



## **Press Release**

May 8, 2018

### **LTG expects 2018 to be better, but challenging for some consumer businesses**

LT Group, Inc. (LTG) President Michael G. Tan said during the Company's Annual Stockholders' Meeting that prospects for the group's businesses remain positive.

Tan said that for the tobacco business, "we are now operating in a level playing field" which enables the company to pass on additional taxes and no longer price products at economically unsustainable levels. But there may a further drop in volumes due to higher prices.

For Asia Brewery, the tax on sugary drinks is expected to negatively affect the sales volumes of Cobra as prices were raised to pass on the tax. Cobra has the highest share of Asia Brewery's revenues. But sales of bottled water are expected to remain strong, and the roll-out of the soymilk in returnable glass bottles should continue to expand to more areas.

For Tanduay, while excise taxes for distilled spirits will likely be further increased under Package Two of TRAIN, demand is expected to remain stable to slightly higher as more jobs are expected to be generated by the Government's Build, Build, Build program for infrastructure.

Growth in the economy will continue to fuel demand for loans and will augur well for the core business of Philippine National Bank (PNB). The Bank's transition to a unified IT system will enable it to offer more services and products through mobile phones and over the web. The joint venture with Allianz for life insurance is on track and bancassurance fees should contribute more in the coming years.

Eton will continue to enjoy high occupancy rates for its BPO office buildings, as well as the retail space that complement these projects. Demand should continue for

the buildings being constructed. The generally lower labor costs and leasing rates in the Philippines will keep it a viable alternative to other countries.

Higher inflation is expected for 2018, which together with the depreciation of the peso and higher fuel costs will translate to higher production costs. Freight and transportation costs are also expected to go up, so it will be a challenge for manufacturers, including LTG's subsidiaries, to keep costs down.

Following the firm's Annual Stockholders' Meeting, Tan mentioned that the group's capital expenditures will be around Php10 billion for 2018 compared to Php7.4 billion for 2017. The bulk will be for the construction of Eton's projects.

In 2017, LTG's attributable net income amounted to Php10.83 billion, 15% more than the Php9.39 billion reported for 2016. PNB contributed Php4.83 billion or 45% of total attributable income, followed by the tobacco business at Php4.39 billion or 40% of total. Tanduay added Php631 million or 6%, while Asia Brewery accounted for Php551 million or 5%. Eton provided Php348 million or 3%, and the 30.9% stake in Victorias Milling Company, Inc. (VMC) contributed Php174 million or 2%.

**(end)**