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THE holcim Acquisition: Cementing SMC’s industry leadership in the philippines[[1]](#endnote-1)

Maria Theresa Mañalac, Yusoph Maute, and Sandeep Puri 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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On May 11, 2019, San Miguel Corporation (SMC) announced its acquisition of Holcim Philippines Inc. (HPI), the country’s leading cement maker, for a full (100 per cent) enterprise value of US$2.15 billion (₱112.3 billion).[[2]](#endnote-2) SMC planned to buy an 85.73 per cent controlling stake in HPI, which would make SMC the biggest cement player in the country.[[3]](#endnote-3) The transaction involved the potential transfer of the 5,531,566,062 common shares in HPI (or 85.73 per cent of outstanding shares) that had previously been owned by Union Cement Holdings Corporation, (UCHC), Holderfin BV (Holderfin), and Cemco Holdings Inc. (Cemco) (see Exhibit 1). The buyer was First Stronghold Cement Industries Inc. (First Stronghold), a wholly owned subsidiary of San Miguel Equity Investments Inc., which in turn was a wholly owned subsidiary of SMC.[[4]](#endnote-4)

SMC had won a bidding process against Anhui Conch Cement Co. Ltd., the largest cement manufacturer in mainland China, in the final round.[[5]](#endnote-5) Because SMC’s First Stronghold was acquiring controlling interest of a publicly listed company, the Philippines Securities and Exchange Commission (SEC) required First Stronghold to conduct a mandatory tender offer[[6]](#endnote-6) for the remaining HPI shares held by minority shareholders, which represented 14.27 per cent of the total issued and outstanding capital stock.[[7]](#endnote-7) It would also need prior approval from the Philippine Competition Commission (PCC) since the transaction was valued in excess of ₱1 billion.[[8]](#endnote-8) While waiting for the approval of the PCC and the completion of the post-closing purchase price adjustment, First Stronghold and SMC filed a request with the SEC for exemptive relief, which would allow the tender offer to be deferred until after the final purchase price had been determined and paid.[[9]](#endnote-9)

First Stronghold had made no specific disclosure about the per-share price of the acquisition. However, according to market estimates reported in the *Philippine Star*, SMC had bought HPI for an attractive price of at least ₱16.85 per share,[[10]](#endnote-10) higher than the closing price of ₱15.30 on May 10, 2019.[[11]](#endnote-11) On December 28, 2018, HPI shares had traded on the Philippine Stock Exchange (under the ticker symbol “HLCM”) at ₱5.80 (see Exhibit 2).[[12]](#endnote-12)

Richard Saavedra, a retail investor, had bought HPI shares at ₱7.30 on June 29, 2018. He wanted to understand the current prospects of the cement industry and assess the financial health and valuation of HPI in order to decide whether he should (1) sell his shares in HPI at the current market price and take the immediate gain, (2) wait for the mandatory tender offer price from SMC, or (3) keep his investment in HPI indefinitely. He wondered if the press had reported the right purchase price per share.

PHILIPPINE CEMENT INDUSTRY

The Cement Manufacturers’ Association of the Philippines (CeMAP), which represented the industry in projects and programs with the Philippine government, comprised five members: HPI; CEMEX Holdings Philippines, Inc., with its operating subsidiaries Solid Cement Corporation and APO Cement Corporation; Republic Cement and Building Materials Inc. (Republic Cement); Northern Cement Corporation; and Taiheiyo Cement Philippines Inc.[[13]](#endnote-13) Eagle Cement Corporation (Eagle Cement), a key industry player, was not part of the CeMAP.[[14]](#endnote-14)

After the PCC investigated CeMAP, HPI, and Republic Cement for alleged violations of competitive practices in 2016, CeMAP stopped collecting sales data in August 2017, which resulted in the absence of any report on the cement industry.[[15]](#endnote-15) However, it was reported in an affidavit that CeMAP president Ernesto Ordoñez, HPI, and Republic Cement had violated the *Philippine Competition Act*’s provisions by using anti-competitive agreements by “restricting competition as to price or components thereof or other terms of trade, abusing their dominant position by engaging in conduct that substantially prevents, restricts, or lessens competition, imposing barriers to entry, or committing acts that prevent competitors from growing within the market.”[[16]](#endnote-16)

Demand for cement in the Philippines had expanded from 15.45 metric tons per year (MTPY) in 2010 to 24.40 MTPY in 2015, representing a compounded annual growth rate of 9.53 per cent.[[17]](#endnote-17) This was faster than the Philippine nominal gross domestic product (GDP) growth rate of 8.21 per cent over the same time period.[[18]](#endnote-18) At the end of 2016, CeMAP reported an overall increase in sales of cement, including imported cement (see Exhibit 3), which had risen to 25.96 million metric tons, with 1.59 million metric tons coming from imported cement.[[19]](#endnote-19) To keep up with the rapidly growing demand, the cement industry was expected to produce an “additional 11.5 million tons until 2025,” which was up from the 26.82 million tons demanded in 2017 and increased the pressure to either import or increase the capacity of cement plants to bridge the gap between demand and supply.[[20]](#endnote-20) In the first quarter of 2019, the cement industry had reported a 64 per cent increase in imports, which continued to rise in spite of the imposition of a provisional safeguard duty of ₱8.40 per bag (US$0.16 per bag) imposed in February 2019.[[21]](#endnote-21) The huge demand–supply gap was the result of the poor state of cement plants in the Philippines, which were over 20 years old, needed renovations and had a clinker-to-cement[[22]](#endnote-22) ratio below 0.80.

Future cement demand was expected to continue being driven by growth in the construction sector. Strong government infrastructure spending to support economic growth, such as the Build, Build, Build! program,[[23]](#endnote-23) and developments from the private sector were likely to create a major spike in demand for construction supplies, including cement.[[24]](#endnote-24) The construction sector had seen massive growth and was expected to reach US$47 billion in value by 2020 following the government’s push for infrastructure development, rural-area urbanization, and low- and middle-income group housing;[[25]](#endnote-25) there were also increasing demands from a growing expatriate population for posh condominiums.[[26]](#endnote-26) The government had also committed US$23 billion to tourism infrastructure development from 2019 to 2024 under its National Tourism Development Plan.[[27]](#endnote-27)

According to industry reports, the Philippine residential market was expected to account for 33.9 per cent of the construction industry’s total value in 2020.[[28]](#endnote-28) Following the growth trends, the National Economic and Development Authority planned to increase the government’s infrastructure spending to 7.4 per cent of GDP by 2022, up from 5.3 per cent of GDP in 2017.[[29]](#endnote-29) The government had not only identified 75 projects for prioritization, approval, and implementation, but it had also outlined financial aid for middle- and low-income families under several programs.[[30]](#endnote-30) Because of the Philippine peso’s slide against the US dollar,[[31]](#endnote-31) bank lending interest rates had increased from 6.1 per cent in 2018 to 7.1 in 2019;[[32]](#endnote-32) this was expected to increase the cost of interest on home loans and thereby lower the demand for housing.[[33]](#endnote-33) Despite this, the construction industry looked positive, and its contribution as a percentage of GDP had grown steadily from 2005 to 2015.[[34]](#endnote-34)

HPI’s MAJOR competitors

As of December 2016, the Philippine cement industry had an estimated clinker capacity of 20.60 metric MTPY and cement capacity of 28.63 MTPY. The top four players in the industry (HPI, CEMEX, Republic Cement, and Eagle Cement) accounted for about 80 per cent and 82 per cent of the total clinker and cement domestic production capacities, respectively.[[35]](#endnote-35) Although HPI’s cement production capacity was the largest, at 8 million metric tons as of 2016 (see Exhibit 4), all four players had invested more funds and introduced newer projects to boost production output by the end of 2020, making the competitive space very unpredictable.[[36]](#endnote-36)

CEMEX Holdings Philippines Inc.

A subsidiary of the CEMEX Asian South East Corporation, CEMEX was a global building materials company with a footprint spanning 50 countries. Besides ordinary Portland and blended cement, it produced masonry or mortar cement and ready-mix concrete. CEMEX and its subsidiaries owned two cement plants (see Exhibit 4), a ready-mix concrete plant, and an admixtures facility. It also owned many shipping terminals and land-distribution facilities throughout the Philippines.[[37]](#endnote-37) As part of its corporate social responsibility program, CEMEX developed green products and introduced many skill-enhancing initiatives.[[38]](#endnote-38) In the aftermath of Super Typhoon Yolanda (Typhoon Haiyan) in 2013, it also helped rebuild the northern part of Cebu province and rehabilitate affected communities in collaboration with the local government and non-profit organizations.[[39]](#endnote-39)

Republic Cement Group

The Republic Cement Group, a joint venture between the Ireland-based CRH and local conglomerate Aboitiz Equity Ventures, had several companies under its umbrella: Republic Cement & Building Materials Inc., Republic Cement Iligan Inc., Republic Cement Mindanao Inc., and Republic Cement Services Inc. While Aboitiz Equity Ventures, a public holding company of the Aboitiz Group, was a Filipino business group listed on the Philippine Stock Exchange, its partner CRH, a Fortune 500 building materials company, was a listed on the London and Irish stock exchanges. Besides cement, the group had business interests across the banking and financial services, infrastructure, power, food, and real estate sectors. Republic Cement was committed to nation-building through several corporate social responsibility (CSR) initiatives: Stronger Communities focused on community welfare, Stronger Kids focused on child welfare, Greener Cement focused on environmental restoration and preservation, Stronger Homes focused on affordable housing, and Stronger Structures focused on infrastructure development.[[40]](#endnote-40)

Eagle Cement Corporation

The president and chief operating officer (COO) of SMC, Chinese Filipino businessman Ramon Ang, was reported to be the majority owner and manager of Eagle Cement Corporation.[[41]](#endnote-41) Through one of this company’s two wholly owned subsidiaries, South Western Cement Corporation, Eagle Cement was engaged in the manufacture, marketing, sale, and distribution of cement products and by-products and owned mineral rights in Malabuyoc, Cebu. Through the other subsidiary, KB Space Holdings Inc., it owned large pockets of prime commercial land in the City of Mandaluyong.[[42]](#endnote-42) Eagle Cement’s plant at Barangay Akle, in San Ildefonso, Bulacan, was not only the newest and most technological advanced, with two production lines, but it also had the largest production capacity (in number of cement bags) in the Philippines.[[43]](#endnote-43)

HOLCIM PHILIPPINES INC.

HPI was created through the 2000 merger of three companies—Bacnotan Cement Corporation, Davao Union Cement Corporation, and Hi Cement Corporation—and the acquisition of the Alsons Cement Corporation in 2002. As of December 31, 2018, 60.55 per cent of HPI was owned by Union Cement Holdings Corporation (UCHC); 18.11 per cent, by Holderfin BV (Holderfin); and 7.08 per cent, by Cemco; while the remainder of its shares were owned by the public (see Exhibit 1).[[44]](#endnote-44)

Product Lines

HPI manufactured, sold, and distributed cement, dry-mix mortar products, and clinker.[[45]](#endnote-45) It offered various cement brands in cement bags and in bulk, and it also sold a semi-finished product called clinker, which was sold only in bulk, to cement producers. Moreover, it was involved in the ready-mix concrete business, aggregates, and dry-mix mortar products.[[46]](#endnote-46)

Marketing and Distribution

HPI had four cement production facilities, one cement grinding mill, and various ports and warehouses around the Philippines, enabling it to serve customers around the country.[[47]](#endnote-47) HPI’s customers were composed of traders, wholesalers, retailers, and contractors who supplied private and public projects, real estate developers, and concrete producers. HPI supplied various commercial and government infrastructure projects with the goal of having a well-balanced portfolio containing different categories of customers so that it was not dependent on just a few customers.[[48]](#endnote-48)

Risk Factors

One significant risk factor for HPI was the level of construction activity in both the private and public arenas. Public construction was driven by government spending in sectors such as infrastructure and housing, which were subject to budgetary constraints and political considerations. In contrast, private-sector construction was affected by investors’ confidence in economic and political conditions in the country.[[49]](#endnote-49)

Another risk factor was the possibility of prolonged damage or a breakdown in the company’s large production facilities on the islands of Luzon and Mindanao. It also needed a stable source of power for the continuing operation of these production facilities. Finally, company operations were subject to environmental and regulatory risks. For example, cement manufacturing involved the use of fossil fuels and electric power and ran the risk of possible emissions of dust into the atmosphere, which might adversely affect the environment.[[50]](#endnote-50)

Company Performance

HPI showed a modest financial performance in 2018, with earnings before interest, taxes, depreciation, and amortization (EBITDA)[[51]](#endnote-51) declining to ₱4.9 billion, from ₱5.4 billion in 2017, on the back of weak revenue growth in the first three quarters of 2018. Its revenue increased by 2.54 per cent, based on stable prices and higher volume. Revenues rose from ₱34.7 billion in 2017 to ₱35.6 billion in 2018, driven by expanding demand from the public and private sectors and tighter competition among cement players. Net income after tax declined from ₱2.7 billion to ₱2.5 billion in 2018 because of higher interest expenses from higher debt (see Exhibits 5 and 6 and the accompanying student spreadsheet product no. 7B21N006). Going forward, HPI planned to improve and expand its cement and clinker production facilities as well as to continue cost improvement initiatives to address the impact of higher costs.[[52]](#endnote-52)

DIVESTMENT ACTIVITIES OF LAFARGEHOLCIM IN SOUTHEAST ASIA

LafargeHolcim Ltd. (LafargeHolcim) was the global leader in building materials and solutions. It was active in four business segments: cement, aggregates, ready-mix concrete, and solutions and products, which included precast concrete, asphalt, mortar and building solutions.[[53]](#endnote-53) Headquartered in Switzerland, LafargeHolcim held leading positions in all regions across the globe (Asia Pacific, Europe, North America, Latin America, and the Middle East/Africa). It employed approximately 75,000 people in around 80 countries and had a portfolio that was equally balanced between developing and mature markets. LafargeHolcim was listed on the SIX Swiss Exchange and on Euronext Paris and was a member of the Dow Jones Sustainability Indices (DJSI) European Index.[[54]](#endnote-54)

In 2017, as part of its five-year turnaround plan, called Strategy 2022—Building for Growth, LafargeHolcim announced plans that included the divestment of its assets in Southeast Asia worth at least US$2.0 billion.[[55]](#endnote-55) These divestments were planned to significantly improve LafargeHolcim’s debt ratios: its target was to achieve two times net debt–to–recurring earnings before EBITDA by the end of 2019 and to concentrate on the United States, Latin America, India, and Africa.[[56]](#endnote-56)

Why Southeast Asia?

LafargeHolcim’s largest business area, in terms of volume and number of employees, was Asia Pacific, which covered India, China, Bangladesh, Australia, and Southeast Asia. The company operated 117 integrated cement and cement grinding plants in the Asia Pacific region, with total cement grinding capacity of 117.4 million metric tons.[[57]](#endnote-57) Unfortunately, in 2017, Asia Pacific reported lower earnings despite higher volumes among the company’s three product lines, namely cement, aggregates, and ready-mix concrete,[[58]](#endnote-58) and its full-year recurring EBITDA had declined by 6.9 per cent, to US$1.42 billion. In the Philippines, operating EBITDA in 2017 had declined by 49.6 per cent from the previous year because of lower revenues and higher fuel and production costs.[[59]](#endnote-59) LafargeHolcim’s chief executive officer (CEO) Jan Jenisch said in May 2018 that the company’s Southeast Asian business had been “a bit more challenging” amid price pressure in markets such as the Philippines and Malaysia.[[60]](#endnote-60)

Subsequently, in November 2018, LafargeHolcim announced that it was selling its 80.6 per cent stake in Holcim Indonesia for an enterprise value of US$1.75 billion to PT Semen Indonesia. The assets sold included the entirety of LafargeHolcim’s operations in Indonesia, which consisted of four cement plants, 33 ready-mix plants and two aggregate quarries. PT Semen Indonesia was a major building materials company in Indonesia.[[61]](#endnote-61) In May 2019, LafargeHolcim also announced the sale of its 51 per cent holding in Lafarge Malaysia Berhad for US$396 million (MYR3.75 per share).[[62]](#endnote-62) This price represented a 43 per cent premium over the prior three-month average trading price of Lafarge Malaysia Berhad on the Malaysian stock exchange. Lafarge Malaysia Berhad operated three integrated cement and two grinding plants. The buyer was YTL Cement Berhad, which was a part of YTL Corporation Berhad, a Malaysian infrastructure conglomerate involved in cement production, construction, property development, and utilities.[[63]](#endnote-63) Finally, LafargeHolcim also sold its entire 91 per cent holdings in its Singapore operation, for an enterprise value of US66.85 million, to YTL Cement Singapore PTE Limited.[[64]](#endnote-64)

Sale of HPI

Rumours about the potential sale of the Philippine unit of LafargeHolcim first came out in January 2019, when it was revealed that Philippine Stock Exchange (PSE)-listed company Eagle Cement Corporation, the fourth-largest cement company in the Philippines,[[65]](#endnote-65) was interested in taking over HPI’s local assets.[[66]](#endnote-66) Ramon Ang was the chairman of the Eagle Cement Corporation board as well as the vice-chair, president, and COO of SMC. Shares of HPI surged on news of the potential sale.[[67]](#endnote-67) Finally, on May 11, 2019, HPI and SMC confirmed that LafargeHolcim had signed an agreement for the divestment of LafargeHolcim’s entire 85.73 per cent shareholding in HPI for an enterprise value of US$2.15 billion on a 100 per cent enterprise-value basis.[[68]](#endnote-68)

LafargeHolcim announced that its sale of operations in Indonesia, Malaysia, Singapore, and now the Philippines, would enable it to exit Southeast Asia with an enterprise value of US$4.9 billion. These divestitures were negotiated based on a 2018 enterprise value–to–recurring EBITDA multiple of above 21 times. These would also reduce the company’s net debt–to–recurring EBITDA ratio by 0.6 times.[[69]](#endnote-69)

According to Jan Jenisch, LafargeHolcim’s CEO,

With the divestment of our activities in the Philippines, we are completing our exit from the increasingly hyper-competitive arena in Southeast Asia. While this decision was based on our strategic portfolio review, we had reached very attractive valuations, allowing us to achieve a new level of financial strength. We would have over performed our target ratio of net debt–to–recurring EBITDA of two times or less by the end of 2019. We had delivered on the promised strengthening of our balance sheet, and we are on track to accelerate the execution of our Strategy 2022–“Building for Growth.”[[70]](#endnote-70)

LafargeHolcim said that it had conducted competitive bidding for HPI and that SMC had presented the best offer. Industry sources indicated that SMC overcame various international players such as China-based Anhui Cement Corp., Japan-based Taiheyo Cement Corp., Thailand-based Siam City Cement, and the Philippines’ Eagle Cement Corporation.[[71]](#endnote-71)

SAN MIGUEL CORPORATION

SMC, with its subsidiaries, was one of the largest conglomerates in the Philippines, with sales that accounted for approximately 5.9 per cent of the Philippine GDP in 2018.[[72]](#endnote-72) SMC businesses included a globally recognized beer brand, food and packaging, fuel and oil, energy, infrastructure, and banking investment.[[73]](#endnote-73) Almost 66 per cent of SMC was owned by Top Frontier Investment Holdings Inc.; however, deeper research showed that Ramon Ang held over 32 per cent of SMC shares through his wholly owned companies Privado Holdings Corp.[[74]](#endnote-74) and Master Year Limited[[75]](#endnote-75) (see Exhibit 7).

In its corporate disclosure with the PSE, SMC said its acquisition of HPI would increase the foothold of the San Miguel Group in the cement business and would provide the company the opportunity to implement its plan to expand its cement business nationwide.[[76]](#endnote-76) In 2013, SMC purchased 35 per cent of Northern Cement Company, which was controlled by Eduardo Cojuango, the chair of SMC.[[77]](#endnote-77) In 2017, SMC entered a joint venture with Northern Cement Company to build a new cement plant in the province of Pangasinan. SMC owned 70 per cent of the joint venture company.[[78]](#endnote-78)

The acquisition of HPI was widely seen as Roman Ang’s expansionary move into the cement business amid the government’s ongoing massive infrastructure push. Astro del Castillo, managing director at First Grade Finance, Inc., said, “It’s a logical move for San Miguel considering its exposure to road and airport projects. The company was capitalizing on the government’s ‘Build, Build, Build’ infrastructure program.”[[79]](#endnote-79)

In an interview, Ang said he was confident the company would receive the necessary PCC approval, since both the public and government considered it positive for a Filipino company to acquire HPI. He added, “Do you know that 35 per cent of cement being sold in the Philippines today are imported cement? And the major players in the Philippines―HPI, CEMEX, Lafarge-CRH and Japanese firm Taiyo, and another Taiwanese―they are all foreigners. Don’t you want a Filipino to acquire it?”[[80]](#endnote-80)

SMC disclosed that it was buying controlling interest of HPI from three companies controlled by LafargeHolcim, namely the Dutch company Holderfin BV, Union Cement Holdings Corp., and Cemco Holdings Inc. The consideration of the transaction was to be paid in cash on closing, subject to a post-closing purchase price adjustment. Furthermore, it was disclosed that the amount of the consideration had been negotiated and determined based on the valuation of the business of the target through a discounted cash flow method, as well as other methodologies customary for transactions of this nature.[[81]](#endnote-81)

PHILIPPINE REGULATORY REQUIREMENTS FOR ACQUISITIONS

As a result of this transaction, First Stronghold, as the purchaser, was required to conduct a mandatory tender offer for the remaining HPI shares held by minority shareholders, which represented 14.27 per cent of the total issued and outstanding capital stock. In any acquisition that would result in ownership of over 50 per cent of the equity of a public company, the SEC required the acquirer to buy out the minority shareholders through a tender offer at a price supported by the fairness opinion provided by an independent financial advisor.[[82]](#endnote-82)

In addition, parties to a merger or acquisition valued at over ₱1 billion were required to notify the PCC of their agreement, which could not be completed without the approval of the PCC.[[83]](#endnote-83) The PCC had been mandated under the *Philippine Competition Act* to review mergers and acquisitions to ensure that they would not substantially reduce competition in the relevant market or harm the interest of consumers. Accordingly, SMC and HPI notified the PCC of the transaction on June 6, 2019.[[84]](#endnote-84) While the HPI acquisition was announced at a time when the PCC was also investigating a possible cartel in the local cement industry, details and even updates about this probe had been kept secret.[[85]](#endnote-85) However, Renato Balisacan, chair of the PCC, said that the SMC-HPI takeover deal was “different” from this ongoing investigation, saying, “Unlike cartel investigations which look into past conduct, merger reviews are carried out to determine any competition concerns before the transaction is consummated to prevent potential damage to consumers.”[[86]](#endnote-86) While they waited for the PCC’s approval and the completion of post-closing purchase price adjustment, First Stronghold and SMC filed a request for exemptive relief with the SEC to allow the tender offer to be conducted after the final purchase price had been determined and paid.[[87]](#endnote-87)

VALUING HPI

On Friday May 10, 2019, shares of HPI closed at ₱15.30 per share. Saavedra wanted to confirm this value with his own estimates in order to decide whether to (1) sell his shareholdings in HPI at the current market price and take the gain, (2) wait for the yet unpriced mandatory tender offer that SMC was required to launch, or (3) keep his investment in HPI indefinitely. Saavedra was able to get a copy of HPI’s financial statements (see Exhibits 5 and 6). From this, he thought that he could make income statement, free cash flow, and working capital forecasts.

He wanted to estimate the share price value of HPI as of January 1, 2019, incorporating a full-year 2019 forecast. He planned to run a five-year value growth duration from 2019 to 2023 and a sixth-year normalized free cash flow forecast for 2024, which he would use to estimate the terminal value. He projected that revenues would grow at the rate of 10.5 per cent annually over the value growth duration. This was the same nominal growth rate exhibited by the construction industry in the first quarter of 2019.[[88]](#endnote-88) He also assumed that cost- and expense-to-revenue ratios would be based on the average of the last three years leading up to 2018 (inclusive). He expected that net working capital (namely operating cash, receivables, inventory, and trade payables) would follow 2018 estimates, and he assumed that HPI intended to set aside 7 per cent of revenues as operating cash.

There was some publicly available information to help forecast capital expenditures. In early 2019, HPI had invested US$54 million (₱2.82 billion) to expand cement production in its La Union plant.[[89]](#endnote-89) For simplicity, Saavedra assumed that depreciation would be 5 per cent of revenues and that capital expenditures (CAPEX) would equal depreciation from 2019 to 2023. As things stood, he knew that depreciation was already embedded in the cost-of-sales number. For the 2024 free cash flow estimate for terminal value, he assumed that depreciation would be same percentage of revenues, but that CAPEX would be ₱350 million more than depreciation, based on the 10-year historical difference between these two accounts.[[90]](#endnote-90)

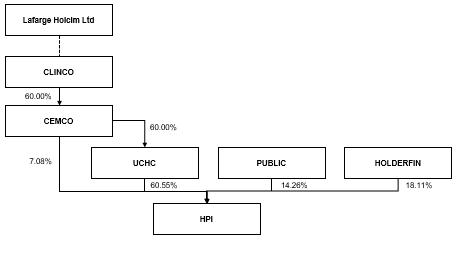
He found out that the market risk premium for the Philippines was 6.33 per cent, which was the long-term equity market return in excess of the 91-day Treasury bill rate.[[91]](#endnote-91) For revenue and free-cash-flow growth rate for terminal value, he had a few possible choices: he noted that the World Bank had projected the Philippine inflation rate at 3.5 per cent for 2019;[[92]](#endnote-92) he read that the Philippine nominal GDP growth rate for the first quarter of 2019 had been 7.8 per cent;[[93]](#endnote-93) and he saw from his previous research that the cement industry was expected to produce “an additional 11.50 MTPY until 2025,” from a base of 26.82 MTPY at the end of 2017.[[94]](#endnote-94)

He decided to estimate beta based on monthly HPI stock prices and PSE index (PSEi) values over the last three years (see Exhibit 8).[[95]](#endnote-95) He assumed that SMC would retain HPI’s current capital structure after the acquisition, and that the pre-tax cost of debt would remain at 4.66 per cent.[[96]](#endnote-96) He thought he would use the current market capitalization for the weight of equity. He assumed that the “Due to Related Parties” account was non-interest bearing. He also found additional data on the rate of Philippine government securities (see Exhibit 9). He assumed a tax rate of 30 per cent, which was consistent with the Philippine corporate tax rate. With all this information on hand, Saavedra proceeded to run a discounted cash flow valuation of HPI.

Saavedra was also able to gather financial ratios for SMC and for comparable companies in the construction, infrastructure, and allied services sub-sector of the PSE (see Exhibit 10). He wondered if the trading multiples of HPI would compare well with those of its competitors. Did HPI’s controlling stockholders get a good offer price from SMC? What should Saavedra do, given the prevailing market price of ₱15.30? The tender offer price was unknown, but he expected it to be the same as that offered to HPI’s controlling stockholders. Should he sell now, should he wait for the tender offer, or should he do nothing at all and just hold on to his stock?

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**Exhibit 1: Ownership Structure of Holcim Philippines Inc.**



Source: Holcim Philippines Inc., *2018 Annual Report*, 142, February 28, 2019, accessed July 26,2020,

https://www.holcim.ph/sites/philippines/files/atoms/files/hpi\_2018\_annual\_report.pdf.

Exhibit 2: Holcim Philippines Inc. Stock Price History from 2015 to 2019

Source: “Holcim Philippines Quick Chart”, S&P Capital IQ, accessedJuly 21, 2019.

EXHIBIT 3: CEMENT PRODUCTION, IMPORTS, AND DEMAND (in THOUSAND METRIC TONS),

2009–2016

| **Year** | **Production** | **Imports** | **Demand (Local Sales plus Imports)** | **Percentage Change** |
| --- | --- | --- | --- | --- |
| 2009 | 14,865 | 1 | 14,470 | 9.48 |
| 2010 | 15,900 | 1 | 15,450 | 6.77 |
| 2011 | 16,063 | 30 | 15,625 | 1.13 |
| 2012 | 18,907 | 0 | 18,395 | 17.73 |
| 2013 | 20,150 | 0 | 19,604 | 6.57 |
| 2014 | 21,305 | 4 | 21,305 | 8.68 |
| 2015 | 24,046 | 314 | 24,360 | 14.34 |
| 2016 | 24,370 | 1,590\* | 25,960\* | 6.57 |

Source: Created by case authors based on data from Cement Manufacturers’ Association of the Philippines Inc. (CeMAP), *2015 Annual Cement Industry Report*, 2015, accessed September 22, 2020, http://cemap.org.ph/downloadables/PDF/cemap2015.pdf; \*Philippines News Agency, “Cement Demand to Double by 2021 with Infra Boost,” *Manila Times*, June 20, 2017, accessed September 22, 2020, www.manilatimes.net/cement-demand-double-2021-infra-boost/333791/.

EXHIBIT 4: PRODUCTION CAPACITY FOR KEY CEMENT MANUFACTURERS  
(in THOUSAND METRIC TONS)

| **Company** | **2016** | **2020** |
| --- | --- | --- |
| Holcim Philippines Inc. | 8,000 | 12,000 |
| Republic Cement Group | 7,000 | 10,000 |
| CEMEX Holdings Philippines Inc. | 5,700 | 7,200 |
| Eagle Cement Corporation | 5,100 | 9,100 |
| **Total** | **25,800** | **38,300** |

Source: Created by case authors based on data from Global Cement Staff, “Holcim Philippines to Bring on Extra 2Mt/yr through Debottlenecking,” Global Cement, May 26, 2017, accessed September 22, 2020, www.globalcement.com/news/item/6155-holcim-philippines-to-bring-on-extra-2mt-yr-through-debottlenecking; Danessa Rivera, “Republic Cement to Raise Capacity,” *Philippine Star*, September 18, 2017, accessed September 22, 2020, www.philstar.com/business/2017/09/19/1740381/republic-cement-raise-capacity; Iris Gonzales, “Cemex Plans Additional Capacity in Philippines by 2019,” *Philippine Star*, June 20, 2016, accessed September 22, 2020, www.philstar.com/business/2016/06/20/1594537/cemex-plans-additional-capacity-philippines-2019; Eagle Cement, “Eagle Cement Breaks Ground on its P12.5-B Integrated Cement Plant in Cebu,” November 22, 2017, accessed September 22, 2020, www.eaglecement.com.ph/article/eagle-cement-breaks-ground-on-its-p12-5-b-integrated-cement-plant-in-cebu/5.

**Exhibit 5: Holcim Philippines Inc. Income Statement for Year Ending December 31 (In ₱ THOUSAND)**

|  | **2014** | **2015** | **2016** | **2017** | **2018** |
| --- | --- | --- | --- | --- | --- |
| Revenues | 32,648,659 | 37,526,055 | 40,335,808 | 34,740,761 | 35,623,113 |
| Cost of Sales | (23,597,880) | (27,248,041) | (28,504,537) | (28,494,422) | (29,850,205) |
| Gross Profit | 9,050,779 | 10,278,014 | 11,831,271 | 6,246,339 | 5,772,908 |
| General and Administrative Expenses | (1,326,503) | (2,105,567) | (1,753,095) | (1,260,864) | (1,235,721) |
| Selling Expenses | (501,542) | (583,740) | (591,496) | (911,505) | (815,597) |
| Interest and Other Financial Income | 13,029 | 20,013 | 19,529 | 21,707 | 33,128 |
| Interest and Financial Charges (Net) | (43,670) | (78,752) | (41,754) | (107,428) | (327,804) |
| Gain on Remeasurement of Retained Equity Former Subsidiary | 2,635,755 | - | - | - | - |
| Other Income-Net | 107,133 | 199,962 | 162,490 | 278,166 | 124,344 |
| **Profit Before Income Tax** | **9,934,981** | **7,729,930** | **9,626,945** | **4,266,415** | **3,551,258** |
|  |  |  |  |  |  |
| Income Tax Expense | (2,152,723) | (2,216,117) | (2,779,832) | (1,576,617) | (1,005,865) |
|  |  |  |  |  |  |
| **Profit for the Year** | **7,782,258** | **5,513,813** | **6,847,113** | **2,689,798** | **2,545,393** |
|  |  |  |  |  |  |
| **Profit for the Year Attributable to:** | |  |  |  |  |
| Equity Holders of the Parent Company | 7,780,933 | 5,512,316 | 6,845,856 | 2,688,485 | 2,544,411 |
| Non-Controlling Interest | 1,325 | 1,497 | 1,257 | 1,313 | 982 |
|  | **7,782,258** | **5,513,813** | **6,847,113** | **2,689,798** | **2,545,393** |

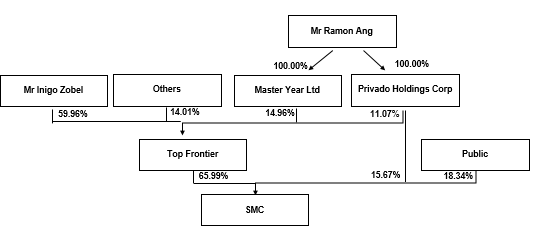
Source: “Holcim Philippines Financials/Valuation - Income Statement,” S&P Capital IQ, accessed July 26, 2020.

**Exhibit 6: Holcim Philippines Inc. Balance Sheet as of December 31** **(In ₱ THOUSAND)**

|  | **2014** | **2015** | **2016** | **2017** | **2018** |
| --- | --- | --- | --- | --- | --- |
| **Current Assets** |  |  |  |  |  |
| Cash and Cash Equivalents | 2,698,207 | 2,540,198 | 2,125,116 | 1,945,797 | 5,399,853 |
| Trade and Other Receivables Net | 2,259,205 | 3,418,211 | 3,297,523 | 3,439,049 | 4,005,445 |
| Inventories | 3,757,521 | 3,942,552 | 3,450,727 | 3,800,792 | 5,127,343 |
| Other Current Assets | 615,841 | 644,576 | 598,896 | 835,558 | 830,300 |
| **Total Current Assets** | **9,330,774** | **10,545,537** | **9,472,262** | **10,021,196** | **15,362,941** |
|  |  |  |  |  |  |
| **Non-Current Assets** |  |  |  |  |  |
| Property, Plant and Equipment, Net | 17,604,436 | 16,018,648 | 16,457,026 | 17,599,838 | 18,607,371 |
| Investments | 4,559 | 4,195,154 | 4,392,066 | 4,468,357 | 4,249,699 |
| Deferred Income Tax Assets, Net | 271,029 | 365,113 | 349,503 | 455,242 | - |
| Goodwill | 2,635,738 | 2,635,738 | 2,635,738 | 2,635,738 | 2,635,738 |
| Intangible Assets, Net | 795,579 | 55,965 | 40,806 | 28,714 | 27,542 |
| Other Non-current Assets | 264,571 | 263,616 | 416,428 | 378,487 | 2,731,443 |
| Retirement Benefit Assets | - | - | - | - | 3,581,507 |
| **Total Non-Current Assets** | **21,575,912** | **23,534,234** | **24,291,567** | **25,566,376** | **31,833,300** |
|  |  |  |  |  |  |
| **Total Assets** | **30,906,686** | **34,079,771** | **33,763,829** | **35,587,572** | **47,196,241** |
|  |  |  |  |  |  |
| **Current Liabilities** |  |  |  |  |  |
| Trade and Other Payables | 2,490,492 | 2,668,662 | 2,255,450 | 3,372,644 | 3,291,917 |
| Due to Related Parties and Other Payables | 3,113,499 | 3,877,320 | 4,102,037 | 4,490,098 | 8,283,054 |
| Loan Payable | - | - | - | 4,177,902 | 9,125,849 |
| Notes Payable | 2,100,105 | 999,831 | - | - | - |
| Income Tax Payable | 345,531 | 824,141 | 520,411 | 265,684 | 321,025 |
| **Total Current Liabilities** | **8,049,627** | **8,369,954** | **6,877,898** | **12,306,328** | **21,021,845** |
|  |  |  |  |  |  |
| **Non-current Liabilities** |  |  |  |  |  |
| Retirement Benefit Liabilities | 582,924 | 553,437 | 501,944 | 845,154 | - |
| Deferred Tax Liabilities | 653 | 3,632 | - | - | 830,288 |
| Provisions | 180,606 | 183,282 | 126,654 | 81,342 | 70,947 |
| **Total Non-current Liabilities** | **764,183** | **740,351** | **628,598** | **926,496** | **901,235** |
|  |  |  |  |  |  |
| **Shareholders’ Equity** |  |  |  |  |  |
| Common Stock—Par Value | 6,452,099 | 6,452,099 | 6,452,099 | 6,452,099 | 6,452,099 |
| Additional Paid-In Capital | 8,476,002 | 8,476,002 | 8,476,002 | 8,476,002 | 8,476,002 |
| Retained Earnings (Deficit) | 7,326,592 | 10,178,725 | 11,409,043 | 7,773,468 | 7,607,112 |
| Other Reserves | 3,774 | (9,606) | (5,832) | (1,430) | 2,344 |
| Minority Interest | 9,395 | 8,086 | 5,999 | 5,596 | 16,073 |
| Remeasurement Loss on Retirement Benefits, Net | (174,986) | (135,840) | (79,978) | (350,987) | 2,719,531 |
| **Total Shareholders’ Equity** | **22,092,876** | **24,969,466** | **26,257,333** | **22,354,748** | **25,273,161** |
|  |  |  |  |  |  |
| **Total Liabilities & Shareholders’ Equity** | **30,906,686** | **34,079,771** | **33,763,829** | **35,587,572** | **47,196,241** |

Source: “Holcim Philippines Financials/Valuation – Balance Sheet,” S&P Capital IQ, accessed July 26, 2020.

**EXHIBIT 7: ownership Structure of San miguel corporation (SMS)**



Source: Created by case authors based on data from Top Frontier Investment Holdings Inc., “PSE Disclosure Form POR-1: Public Ownership Report,” Top Frontier, March 31, 2019, accessed January 19, 2021, www.topfrontier.com.ph/smc\_files/disclosure/2019/PublicOwnershipReport/TFHI\_PublicOwnershipreportasof31March2019\_4.pdf; San Miguel Corporation, “SMC: Public Ownership Report,” March 31, 2019, San Miguel Corporation, accessed January 19, 2021, www.sanmiguel.com.ph/files/reports/SMC-Public\_Ownership\_Report\_as\_of\_March\_31,\_2019\_04.05\_.19\_.pdf; San Miguel Corporation, “Initial Statement of Beneficial Ownership of Securities (SEC Form 23-A) of Master Year Limited; Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B) of Mr. Ramon S. Ang; and Statement of Changes in Beneficial Ownership of Securities (SEC Form 23-B) of Top Frontier Investment Holdings, Inc.” San Miguel Corporation, July 3, 2012, accessed January 19, 2021, www.sanmiguel.com.ph/smc\_files/disclosures/2012/07\_July/23-A%20&%2023-Bs%20Master%20Year%20Limited,%20Ramon%20Ang%20and%20Top%20Frontier.pdf; Neil Morales, “RSA Secures Full Ownership of Privado Holdings,” *Philippine Star*, April 8, 2014, accessed January 19, 2021, www.philstar.com/business/2014/04/08/1309984/rsa-secures-full-ownership-privado-holdings.

**Exhibit 8: HOLCIM PHILIPPINES INC. Stock prices (in ₱) and PSEi values**

| **Date** | **PSEi** | **HPI** | **Date** | **PSEi** | **HPI** |
| --- | --- | --- | --- | --- | --- |
| April 30, 2016 | 7,159.29 | 14.04 | May 31, 2018 | 7,497.17 | 8.75 |
| May 31, 2016 | 7,401.60 | 15.10 | June 30, 2018 | 7,193.68 | 7.30 |
| June 30, 2016 | 7,796.25 | 15.10 | July 31, 2018 | 7,672.00 | 7.45 |
| July 31, 2016 | 7,963.11 | 16.46 | August 31, 2018 | 7,855.71 | 7.40 |
| August 31, 2016 | 7,787.37 | 16.60 | September 30, 2018 | 7,276.82 | 6.92 |
| September 30, 2016 | 7,629.73 | 16.40 | October 31, 2018 | 7,140.29 | 6.44 |
| October 31, 2016 | 7,404.80 | 16.60 | November 30, 2018 | 7,367.85 | 5.80 |
| November 30, 2016 | 6,781.20 | 15.64 | December 31, 2018 | 7,466.02 | 5.80 |
| December 31, 2016 | 6,840.64 | 16.50 | January 31, 2019 | 8,007.48 | 8.57 |
| January 31, 2017 | 7,229.66 | 16.60 | February 28, 2019 | 7,705.49 | 9.32 |
| February 28, 2017 | 7,212.09 | 17.00 | March 31, 2019 | 7,920.93 | 10.22 |
| March 31, 2017 | 7,311.72 | 15.10 | April 30, 2019 | 7,952.72 | 12.68 |
| April 30, 2017 | 7,661.01 | 15.40 |  |  |  |
| May 31, 2017 | 7,837.12 | 14.72 |  |  |  |
| June 30, 2017 | 7,843.16 | 13.20 |  |  |  |
| July 31, 2017 | 8,018.05 | 12.90 |  |  |  |
| August 31, 2017 | 7,958.57 | 12.24 |  |  |  |
| September 30, 2017 | 8,171.43 | 12.42 |  |  |  |
| October 31, 2017 | 8,365.26 | 12.00 |  |  |  |
| November 30, 2017 | 8,254.03 | 11.60 |  |  |  |
| December 31, 2017 | 8,558.42 | 10.78 |  |  |  |
| January 31, 2018 | 8,764.01 | 10.50 |  |  |  |
| February 28, 2018 | 8,475.29 | 9.90 |  |  |  |
| March 31, 2018 | 7,979.83 | 9.60 |  |  |  |
| April 30, 2018 | 7,819.25 | 9.29 |  |  |  |

Note: PSEi was the Philippine Stock Exchange index, a “fixed basket of thirty (30) common stocks of listed companies, carefully selected to represent the general movement of the stock market.” “The PSE Composite Index (PSEi),” PSE Academy, accessed August 19, 2019, www.pseacademy.com.ph/LM/investors~details/id-1317988210702/The\_PSE\_Composite\_Index \_PSEi.html.

Source: “Holcim Philippines Stock Prices,” S&P Capital IQ, accessed March 30, 2020.

**Exhibit 9: Reference Rates of Philippine Government Securities**

| **Tenor** | **Reference Rate (%)** |
| --- | --- |
| 1M | 3.389 |
| 3M | 3.439 |
| 6M | 3.649 |
| 1Y | 3.864 |
| 2Y | 3.958 |
| 3Y | 4.112 |
| 4Y | 4.243 |
| 5Y | 4.349 |
| 7Y | 4.487 |
| 10Y | 4.556 |
| 20Y | 4.881 |
| 25Y | 4.876 |

Note: M = month; Y = year

Source: “PHP BVAL Reference Rates—Benchmark Tenors,” PDS Group, accessed July 26, 2020, www.pds.com.ph.

Exhibit 10: Selected Information and Financial Ratios of Comparable Companies (in ₱ million, except ratios)

| **Company Name** | **Shares Outstanding** | **Market Capitalization** | **LTM Net Debt** | **NTM TEV**/ **Forward Revenue** | **NTM TEV**/ **Forward EBITDA** | **NTM Forward P/E** |
| --- | --- | --- | --- | --- | --- | --- |
| Eagle Cement Corporation | 5,000.0 | 79,900.0 | (9,389.2) | 3.54× | 8.85× | 13.48× |
| CEMEX Holdings Philippines, Inc. | 5,195.4 | 13,767.8 | 17,333.4 | 1.11× | 7.95× | 13.95× |
| Megawide Construction Corporation | 2,084.3 | 45,854.5 | 33,873.2 | 3.37× | 12.72× | 25.52× |
| San Miguel Corporation | 2,383.9 | 452,940.4 | 714,215.0 | 1.20× | 7.62× | 16.31× |
| EEI Corporation | 1,036.3 | 9,430.2 | 8,144.4 | 0.87× | 8.54× | 8.27× |

**EEI Corporation**

EEI Corporation operated as a construction company in the Philippines and internationally. The company engaged in the construction, installation, and erection of power generating facilities, oil refineries, chemical production plants, cement plants, and food and beverage manufacturing facilities. It also provided project management and supervision services. The company owned and operated a 15 megawatt peaking plant and investments in renewable energy power projects.

**Megawide Construction Corporation**

Megawide Construction Corporation, together with its subsidiaries, engaged in the general construction business in the Philippines. It operated through construction and airport operations segments. The company was primarily involved in constructing, enlarging, and repairing buildings, houses, and condominiums, roads, plants, bridges, piers, waterworks, railroads, and other structures. It also offered precast items and concrete products, and it bought, sold, and leased formworks systems and construction equipment.

Note: LTM = last 12 months; NTM = next twelve months; TEV = total enterprise value; EBITDA = earnings before interest, taxes depreciation and amortization; P/E = price to earnings; Negative net debt numbers indicate excess cash.

Source: “Holcim Philippines Quick Comps,” Capital IQ, accessed August 27, 2020.

Endnotes

1. This case has been written on the basis of published sources. Consequently, the interpretation and perspectives presented in this case are not necessarily those of San Miguel Corporation, Holcim Philippines Inc. or any of their employees. [↑](#endnote-ref-1)
2. ₱ = Philippine peso; ₱1 = US$0.0191579 as of May 11, 2019. [↑](#endnote-ref-2)
3. Iris Gonzales, “SMC Acquires Holcim,” *Philippine Star*, May 11, 2019, accessed May 14, 2019, [www.philstar.com/business/2019/05/11/1916762/smc-acquires-holcim](https://d.docs.live.net/f604457e63c3ff9a/Documents/Ivey%20WIP/www.philstar.com/business/2019/05/11/1916762/smc-acquires-holcim). [↑](#endnote-ref-3)
4. Holcim Philippines, Inc, “PSE Disclosure Form 4-5—Change in Control of Issuer,” Philippine Stock Exchange (PSE) Edge, May 10, 2019, accessed May 10, 2019, <https://edge.pse.com.ph/openDiscViewer.do?edge_no=75bd6f7a98cfb597efdfc15ec263a54d>. [↑](#endnote-ref-4)
5. Iris Gonzales, “SMC Seeks Exemptive Relief on Holcim Bid,” *Philippine Star*, May 20, 2019, accessed May 6, 2020, [www.philstar.com/business/2019/05/20/1919205/smc-seeks-exemptive-relief-holcim-bid](https://d.docs.live.net/f604457e63c3ff9a/Documents/Ivey%20WIP/www.philstar.com/business/2019/05/20/1919205/smc-seeks-exemptive-relief-holcim-bid)I. [↑](#endnote-ref-5)
6. The Philippine Securities and Exchange Commission required all acquisitions involving at least 35 per cent of a listed corporation to be subject to a mandatory tender offer. Under the rule, the purchaser would have to offer to buy the remaining shares held by minority shareholders at the same terms given to the seller. [↑](#endnote-ref-6)
7. Arra Francia, “SMC Plans Tender Offer for Holcim PHL Minority Shareholders,” Business World, May 10, 2019, accessed May 14, 2020, www.bworldonline.com/smc-plans-tender-offer-for-holcim-phl-minority-shareholders/ [↑](#endnote-ref-7)
8. The Philippine Competition Commission was an independent, quasi-judicial body created to promote and maintain market competition by regulating anti-competitive conduct. Parties to a merger or acquisition agreement where the value of the transaction exceeded ₱1 billion were required to notify the Philippine Competition Commission of the agreement, and they could not complete the agreement without the approval of the commission. [↑](#endnote-ref-8)
9. Gonzales, “SMC Seeks Exemptive Relief,” op. cit. [↑](#endnote-ref-9)
10. Ibid. [↑](#endnote-ref-10)
11. “Stock Data: Holcim Philippines, Inc,” PSE Edge, May 10, 2019, accessed May 4, 2020, https://edge.pse.com.ph/companyPage/stockData.do?cmpy\_id=211. [↑](#endnote-ref-11)
12. Ibid.; Holcim Philippines, Inc., “Stock Prices of Shares for Holcim Philippines, Inc.” S&P Capital IQ, accessed July 25, 2020. [↑](#endnote-ref-12)
13. James Clifford Santos and Aidyl Pearl Perez, “Concrete Giants on the Fore: An Industry and Competitive Analysis of the Philippine Cement Industry” (research paper, Ateneo De Manila University School of Law, n.d.), accessed July 25, 2020, www.academia.edu/37258512/CONCRETE\_GIANTS\_ON\_THE\_FORE\_An\_Industry\_and\_Competitive\_Analysis\_of\_the\_Philippine\_Cement\_Industry. [↑](#endnote-ref-13)
14. Eagle Cement Corp. was “majority owned and managed by SMC President Ramon Ang in his personal capacity.” [↑](#endnote-ref-14)
15. Global Cement Staff, “Philippine Competition Commission Expects to Complete Investigation of Cement Industry by 2019,” Global Cement, August 3, 2017, accessed September 22, 2020, www.globalcement.com/news/item/6412-philippine-competition-commission-expects-to-complete-investigation-of-cement-industry-by-2019. [↑](#endnote-ref-15)
16. Raadee S. Sausa, “DTI Backs PCC Probe into Cement Industry,” *Manila Times*, March 13, 2017, accessed on February 2, 2021, www.manilatimes.net/2017/03/13/business/dti-backs-pcc-probe-cement-industry/316885/. [↑](#endnote-ref-16)
17. Eagle Cement Corporation, “Eagle Cement Corporation: IPO Prospectus,” May 11, 2017, Eagle Cement Corporation, accessed July 25, 2020, [https://eaglecement.com.ph/corporate-disclosure/prospectus/1](about:blank). [↑](#endnote-ref-17)
18. “Market Analysis Philippines,” S&P Capital IQ, accessed January 28, 2021. [↑](#endnote-ref-18)
19. ICR Newsroom, “Philippines Cement Sales Rise 6.6% in 2016,” CNCemNet, February 28, 2017, accessed May 20, 2020, www.cemnet.com/News/story/161205/philippines-cement-sales-rise-6-6-in-2016.html. [↑](#endnote-ref-19)
20. VG Cabuag, “Cement Makers Jostle for Bigger Market Share,” Business Mirror, April 22, 2017, accessed January 21, 2018, https://businessmirror.com.ph/cement-makers-jostle-for-bigger-market-share/. [↑](#endnote-ref-20)
21. “Philippines Sees 64% Increase in Cement Imports for 1Q19,” CNCemNet, May 23, 2019, accessed September 22, 2020, www.cemnet.com/News/story/166627/philippines-sees-64-increase-in-cement-imports-for-1q19.html. [↑](#endnote-ref-21)
22. Clinker was an intermediate product in cement production that was produced by grinding and burning a proportioned mixture of limestone, shale, and silica. When clinker was further subjected to grinding and mixed with gypsum, it became Portland cement, the most common type of cement in general use around the world. [↑](#endnote-ref-22)
23. Build, Build, Build! was the Duterte administration’s plan to embark on an ambitious $180 billion infrastructure spending bonanza to transform the Philippines’ economy. The plan included 75 flagship projects, among them, six airports, nine railways, three rapid-bus transit projects, 32 roads and bridges, and four seaports, which would help bring down costs of production, improve rural incomes, encourage countryside investment, make the movement of goods and people more efficient, and create more jobs. Richard Javad Heydarian, “Duterte’s Ambitious ‘Build, Build, Build’ Project To Transform The Philippines Could Become His Legacy,” *Forbes*, February 28, 2018, assessed April 27, 2021, https://www.forbes.com/sites/outofasia/2018/02/28/dutertes-ambitious-build-build-build-project-to-transform-the-philippines-could-become-his-legacy/?sh=73d7c94f1a7f [↑](#endnote-ref-23)
24. Kris Crismundo, “Cement Industry Feeling ‘Build Build Build Effect,’” Philippine News Agency, September 24, 2018, accessed July 25, 2019, www.pna.gov.ph/articles/1048887. [↑](#endnote-ref-24)
25. Richmond Mercurio, “Philippine Construction Works Seen Growing over 50% by 2020,” *Philippine Star*, May 26, 2016, accessed September 24,2018, www.philstar.com/business/2016/05/26/1586914/philippine-construction-works-seen-growing-over-50-2020. [↑](#endnote-ref-25)
26. Tessa R. Salazar, “Expat Population Spurs Demand for Posh Condos,” Inquirer.net, June 15, 2012, accessed May 2, 2020, <http://business.inquirer.net/65303/expat-population-spurs-demand-for-posh-condos>. [↑](#endnote-ref-26)
27. Rey Gamboa, “Tourism Investment Gate Opens,” *Philippine Star*, January 11, 2018, accessed May 2, 2020, [www.philstar.com/business/2018/01/11/1776509/tourism-investment-gate-opens](http://www.philstar.com/business/2018/01/11/1776509/tourism-investment-gate-opens). [↑](#endnote-ref-27)
28. Mercurio, op. cit. [↑](#endnote-ref-28)
29. Philippine Development Plan 2017-22, National Economic and Development Authority, accessed on April 27, 2021,

    http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf [↑](#endnote-ref-29)
30. Mercurio, op. cit. [↑](#endnote-ref-30)
31. Nicholas Mapa, “As Liquidity Conditions Improve, Expect Philippines’ Central Bank to Cut Rates in 2020,” ING, October 17, 2019, accessed May 22, 2020, https://think.ing.com/articles/philippines-liquidity-conditions-improving-bsp-to-cut-rates-further-in-2020. [↑](#endnote-ref-31)
32. World Bank Group, “Lending Interest Rate (%) – Philippines,” The World Bank, accessed January 26, 2021, https://data.worldbank.org/indicator/FR.INR.LEND?locations=PH. [↑](#endnote-ref-32)
33. Ditas B. Lopez and Y-Sing Liau, “Philippine Peso Predicted to be Asia’s Worst-Performing Currency in 2018,” Bloomberg, December 21, 2017, accessed May 4, 2020, www.bloomberg.com/news/articles/2017-12-21/philippine-peso-seen-as-asia-s-laggard-for-2018-as-deficit-grows; Catherine Talavera, “Weaker Peso to Impact Property Market – JLL Analyst,” *Manila Times*, December 6, 2016, accessed May 2, 2020, www.manilatimes.net/weaker-peso-impact-property-market-jll-analyst/300252/. [↑](#endnote-ref-33)
34. Eagle Cement Corporation, “Eagle Cement Corporation IPO Prospectus,” May 11, 2017, accessed July 25, 2020, Eagle Cement Corporation, [https://eaglecement.com.ph/corporate-disclosure/prospectus/1](about:blank). [↑](#endnote-ref-34)
35. Ibid. [↑](#endnote-ref-35)
36. Doris Dumlao-Abadilla, “DMCI to Enter Cement Business,” *Philippine Daily Inquirer*, June 6, 2017, accessed June 11, 2018, http://business.inquirer.net/230853/dmci-enter-cement-business. [↑](#endnote-ref-36)
37. “Company Information: Cemex Holdings Philippines, Inc.,” PSE Edge, accessed January 30, 2018, http://edge.pse.com.ph/companyInformation/form.do?cmpy\_id=662. [↑](#endnote-ref-37)
38. “CEMEX Experto Ako! Training Enrich skills, lives in Bacolod masons,” CEMEX Holdings Philippines, January 9, 2016, accessed April 27, 2021, https://www.cemexholdingsphilippines.com/-/cemex-experto-ako-training-enrich-skills-lives-of-bacolod-maso-1 [↑](#endnote-ref-38)
39. Carmel Loise Matus, “Nothern Cebu gets help from Cement Firm,” *Philippine Daily Inquirer,* March 10, 2014, accessed Aprl 27, 2021, https://newsinfo.inquirer.net/583725/northern-cebu-gets-help-from-cement-firm [↑](#endnote-ref-39)
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