



Press Release

LTG's 9M19 Attributable Net Income at Php14.72 Billion, 17% Higher than 9M18

LT Group, Inc.'s (LTG) unaudited attributable net income for the first nine months of 2019 was Php14.72 billion, Php2.15 billion or 17% higher than the Php12.57 billion reported for 9M18.

Philippine National Bank (PNB) added Php3.64 billion or 25%. The tobacco business accounted for Php9.57 billion or 65% of total attributable income. Eton Properties Philippines, Inc. (Eton) contributed Php626 million or 4%. Tanduary Distillers, Inc. (TDI) accounted for Php509 million or 3% while Asia Brewery, Inc. (ABI) provided Php254 million or 2%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php148 million or 1%.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 4.27:1 with the Bank, and at 0.18:1 without the Bank.

In July 2019, LTG also participated in the Php12 billion stock rights offering of PNB, to the extent of its voting rights, for Php7.2 billion.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php6.52 billion for the first nine months of 2019, 15% or Php1.11 billion lower than 9M18's Php7.63 billion with the absence of large gains from the sale of Real and Other Properties Acquired (ROPA). Excluding the ROPA gains, the Bank's core income was at Php6.21 billion in 9M19, 33% higher compared to 9M18's Php4.65 billion.

Net Interest Income was 17% higher as loans and receivables grew by 17%. Net Service Fees and Commission Income grew 14% while Trading and Foreign Exchange Gains were 34% higher.

Tobacco

The Government continued its efforts against the illicit trade which includes smuggled and locally produced products. In 9M19, there were 96 enforcements with 47 machines seized and an estimated US\$17.7 million worth of illicit cigarettes confiscated. This is significantly higher than the 61 enforcements in 9M18, with US\$4.6 million worth of cigarettes confiscated.

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 RA 10351, then RA 10963 starting 2018, and RA 11346 starting 2020. 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 current excise tax of Php35 per pack is 3x to 13x more than the 2012 level.

On July 25, 2019, President Duterte signed Republic Act (RA) 11346 which increases further the excise tax on tobacco starting January 2020. It will increase from the current Php35 per pack to Php45 in 2020, increase by Php5 per pack annually from 2021 to 2023, then increase by 5% annually thereafter.

LTG's tobacco business reported a net income of Php9.61 billion for the period January to September 2019, Php2.75 billion or 40% more than the Php6.86 billion reported in 9M18. Equity in net earnings from LTG's 49.6% stake in PMFTC reached Php9.37 billion, 40% or Php2.70 billion more than 9M18's Php6.67 billion. The improvement in the earnings is largely attributed to the volume mix in favor of premium Marlboro.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for the first nine months of 2019 amounted to Php629 million, 100% higher than 9M18's Php314 million. Total revenues were 29% higher with higher real estate sales and leasing revenues.

The pocket retail development, Eton Square Ortigas in San Juan City started operating in 1H19. Some tenants at the boutique mall, eWestMall, within the mixed-use development Eton WestEnd Square in Makati City, started operations. The office component, eWestpod also opened with all four floors fully leased out. Blakes Tower, the 36-storey office and residential building within the development was topped off earlier this year. Eton WestEnd Square has over 25,600 square meters of combined retail and office leasable space and over 13,900 square meters of residential leasable space.

Construction is on-going at the 4.3-hectare Eton City Square in Sta. Rosa, Laguna and office tower NXTower I along Emerald Avenue and Ruby Road in Ortigas, Pasig City with 21,000 square meters of gross leasable area.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 9M19 was Php518 million, Php204 million or 28% lower than the Php722 million reported in 9M18.

Revenues from liquor were 2% lower due to the 4% drop in volume which was partially offset by the increase selling prices by an average of Php14 per case. Meanwhile, revenues from bioethanol were 32% higher as volume increased by 18%.

As of end-September 2019, TDI's nationwide market share for distilled spirits was at 29.0%, higher than September 2018's 28.3%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 68.8%.

Asia Brewery, Inc. (ABI)

ABI's earnings for 9M19 was Php254 million, 13% or Php37 million lower than the Php291 million reported for 9M18.

Revenues increased by 9% due to higher volumes of energy drinks, soymilk and bottled water. However, operating expenses were 9% higher as the Company spent more on advertising and promotions.

Cobra energy drink and Vitamilk soymilk continue to be market leaders while bottled water brands Absolute and Summit have the second largest market share.