,817 | 2,824 |
| **Pre-Tax Income** | **15,262** | **12,795** | **20,768** | **64,335** | **35,494** | **36,987** |
| Income Tax Expense | (5,092) | (4,589) | (6,098) | (3,706) | (11,438) | (8,483) |
| **Income Before XO Items** | 10,170 | 8,206 | 14,670 | 60,629 | 24,056 | 28,504 |
| Extraordinary Loss Net of Tax | 396 | 279 | (735) | (2,830) | (3,965) | (10,986) |
| Minority Interests | 10,566 | 8,485 | 13,935 | 57,799 | 20,091 | 17,518 |
| **NET INCOME** | **10,566** | **8,485** | **13,935** | **57,799** | **20,091** | **17,518** |

Note: ₱ = PHP = Philippine peso; US$1 = ₱0.02 on September 1, 2011.

Source: Created by the authors using data San Miguel Corporation, “SMC:PM,” Bloomberg L.P., accessed September 29, 2016.

Exhibit 4: San Miguel Corporation Financial performance, 1998–2011

**R**evenue and Year-on-Year Growth (in ₱ million)

Exhibit 4 (continued)

Net Income and Net Income Margin (in ₱ million)

Source: Created by the authors using data San Miguel Corporation, “SMC:PM,” Bloomberg L.P., accessed September 29, 2016.

EXHIBIT 5: cumulative stock returns (%)

Note: The Philippines Stock Exchange (PSE) Composite Index is a value-weighted index of 30 stocks representative of the four sectors of the country’s stock market: commercial and industrial, property, mining, and oil.

Source: Created by the authors using data retrieved from San Miguel Corporation, Datastream International, accessed September 30, 2016.

EXHIBIT 6: San Miguel Corporation Market capitalization (in US$ Billion)

Source: Created by the authors using data San Miguel Corporation, “SMC:PM,” Bloomberg L.P., accessed September 29, 2016.

EXHIBIT 7: San Miguel Corporation breakdown of Revenue

**Beverages**: San Miguel Brewery had more than 90 per cent of the domestic market, with breweries across Southeast Asia.

**Food:** San Miguel Pure Foods had operations in the Philippines, Indonesia, and Vietnam.

**Oil and Fuel:** Petron Corp. had 35 per cent of the domestic market share, as well as 17.1 per cent of the Malaysian market share.

**Packaging:** San Miguel Yamamura Packaging had operations in Southeast Asian countries, China, and Australia.

**Infrastructure:** San Miguel Corporation had projects building toll roads, airports, and other roadworks.

Source: Created by authors using the data from San Miguel Corporation, “SMC:PM,” Bloomberg L.P., accessed September 29, 2016.

endnotes

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of San Miguel Corporation or any of their employees. [↑](#endnote-ref-2)
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3. All currency amounts are in US$ unless otherwise specified. [↑](#endnote-ref-4)
4. “The Two Lives of the Boss,” op cit. [↑](#endnote-ref-5)
5. The size of the stakes held by the two founding families at the time was not clear. Some reports claim that the Zobel share bloc was 19.5 per cent; other sources indicated that after the Soriano family’s sale, only 3 per cent of the shares were left with the family. [↑](#endnote-ref-6)
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