



## **President's Report First Quarter 2021**

LT Group, Inc.'s (LTG) attributable net income in the first quarter of 2021 amounted to Php6.49 billion, Php276 million or 4.5% more than the Php6.21 billion reported for the same period in 2020.

The tobacco business accounted for Php5.01 billion or 77% of total attributable income. Philippine National Bank (PNB) contributed Php1.02 billion or 16%. Tanduay Distillers, Inc. (TDI) added Php233 million or 4%. Asia Brewery, Inc. (ABI) contributed Php211 million or 3%. Eton Properties Philippines, Inc. (Eton) accounted for Php149 million or 2%, while The 30.9% stake in Victorias Milling Company, Inc. (VMC) added Php66 million or 1%. Net expenses at the parent level amounted to Php198 million.

In March, LTG declared a Php0.15 per share regular cash dividend and a Php0.09 per share special cash dividend. The total dividends of Php0.24 per share or Php 2.60 billion were paid 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 3.91:1 with the Bank, and at 0.16:1 without the Bank.

As of the end of March 2021, the cash balance of the parent company stood at Php919 million.

### **Tobacco**

The tobacco business had a net income of Php5.03 billion in 1Q21, Php24 million more than 1Q20's Php5.01 billion.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php5.06 billion, relatively flat compared to 1Q20's Php5.02 billion.

In 1Q21, PMFTC's shipment volume was 8.1 billion sticks, 24.2% lower than 1Q20's 10.7 billion sticks. The drop in volume is attributed to continuous price increases to pass on higher excise taxes, the last of which was in October 2020. The enhanced community quarantine (ECQ) implemented in the National Capital Region and surrounding areas starting March 27, 2021 will likewise have an impact on volumes.

*Marlboro* accounted for 69% of volume in 1Q21 reflecting up-trading resulting from a narrowed price gap with *Fortune*, compared to 58% of total volume in 1Q20. Based on Nielsen estimates, PMFTC's market share was at 62.4% in 1Q21, lower than 1Q20's 70.2%.

The industry's volume was estimated at 13.1 billion sticks in 1Q21, 14% lower than 1Q20's 15.3 billion sticks.

The Government continued its efforts against the illicit trade which included smuggled and locally produced products. In 1Q21, there were 39 enforcements, compared to 26 in 1Q20. A total of 8 machines were seized from illegal factories, lower than the 110 machines seized in 1Q20.

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 and Php50 in 2021. It will increase by Php5 per pack annually in 2022 and 2023, then increase by 5% annually thereafter.

In early October 2020, PMFTC implemented price increases across all brands at Php1 per stick. Currently, the recommended retail price per stick of premium *Marlboro* is at Php7 (from Php6), mid-priced *Fortune* at Php6 (from Php5) and low-end *Jackpot* at Php5 (from Php4). Prior to this increase, the previous one was in late August 2019. Subsequently in early November, PMFTC's main competitor raised prices and the recommended retail prices of their brands are at par with PMFTC's products.

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

PNB's net income under the pooling method was Php1.83 billion in the first quarter of 2021, Php455 million or 33% higher than 1Q20. The higher net income was primarily due to lower provisions for credit losses, at Php 2.10 billion in 1Q21 compared to Php 3.36 billion in 1Q20.

Net Interest Income was 7% lower Php8.24 billion from Php8.83 billion as loans and receivables dropped to Php609 billion as of March 2021 from Php651 billion as of March 2020, while Net Interest Margin declined to 3.1% from 3.4%.

Net Service Fees and Commission Income were 35% higher at Php1.29 billion from Php961 million. Trading and Foreign Exchange Gains and other income were 38% lower at Php1.55 billion from Php2.51 billion.

Operating Expenses were Php8.75 billion, 17% or Php1.83 billion lower largely due to the decrease in provisioning.

Net Non-Performing Loans (NPL) ratio was at 6.3% as of March 2021, higher than the 1.7% as of March 2020. NPL cover stood at 43.19%, compared to 79.83% as of end-March 2020.

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

TDI's net income for the first three months of 2021 was Php235 million, Php36 million or 18% higher than 1Q20's Php199 million.

The higher income is largely due to the 5% increase in the volume of liquor sales and higher rectified alcohol sales.

Total revenues were Php5.61 billion, Php547 million or 11% higher than 1Q20's Php5.06 billion. TDI implemented an average Php48 per case increase in 1Q21 to pass on the increase in excise taxes. Revenues from liquor were Php4.67 billion, 10% higher than 1Q20's Php4.26 billion. Revenues from bioethanol were relatively flat at Php555 million compared to Php553 million due to the 6% decline in average selling prices, which offset the 7% increase in volume. Rectified alcohol contributed the balance of revenues at Php356 million, from Php222 million in 1Q20

As of end-March 2021, TDI's nationwide market share for distilled spirits was at 26.5%, compared to March 2020's 27.7%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 70.1% and 76.0%, respectively, as of March 2021, compared to 67.0% and 75.0%, respectively, as of March 2020.

Gross Profit Margin (GPM) was lower at 14% from 16%, due to higher alcohol costs. Operating expenses were 3% lower at Php489 million due to administrative expenses.

#### **Asia Brewery, Inc. (ABI)**

ABI's net income for 1Q21 was Php211 million, 185% or Php137 million more than 1Q20's Php74 million. The higher income is largely due to the absence of any losses from the AB Heineken joint venture as the partnership transitions starting 2021 to the engagement of ABI to brew and distribute Heineken® and Tiger® beers in the Philippines.

Revenues were at Php3.38 billion, 13% lower than 1Q20's Php3.87 billion. The volume of bottled water and Vitamilk soymilk were lower, partially offset by the higher volume of Cobra Energy Drink. 1Q20 is a higher base, as ECQ only started in mid-March 2020, especially for on-the-go sales at convenience stores.

Overall GPM was lower at 27% from 29% due to sales mix. Operating expenses were slightly higher at Php626 million from Php613 million.

Cobra energy drink continues to account for the largest share of revenues at 43% of total. It remains the market leader with a share of 67% in 1Q21.

Our bottled water brands, Absolute and Summit, continue to have the second largest share in this segment at 23%. Bottled water accounted for 21% of revenues.

Soymilk Vitamilk's market share was at 69% in 1Q21 and accounted for 10% of revenues.

The packaging business' revenues were 20% lower due to lower demand from third parties. ABI supplies the glass bottle and other packaging requirements of TDI and ABI and also sells to third parties. Packaging accounted for 15% of revenues.

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

Eton's net income for 1Q21 was Php150 million, 11% or Php19 million lower than 1Q20's Php169 million. The lower net income is attributed to the decline in residential unit sales.

Total revenues were at Php480 million, 21% lower than 1Q20's Php611 million. Real estate sales amounted to Php56 million from Php141 million. Leasing revenues were 10% lower at Php424 million due to lower retail leases.

Projects in the pipeline include Blakes Tower, a 36-storey office and residential building in Makati City which will have 11,400 square meters of office space and 14,000 square meters of residential space once completed. Also, Eton City Square 1, the 4.3 hectare neighborhood retail and commercial center in Sta. Rosa, Laguna. Its first phase will add 7,200 square meters of gross leasable area to Eton's commercial leasing portfolio.

Eton currently has a leasing portfolio of around 181,000 square meters of office space and over 45,000 square meters of retail space.

**LT GROUP, INC. AND SUBSIDIARIES****INTERIM CONSOLIDATED BALANCE SHEETS**  
**(Amounts in Thousands)**

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P245,281,953	P304,061,222
Financial assets at fair value through profit or loss	24,859,742	23,858,324
Financial assets at fair value through other comprehensive income (FVTOCI)	21,052,893	59,680,618
Financial assets at amortized cost	40,561,589	40,216,142
Loans and receivables	244,922,550	223,006,163
Inventories	14,370,137	13,175,605
Due from related parties	1,955,151	1,954,502
Other current assets	11,054,774	10,908,904
Assets of disposal group classified as held for sale	—	7,945,945
<b>Total Current Assets</b>	<b>604,058,789</b>	<b>684,807,425</b>
<b>Noncurrent Assets</b>		
Loans and receivables-net of current portion	380,484,550	393,592,324
Financial assets at FVTOCI	80,171,503	76,644,306
Financial assets at amortized cost	51,168,243	55,019,851
Investment in associates and joint ventures	24,164,155	23,777,783
Property, plant and equipment:		
At appraised values	59,570,841	59,918,473
At cost	11,556,458	11,586,799
Investment properties	32,886,204	32,837,375
Deferred income tax assets	9,139,754	8,889,031
Other noncurrent assets	6,621,870	6,049,087
<b>Total Noncurrent Assets</b>	<b>655,763,578</b>	<b>668,315,029</b>
<b>TOTAL ASSETS</b>	<b>P1,259,822,367</b>	<b>P1,353,122,454</b>

**LIABILITIES AND EQUITY****Current Liabilities**

Deposit liabilities	P790,540,614	P822,131,355
Financial liabilities at fair value through profit or loss	460,077	701,239
Bills and acceptances payable	27,239,649	72,978,082
Accounts payable and accrued expenses	22,096,230	20,849,044
Short-term debts	4,240,000	4,740,000
Current portion of long-term debts	15,053,361	14,527,082
Income tax payable	554,354	1,008,067
Due to related parties	65,325	65,325
Other current liabilities	10,715,904	10,180,106
Liabilities of disposal group classified as held for sale	—	6,353,964
<b>Total Current Liabilities (Carried Forward)</b>	<b>870,965,514</b>	<b>953,534,264</b>

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Total Current Liabilities (Brought Forward)</b>	<b>₱870,965,514</b>	<b>₱953,534,264</b>
<b>Noncurrent Liabilities</b>		
Deposit liabilities - net of current portion	46,671,584	58,380,208
Bills and acceptances payable	14,265,413	14,181,368
Long-term debts - net of current portion	55,176,281	55,215,562
Net retirement benefits liabilities	2,500,845	2,418,637
Deferred income tax liabilities	8,259,884	8,327,412
Other noncurrent liabilities	5,293,859	5,526,724
<b>Total Noncurrent Liabilities</b>	<b>132,167,866</b>	<b>144,049,911</b>
<b>Total Liabilities</b>	<b>1,003,133,380</b>	<b>1,097,584,175</b>
<b>Equity</b>		
Attributable to equity holders of the Company:		
Capital stock	10,821,389	10,821,389
Capital in excess of par	35,906,231	35,906,231
Other comprehensive income, net of deferred income tax effect	12,800,758	15,056,237
Other equity reserves	(2,058,370)	(2,058,370)
Reserves of disposal group classified as held for sale	—	88,616
Retained earnings	129,801,469	125,612,353
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	<b>187,258,958</b>	<b>185,413,937</b>
Non-controlling interests	69,430,029	70,124,342
<b>Total Equity</b>	<b>256,688,987</b>	<b>255,538,279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,259,822,367</b>	<b>₱1,353,122,454</b>

**LT GROUP, INC. AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF INCOME****(Amounts in Thousands, Except for Basic/Diluted Earnings Per Share)**

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>		
Banking	<b>P12,834,717</b>	P15,826,436
Beverage	<b>3,199,507</b>	3,724,116
Distilled spirits	<b>5,579,021</b>	5,031,452
Property development	<b>479,545</b>	611,058
	<b>22,092,790</b>	25,193,062
<b>COST OF SALES AND SERVICES</b>	<b>9,601,058</b>	11,042,639
<b>GROSS INCOME</b>	<b>12,491,732</b>	14,150,423
<b>EQUITY IN NET EARNINGS OF ASSOCIATES</b>	<b>5,246,639</b>	4,851,122
	<b>17,738,371</b>	19,001,545
<b>OPERATING EXPENSES</b>		
Selling expenses	<b>572,790</b>	583,480
General and administrative expenses	<b>9,717,350</b>	11,464,069
	<b>10,290,140</b>	12,047,549
<b>OPERATING INCOME</b>	<b>7,448,231</b>	6,953,996
<b>OTHER INCOME (CHARGES)</b>		
Finance costs	<b>(87,174)</b>	(100,630)
Finance income	<b>9,772</b>	3,956
Foreign exchange gains - net	<b>148,052</b>	153,270
Others - net	<b>487,608</b>	458,920
	<b>558,258</b>	515,516
<b>INCOME BEFORE INCOME TAX</b>	<b>8,006,489</b>	7,469,512
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>955,730</b>	1,303,508
Deferred	<b>(248,627)</b>	(656,345)
	<b>707,103</b>	647,163
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>7,299,386</b>	6,822,349
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	<b>20,616</b>	20,100
<b>NET INCOME</b>	<b>P7,320,002</b>	P6,842,449
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<b>P6,486,519</b>	P6,212,562
Non-controlling interests	<b>833,483</b>	629,887
	<b>P7,320,002</b>	P6,842,449
<b>Basic/Diluted Earnings Per Share</b>	<b>P0.60</b>	P0.57