



Press Release

LTG's Income for the First Quarter of 2019 Increased by 22% to Php4.42 Billion

LT Group, Inc.'s (LTG) reported today (May 10, 2019) that its unaudited attributable net income for the first quarter of 2019 was Php4.42 billion, Php791 million or 22% higher than the Php3.63 billion earned in 1Q18.

Philippine National Bank (PNB) contributed Php1.08 billion or 24% of total attributable income. The tobacco business accounted for Php2.84 billion or 64% of total. Tanduay Distillers, Inc. (TDI) added Php229 million or 5%. Eton Properties Philippines, Inc. (Eton) accounted for Php148 million or 3% while Asia Brewery, Inc. (ABI) provided Php82 million or 2% of total. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php75 million, or 2%.

LTG's balance sheet remains strong. As of the end of March 2019, the cash balance of the parent company stood at Php1.46 billion. Debt-to-Equity Ratio was at 3.8:1 with the Bank, and at 0.2:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php1.95 billion for 1Q19, 30% higher than 1Q18.

Loans and receivables grew 17% while Net Interest Margin was slightly lower at 3.0% from 3.3%. Net Service Fees and Commission Income grew 14% to Php968 million while Trading and Foreign Exchange Gains increased substantially to Php856 million from Php38 million in 1Q18.

Tobacco

The Government continued its efforts against the illicit trade which includes smuggled and locally produced products. In 1Q19, there were 23 enforcements with 3 illegal factories shut down, 24 machines seized and an estimated US\$8.5 million worth of fake cigarettes confiscated. This is significantly higher than the 9 enforcements in 1Q18. We commend the Government for taking this problem seriously, as the number of raids has been increasing and has been effective in curbing the presence of illicit products in the market. However, continued actions and vigilance are needed in order to contain the growth of the illicit trade. The tax-driven price increases of the tax paying industry players make it attractive to make profits from the illicit trade.

LTG is not against tax increases, but believes that the hikes should be moderate. Continual price increases to pass on higher excise taxes may result to further volume drops. The industry's volume was estimated at 109 billion sticks in 2012 and declined to an estimated 73 billion sticks in 2018, or a decrease of 33% over a six-year period. Excise taxes have substantially increased starting 2013, under Republic Act (RA) 10351 and the current RA 10963 starting 2018. From a

low of Php2.72 per pack of 20 sticks in 2012 for the lower tier and Php12 per pack for the upper tier, the excise tax is currently at Php35 per pack, or about 3x to 13x.

LTG's tobacco business reported a net income of Php2.85 billion for the first three months of 2019, 21% more than 1Q18. Equity in net earnings from LTG's 49.6% stake in PMFTC reached Php2.69 billion, 18% higher than 1Q18. The improvement in earnings was due to the volume mix and the price increase of Fortune in December 2018.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 1Q19 reached Php234 million, 73% more than the Php135 million reported for 1Q18.

Revenues from liquor increased on the back of a 5% growth in volume, while bioethanol sales also improved.

TDI's nationwide market share for distilled spirits was at 28.1% as of March 2019, higher than March 2018's 26.1%.

Eton Properties Philippines, Inc. (Eton)

Eton ended the quarter with a net income of Php149 million, 54% higher than the Php97 million recorded in 1Q18. Revenues were 11% higher y-o-y with the increase in revenues from leasing and sale of residential units.

Eton Square Ortigas, a stand-alone pocket retail development located at Ortigas Avenue, San Juan City was completed in 2018 and is fully leased out, with all tenants lined up for opening within the first half of 2019.

The retail and office components of Eton WestEnd Square in Makati City is targeted for completion by the end of 2019. Other projects in the pipeline are Eton City Square 1, the neighborhood retail and commercial center in Eton City, Sta. Rosa, Laguna; and NXTower I, an office building located between Emerald Avenue and Ruby Road in Ortigas, Pasig City.

Asia Brewery, Inc. (ABI)

ABI's net income for 1Q19 was at Php82 million, 45% lower than the Php149 million reported for 1Q18. Revenues were at Php3.86 billion, a 13% growth due to higher revenues from energy drinks, bottled water, packaging and soymilk. But the lower income was largely due to higher PET packaging costs and as the Company spent more on advertising and promotions.

Cobra Energy Drink and Vitamilk Soymilk continue to be market leaders while Absolute and Summit bottled water have the second largest market share.