



LT GROUP, INC.

President's Report Full Year 2023

LT Group, Inc.'s (LTG) attributable net income for 2023 amounted to Php25.42 billion, 1% higher than 2022's Php25.14 billion.

The different business units contributed as follows:

	2023 Contribution (Php Millions)	% of 2023 Attributable Net Income	2022 Contribution (Php Millions)	% of 2022 Attributable Net Income
Tobacco	11,333	45%	15,276	61%
PNB	10,747	42%	6,611	26%
TDI	1,558	6%	1,467	6%
ABI	571	2%	580	3%
Eton	451	2%	372	1%
VMC	347	1%	491	2%
Others	414	2%	340	1%
Total	25,421	100%	25,137	100%

A special cash dividend was declared in November and paid on December 15 of Php0.30 per share or a total of Php3.25 billion. Together with the dividends declared in March, May and August, 2023 dividends amounted to Php1.20 per share or a total of Php12.99 billion, representing a 51.7% pay-out rate.

As of the end of 2023, LTG's Debt-to-Equity Ratio was at 3.42:1 with the Bank and at 0.12:1 without the Bank. The parent company had cash of Php1.84 billion.

Tobacco

The tobacco business' net income for 2023 amounted to Php11.38 billion, 26% lower than 2022's Php15.34 billion. Most of the tobacco business' income is from equity in net earnings from the 49.6% stake in PMFTC. This amounted to Php11.07 billion in 2023, a 28% or Php4.39 billion decrease compared to 2022's Php15.46 billion.

The industry's volume (excluding illicit trade) was 20% lower year-on-year (y-o-y) in 2023 to 42.9 billion sticks from 53.4 billion sticks in 2022, largely due to the industry-wide price increase in 1Q23, increasing illicit incidence and trade inventory movements. PMFTC's 2023 volume was at 23.8 billion sticks, 26% lower than 2022's 32.2 billion sticks.

On February 27, 2023, PMFTC implemented a price increase, to pass on the Php5 per pack increase in excise taxes, effective January 1, 2023, to Php60 per pack. Marlboro is now at Php9 per stick from Php8. Fortune and Jackpot are at Php7 from Php6. Marlboro Crafted remains unchanged at Php7, while Chesterfield had no price increase and is still at Php6 per stick.

The Government continued its efforts against the illicit trade with 561 enforcements in 2023, compared to 364 in 2022.

In October, PMFTC launched the next level in tobacco innovation, iQos *ILUMA*. It uses the new *Smartcore Induction System™*. The bladeless system does not require cleaning after use, creating a more effortless experience compared to the previous iQos devices. It also features an auto-start function that detects when the Terea stick is inserted.

Meanwhile, to complement its smoke-free products portfolio, PMFTC launched ZYN in November, making it the first launch of ZYN in the Asia Pacific region. ZYN nicotine pouches are a modern way to enjoy nicotine in a smoke-free and tobacco-free way, in menthol and non-menthol variants, at 6mg and 3mg nicotine levels.

Philippine National Bank (PNB)

In 2023, PNB's net profit under the pooling method was Php19.02 billion, 62% higher than 2022's Php11.77 billion. The 2023 profit included a Php4.54 billion gain from the sale of repossessed assets, compared to Php7.78 billion in 2022.

Loans and receivables were 4% higher as of end-2023 at Php617 billion from Php593 billion as of end-2022. Net Interest Margin improved to 4.2% from 3.6%, causing Net Interest Income to improve by 19% to Php44.59 billion from Php37.33 billion.

Net Service Fee and Commission Income were 4% lower at Php5.32 billion from Php5.57 billion.

The bank booked provisions for credit losses of Php5.92 billion in 2023, 18% lower than the Php7.20 billion of 2022. As a result, operating expenses were 3% lower in 2023 at Php34.33 billion from Php35.38 billion in 2022. NPL cover was at 90.8% as of December 2023, compared to 91.1% as of December 2022.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 2023 was Php1.57 billion, 7% more than 2022's Php1.47 billion.

Both the volume of liquor and bioethanol were lower y-o-y, by 15% and 30%, respectively, the latter due to the closure of Asian Alcohol Corporation in October 2022. Due to the volume drop, revenues were Php29.95 billion in 2023, 5% lower than 2022's Php31.62 billion.

As TDI implemented an Php84 per case price increase in October 2022 and Php70 per case in January 2023, GPM improved to 13% in 2023 from 11% in 2022, as the price increases enabled TDI to pass on increased raw material and energy costs.

As of December 2023, TDI's nationwide market share for distilled spirits was at 31.4%, compared to 27.7% as of December 2022. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 71.8% and 79.3%, respectively, compared to 67.1% and 75.6% as of December 2022.

Asia Brewery, Inc. (ABI)

ABI's net income for 2023 was Php578 million, 1% lower than 2022's Php583 million.

Revenues were 1% higher at Php17.38 billion from Php17.23 billion on the back of higher volume for bottled water and price increases in 1Q23 ranging from 5% to 10% across product lines. These price increases enabled the Company to slightly improve GPM to 23% from 22% and pass on higher manufacturing and energy costs.

Cobra energy drink maintained its leadership with a market share of 60.4% in 2023, while bottled water brands Absolute and Summit have the third-largest share at 19.0%.

Eton Properties Philippines, Inc. (Eton)

Eton's net profit in 2023 was Php453 million, 21% higher than 2022's Php373 million. Leasing revenues were 17% higher y-o-y. Net other Income was 6% higher at Php434 million from Php410 million, due to higher hotel income and common area maintenance fees and charges.

Eton currently has a leasing portfolio of around 289 thousand square meters, of which close to 192 thousand square meters is for office space.

In 3Q23, Eton resumed selling the remaining inventory of previously launched projects, in 68 Roces in Quezon City and in Eton City, Laguna.

LT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Amounts in Thousands)

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	P243,790,981	P224,745,923
Financial assets at fair value through profit or loss (FVTPL)	10,550,595	7,379,126
Financial assets at fair value through other comprehensive income (FVTOCI)	112,335,996	86,852,606
Financial assets at amortized cost	21,841,362	31,511,748
Loans and receivables	291,696,307	205,494,119
Inventories	13,709,117	15,010,773
Due from related parties	2,338,723	3,556,476
Other current assets	12,378,192	13,497,126
Total Current Assets	708,641,273	588,047,897
Noncurrent Assets		
Loans and receivables - net of current portion	347,989,209	409,434,007
Financial assets at FVTOCI	31,709,930	50,761,530
Financial assets at amortized cost	101,359,065	78,956,212
Investments in associates and joint ventures	19,003,747	21,589,874
Property, plant and equipment:		
At appraised values	57,516,431	58,504,993
At cost	11,615,081	12,268,828
Investment properties	37,848,430	37,045,004
Deferred income tax assets - net	6,860,706	6,524,012
Other noncurrent assets	4,852,404	4,985,212
Total Noncurrent Assets	618,755,003	680,069,672
TOTAL ASSETS	P1,327,396,276	P1,268,117,569
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities	P892,931,695	P831,605,372
Financial liabilities at FVTPL	555,811	1,039,776
Bills and acceptances payable	19,047,156	8,798,056
Accounts payable and accrued expenses	22,889,975	21,854,536
Short-term debts	4,280,000	4,490,000
Current portion of long-term debts	43,115,944	20,399,948
Income tax payable	432,496	1,839,835
Due to related parties	50,000	50,000
Other current liabilities	9,990,372	10,375,775
Total Current Liabilities (Carried Forward)	993,293,449	900,453,298

(Forward)

	December 31	
	2023	2022
Total Current Liabilities (Brought Forward)	P993,293,449	P900,453,298
Noncurrent Liabilities		
Deposit liabilities - net of current portion	10,833,859	20,796,801
Bills and acceptances payable	1,115,447	6,182,317
Long-term debts - net of current portion	6,395,070	46,312,355
Net retirement benefits liability	1,009,716	796,500
Deferred income tax liabilities - net	8,275,257	8,450,442
Other noncurrent liabilities	6,237,658	8,464,180
Total Noncurrent Liabilities	33,867,007	91,002,595
Total Liabilities	1,027,160,456	991,455,893
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	12,418,924	11,935,325
Other equity reserves	(5,592,465)	(5,529,303)
Retained earnings	158,972,132	145,723,736
Shares of stock of the Company held by subsidiaries	(12,519)	(12,519)
	212,513,692	198,844,859
Non-controlling interests	87,722,128	77,816,817
Total Equity	300,235,820	276,661,676
TOTAL LIABILITIES AND EQUITY	P1,327,396,276	P1,268,117,569

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

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

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Banking	P66,550,969	P50,843,607	P49,319,441
Distilled spirits	29,884,821	31,559,876	26,648,772
Beverage	16,414,006	16,216,881	13,173,729
Property development	2,449,140	2,251,558	2,031,373
	115,298,936	100,871,922	91,173,315
COST OF GOODS SOLD AND SERVICES	55,537,664	51,102,930	42,957,014
GROSS INCOME	59,761,272	49,768,992	48,216,301
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	11,924,732	16,094,575	18,021,180
	71,686,004	65,863,567	66,237,481
OPERATING EXPENSES			
Selling expenses	2,516,285	2,283,909	1,905,020
General and administrative expenses	36,886,503	37,795,783	40,321,877
	39,402,788	40,079,692	42,226,897
OPERATING INCOME	32,283,216	25,783,875	24,010,584
OTHER INCOME (CHARGES)			
Foreign exchange gains - net	1,289,740	1,548,877	816,015
Finance costs	(691,456)	(484,614)	(364,873)
Finance income	84,958	219,285	41,663
Others - net	6,267,239	9,536,173	2,758,831
	6,950,481	10,819,721	3,251,636
INCOME BEFORE INCOME TAX	39,233,697	36,603,596	27,262,220
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	5,665,437	6,445,510	4,112,063
Deferred	(447,620)	(506,920)	2,309,683
	5,217,817	5,938,590	6,421,746
NET INCOME FROM CONTINUING OPERATIONS	34,015,880	30,665,006	20,840,474
NET INCOME FROM DISCONTINUED OPERATIONS	—	—	20,615
NET INCOME	P34,015,880	P30,665,006	P20,861,089

	Years Ended December 31		
	2023	2022	2021
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	P25,421,454	P25,137,400	P20,246,467
Non-controlling interests	8,594,426	5,527,606	614,622
	P34,015,880	P30,665,006	P20,861,089
Basic/Diluted Earnings Per Share Attributable to			
Equity Holders of the Company	P2.35	P2.32	P1.87
Basic/Diluted Earnings Per Share Attributable to			
Equity Holders of the Company from			
Continuing Operations	P2.35	P2.32	P1.87