



METRO

RETAIL STORES GROUP, INC.

1Q 2022

**Earnings Call and
Analysts' Briefing**

19 May 2022

General rules

1. Please note that this call is being recorded. Recording of this Earnings Call will be shared upon request.
2. This Earnings Call will run for about an hour with the first part allotted for a presentation and the second part for the Q&A.
3. Participants other than the speakers will be muted throughout the duration of the Call, unless recognized by the moderator.
4. For a convenient viewing experience, participants are advised to pin the shared presentation screen.
5. During the Q&A portion, participants are advised to prompt us through the chat function with their name and organization [*Name, Organization*] should they want to raise a question.
6. Following the chat prompt, kindly allow the moderator to recognize you by name first before unmuting.

New Head for BD and Investor Relations: Arnold Leoncio



Arnold 'Arnie' Leoncio
Vice President - Business Development and Investor Relations

Appointed as VP for BD and Investor Relations last March 2022.

Prior role as VP for Network Expansion which he is still overseeing on an interim basis.

- Joined VDC in July 2012 as Corporate Strategy Officer. 10 years total with the group
 - As Corporate Strategy Officer, was involved in implementing strategic projects, financial analysis, and evaluating potential partnerships and business opportunities
 - Assigned to MRSGI in April 2018 as VP for Network Expansion. Over the last four years, has overseen the expansion of the company's retail network, with overall responsibility for real estate, site analysis, design and construction, and leasing.
- Prior to joining VDC:
 - Has held key roles in corporate planning, strategy, and engineering in the manufacturing and service industries, locally and abroad.
 - Among companies previously worked with are Procter & Gamble Philippines, United Technologies Corp - Carrier Airconditioning (Syracuse, New York), CEMEX (Philippines, Spain, Indonesia, Dubai) and Accenture Philippines
- Other background:
 - MBA from Kellogg School of Management at Northwestern University.
 - BS Mechanical Engineering at the University of the Philippines, cum laude

1Q 2022 Financial and Operational Highlights



PhP8.51 billion
Net sales



PhP386.38 million
EBITDA



PhP33.34 million
Net income



PhP20.75 billion
Total assets



PhP8.17 billion
Total equity

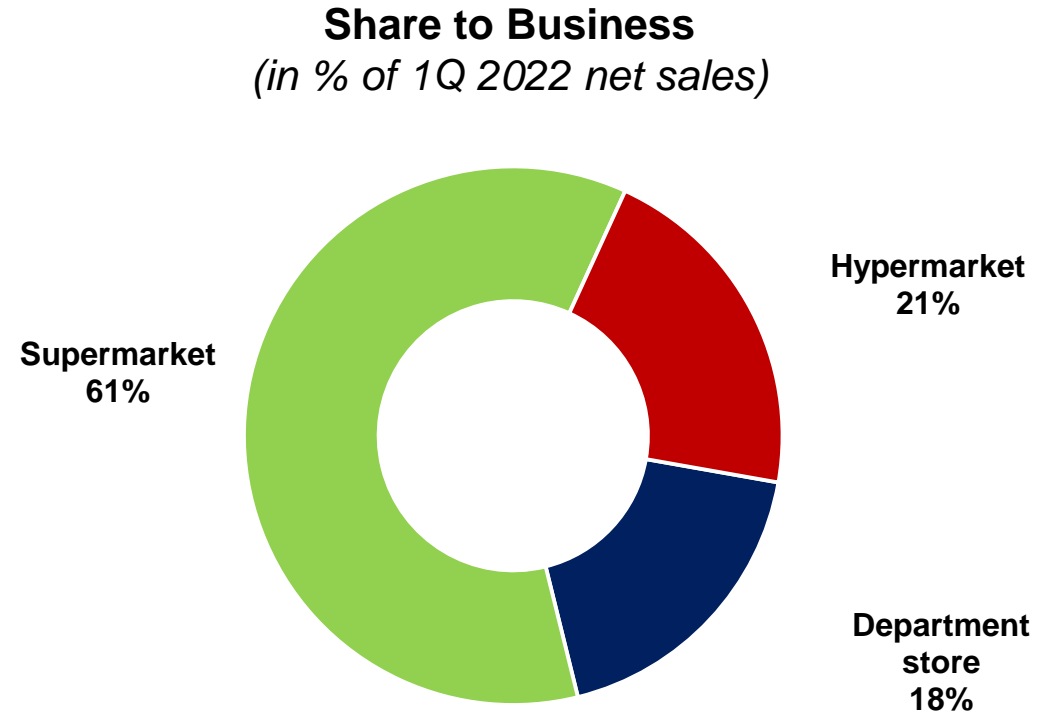
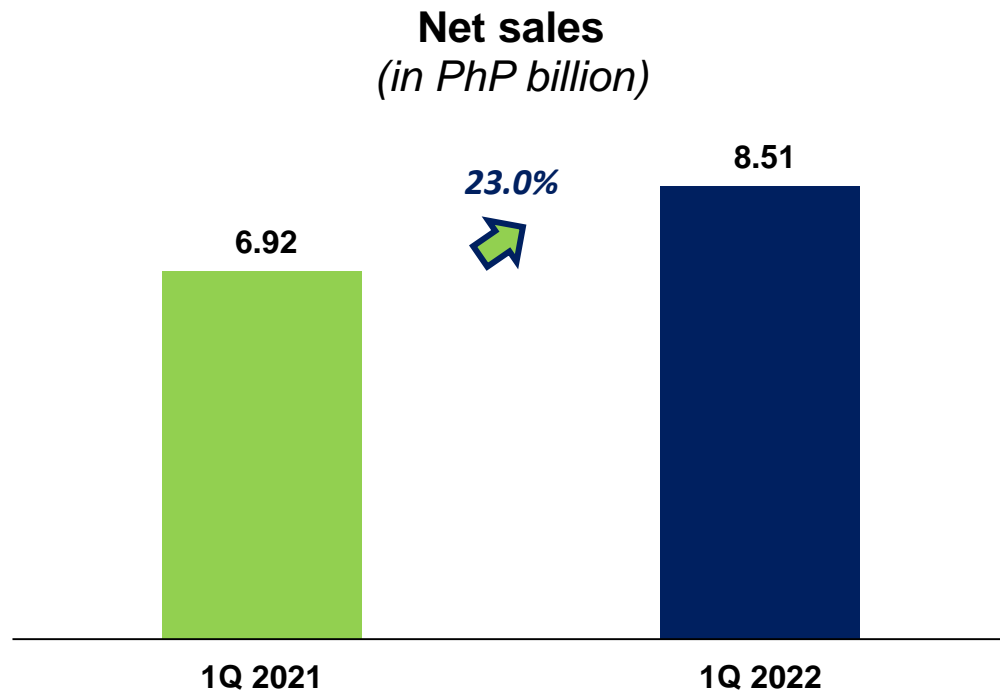


61 stores
33 SM, 15 DS, 13 HM

Note: Store count as of end-March 2022
(SM refers to supermarkets,
DS for department stores, and
HM for hypermarkets)

Results of operations

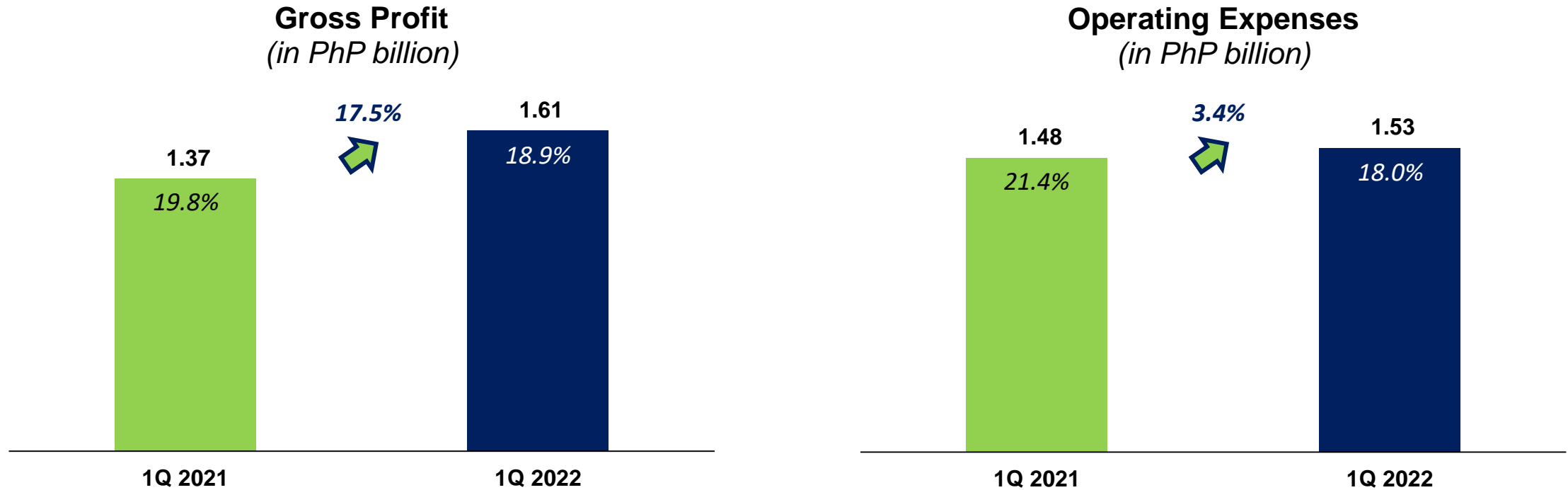
Net Sales increase of 23.0%



- ❑ Net sales for the first quarter of the year significantly increased by 23.0% compared to the same period last year, mainly due to a rise in same-store sales and the contribution of four newly-opened stores last year, as well as the gradual recovery of the economy.
- ❑ Net sales in 1Q 2022 was 0.2% higher than PhP8.5 billion sales in 1Q 2020 during the height of the pandemic and 10.1% higher than PhP7.7 billion pre-pandemic sales in 1Q 2019.
- ❑ Blended same-store sales increased by 23.4% in 1Q 2022, a turnaround from the contraction during the same quarter in 2021. This excludes a store damaged by typhoon Odette in December 2021.

Results of operations

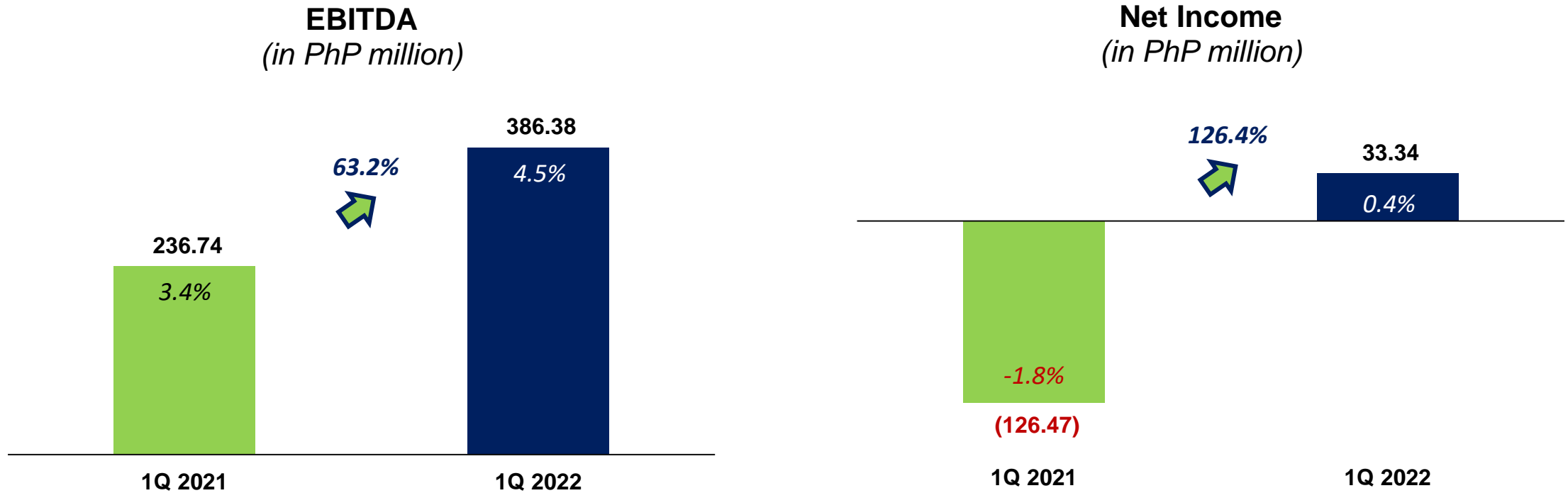
Gross Profit higher, % Opex lower



- ❑ For the three-month period ended 31 March 2022, gross profit increased by 17.5% compared to last year. However, the gross profit margin is lower by 90 bps against 1Q 2021 as the sales contribution of general merchandise (which provides a higher margin as compared to food retail) was still low compared to pre-pandemic levels.
- ❑ Though slightly higher in PHP terms, operating expense as a percentage (%) of sales declined significantly by 341 bps year-on-year from 21.4% to 18.0%; reflecting the Company's continuous efforts on cost-savings measures and optimization initiatives.

Results of operations

Strong rebounds in EBITDA and NIAT

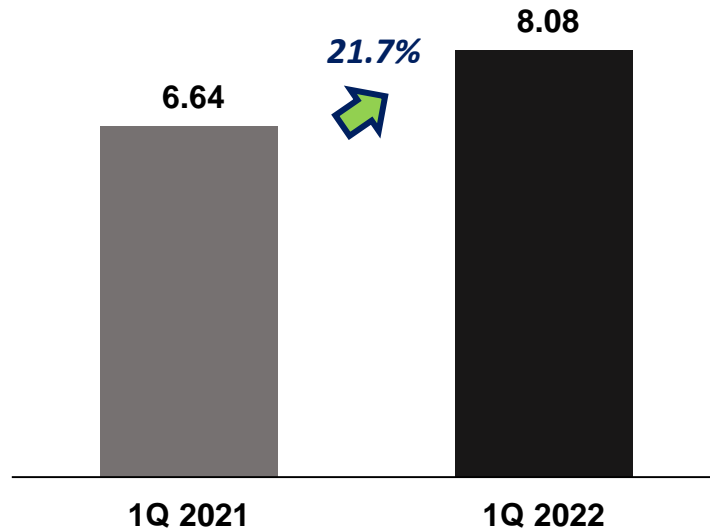


- ❑ EBITDA and Net Income both posted strong rebounds in 1Q 2022.
 - ❑ Net income swung to a positive PhP33.3 million in 1Q 2022, vs a net loss in the same period last year .
 - ❑ EBITDA increased by 63.2% to PhP386.38 million in the first three months of 2022.

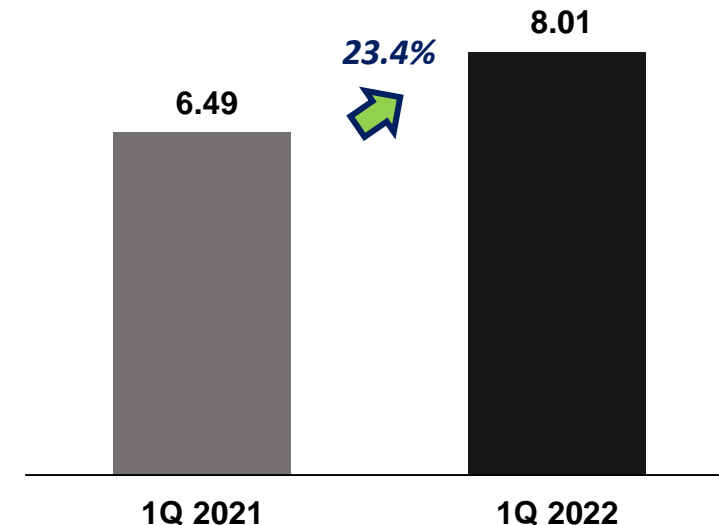
Results of operations

20+% increase in comparable store sales

Blended comparable sales
with Super Metro Maasin
(in PhP billion)



Blended comparable sales
without Super Metro Maasin
(in PhP billion)



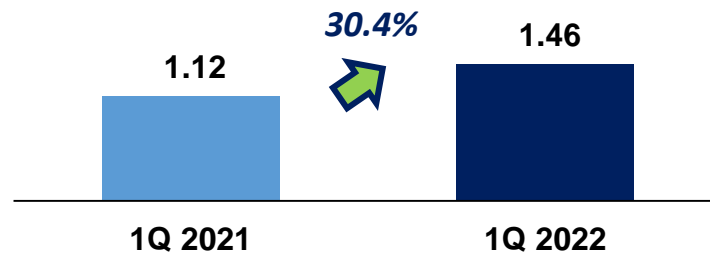
- ❑ The Company's blended comparable sales showed an improvement in the first quarter of 2022, where all same-store sales across all formats contributed to the increase.

***Note: Super Metro Maasin was temporarily closed from 16 December 2021 until 31 January 2022 due to the damages from Typhoon Odette.*

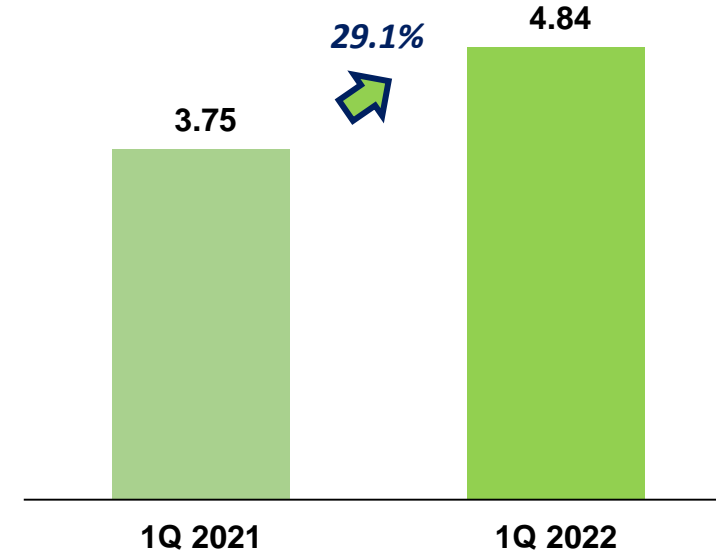
Results of operations | Comparable store sales

Strong sales increases in DS and SM

Comparable department stores sales
(in PhP billion)



Comparable supermarket sales
(in PhP billion)



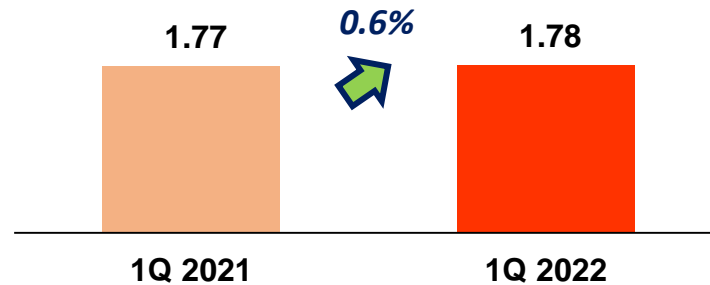
- ❑ Comparable sales of both Department Stores and Supermarket thrived as foot traffic picked up with improving consumer spending following the loosening of health protocol restrictions in 1Q

Results of operations | Comparable store sales

Single-digit growth for HM

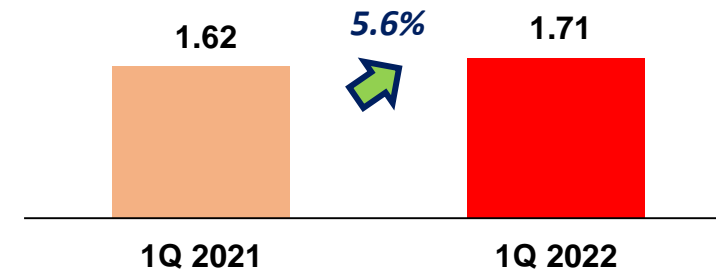
Comparable hypermarket sales

with Super Metro Maasin
(in PhP billion)



Comparable hypermarket sales

without Super Metro Maasin
(in PhP billion)

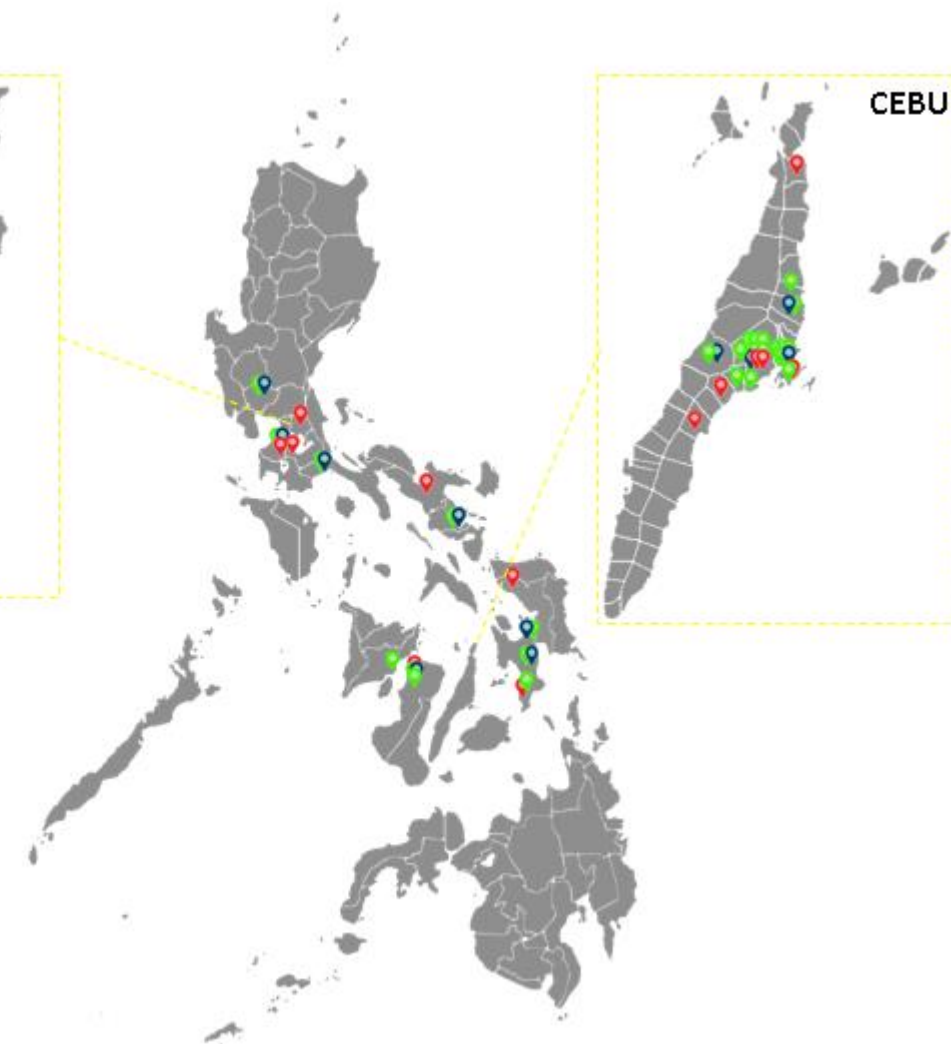
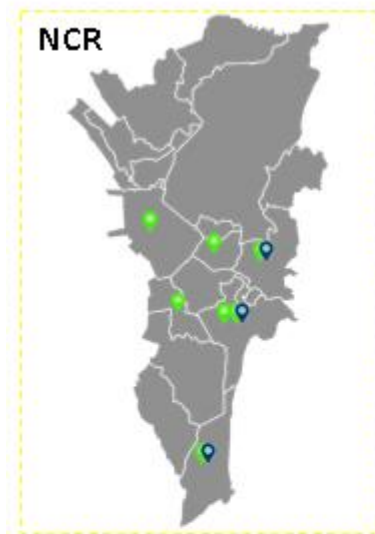
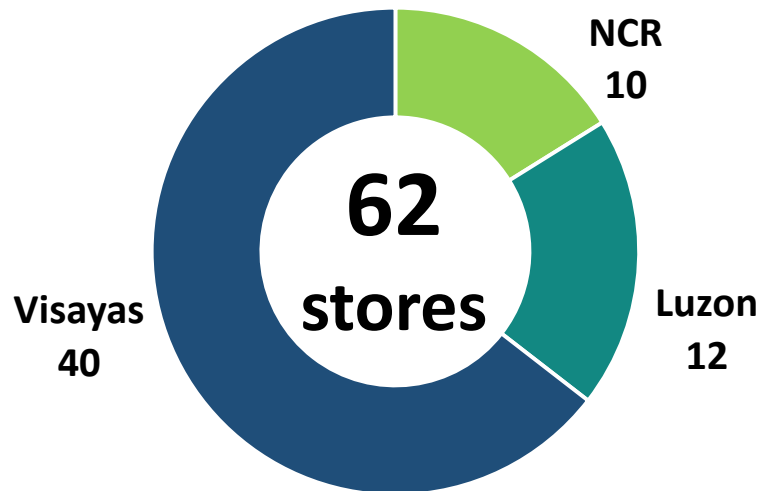


- ❑ Comparable sales of Hypermarket improved, with or without Super Metro Maasin which was temporarily closed from 16 December 2021 until 31 January 2022 due to the damages from Typhoon Odette.

MRSGI existing store network

2 new stores and 1 closed in April 2022

Geographical composition of store network
(as of 19 May 2022)



Supermarket

NCR	7
Luzon	4
Visayas	23
Total	34

Department Store

NCR	3
Luzon	4
Visayas	8
Total	15

Hypermarket

NCR	-
Luzon	4
Visayas	9
Total	13

MRSGI network expansion | New store in Cebu

Metro Paseo (Supermarket in Cebu) | Opened in April 2022



MRSGI network expansion | New store in Leyte

Metro Hilongos (Supermarket in Leyte) | Opened in April 2022



MRSGI network expansion | Pipeline store

Metro Catbalogan, Samar (Supermarket and Department Store) | Targeted for 2023



MRSGI network expansion | Pipeline store

Metro Alang-alang, Leyte (Supermarket) | Targeted for 2023



E-commerce

MRSGL continues to adapt to more digitally enabled retail space

MRSGL continues to push forward its e-commerce and mobile commerce offerings

- E-commerce sales increased more than double in 2021 on the back of the 5x growth of MRSGL's own online platform.
- The Company's e-commerce platform, shopmetro.ph, carried out a series of upgrades such as dynamic search bar, shopping list function, and "one basket" feature for more convenient shopping experience.
- GrabMart was added to its on-demand goods delivery service partners.

E-commerce



The Metro Stores is **ONLINE!**
SHOP NOW!

shopmetro.ph

Available daily for Delivery, Call or Text, and Pick-Up

METRO

Strategic Partnership



Mobile Commerce



Shopping is easy as 1-2-3 with Metro Pabili

1 Call, Text, or Viber
0917-88-METRO (0917-88-63876)

2 Pabili & Pay
via credit/debit card, GCash, or Paymaya

3 Deliver to your door!

0917-88-METRO

METRO Pabili!

100% CERTIFIED

All Metro Stores now bear the DTI Safety Seal



SAFETY SEAL



We follow safety & health protocols against Covid-19

*Metro Stores in Luzon and Visayas received the **Safety Seal Certificate** from the **Department of Trade and Industry (DTI)** which assures shoppers that the establishment implements and observes proper health and safety protocols.*

Key financial indicators

<i>Currency: PhP million</i>	2018	2019	2020	2021	1Q 2022
Net sales	33,050	36,790	31,286	31,211	8,509
EBITDA	1,781	2,785	1,273	1,220	386
Net income	965	776	(450)	(318)	33.3
Current Ratio	2.01	1.47	1.45	1.71	2.61
Debt to Equity Ratio	-	-	0.18	0.18	0.36
Net Debt to Equity Ratio	(0.41)	(0.31)	(0.09)	(0.02)	0.26
Share price (PhP)	2.49	2.11	1.5	1.44	1.39
Market capitalization	8,539	7,236	5,144	4,833	4,626
Price to book ratio	0.98	0.78	0.60	0.59	0.57
Earnings per share (PhP)	0.28	0.23	(0.13)	(0.09)	0.01
P/E ratio	8.89	9.17	(11.54)	(16.00)	(15.44) ^a
EV/Sales	0.15	0.12	0.14	0.15	0.14 ^b
EV/EBITDA	2.77	1.55	3.45	3.82	3.65 ^b

Note:

a. Using 2021 EPS

b. Using the 2021 balance sheet and sales figures



Plans and Prospects



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Plans and Prospects:

- ✓ **Continue to pursue new formats, channels and expansion opportunities**
- ✓ **Continue to strengthen and expand our e-commerce program**
- ✓ **Keep striving to deliver the best customer experience**
- ✓ **Implement operational efficiency and sales productivity initiatives**
- ✓ **Re-organize MRSGL for agility and focus**
- ✓ **Strengthen Trust in the MRSGL Company**



Q&A



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Thank you!

Visit us at:



www.metroretail.com.ph
shopmetro.ph

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facebook.com/TheMetroStores



[@TheMetroStores](https://twitter.com/TheMetroStores)



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Annex: Financial Statements



METRO

RETAIL STORES GROUP, INC.

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Statement of Comprehensive Income

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three-Months Period ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
REVENUE		
Net sales (Note 15)	₱8,509,869,087	₱6,915,708,235
Rentals (Note 22)	49,268,479	38,674,308
	8,559,137,566	6,954,382,543
COSTS AND EXPENSES		
Cost of sales (Note 17)	6,895,258,397	5,544,107,619
Operating expenses (Note 18)	1,533,622,391	1,478,562,129
	8,428,880,788	7,022,669,748
OPERATING INCOME (LOSS)	130,256,778	(68,287,205)
OTHER INCOME (CHARGES) (Note 16)		
Interest and other income	28,129,111	19,374,382
Finance costs	(114,257,267)	(118,035,582)
	(86,128,156)	(98,661,200)
INCOME (LOSS) BEFORE INCOME TAX	44,128,622	(166,948,405)

Statement of Comprehensive Income

INCOME (LOSS) BEFORE INCOME TAX	44,128,622	(166,948,405)
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 21)		
Current	18,242,338	16,850,808
Deferred	(7,448,971)	(57,326,410)
	10,793,367	(40,475,602)
NET INCOME (LOSS)	33,335,255	(126,472,803)
OTHER COMPREHENSIVE (LOSS) INCOME		
<i>Not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement (losses) gains on defined benefit obligation	-	-
Income tax effect	-	-
	-	-
TOTAL COMPREHENSIVE INCOME	₱33,335,255	(₱126,472,803)
Basic/Diluted Earnings Per Share (Note 23)	₱0.01	(₱0.04)

Statement of Financial Position

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2022

(With Comparative Audited Figures as at December 31, 2021)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 25)	₱785,992,517	₱1,671,751,798
Short-term investments (Notes 4 and 25)	2,796,360,460	1,091,644,133
Receivables (Notes 5 and 25)	566,914,181	669,943,462
Merchandise inventories (Note 6)	4,675,984,925	4,163,043,783
Other current assets (Notes 7 and 25)	849,601,608	702,255,561
Total Current Assets	9,674,853,691	8,298,638,737
Noncurrent Assets		
Property and equipment (Note 8)	5,418,352,061	5,325,379,067
Right-of-use ("ROU") assets (Note 22)	4,590,683,453	4,700,055,422
Deferred tax assets - net (Note 21)	614,079,901	606,630,930
Other noncurrent assets (Notes 9 and 25)	448,721,899	505,051,360
Total Noncurrent Assets	11,071,837,314	11,137,116,779
TOTAL ASSETS	₱20,746,691,005	₱19,435,755,516

Statement of Financial Position

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables (Notes 10 and 25)	₱3,441,046,119	₱3,536,960,607
Contract liabilities (Note 11)	62,401,144	99,893,390
Loans payable – current portion (Note 12)	–	1,000,000,000
Lease liabilities - current portion (Notes 22 and 25)	197,280,426	212,043,486
Total Current Liabilities	3,700,727,689	4,848,897,483

Noncurrent Liabilities

Lease liabilities – net of current portion (Notes 22 and 25)	5,332,742,878	5,362,911,707
Retirement benefit obligation (Note 19)	550,816,912	536,848,593
Loans payable – net of current portion (Note 12)	2,978,060,204	496,669,910
Other noncurrent liabilities (Notes 13 and 25)	17,130,032	17,130,032
Total Noncurrent Liabilities	8,878,750,026	6,413,560,242
Total Liabilities	12,579,477,715	11,262,457,725

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
Treasury stock (Note 14)	(141,992,686)	(102,572,930)
Retained earnings (Note 14)	2,405,237,196	2,371,901,941
Remeasurement losses on defined benefit obligation (Note 19)	19,051,631	19,051,631
Total Equity	8,167,213,290	8,173,297,791

TOTAL LIABILITIES AND EQUITY	₱20,746,691,005	₱19,435,755,516
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Statement of Cash Flows

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	For the Three-month Periods Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱44,128,622	(₱166,948,405)
Adjustments for:		
Depreciation and amortization - PPE (Note 8)	148,684,616	135,597,554
Finance costs (Note 16)	114,257,267	118,035,582
Depreciation - ROU assets (Note 22)	88,533,385	159,943,460
Retirement benefits costs (Note 19)	15,253,285	11,736,370
Foreign currency exchange gains (Note 16)	(7,269,526)	(346,735)
Interest income (Note 16)	(9,221,777)	(9,889,004)
Operating income before working capital changes	394,365,872	248,128,822
Decrease (increase) in:		
Receivables	107,367,479	138,069,138
Merchandise inventories	(512,941,143)	254,823,545
Other current assets	(164,374,738)	32,647,841
Increase (decrease) in:		
Trade and other payables	(97,518,017)	(1,580,582,920)
Contract liabilities	(37,492,246)	(12,174,220)
Cash flows used in operations	(310,592,793)	(919,087,794)
Income tax paid	(1,213,647)	(2,497,536)
Interest received	4,883,578	11,772,626
Interest paid	(12,210,049)	(11,749,234)
Retirement benefits paid	(1,284,965)	-
Net cash used in operating activities	(320,417,876)	(921,561,938)

Statement of Cash Flows

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(241,657,610)	(192,979,106)
Increase in short-term investments	(1,704,716,327)	(7,960,515)
Decrease in other noncurrent assets	56,329,462	34,864,644
Net cash used in investing activities	(1,890,044,475)	(166,074,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans (Note 12)	2,500,000,000	800,000,000
Repayment of loans (Note 12)	(1,000,000,000)	(800,000,000)
Purchase of treasury stocks (Note 14)	(39,419,756)	(18,227,786)
Payment of:		
Principal portion of lease liabilities (Note 22)	(124,396,700)	(191,403,206)
Debt issue cost (Note 12)	(18,750,000)	-
Net cash provided by (used in) financing activities	1,317,433,544	(209,630,992)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(893,028,807)	(1,297,267,907)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	7,269,526	346,735
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,671,751,798	2,257,268,691
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱785,992,517	₱960,347,519

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