



LT GROUP, INC.

**Press Release**

**LTG Reports First Half 2020 Attributable Net Income of Php10.03 Billion, 9% Higher than First Half 2019**

LT Group, Inc.'s attributable net income for the first half of 2020 amounted to Php10.03 billion, Php790 million or 9% higher than the Php9.24 billion reported for the first half of 2019.

The tobacco business accounted for Php8.18 billion or 82% of total attributable income. Philippine National Bank (PNB) contributed Php795 million or 8%. Tanduay Distillers, Inc. (TDI) followed with Php541 million or 5%. Eton Properties Philippines, Inc. (Eton) added Php402 million or 4% while Asia Brewery, Inc. (ABI) accounted for Php40 million or less than 1%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php148 million or 1%.

In June, LTG paid cash dividends of Php0.43 per share or a total of Php4.65 billion or a 20% payout rate on the 2019 attributable net income of Php23.12 billion.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.81:1 with the Bank, and at 0.18:1 without the Bank.

**Tobacco**

The tobacco business had a net income of Php8.22 billion for the first six months of 2020, Php2.34 billion or 40% more than the Php5.87 billion reported in 1H19.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php8.25 billion, Php2.59 billion or 46% more than 1H19's Php5.65 billion. The higher income is attributed to the higher share of premium Marlboro as well as the price increases implemented in late August 2019. The industry's volume is estimated to have declined by 17% in 1H20 due to impact of 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 six months of 2020, there were 70 enforcements, slightly lower than 1H19's 72. However, 118 machines were seized from illegal factories, 2.7x more than the 44 machines seized in 1H19. The 118 machines can form 21 lines, with each line estimated to produce as much as 3 million sticks per day.

President Duterte signed Republic Act (RA) 11346 in July 2019 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. Continued price hikes to pass on higher excise taxes may result in further volume declines.

### **Philippine National Bank (PNB)**

PNB's net income under the pooling method was Php1.44 billion for the first half of 2020, Php2.60 billion or 64% lower than the same period in 2019. The lower net income was primarily due to the Php8.44 billion provision for credit losses that the bank booked in 1H20, significantly higher compared to Php0.81 billion in 1H19, due to the ongoing COVID-19 pandemic that has resulted in a downturn in the economy.

Net Interest Income was 19% higher as Net Interest Margin improved to 3.4% from 3.1% while loans and receivables grew by 2% year-on-year (y-o-y).

Net Service Fees and Commission Income was lower by 9%. Trading and Foreign Exchange Gains were 129% higher.

### **Tanduay Distillers, Inc. (TDI)**

TDI's net income for the first half of 2020 was Php543 million, Php163 million or 43% higher than 1H19's Php380 million. The higher income is due to improved margin in the liquor segment and a 41% decrease in selling and marketing expenses from PHP786 million to Php467 million.

Revenues from liquor were 10% higher with the average Php160 per case price increase implemented in January to pass on the higher excise taxes, which partially offset the drop in volume. Revenues from bioethanol were also lower.

As of end-June 2020, TDI's nationwide market share for distilled spirits was at 24.1%, compared to June 2019's 29.8%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 62.4% and 72.0%, respectively, as of June 2020, compared to 64.3% and 72.4%, respectively, as of June 2019.

### **Eton Properties Philippines, Inc. (Eton)**

Eton's net income for the first half of 2020 was at Php404 million, 9% or Php33 million higher than the Php371 million reported for the same period in 2019. The higher net income is attributed to the increase in rental income.

At the end of June 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 1H20 was Php40 million, 84% lower y-o-y. This was primarily due to lower volumes across ABI's products as the ECQ affected sales in sari-sari and convenience stores as well as in supermarkets. Revenues were 17% lower.

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