



LT GROUP, INC.

**Press Release
Full Year 2020**

LTG Reports 2020 Unaudited Attributable Net Income of Php21.0 Billion, 9% Lower than 2019's Php23.1 Billion

LT Group, Inc. (LTG) reported an unaudited attributable net income for 2020 amounting to Php21.02 billion, Php2.10 billion or 9.1% less than the Php23.12 billion reported for 2019.

Publicly-listed Philippine National Bank (PNB) contributed Php1.55 billion or 7% of total attributable income. The tobacco business accounted for Php16.83 billion or 80%. Tanduay Distillers, Inc. (TDI) contributed Php1.10 billion or 5%. Eton Properties Philippines, Inc. (Eton) accounted for Php799 million or 4%, while Asia Brewery, Inc. (ABI) contributed Php583 million or 3%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php264 million or 1%.

Aside from the regular cash dividend of Php0.15 per share that was paid in June, LTG paid three special cash dividends in 2020, Php0.28 per share in June, Php0.23 per share in September and Php0.15 per share in December. This brought the total dividends declared in 2020 to Php0.81 per share or Php8.76 billion, significantly higher than 2019's Php0.30 per share or total of Php3.25 billion. The 2020 dividends translate to a 37.9% pay-out rate compared to 20.0% in 2019.

On March 17, 2021, LTG's Board of Directors declared a regular dividend of Php0.15 per share and a special dividend of Php0.09 per share, for a total of Php2.60 billion, payable on April 13. This is equivalent to 12.4% of LTG's 2020 attributable net income.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 4.30:1 with the Bank, and at 0.16:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php2.8 billion in 2020, Php7.2 billion or 72% lower than 2019. The lower net income was primarily due to the Php16.9 billion provision for credit losses that the bank booked in 2020, 5.84x higher than 2019's Php2.9 billion, largely due to the ongoing COVID-19 pandemic that has resulted in a downturn in the economy.

Net Interest Income was 11% higher at Php35.8 billion. Net Service Fees and Commission Income were lower by 11% to Php3.7 billion. Trading and Foreign Exchange Gains and other income were 42% higher at Php6.0 billion.

Tobacco

The industry's volume is estimated to have declined by 12% in 2020 due to the end-Aug 2019 and October to November 2020 price increases to pass on the additional excise taxes, coupled with the impact of the enhanced community quarantine (ECQ) implemented in Luzon starting March 17 and in other select cities thereafter up to end-May 2020, as well as the reinstatement of the Modified ECQ in NCR and select provinces for two weeks in August 2020. PMFTC's volume was 16% lower year-on-year in 2020.

Illicit activities have been on the rise since ECQ was declared in March. In 2020, there were 171 enforcements, compared to 114 in 2019. A total of 161 machines were seized from illegal factories, double the 82 machines seized in 2019. These machines can form 24 lines, with each line estimated to produce as much as 3 million sticks per day.

The tobacco business had a net income of Php16.9 billion in 2020, 9% more than 2019. The higher income is attributed to the higher share of premium *Marlboro* with customers shifting from mid-priced *Fortune*, as well as the price increases to pass on higher excise taxes.

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, and will increase by Php5 per pack annually from 2021 to 2023, then increase 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.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 2020 was Php1.12 billion, 65% higher than 2019. The higher income is largely due to the increase in the volume of liquor sales and a 34% decrease in selling and marketing expenses to Php1.0 billion.

Revenues from liquor were 33% higher with the higher volume and higher prices to pass on the additional excise taxes. Revenues from bioethanol were 24% lower with the lower volume and lower average selling price.

As of end-2020, TDI's nationwide market share for distilled spirits was at 22.5%, compared to end-2019's 27.8%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 62.2% and 78.9%, respectively, as of December 2020, compared to 64.2% and 77.6%, respectively, as of December 2019.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for 2020 was Php802 million, 11% lower than 2019.

At the end of 2020, Eton Properties had a leasing portfolio of approximately 181,000 square meters of office space and over 45,000 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 in 2020 was Php591 million, 48% higher than 2019. The higher income is largely due to the absence of losses incurred for the joint venture with Heineken as it transitions to the engagement of ABI to brew and distribute Heineken® and Tiger® beers in the Philippines.

ABI's products suffered volume declines as a result of the ECQ from mid-March to end-May, and the reinstatement of MECQ for two weeks in August in Metro Manila and other provinces affected sales in sari-sari and convenience stores as well as in supermarkets. With the majority of people working from home, on the go sales in convenience stores as well as in supermarkets were adversely affected.

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