



Press Release

LTG Reports First Nine Months 2020 Attributable Net Income of Php16.1 Billion, 9% Higher than 2019's Php14.7 Billion

LT Group, Inc.'s (LTG) attributable net income for the first nine months of 2020 amounted to Php16.10 billion, Php1.38 billion or 9% more than the Php14.72 billion reported for the same period in 2019.

Philippine National Bank (PNB) contributed Php2.24 billion or 14% of total attributable income. The tobacco business accounted for Php12.12 billion or 75%. Tanduay Distillers, Inc. (TDI) added Php1.09 billion or 7%. Eton Properties Philippines, Inc. (Eton) accounted for Php630 million. Asia Brewery, Inc. (ABI) contributed Php4 million or less than 1%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php148 million, also less than 1%.

In September, LTG paid a special cash dividend of Php0.23 per share or a total of Php2.49 billion. Including the dividends paid in June of Php0.43 per share or a total of Php4.65 billion, the Company has paid out Php0.66 per share or a total of Php7.14 billion, or 30.9% of 2019's attributable net income of Php23.12 billion.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.58:1 with the Bank, and at 0.17:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php4.00 billion for the first nine months of 2020, Php2.52 billion or 39% lower than the same period in 2019. The lower net income was primarily due to the Php9.03 billion provision for credit losses that the bank booked in 9M20, significantly higher compared to Php1.43 billion in 9M19, largely due to the ongoing COVID-19 pandemic that has resulted in a downturn in the economy.

Net Interest Income was 12% higher at Php26.16 billion as Net Interest Margin improved to 3.5% from 3.1%. Loans and receivables were 11% lower year-on-year (y-o-y).

Net Service Fees and Commission Income were lower by 11% at Php2.55 billion. Trading and Foreign Exchange Gains were 123% higher at Php4.17 billion.

Tobacco

The industry's volume is estimated to have declined by 11% in 9M20 due to the end-Aug 2019 price increase, 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 14% lower compared to last year.

Illicit activities have also been on the rise. In 9M20, there were 112 enforcements, compared to 9M19's 97 enforcements. A total of 150 machines were seized from illegal factories, 70 more than the 80 machines seized in 9M19. The 150 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 Php12.17 billion for 9M20, 27% more than 9M19. 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 implemented in late August 2019 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 the first nine months of 2020 was Php1.09 billion, Php572 million or 110% higher than 9M19's Php518 million. The higher income is due to the higher volume of liquor sales and a 36% decrease in selling and marketing expenses from PHP1.14 billion to Php725 million.

Revenues from liquor were 29% higher on the back of volume growth and price increases in January to pass on the higher excise taxes. Revenues from bioethanol were 28% lower as higher prices were able to partially offset the drop in volume.

As of end-September 2020, TDI's nationwide market share for distilled spirits was at 25.8%, compared to September 2019's 29.0%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 62.2% and 77.6%, respectively, as of September 2020, compared to 64.7% and 72.6%, respectively, as of September 2019.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for 9M20 was at Php633 million, 1% or Php4 million higher than the Php629 million reported for the same period in 2019. The higher net income is attributed to the increase in rental income.

At the end of September 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 9M20 was Php4 million, 98% lower than 9M19. This was primarily due to lower volumes across all products as 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. 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.