



METRO RETAIL STORES GROUP, INC.
**ANNUAL STOCKHOLDERS'
MEETING**

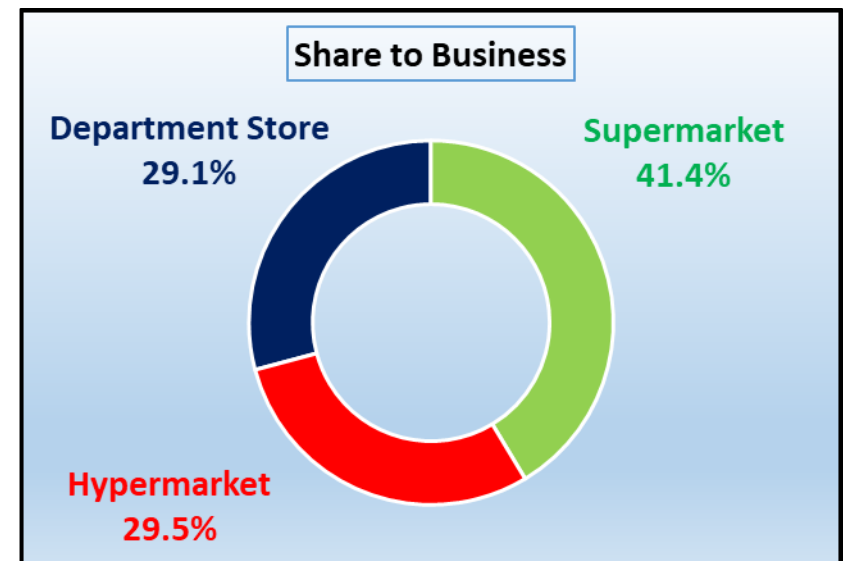
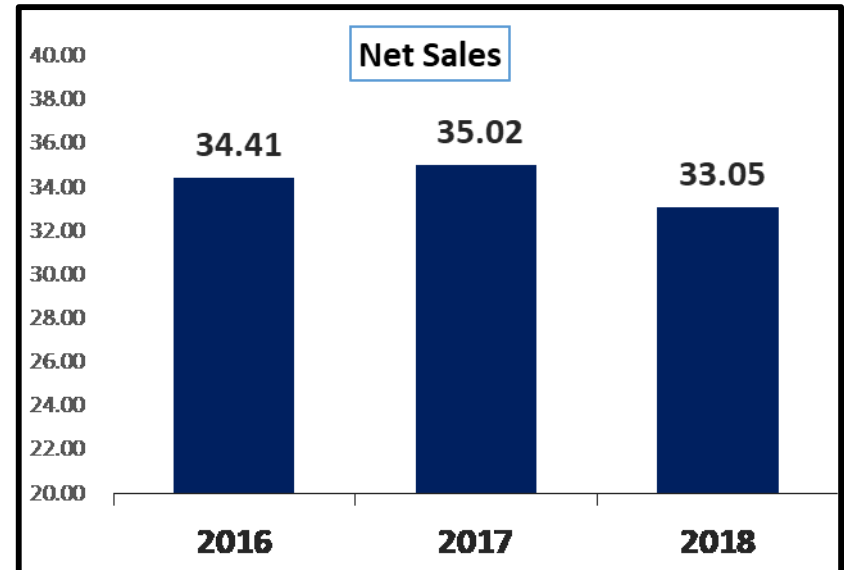
May 3, 2019

Mandani Bay Show Gallery,
Mandaue City, Cebu

2018 Highlights

□ Sales

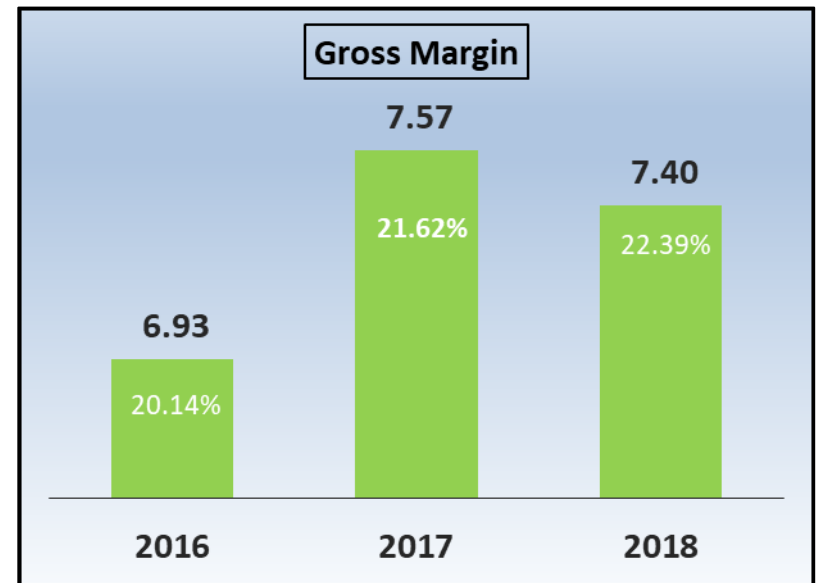
- ✓ Excluding the closure of Ayala Center Cebu and Anonas, total sales for 2018 increased by 8.8%
- ✓ Same stores sales growth at 5.1%



2018 Highlights

☐ Margins

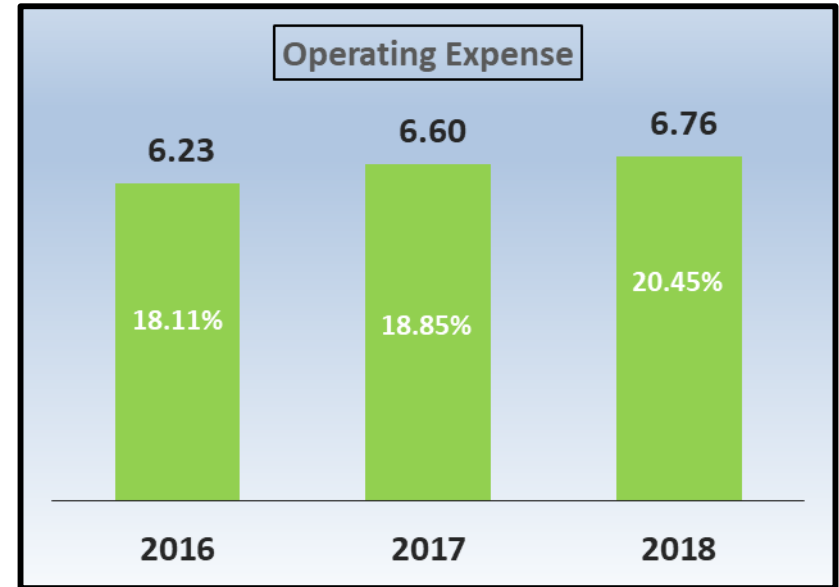
Margins have improved **77 bps** vs LY and **225 bps** over the last 2 years.



2018 Highlights

□ OPEX

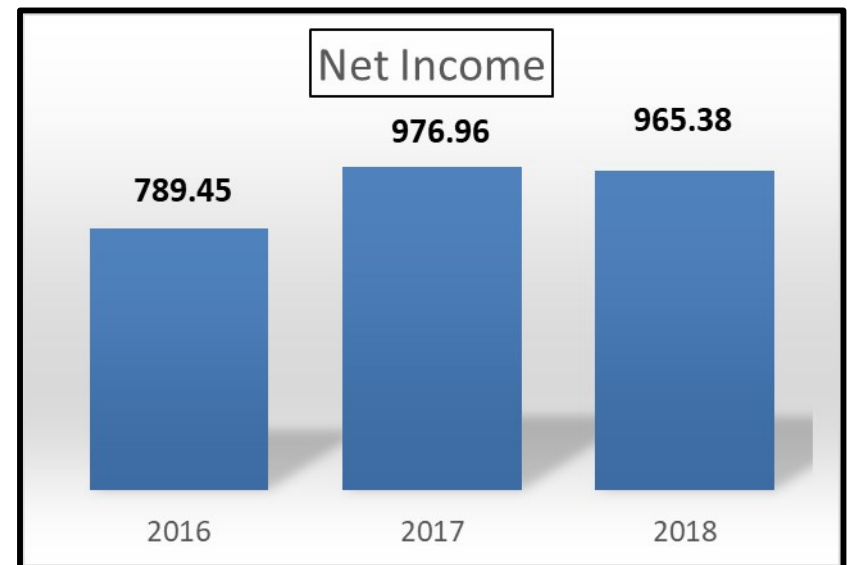
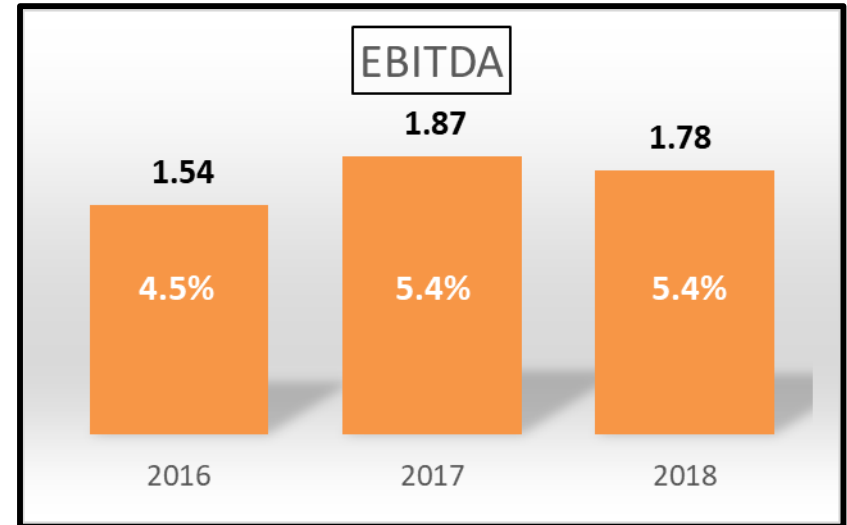
- ✓ Our OPEX to Sales is 20.4% or 2.4% higher yoy mainly due to opening of new stores
- ✓ Supply chain costs is at 1.70% to sales or 5.8% lower yoy



2018 Highlights

□ EBITDA and Net Income

- ✓ Net Income declined by 1.2% vs. LY highlighting a strong performance despite the fire that damaged one of its flagship stores.



Network Expansion Highlight

□ Network expansion

- ✓ We ended 2018 with 53 stores and 434K sqm GFA
- ✓ To date, an additional 102k sqm GFA including 34k sqm under rebuild are already ongoing construction for opening in 2019 and 21k sqm on the design stage for opening in 2020
- ✓ An additional 8 sites have been approved by the MRSGL board adding another potential 76K GFA.
- ✓ Now working on possible M&A deals which could potentially enable us to achieve our 2020 GFA target.



Approval of Audited Financial Statements

Statement of Comprehensive Income

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Net sales (Note 15)	₱33,050,084,154	₱35,015,740,598	₱34,410,947,243
Rentals (Notes 21 and 23)	233,751,621	299,880,342	298,394,972
	33,283,835,775	35,315,620,940	34,709,342,215
COSTS AND EXPENSES			
Cost of sales (Note 17)	25,650,018,422	27,443,433,483	27,476,168,638
Operating expenses (Note 18)	6,758,799,769	6,596,907,791	6,227,008,098
	32,408,818,191	34,040,341,274	33,703,176,736
OTHER INCOME (CHARGES)			
Interest and other income (Notes 4, 5 and 16)	490,605,042	138,020,790	137,103,998
Finance costs (Notes 11 and 23)	(19,041,131)	(17,576,617)	(22,805,794)
	471,563,911	120,444,173	114,298,204
INCOME BEFORE INCOME TAX	1,346,581,495	1,395,723,839	1,120,463,683
PROVISION FOR INCOME TAX (Note 22)			
Current	384,326,979	451,008,374	336,516,418
Deferred	(3,123,004)	(32,241,844)	(5,504,837)
	381,203,975	418,766,530	331,011,581
NET INCOME	965,377,520	976,957,309	789,452,102
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gains (losses) on defined benefit obligation (Note 20)	199,860	(10,669,847)	92,703,552
Income tax effect (Note 22)	(59,958)	3,200,954	(27,811,066)
	139,902	(7,468,893)	64,892,486
TOTAL COMPREHENSIVE INCOME	₱965,517,422	₱969,488,416	₱854,344,588
Basic/Diluted Earnings Per Share (Note 24)	₱0.28	₱0.28	₱0.23

Statement of Financial Position

	December 31	
	2018	2017 (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 26)	₱3,606,179,404	₱3,707,152,708
Short-term investments (Notes 5 and 26)	358,438,404	755,204,271
Receivables (Notes 6 and 26)	1,371,593,749	878,455,834
Merchandise inventories (Note 7)	3,589,605,171	4,002,495,549
Other current assets (Note 8)	495,107,374	316,693,089
Total Current Assets	9,420,924,102	9,660,001,451
Noncurrent Assets		
Property and equipment (Note 9)	3,286,048,181	2,370,402,358
Deferred tax assets - net (Note 22)	152,995,229	149,932,184
Other noncurrent assets (Note 10)	1,008,491,592	607,465,065
Total Noncurrent Assets	4,447,535,002	3,127,799,607
TOTAL ASSETS	₱13,868,459,104	₱12,787,801,058

Statement of Financial Position

	December 31	
	2018	2017 (Note 2)
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 26)	₱4,392,287,409	₱4,167,874,105
Contract liabilities (Note 12)	103,195,660	–
Income tax payable	158,339,929	190,054,649
Finance lease liability - current portion (Notes 23 and 26)	36,744,720	28,661,059
Total Current Liabilities	4,690,567,718	4,386,589,813
Noncurrent Liabilities		
Finance lease liability - net of current portion (Notes 23 and 26)	28,648,744	50,609,267
Retirement benefit obligation (Note 20)	393,006,901	353,707,351
Other noncurrent liabilities (Note 13)	53,216,403	53,630,211
Total Noncurrent Liabilities	474,872,048	457,946,829
Total Liabilities	5,165,439,766	4,844,536,642
Equity		
Capital stock (Note 14)	3,429,375,000	3,429,375,000
Additional paid-in capital (Note 14)	2,455,542,149	2,455,542,149
Retained earnings (Note 14)	2,775,475,030	2,015,860,010
Remeasurement gains on defined benefit obligation (Note 20)	42,627,159	42,487,257
Total Equity	8,703,019,338	7,943,264,416
TOTAL LIABILITIES AND EQUITY	₱13,868,459,104	₱12,787,801,058

Statement of Cash Flows

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,346,581,495	₱1,395,723,839	₱1,120,463,683
Adjustments for:			
Depreciation and amortization (Note 9)	490,362,102	519,524,410	464,842,064
Net gain on insurance claims (Notes 6, 7, 9 and 16)	(350,681,819)	-	-
Retirement benefits costs (Note 20)	47,134,866	36,352,996	47,239,708
Finance costs (Notes 11 and 23)	19,041,131	17,576,617	22,805,794
Provision for impairment of assets (Notes 8, 9, and 10)	26,859,905	64,977,300	-
Provision for impairment of receivables (Note 6)	5,889,959	6,853,766	-
Write off of assets	5,454,487	-	-
Loss on retirement of property and equipment (Note 9)	25,804	31,618	1,976,322
Provisions (Note 18)	-	23,467,777	-
Interest income (Notes 4 and 5)	(75,072,482)	(55,627,487)	(60,878,058)
Foreign currency exchange gains (Note 16)	(20,721,700)	(16,345,152)	(15,245,103)
Reversal of impairment loss (Note 9)	(155,973)	-	-
Operating income before working capital changes	1,494,717,775	1,992,535,684	1,581,204,410
Decrease (increase) in:			
Receivables	(44,069,074)	(39,000,629)	(5,219,517)
Merchandise inventories	112,403,617	12,231,756	(334,911,810)
Other current assets	(184,399,088)	(81,542,027)	58,342,076
Increase (decrease) in:			
Trade and other payables	221,712,387	200,202,890	441,621,981
Contract liabilities	103,195,660	-	-
Other noncurrent liabilities	(413,808)	(311,488,228)	10,347,372
Cash flows generated from operations	1,703,147,469	1,772,939,446	1,751,384,512
Proceeds from insurance claims on merchandise inventory (Note 7)	111,323,800	-	-
Interest received	75,739,031	55,609,537	58,877,673
Income tax paid	(416,041,698)	(463,314,481)	(326,887,245)
Interest paid	(16,348,371)	(14,270,100)	(22,476,312)
Retirement benefits paid	(7,635,456)	(1,464,085)	(1,073,175)
Net cash provided by operating activities	1,450,184,775	1,349,500,317	1,459,825,453

Statement of Cash Flows

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from insurance claims on property, plant and equipment (Note 9)	133,408,200	-	-
Increase in other noncurrent assets	(434,681,564)	(86,547,605)	(214,948,384)
Acquisition of property and equipment (Note 9)	(1,447,741,078)	(446,290,592)	(831,698,218)
Decrease (increase) in short-term investments	396,765,867	(230,204,271)	1,700,000,000
Net cash (used in) provided by investing activities	(1,352,248,575)	(763,042,468)	653,353,398
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of:			
Cash dividends (Note 14)	(205,754,341)	(171,468,750)	(154,321,875)
Finance lease liability (Note 23)	(13,876,863)	(31,133,701)	(68,187,311)
Loans payable	-	-	(950,000,000)
Net cash used in financing activities	(219,631,204)	(202,602,451)	(1,172,509,186)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(121,695,004)	383,855,398	940,669,665
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	20,721,700	16,345,152	15,245,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,707,152,708	3,306,952,158	2,351,037,390
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱3,606,179,404	₱3,707,152,708	₱3,306,952,158



THANK
YOU!

Disclosure

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