



Press Release

LTG Posts Record Profits With 2019 Attributable Net Income at Php23.12 Billion, 43% Higher than 2018

LT Group, Inc.'s audited attributable net income for 2019 reached Php23.12 billion, Php6.93 billion or 43% higher than the Php16.19 billion reported for 2018. This is the highest income the Company has achieved since its re-IPO in April 2013.

The tobacco business accounted for Php15.50 billion or 67% of total attributable income. Philippine National Bank (PNB) contributed Php5.57 billion or 24%. Eton Properties Philippines, Inc. (Eton) added Php896 million or 4%. Tanduay Distillers, Inc. (TDI) accounted for Php667 million or 3% while Asia Brewery, Inc. (ABI) provided Php398 million or 2%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php251 million or 1%.

LTG's balance sheet remained strong. Debt-to-Equity Ratio was at 3.98:1 with the Bank, and at 0.17:1 without the Bank.

In July, LTG participated in the Php12 billion stock rights offering of PNB, to the extent of its ownership, for Php7.178 billion.

On March 10, 2020, LTG disclosed a Php2 billion share buyback program that will commence on March 20, 2020 until December 31, 2021.

Tobacco

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

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 in further volume drops. The industry's volume was estimated at 108.9 billion sticks in 2012 and declined by 35% to an estimated 70.5 billion sticks in 2019. The industry is estimated to have declined by 4% in 2019. 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 was at Php35 per pack in 2019. This has increased further to Php45 per pack starting 2020, or 3.75x to 16.5x the 2012 level.

The Department of Finance reported that the total excise tax collected from tobacco reached Php147.4 billion in 2019, about 8% more than the Php136.5 billion collected in 2018. Excise taxes

from tobacco accounted for almost 55% of the Bureau of Internal Revenue's excise tax collection of Php269.1 billion. The Government's collection of excise taxes has grown substantially since large increases were implemented starting 2013. In 2012, the Government collected Php32.16 billion in excise taxes from tobacco, and the 2019 collection is 358% more than the 2012 amount.

The Government has kept the illicit trade under control by conducting more raids. In 2019, there were 116 enforcements, 53% more than 2018's 76 enforcements, with 12 illegal factories raided (vs. 7 in 2018), and 47 machines seized with a capacity of producing 30 million sticks per day.

LTG's tobacco business reported a net income of Php15.56 billion in 2019, Php6.81 billion or 78% more than the Php8.75 billion reported in 2018. Equity in net earnings from LTG's 49.6% stake in PMFTC was Php15.40 billion, Php6.93 billion or 82% more than 2018's Php8.46 billion. The higher income is attributed to the higher share of premium Marlboro as well as the price increases implemented in late August 2019. Volume declined by 3% in 2019.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php9.94 billion in 2019, 2% or Php161 million 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 Php at Php9.51 billion in 2019, 61% or Php3.59 billion higher compared to 2018's Php5.92 billion.

Net Interest Income was 20% higher as loans and receivables grew by 12% and Net Interest Margin improved. Net Service Fees and Commission Income grew 20% while Trading and Foreign Exchange Gains were 98% higher.

Eton Properties Philippines, Inc. (Eton)

Eton reported a net income Php900 million for 2019, 88% higher than 2018's Php479 million. Total revenues were lower by 2%, but higher margins on real estate sales resulted in the higher income.

Eton continued to expand its leasing portfolio with the opening of Eton WestEnd Square in Makati City during the second quarter of 2019. Its retail component, eWestMall, has two floors of retail spaces with a total leasable area of approximately 3,600 square meters. The office component, eWestPod, has over 13,000 square meters of office space.

At the end of 2019, Eton Properties has a leasing portfolio of approximately 181,000 square meters of office space and over 43,500 square meters of retail space.

Construction continued at the 36-storey Blakes Tower in Makati City which will have 10,500 square meters of office space and 14,000 square meters of residential space; the 4.3-hectare Eton City Square in Sta. Rosa, Laguna, with the first phase having 6,900 square meters of

commercial space; and NXTower I, an office building along Emerald Avenue and Ruby Road in Ortigas with 21,000 square meters of gross leasable area.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 2019 was Php676 million, Php233 million or 26% lower than the Php909 million reported in 2018, due to slightly lower margins from higher alcohol costs and higher interest expenses.

Revenues from liquor were 3% higher with the 2% increase in volume and an average price increase of Php14 per case. Meanwhile, revenues from bioethanol were 30% higher as volume increased by 18% and selling prices by an average of 12%.

As of end-2019, TDI's nationwide market share for distilled spirits was at 27.8%, slightly lower than end-2018's 29.0%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 64.2% and 73.1%, respectively, as of December 2019, compared to 64.7% and 72.6%, respectively, as of December 2018.

Asia Brewery, Inc. (ABI)

ABI's income for 2019 was Php398 million, 5% or Php23 million lower than 2018's Php421 million.

Revenues increased by 9% due to higher volumes of energy drinks, bottled water and soymilk. However, operating expenses were 10% 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.