



LT GROUP, INC.

President's Report Full Year 2022

LT Group, Inc. (LTG) reported an attributable net income of Php25.14 billion for 2022, 24% higher than the Php20.25 billion reported for 2021. The lower attributable income in 2021 was due to the elimination at the LTG level of the Php33.60 billion gain that PNB booked from transferring real estate assets into PNB Holdings Corporation (PHC) in 2Q21.

The tobacco business accounted for Php15.28 billion or 61% of total attributable income. Philippine National Bank (PNB) contributed Php6.61 billion or 26%. Tanduay Distillers, Inc. (TDI) added Php1.47 billion or 6% of total, while Asia Brewery, Inc. (ABI) accounted for Php580 million or 3%. Eton Properties Philippines, Inc. (Eton) contributed Php372 million or 1%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) added Php491 million or 2% of total. LTG Parent also booked net Other Income of Php340 million, 1% of total attributable income.

In November, LTG declared a Php0.50 per share special dividend, or Php5.41 billion, which was paid on December 16. Together with the regular and special dividends declared in March of Php0.15 and Php0.15 per share, respectively, the special dividend of Php0.30 in May, and the Php0.30 in August, these brought 2022's total dividends to Php1.40 per share or Php15.15 billion, equivalent to 74.8% of LTG's 2021 attributable net income. This has been the highest dividends declared in a year since LTG's listing in 2013.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.58:1 with the Bank and at 0.14:1 without the Bank as of end-2022.

As of the end of December 2022, the cash balance of the parent company was at Php1.26 billion.

Tobacco

The tobacco business reported a net income of Php15.34 billion for 2022, Php2.17 billion or 12% lower than the Php17.50 billion reported in 2021.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php15.46 billion, Php2.14 billion or 12% lower than 2021's Php17.60 billion.

PMFTC's shipment volume for 2022 was 32.2 billion sticks, 6.3% lower than 2021's 34.4 billion sticks. The decline is attributed to trade inventory adjustments and downtrading post the industry-wide price increase, in end-March 2022 for PMFTC and in early February for our biggest competitor.

Marlboro accounted for 68% of volume in 2022, slightly lower than the 70% share the previous year. Based on Nielsen estimates, PMFTC's market share was at 62.1% in 2022, slightly lower than the 62.3% in 2021.

The industry's volume was estimated at 51.8 billion sticks in 2022, 6.1% or 3.4 billion sticks lower than 2021.

Under Republic Act (RA) 11346, there was a Php5 per pack increase in excise taxes to Php55 per pack of 20 sticks starting January 1, 2022. As PMFTC only implemented a price increase in late March 2022 and with no price increase in 2021, with the previous one in October 2020, the lower profit in 2022 can partially be attributed to the increase in excise taxes that PMFTC had to absorb.

PMFTC announced a price increase on March 21, 2022, with a Php1 per stick increase in the recommended retail price of *Marlboro* and *Jackpot/Chesterfield* to Php8 per stick and Php6 per stick, respectively. *Fortune* remained unchanged at Php6 per stick.

In October 2022, *Marlboro Crafted* was launched. It offers the premium quality of the world's #1 brand at a more affordable price. The recommended retail price is at Php7 per stick.

In late November, PMFTC launched more affordable versions of the heated tobacco system. Bonds retails at Php990 per unit, significantly lower than IQOS Originals Duo at Php2,990 and IQOS Originals One at Php1,690. Blends were also launched in menthol and non-menthol variants at Php100 per pack of 20 (or php5 per stick) compared to IQOS' Heets at Php140 per pack (or Php7 per stick). The Philippines was one of the two countries where Bonds and Blends were initially launched.

The Government continued its efforts against the illicit trade with 297 enforcements in 2022 compared to 194 in 2021.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php11.77 billion in 2022, Php22.26 billion or 65% lower than 2021's Php34.02 billion which included a Php33.44 billion gain from transferring real estate assets into PHC, wherein 51% was subsequently declared as a property dividend.

Net Interest Income was Php37.33 billion, 7% or Php2.48 billion higher than 2021's Php34.84 billion. Loans and receivables were lower at Php593 billion as of end-2022 from Php607 billion in December 2021, as Net Interest Margin slightly improved to 3.42% from 3.10% over the comparative periods.

Net Service Fees and Commission Income were higher by 5% to Php5.57 billion from Php5.29 billion in the comparative periods. Other Income dropped 75% or by Php27.68 billion to Php9.18 billion from Php36.86 billion, as 2Q21 included the gain from the transfer of real estate assets into PHC.

Operating Expenses were 4% or Php1.31 billion lower at Php35.38 billion from Php36.69 billion in 2021 primarily due to lower net provisioning for credit losses of Php7.20 billion for 2022, compared to 2021's Php10.73 billion. NPL cover stood at 91.1% as of end-2022, compared to 54.1% as of end-2021.

Tanduay Distillers, Inc. (TDI)

TDI's net profit for 2022 was Php1.47 billion, Php227 million or 18% higher than 2021's Php1.24 billion.

Total revenues reached Php31.62 billion, Php4.91 billion or 18% higher y-o-y. Liquor volume increased by 16% to 27.49 million cases from 23.69 million cases. TDI implemented an average Php60 per case increase in 4Q21 and Php84 per case in November 2022 to pass on the increase in excise taxes. Revenues from liquor were Php28.64 billion, Php5.46 billion or 24% higher than 2021's Php23.18 billion.

Revenues from bioethanol were at Php4.24 billion, 20% higher than 2021's Php3.54 billion. However, as Asian Alcohol Corporation's (AAC) was classified as discontinued operations in 4Q22, the Php1.54 billion revenues of AAC was not reported as revenues but reported as part of Other Income/Charges, net of expenses. Denatured and rectified alcohol contributed the balance of revenues at Php491 million, from Php1.42 billion in the same periods.

As of the end of 2022, TDI's nationwide market share for distilled spirits was at 27.7%, compared to end-2021's 26.6%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 67.1 and 75.6%, respectively, compared to 66.9% and 74.3% as of end-2021.

Gross Profit Margin (GPM) was lower at 11% from 12%, largely due to higher alcohol and energy costs. Operating expenses were 3% higher at Php1.57 billion from Php1.53 billion due to higher advertising and marketing costs.

Asia Brewery, Inc. (ABI)

ABI's net income for 2022 was Php583 million, Php108 million or 23% higher than the Php475 million reported in 2021.

Revenues were at Php17.23 billion, Php3.30 billion or 24% higher than 2021's Php13.92 billion as volumes increased across all product lines, except packaging.

Overall GPM was lower at 22% from 23% primarily due to higher raw materials and energy costs. Operating expenses were 15% higher at Php2.79 billion from Php2.43 billion, largely due to higher selling and marketing expenses.

Cobra energy drink remains the market leader with a share of 59% in 2022. Cobra's volume was 15% higher y-o-y.

Our bottled water brands Absolute and Summit continue to have the third-largest share in this segment at 20%. Volume was 22% higher y-o-y.

Vitamilk's market share was at 76% in 2022, while volume was 22% higher.

The packaging business' revenues were 1% lower y-o-y in 2022. ABI supplies the glass bottle and other packaging requirements of TDI and ABI and also sells to third parties.

Eton Properties Philippines, Inc. (Eton)

Eton reported a net income of Php373 million for 2022, 32% or Php177 million lower than the Php550 million reported for 2021.

Revenues of Php1.98 billion was 13% higher compared to the Php1.75 billion reported in 2021. Real estate sales amounted to Php225 million in 2022, from Php138 million in 2021. Leasing revenues were Php1.75 billion, Php137 million or 9% more than 2021's Php1.61 billion.

Eton currently has a leasing portfolio of 283,000 square meters

LT GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	₱224,745,923	₱265,139,174
Financial assets at fair value through profit or loss (FVTPL)	7,379,126	11,205,269
Financial assets at fair value through other comprehensive income (FVTOCI)	86,852,606	75,800,753
Financial assets at amortized cost	31,511,748	45,931,953
Loans and receivables	205,494,119	216,143,944
Inventories	15,010,773	14,286,523
Due from related parties	3,556,476	7,685,534
Other current assets	13,497,126	10,298,762
Total Current Assets	588,047,897	646,491,912
Noncurrent Assets		
Loans and receivables - net of current portion	409,434,007	407,515,357
Financial assets at FVTOCI	50,761,530	71,468,657
Financial assets at amortized cost	78,956,212	43,523,890
Investments in associates and joint ventures	21,589,874	22,208,309
Property, plant and equipment:		
At appraised values	58,504,993	60,468,871
At cost	12,268,828	13,642,782
Investment properties	37,045,004	34,447,353
Deferred income tax assets - net	6,524,012	6,291,847
Other noncurrent assets	4,985,212	5,777,386
Total Noncurrent Assets	680,069,672	665,344,452
TOTAL ASSETS	₱1,268,117,569	₱1,311,836,364

LIABILITIES AND EQUITY**Current Liabilities**

Deposit liabilities	₱831,605,372	₱842,061,358
Financial liabilities at FVTPL	1,039,776	891,531
Bills and acceptances payable	8,798,056	49,780,354
Accounts payable and accrued expenses	21,854,536	18,115,661
Short-term debts	4,490,000	3,940,000
Current portion of long-term debts	20,399,948	3,597,299
Income tax payable	1,839,835	381,539
Due to related parties	50,000	65,325
Other current liabilities	10,375,775	9,381,064
Total Current Liabilities (Carried Forward)	900,453,298	928,214,131

	December 31	
	2022	2021
Total Current Liabilities (Brought Forward)	₱900,453,298	₱928,214,131
Noncurrent Liabilities		
Deposit liabilities - net of current portion	20,796,801	38,508,755
Bills and acceptances payable	6,182,317	3,173,443
Long-term debts - net of current portion	46,312,355	59,046,035
Net retirement benefits liability	796,500	1,817,657
Deferred income tax liabilities - net	8,450,442	8,499,173
Other noncurrent liabilities	8,464,180	9,040,491
Total Noncurrent Liabilities	91,002,595	120,085,554
Total Liabilities	991,455,893	1,048,299,685
Equity		
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	12,365,903	14,410,914
Other equity reserves	(5,959,881)	(5,959,881)
Reserves of disposal group classified as held for sale		—
Retained earnings	145,723,736	134,905,274
Shares of stock of the Company held by subsidiaries	(12,519)	(12,519)
	198,844,859	190,071,408
Non-controlling interests	77,816,817	73,465,271
Total Equity	276,661,676	263,536,679
TOTAL LIABILITIES AND EQUITY	₱1,268,117,569	₱1,311,836,364

LT GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except for Basic/Diluted Earnings Per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Banking	P50,843,607	P49,319,441	P54,800,902
Distilled spirits	31,559,876	26,648,772	25,000,110
Beverage	16,216,881	13,173,729	12,227,532
Property development	2,251,558	2,031,373	2,399,390
	100,871,922	91,173,315	94,427,934
COST OF GOODS SOLD AND SERVICES	51,102,930	42,957,014	42,858,864
GROSS INCOME	49,768,992	48,216,301	51,569,070
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	16,094,575	18,021,180	17,614,907
	65,863,567	66,237,481	69,183,977
OPERATING EXPENSES			
Selling expenses	2,283,909	1,905,020	2,051,114
General and administrative expenses	37,795,783	40,321,877	47,897,268
	40,079,692	42,226,897	49,948,382
OPERATING INCOME	25,783,875	24,010,584	19,235,595
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	1,548,877	816,015	747,095
Finance costs	(484,614)	(364,873)	(341,467)
Finance income	219,285	41,663	42,421
Others - net	9,536,173	2,758,831	1,902,969
	10,819,721	3,251,636	2,351,018
INCOME BEFORE INCOME TAX	36,603,596	27,262,220	21,586,613
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	6,445,510	4,112,063	5,976,621
Deferred	(506,920)	2,309,683	(6,648,541)
	5,938,590	6,421,746	(671,920)
NET INCOME FROM CONTINUING OPERATIONS	30,665,006	20,840,474	22,258,533
NET INCOME FROM DISCONTINUED OPERATIONS	-	20,615	67,583
NET INCOME	P30,665,006	P20,861,089	P22,326,116

(Forward)

	Years Ended December 31		
	2022	2021	2020
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	P25,137,400	P20,246,467	P21,021,996
Non-controlling interests	5,527,606	614,622	1,304,120
	P30,665,006	P20,861,089	P22,326,116
Basic/Diluted Earnings Per Share Attributable to			
Equity Holders of the Company	P2.32	P1.87	P1.94
Basic/Diluted Earnings Per Share Attributable to			
Equity Holders of the Company from			
Continuing Operations	P2.32	P1.87	P1.94