

# PSE SPOTLIGHT

## FEATURING:



## Shell Pilipinas Corporation

Shell Pilipinas Corporation is an energy company powering the nation's progress for 110 years through its network of mobility stations, robust B2B partnerships, and innovative, lower carbon offers serving the growing and evolving needs of customers, underpinned by strong corporate governance.

<b>Stock Code</b>	SHLPH
<b>Listing Board</b>	Main Board
<b>Sector – Subsector</b>	Industrial – Electricity, Energy, Power, and Water
<b>Listing Date</b>	Nov 03, 2016
<b>Outstanding Shares</b>	1,613,444,202
<b>Free Float Level</b>	23.03%
<b>Market Capitalization</b>	P17,586,541,802
<b>P/E Ratio</b>	10.20x
<b>Dividend Yield</b>	0.00%

As of 12 April 2024  
Source: PSE Data

[Company Profile](#)

### 1. **What challenges has Shell Pilipinas encountered, and what strategies were employed to overcome them effectively?**

Shell Pilipinas faced headwinds such as volatile oil prices, sustained high interest rates and high inflation. We recognized that the competitive landscape of our industry has changed. In response to this, we refreshed our strategy that reflects the changes in the way we are going to do business, adapting to the evolving external environment. The refreshed strategy is anchored on three key intents, which are 1) regaining strong earnings, cash, and dividend paying positions, 2) continuing to be a major player in the energy industry, and 3) elevating industry standards on governance and advancing the energy transition.

#### *Strong earnings, cash, and dividend paying position*

In the next two years, we aim to reduce spend by a total of P2.0 billion (Opex + Capex), and lower our gearing to below 50% while maintaining our attractive dividend policy.

#### *A major player in the energy industry*

Shell Pilipinas continues to be one of the leading energy companies in the country. Volume and value growth are focus areas as we profitably recover lost volume. Cross business integration will also be the key driver for the coming years as we further strengthen our business to defend our current position while capturing new opportunities.

#### *Elevating industry standards on governance and advancing the energy transition*

The Company has strong corporate governance, and this has been recognized by the Institute of Corporate Directors through the Two-Golden arrows award in 2023. We will continue to promote advocacies to level playing field, increase awareness on the benefits of using biofuels, and other initiatives in partnership with the government.

## 2. What makes Shell Pilipinas an attractive investment for potential investors?

Shell has been powering progress in the Philippines for 110 years. The Company has been and will continue to be a major player in the energy industry as it profitably and purposefully delivers higher volumes while it advances the energy transition. As part of the Shell group with a strong global brand, the Company's able to benefit from its vast trading network, ensuring consistent product supply. Leveraging the sustainable and innovative solutions from the Group has created a dynamic portfolio. The Company continues to maintain an attractive dividend policy of 75% of net income after tax that with historically high dividend yield. Lastly, strong corporate governance is practiced alongside world class talent.

## 3. What sustainability initiatives does Shell Pilipinas have in place? How do they align with your long-term goals?

Shell Pilipinas has introduced sustainable and innovative solutions to its existing range of offers. We aim to realize our goal to decarbonize, and these offers enable us to do so in conjunction with our customers and partners. We're also establishing lower carbon operations, even our mobility sites are equipped with technologies to reduce energy consumption. This is in response to the ever-changing environment where climate change needs to be tackled immediately and we want to do our part to lessen greenhouse gas emissions. Offering sustainable energy products and services will also enable us to remain a trusted partner in nation building.

## 4. What are your company's strategic priorities for the next two to three years?

Our strategy hinges on three strategic priorities, and these are:

1. Regain strong earnings, cash & dividend-paying positions by reducing our operating expense in 2024 and 2025 by P1.0 billion and capital expenditure by P2.0 billion in 2024 and 2025. We're also aiming to deleverage to achieve gearing of less than 50% while maintaining our attractive dividend policy of 75% of NIAT.
2. Continue to be a major player in the energy industry as we grow volumes above industry trend, and we will do so by profitably recovering lost volume and penetrating new segments. We'll be adapting an integrated marketing approach to defend our second leading position and capture new opportunities.
3. We will maintain strong corporate governance as evidenced by excellence in the areas of compliance, governance, and risk. At the same time, we are positioning ourselves to pioneer in the energy transition by providing innovative low carbon solutions and transform our operations to reduce carbon footprint.

We will be guided by these focus areas:

1. Profitably recapture the market through supply chain optimization and cross business integration. We will maintain competitiveness in select areas as we grow volumes above industry, with close collaboration for Mobility and Commercial businesses, and employ marketing promotions through our payment and loyalty offers. Focus will also include increasing premium fuel penetration and expanding our reach to selected regions that have growth opportunities. Low carbon products will also be offered to the market, offering solutions to companies looking to reduce their carbon footprint.
2. Maximize E2E margin as we high grade our portfolio and selectively grow sites, doubling NFR growth as we explore lower cost alternatives for overheads. A customer-centric approach will be prioritized by integrating product offers across businesses.
3. Reduction in cost and capital as we evaluate underperforming sites; invest & transform sites with the highest yield while adhering to our capex target. Discipline will be practiced as we achieve our savings target and actively manage working capital.

**5. What are the key performance indicators (KPIs) that your company utilizes to measure its performance and track progress towards achieving its targets?**

We've implemented an integrated scorecard that considers financial and non-financial factors to provide us with key insights as to the Company's performance. The scorecard has embedded targets from the strategy refresh. This includes monitoring free cash flow to enable the Company to reinstate dividend distribution to award our loyal shareholders. Another factor is brand share preference to ensure we maintain our strong customer base. Through this scorecard, we can evaluate the Company's trajectory and employ any changes as necessary.

**PSE Spotlight** is a short feature about listed companies that are part of PSE STAR Investor Day. The report, which offers a quick overview of a company, includes a description of its business, stock information, as well as answers to five interview questions provided by the company's management team. The interview questions typically revolve around the company's value proposition, business operations and landscape, challenges and opportunities, and strategic initiatives.

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