



# 3Q 2018 Earnings Call and Analysts' Briefing

23 November 2018

*Metro Retail Stores Group, Inc. - Manila Corporate Office*



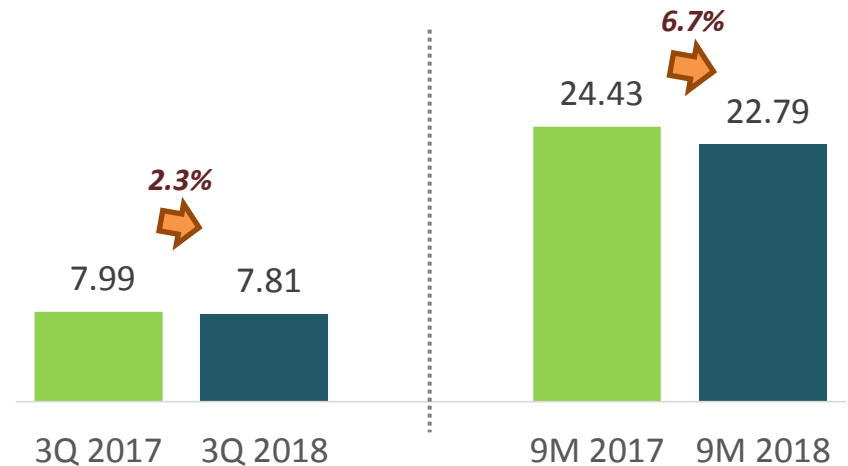
# Agenda

- 3Q & 9M 2018 Financial Overview
- Existing Store Network
- Network Expansion Initiative
- Strategic Thrust

# 3Q & 9M 2018 Consolidated Results

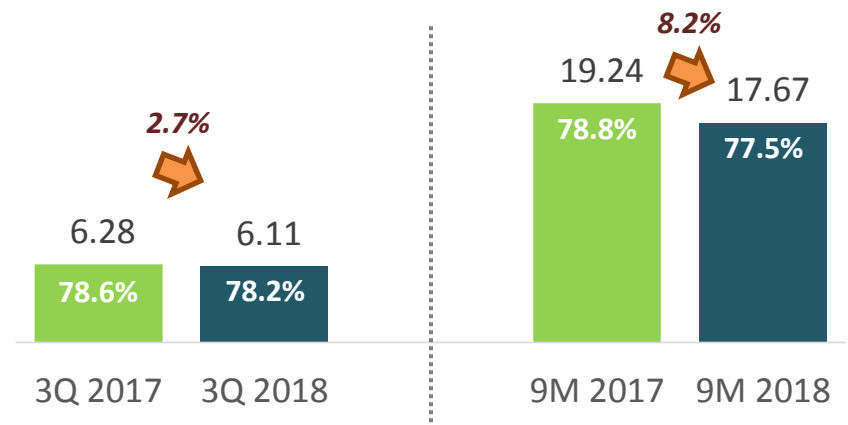
- 3Q and 9M sales revenue remains subdued primarily due to the rationalization our institutional sales operation coupled with the Ayala Center Cebu Store fire incident.

Sales Revenue (in billions Php)



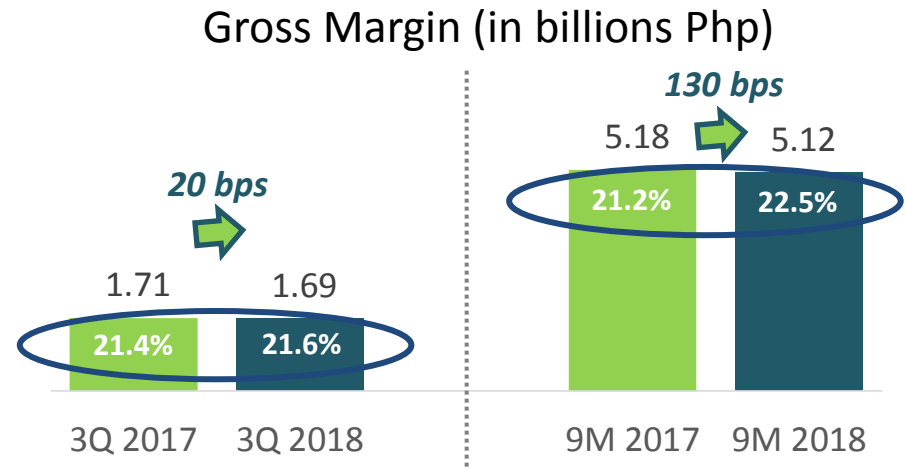
- Cost of Sales, on the other hand, continues to be at manageable levels brought about by better sourcing and vendor negotiation strategies.

Cost of Sales (in billions Php)

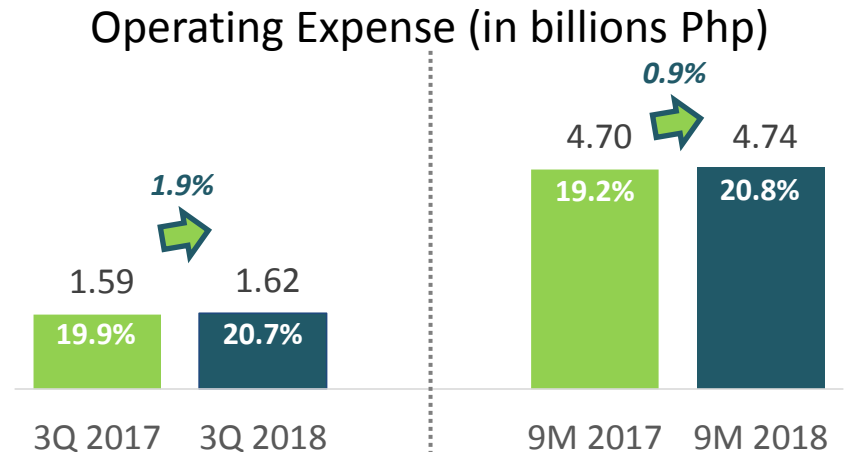


# 3Q & 9M 2018 Consolidated Results

- Gross Margin as a % of Sales continues to reap the benefits of our Margin Enhancement Plan (MEP) as it posted remarkable gains (*in terms of bps*).



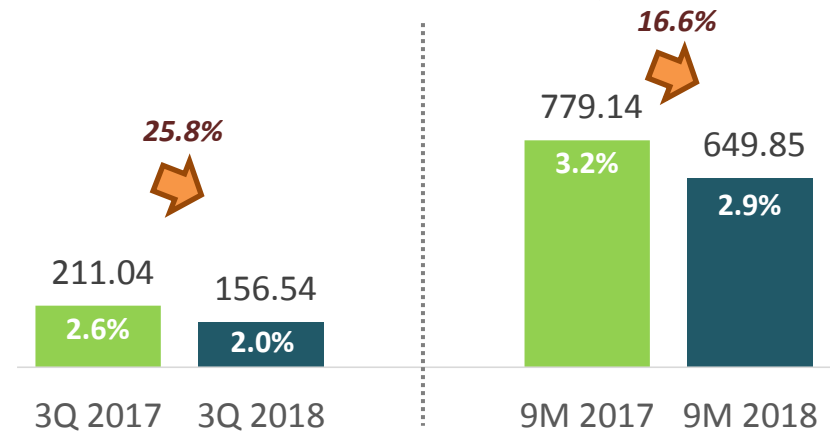
- OpEx registered marginal increases for both 3Q and 9M 2018, but largely remain at a comfortable level



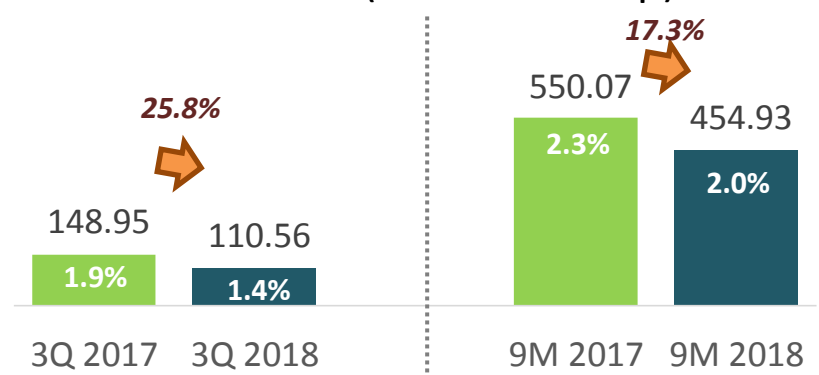
# 3Q & 9M 2018 Consolidated Results

- EBITDA and Net Income posted an expected contraction due to some growing pains in our institutional sales optimization effort and the Cebu fire incident.

EBITDA (in millions Php)



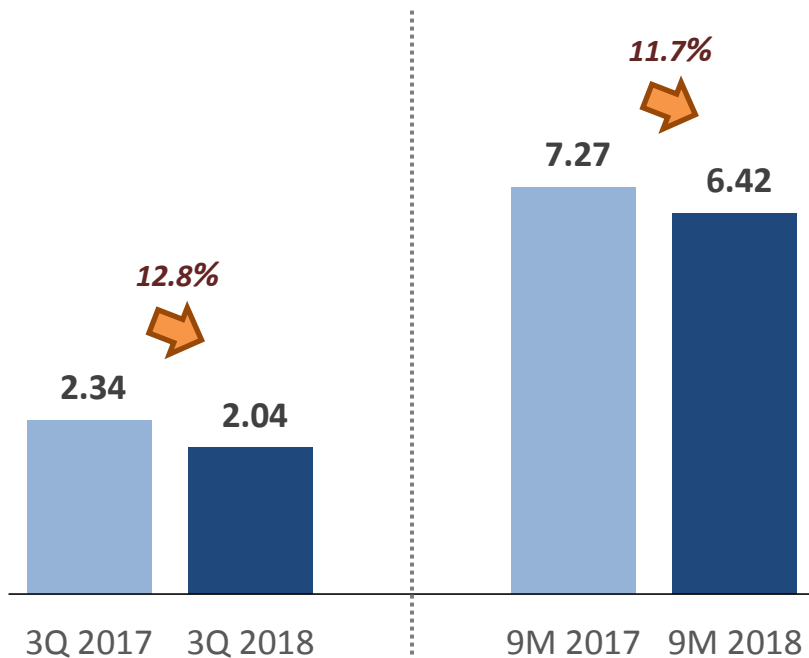
Net Income (in millions Php)



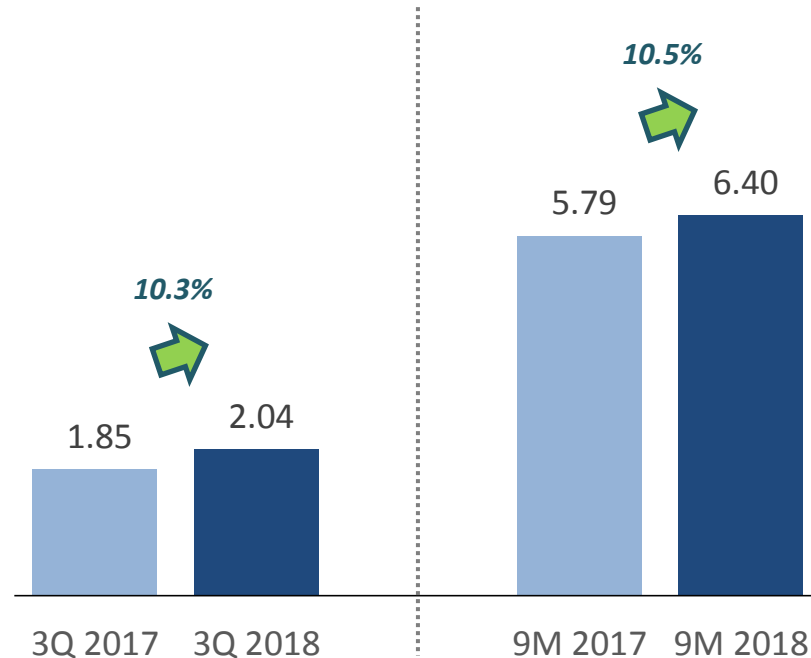
# 3Q & 9M 2018 Performance and Results

*Department Store Comparable Sales (in billions Php)*

Store Sales with METRO Ayala Cebu



Store Sales w/o METRO Ayala Cebu



**METRO**

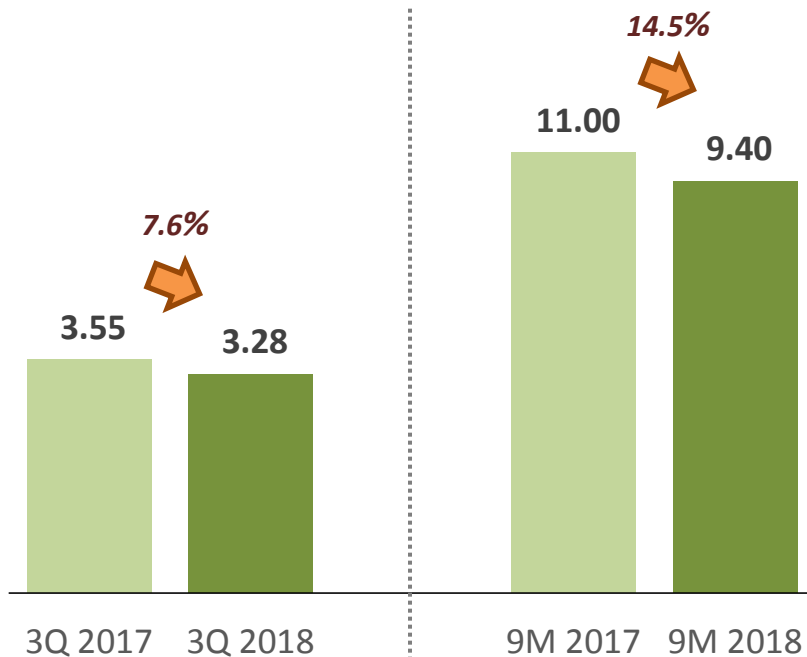
RETAIL STORES GROUP, INC.



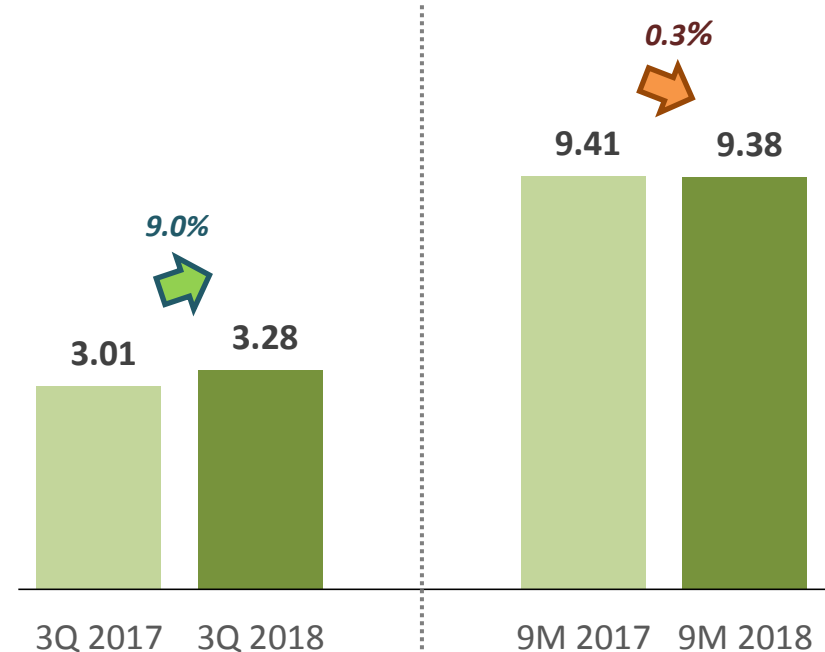
# 3Q & 9M 2018 Performance and Results

*Supermarket Comparable Sales (in billions Php)*

Store Sales with METRO Ayala Cebu



Store Sales w/o METRO Ayala Cebu



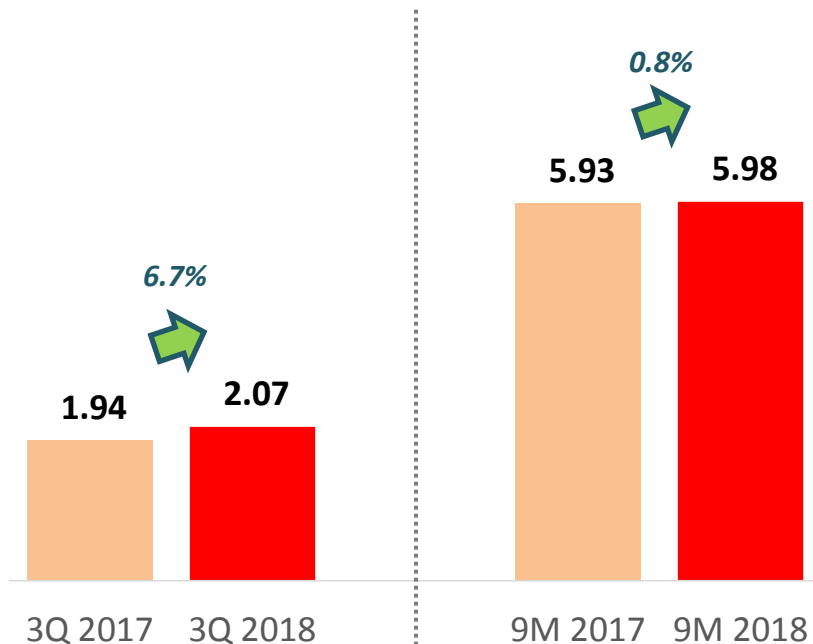
**METRO**

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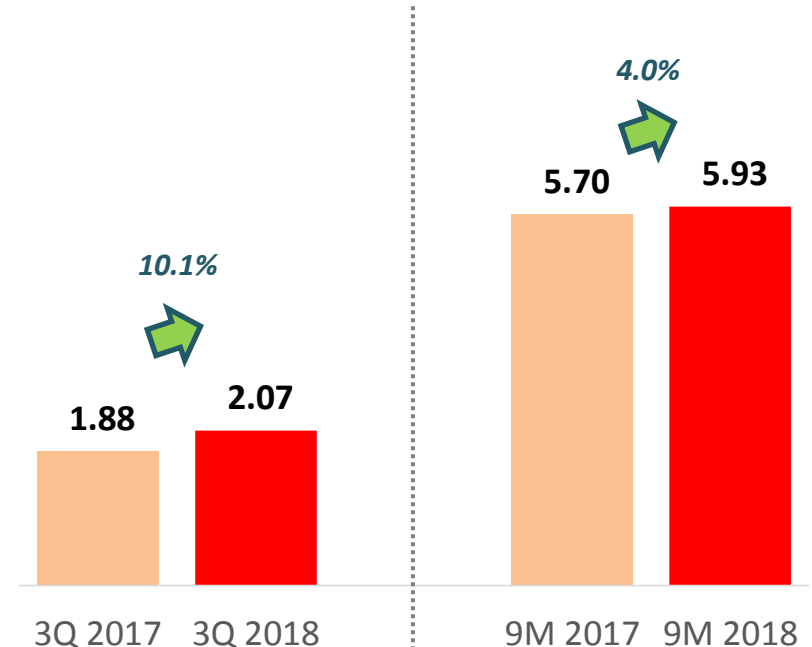
# 3Q & 9M 2018 Performance and Results

*Hypermarket Comparable Sales (in billions Php)*

Store Sales with Super METRO Anonas



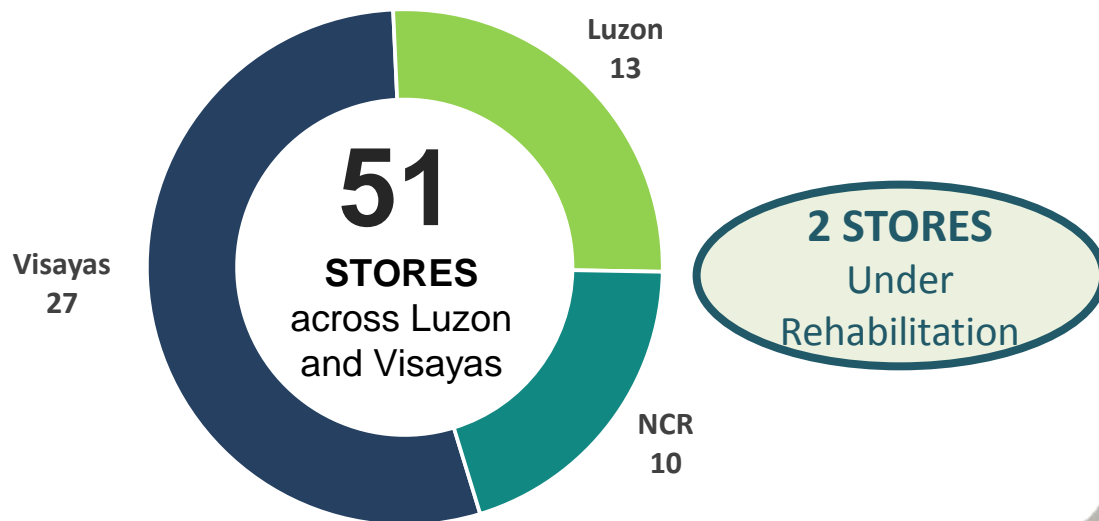
Store Sales w/o Super METRO Anonas





# Existing Store Network

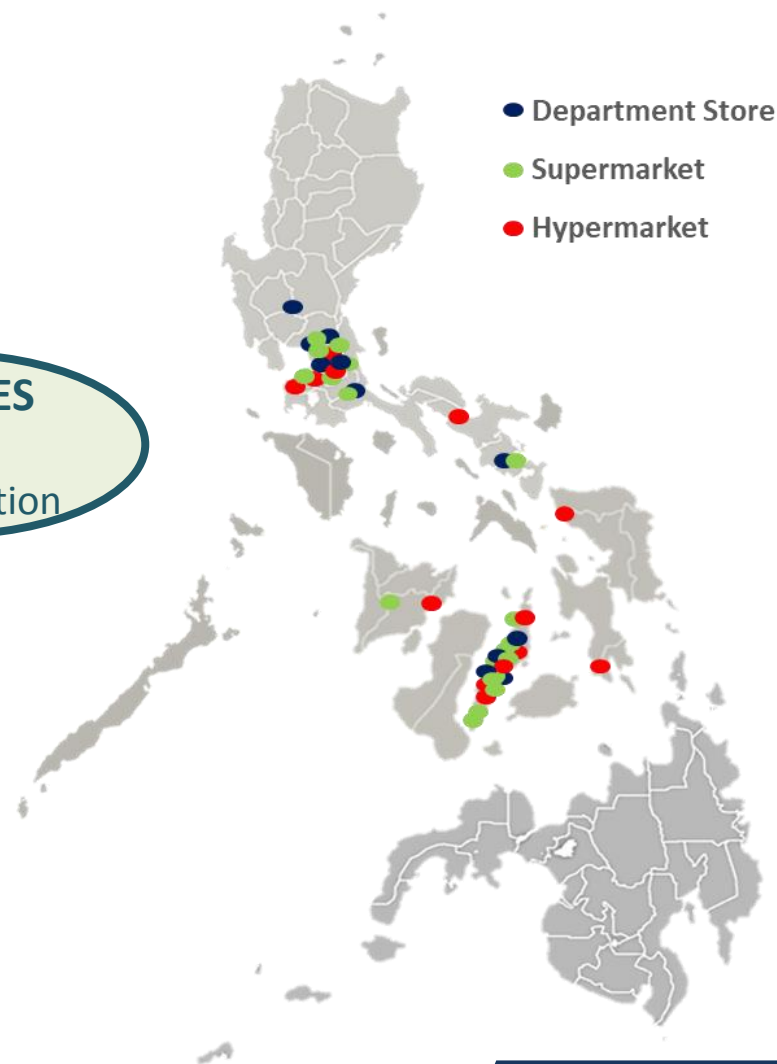
## 9M 2018 Composition of Store Network



DEPARTMENT STORE	
NCR	4
Luzon	4
Visayas	3
<b>TOTAL</b>	<b>11</b>

SUPERMARKET	
NCR	7
Luzon	4
Visayas	16
<b>TOTAL</b>	<b>27</b>

HYPERMARKET	
NCR	0
Luzon	4
Visayas	9
<b>TOTAL</b>	<b>13</b>

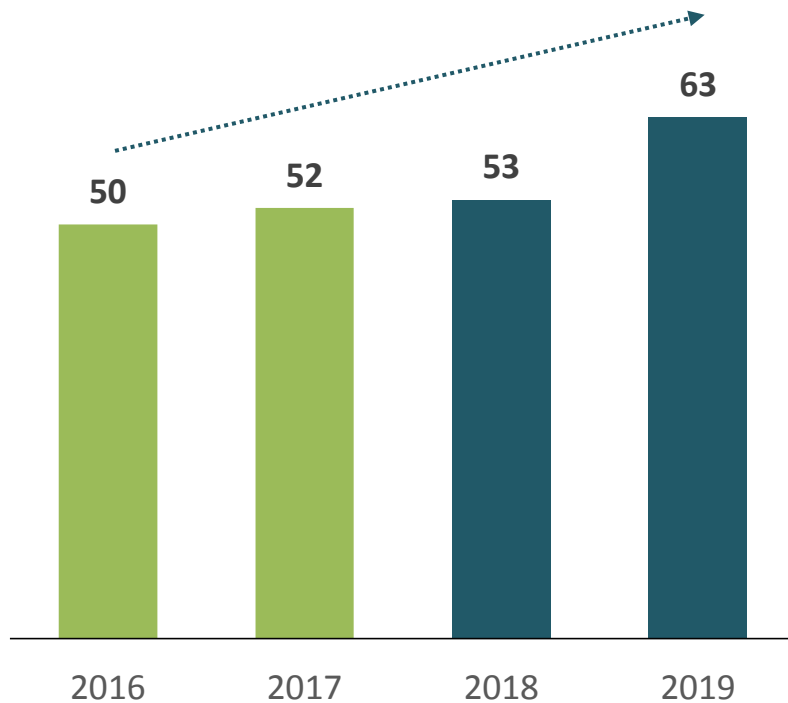


**METRO**

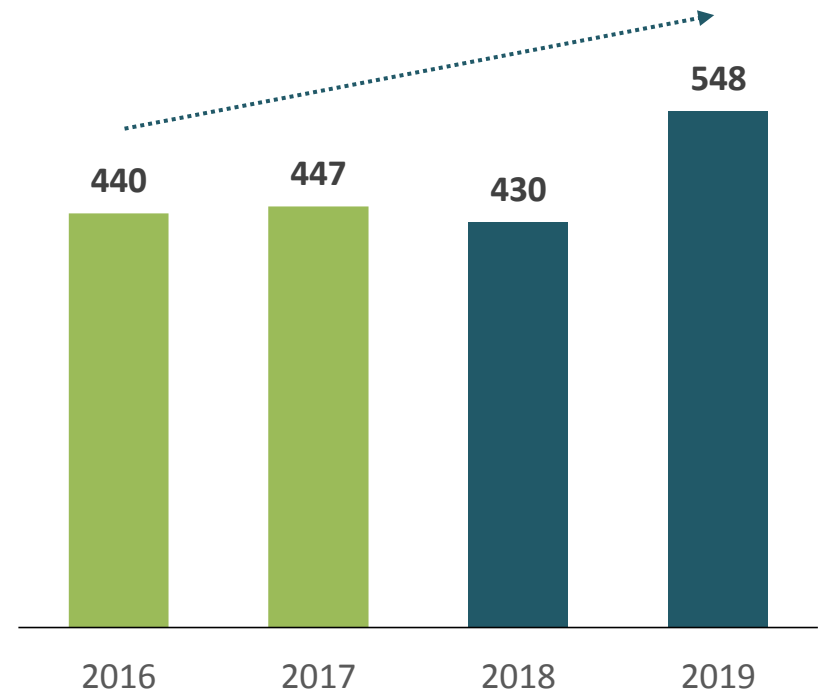
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# Network Expansion

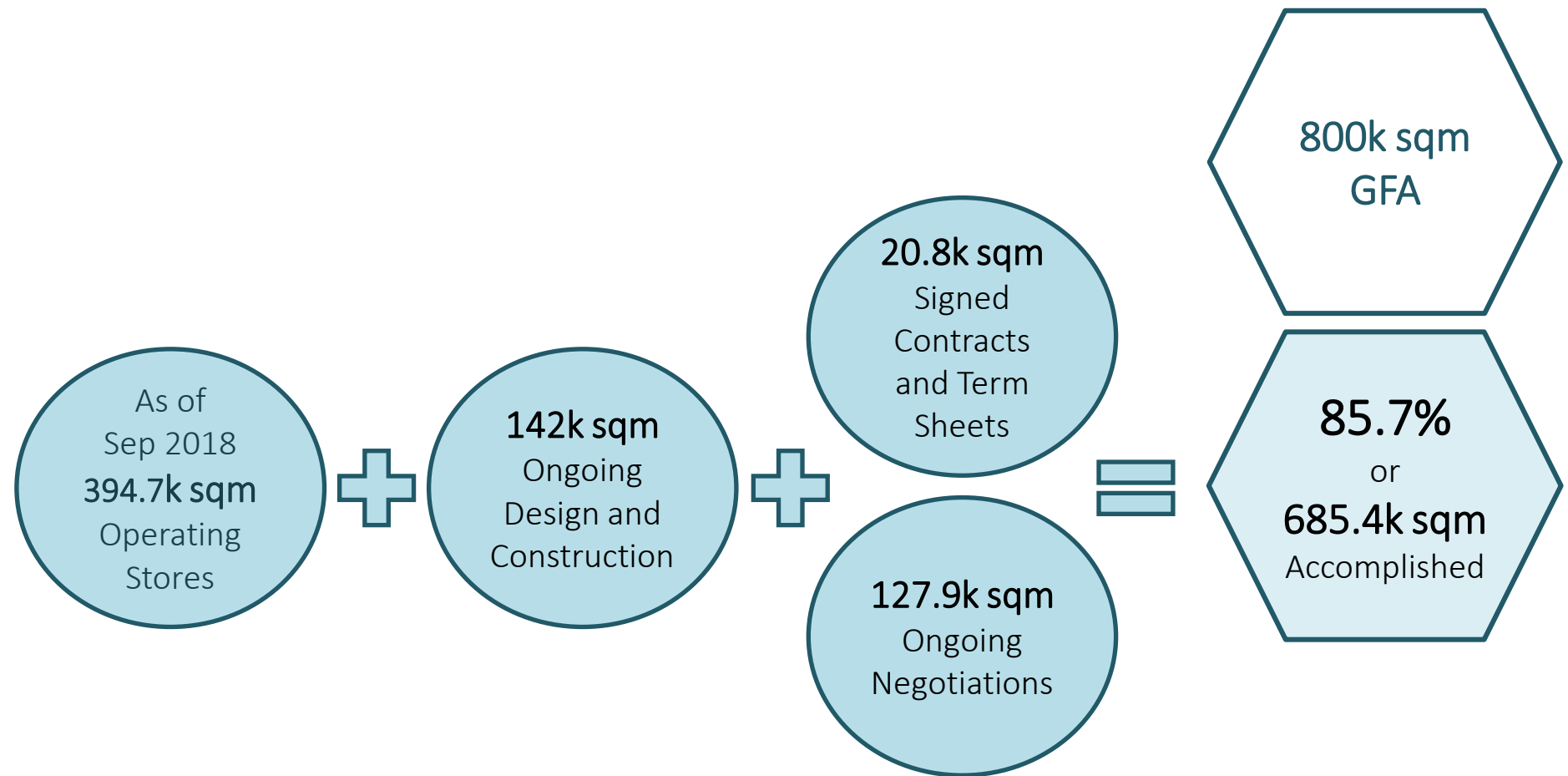
Projected No. of Stores by 2019



Projected GFA by 2019 (in '000 sqm)



# Network Expansion: We ARE on Track



*New Stores will mostly be  
Supermarket or Hypermarket*

*Department Stores will be  
pursued opportunistically*



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# Network Expansion: We ARE on Track

## METRO Ayala Feliz

*Supermarket Soft Opening: August 2018*

*Department Store Est. Opening: December 2018*





# Network Expansion: We ARE on Track

## METRO Capitol (Bacolod)

*Supermarket Est. Opening: December 2018*

*Department Store Est. Opening: 1Q 2019*



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# Network Expansion: We ARE on Track

## Super METRO Baybay

*Estimated Opening: 1Q 2019*



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# Network Expansion: We ARE on Track

## METRO Tacloban

*Estimated Opening: 1H 2019*



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# Network Expansion: We ARE on Track

**METRO Danao**

*Estimated Opening: 1H 2019*





# Network Expansion: We ARE on Track

**METRO Sum-ag**

*Ongoing Design*

*Estimated Opening: 2019*



# METRO Ayala - Cebu Rebuild Program

METRO Ayala Cebu Level	% to Store Sales (2017)	Re-Build Phase	Scheduled Re-Opening
Basement 2	6%	Phase 2	1H 2019
<b>Supermarket</b> <i>Basement 1</i>	49%	Phase 1	December 2018
Ground Floor	12%	Phase 2	1H 2019
Second Floor	12%	Phase 3	1H 2019
Third Floor	6%		
Fourth Floor	8%		
Fifth Floor	7%		
Sixth Floor	1%		

*A 900 sqm "Pop-up Store" was opened last April 2018, with an average daily sales of Php 2.3M.*



# MRSGL Strategic Thrusts

## **eCommerce**

- ✓ In the process of securing board approval on E-Commerce strategy which will be piloted in 2019

## **Network Expansion**

- ✓ Continuously explore new store formats with modern store design and concept
- ✓ Increased leasing component of stores
- ✓ Rationalizing store lay-outs under a structured store renovation program

## **M&A and Strategic Partnerships**

- ✓ Pursue M&A opportunities in strategic areas and industries
- ✓ Aggressively pursuing strategic partnerships with local and domestic companies (sourcing, distribution, etc)

## **Strengthening Core Processes**

- ✓ Updating core Oracle modules
- ✓ Strengthening manpower planning system
- ✓ Improving logistics capability through new systems and processes







Thank you!



Q & A



*Annex*

# Unaudited Interim Statement of Comprehensive Income

## UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>REVENUE</b>				
Net sales	₱7,806,577,069	₱7,989,538,639	₱22,790,583,458	₱24,427,456,118
Rental (Note 22)	57,722,665	73,158,279	175,743,073	222,551,913
	<b>7,864,299,734</b>	<b>8,062,696,918</b>	<b>22,966,326,531</b>	<b>24,650,008,031</b>
<b>COSTS AND EXPENSES</b>				
Cost of sales (Note 13)	6,112,869,294	6,281,540,501	17,671,282,133	19,242,603,734
Operating expenses (Note 14)	1,621,347,500	1,591,824,074	4,736,214,772	4,704,348,051
	<b>7,734,216,794</b>	<b>7,873,364,575</b>	<b>22,407,496,905</b>	<b>23,946,951,785</b>
<b>OTHER INCOME (CHARGES)</b>				
Interest and other income (Note 15)	31,462,822	25,574,758	103,940,769	89,394,866
Finance costs (Notes 11 and 22)	(5,007,720)	(3,862,317)	(12,918,691)	(13,310,552)
	<b>26,455,102</b>	<b>21,712,441</b>	<b>91,022,078</b>	<b>76,084,314</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>156,538,042</b>	<b>211,044,784</b>	<b>649,851,704</b>	<b>779,140,560</b>
<b>PROVISION FOR (BENEFIT FROM)</b>				
INCOME TAX (Note 18)				
Current	49,026,518	65,643,626	205,018,281	238,915,406
Deferred	(3,044,425)	(3,551,816)	(10,101,255)	(9,844,450)
	<b>45,982,093</b>	<b>62,091,810</b>	<b>194,917,026</b>	<b>229,070,956</b>
<b>NET INCOME</b>	<b>110,555,949</b>	<b>148,952,974</b>	<b>454,934,678</b>	<b>550,069,604</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains (losses) on defined benefit obligation	-	-	-	-
Income tax effect	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱110,555,949</b>	<b>₱148,952,974</b>	<b>₱454,934,678</b>	<b>₱550,069,604</b>
<b>Basic/Diluted Earnings Per Share (Note 19)</b>	<b>₱0.03</b>	<b>₱0.04</b>	<b>₱0.13</b>	<b>₱0.16</b>



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# Unaudited Interim Statement of Financial Position

## UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018

(With Comparative Audited Figures as at December 31, 2017)

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 3 and 21)	₱2,277,574,940	₱3,707,152,708
Short-term investments (Notes 4 and 21)	1,160,728,765	755,204,271
Receivables (Notes 5 and 21)	1,709,116,503	955,537,954
Merchandise inventories (Note 6)	3,332,688,337	4,002,495,549
Other current assets (Note 7)	279,854,528	185,494,287
<b>Total Current Assets</b>	<b>8,759,963,073</b>	<b>9,605,884,769</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	2,832,975,680	2,370,402,358
Deferred tax assets (Note 18)	160,033,438	149,932,184
Other noncurrent assets (Note 9)	696,788,425	593,831,479
<b>Total Noncurrent Assets</b>	<b>3,689,797,543</b>	<b>3,114,166,021</b>
<b>TOTAL ASSETS</b>	<b>₱12,449,760,616</b>	<b>₱12,720,050,790</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 10 and 21)	₱3,379,942,677	₱3,773,383,677
Income tax payable	36,827,487	190,054,649
Finance lease liability - current portion (Note 22)	34,353,099	28,661,059
<b>Total Current Liabilities</b>	<b>3,451,123,263</b>	<b>3,992,099,385</b>
<b>Noncurrent Liabilities</b>		
Finance lease liability - net of current portion (Note 22)	34,221,361	50,609,267
Retirement benefit obligation (Note 16)	387,378,200	353,707,351
Other noncurrent liabilities (Note 11)	384,601,198	380,370,371
<b>Total Noncurrent Liabilities</b>	<b>806,200,759</b>	<b>784,686,989</b>
<b>Total Liabilities</b>	<b>4,257,324,022</b>	<b>4,776,786,374</b>
<b>Equity</b>		
Capital stock (Note 12)	3,429,375,000	3,429,375,000
Additional paid-in capital (Note 12)	2,455,542,149	2,455,542,149
Retained earnings (Note 12)	2,265,032,188	2,015,860,010
Remeasurement losses on defined benefit obligation (Note 16)	42,487,257	42,487,257
<b>Total Equity</b>	<b>8,192,436,594</b>	<b>7,943,264,416</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱12,449,760,616</b>	<b>₱12,720,050,790</b>



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# Unaudited Interim Statements of Cash Flows

## UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	Nine-Month Periods Ended September 30	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱649,851,704	₱779,140,560
Adjustments for:		
Depreciation and amortization (Note 8)	374,191,058	389,316,990
Retirement benefits cost (Note 16)	34,249,480	31,882,604
Finance costs (Notes 11 and 22)	12,918,691	13,310,552
Loss on retirement of property and equipment	25,802	–
Reversal of allowance for impairment loss (Note 8)	(155,972)	–
Interest income (Note 15)	(54,264,411)	(40,682,296)
Provision for impairment losses (Note 14)	–	2,124,156
Operating income before working capital changes	1,016,816,352	1,175,092,566
Decrease (Increase) in:		
Receivables	(383,198,624)	53,169,382
Merchandise inventories	350,082,657	(139,402,837)
Other current assets	(120,613,389)	(1,723,930)
Increase (decrease) in:		
Trade and other payables	(384,862,425)	(1,015,621,277)
Other noncurrent liabilities	4,230,827	8,429,191
Cash flows generated from operations	482,455,398	79,943,095
Interest received	52,795,572	37,076,100
Income tax paid	(331,992,294)	(356,644,411)
Interest paid	(22,084,056)	(23,139,191)
Net cash flows generated from (used in) operating activities	181,174,620	(262,764,407)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment (Note 8)	(885,820,741)	(331,753,942)
Increase in:		
Short-term investments (Note 4)	(405,524,494)	(325,000,000)
Other noncurrent assets	(102,956,946)	(33,805,064)
Net cash flows used in investing activities	(1,394,302,181)	(690,559,006)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of dividend (Note 12)	(205,754,341)	(171,468,750)
Payment of finance lease liability (Note 22)	(10,695,866)	(29,106,203)
Net cash flows used in financing activities	(216,450,207)	(200,574,953)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,429,577,768)</b>	<b>(1,153,898,366)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,707,152,708</b>	<b>3,306,952,158</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱2,277,574,940</b>	<b>₱2,153,053,792</b>



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