



Press Release

LTG Reports First Quarter 2020 Attributable Net Income of Php6.21 Billion, 41% Higher than First Quarter 2019

LT Group, Inc.'s attributable net income for the first quarter of 2020 amounted to Php6.21 billion, Php1.79 billion or 41% more than the Php4.42 billion reported for the 1Q19.

Philippine National Bank (PNB) contributed Php761 million or 12% of total attributable income. The tobacco business accounted for Php4.99 billion or 80%. Tanduay Distillers, Inc. (TDI) accounted for Php199 million or 3%. Eton Properties Philippines, Inc. (Eton) added Php168 million or 3% while Asia Brewery, Inc. (ABI) accounted for Php74 million or 1%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) contributed Php91 million or 1%.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.86:1 with the Bank, and at 0.16:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php1.37 billion for 1Q20, Php576 million or 30% lower than 1Q19's Php1.95 billion. The lower net income was primarily due to the Php3.36 provisions for credit losses that the bank booked in 1Q20, significantly higher than the Php346 million in 1Q19, due to the ongoing COVID-19 pandemic that will result in a downturn in the economy.

Net Interest Income was 25% higher as loans and receivables grew by 12% and Net Interest Margin improved.

Net Service Fees and Commission Income was flat while Trading and Foreign Exchange Gains were 158% higher.

Tobacco

Effective January 1, 2020, there was a Php10 per pack increase in the excise tax of tobacco, to Php45/per pack under Republic Act (RA) 11346 which was signed by President Duterte in July 2019. It will increase by Php5 per pack annually from 2021 to 2023, then increase by 5% annually thereafter. 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 Php45 per pack is 3.75x to 16.5x the 2012 level.

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 further by 9% in the first quarter of 2020, also partly due to the enhanced community quarantine (ECQ) implemented in Luzon starting March 17 and in other select cities thereafter.

The Government continued its efforts against the illicit trade which included smuggled and locally produced products. During the first quarter of 2020, there were 24 enforcements same as in 1Q19. However, 110 machines were seized from illegal factories, 4.5x more than the 24 machines seized in 1Q19. The 110 machines form 20 lines, with each line estimated to produce as much as 3 million sticks per day.

LTG's tobacco business reported a net income of Php5.00 billion for the first three months of 2020, Php2.16 billion or 76% more than the Php2.85 billion reported in 1Q19. Equity in net earnings from LTG's 49.6% stake in PMFTC was Php5.02 billion, Php2.33 billion or 86% more than 1Q19's Php2.69 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 9% in 1Q20.

Tanduay Distillers, Inc. (TDI)

TDI's bottom line for the first three months of 2020 was Php199 million, Php35 million or 15% lower than the Php234 million reported for the same period in 2019. This was due to lower margins from higher alcohol costs.

Revenues from liquor were 9% higher with the average Php160 per case price increase implemented in January, which offset the 4% drop in volume. Revenues from bioethanol were 8% lower as both volume and selling prices declined.

As of end-March 2020, TDI's nationwide market share for distilled spirits was at 27.7%, compared to March 2019's 28.1%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 67.0% and 75.0%, respectively, as of March 2020, compared to 63.4% and 71.6%, respectively, as of March 2019.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for 1Q20 was at Php169 million, 13% higher than 1Q19. The higher net income is attributed to the increase in rental income and the improvement in the gross profit margin of real estate sales.

At the end of March 2020, Eton Properties had a leasing portfolio of approximately 181,000 square meters of office space and over 43,000 square meters of retail space.

Projects in the pipeline include 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. Others are 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.

Asia Brewery, Inc. (ABI)

ABI's net income for the first quarter of 2020 was Php74 million, 10% lower than 1Q19. The lower net income was due to the increase in equitized loss in a joint venture.

Revenues were flat as higher revenues from beverages were offset by the drop in sales of packaging materials to third parties as more of the production capacity was earmarked for internal use.

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