



2Q & 1H 2019

**EARNINGS CALL &
ANALYSTS' BRIEFING**

August 15, 2019

Metro Retail Stores Group, Inc.
Manila Corporate Office

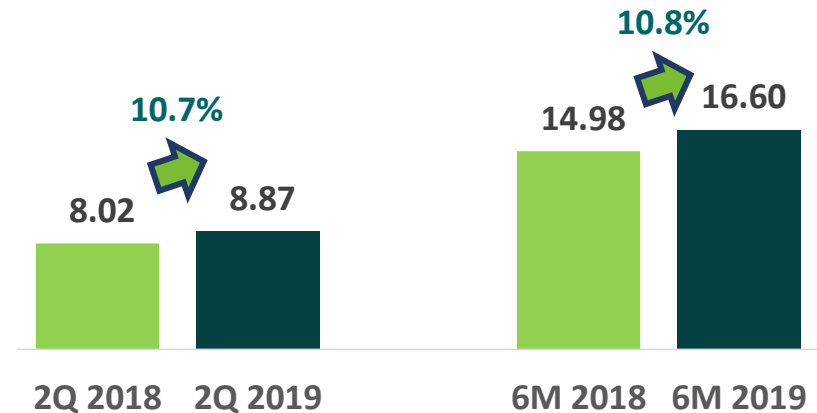
Agenda

- 2Q & 1H 2019 Performance and Results
- Existing Store Network
- Network Expansion Initiative

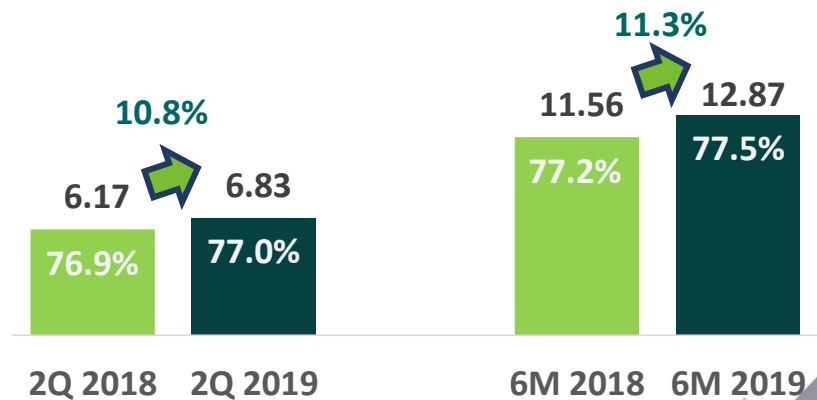
2Q & 1H 2019 Unaudited Consolidated Results

- Revenue for the first six-month of the year continue to increase due to the sales ramp up of new stores and the re-opening of the damaged Ayala Cebu supermarket.
- Growth of Cost of Sales slightly outpaced revenue due to the expansion of MRSGL's food retail business, which has higher cost of sales compared to general merchandise.
- MRSGL continues to implement its Margin Enhancement Plan, which includes: supplier re-negotiation, improvement of share to business of outright sales, among others.

Revenue (in billions Php)

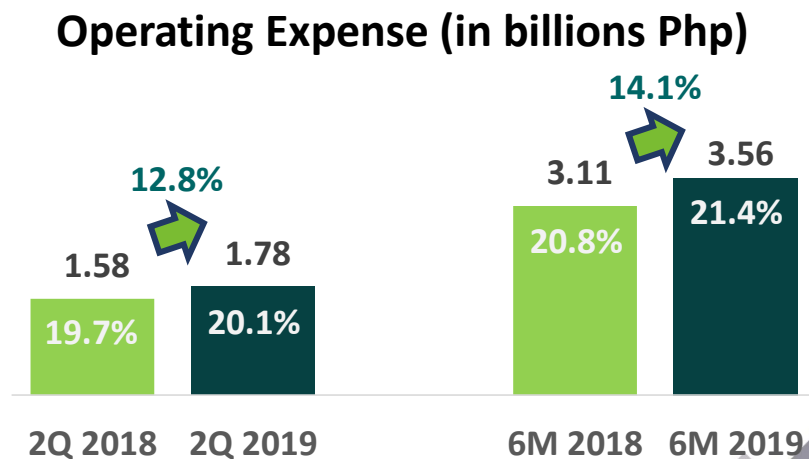
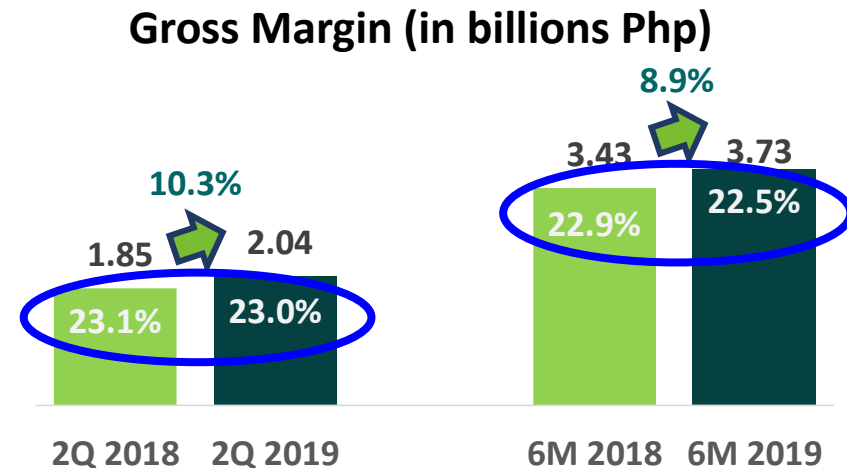


Cost of Sales (in billions Php)



2Q & 1H 2019 Unaudited Consolidated Results

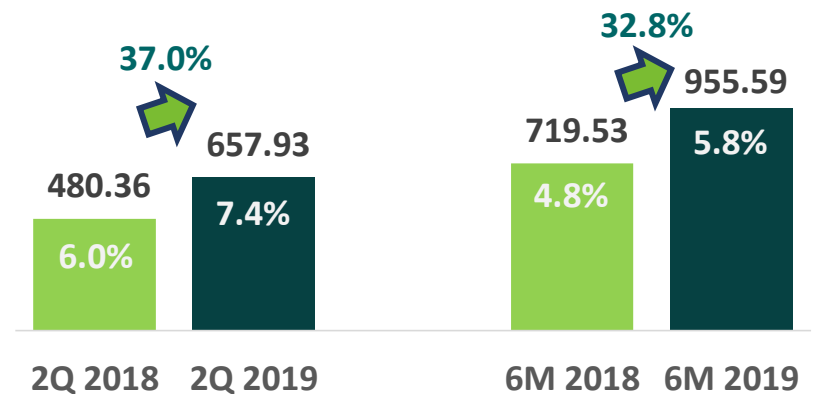
- Absolute Gross Margin (PhP) accelerated by 8.9% for the first six months of 2019 on account of the improving performance of new and existing supermarkets. Albeit, gross margins (in %) contracted by 40 bps due to the lower margins provided by food retail.
- Operating expenses remains at manageable levels with the increase mainly associated to the opening of new stores and the re-opening of the damaged Ayala Cebu Supermarket.
- Opex for same stores, warehouses, and shared services grew by a mere 1.8% for the first half of the year.



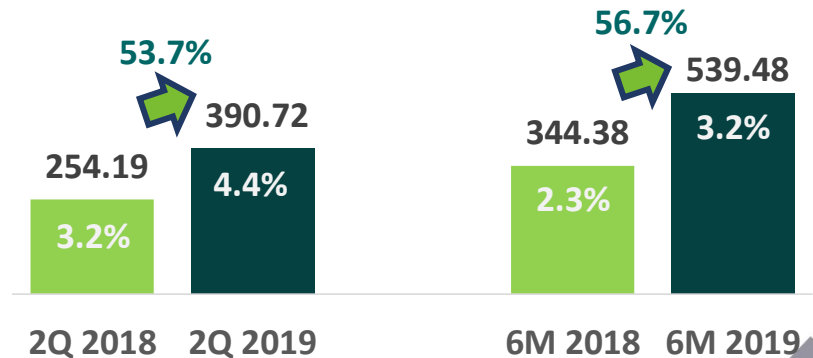
2Q & 1H 2019 Unaudited Consolidated Results

- The double-digit growth in EBITDA and Net Income was the result of the improving stores performance, implementation of key strategies and process improvements, and insurance coverage for our damaged store.

EBITDA (in millions Php)



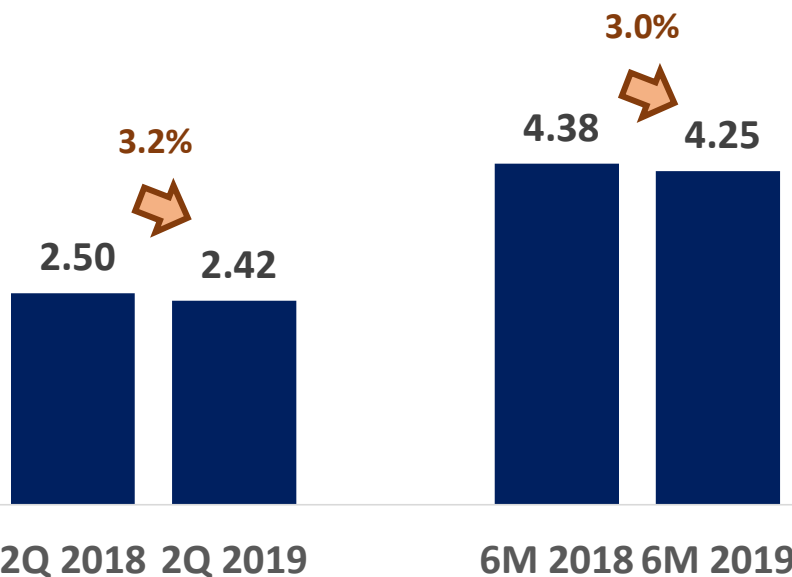
Net Income (in millions Php)



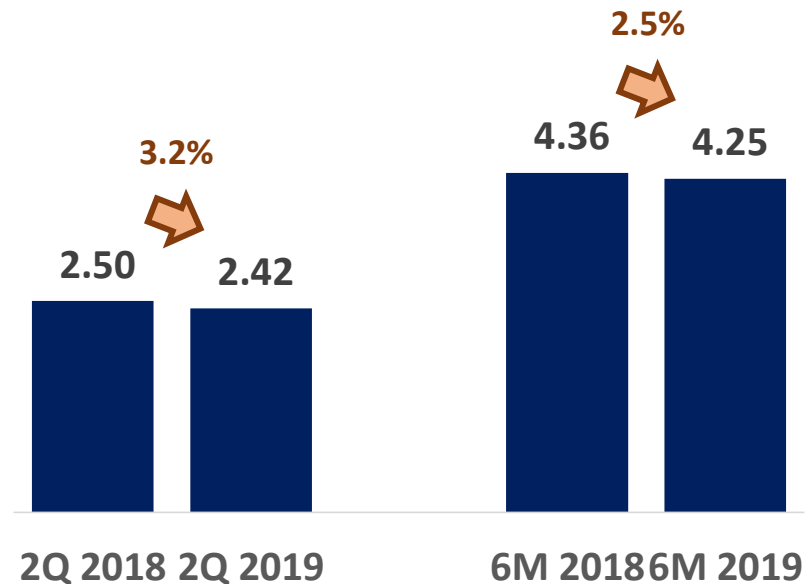
2Q & 1H 2019 Performance and Results

Department Store Comparable Sales

Store Sales with METRO Ayala Cebu



Store Sales w/o METRO Ayala Cebu



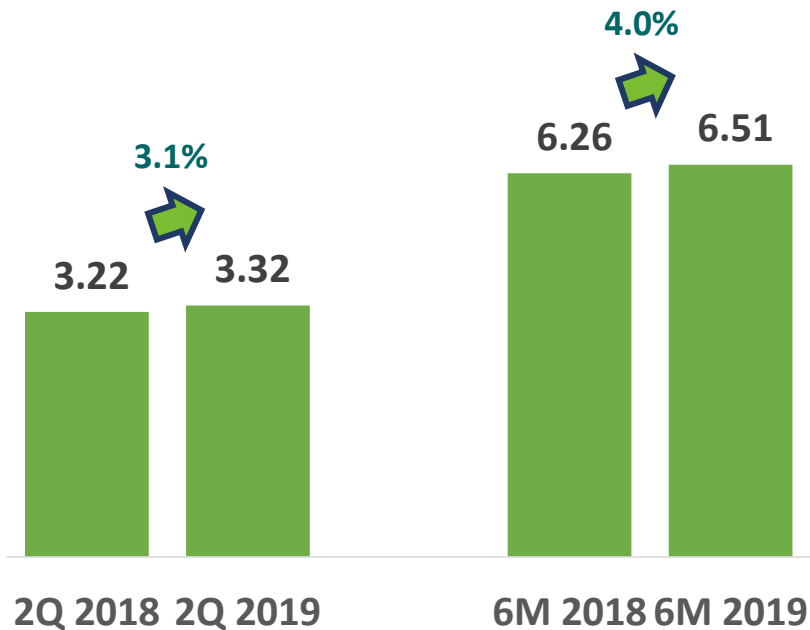
- Sales of our Department Store segment remains subdued due to growing competition in some locations as well as the spread out of the back-to-school season across May until early August.

*** Sales with Ayala refers only to sales of the old Metro Ayala and excludes the sales of the newly rebuilt Metro Ayala site*

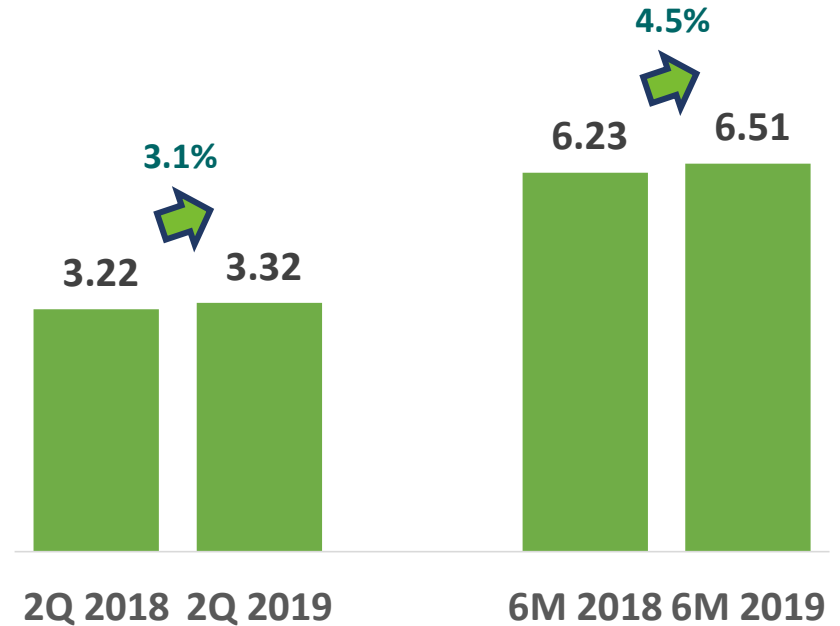
2Q & 1H 2019 Performance and Results

Supermarket Comparable Sales

Store Sales with METRO Ayala Cebu



Store Sales w/o METRO Ayala Cebu

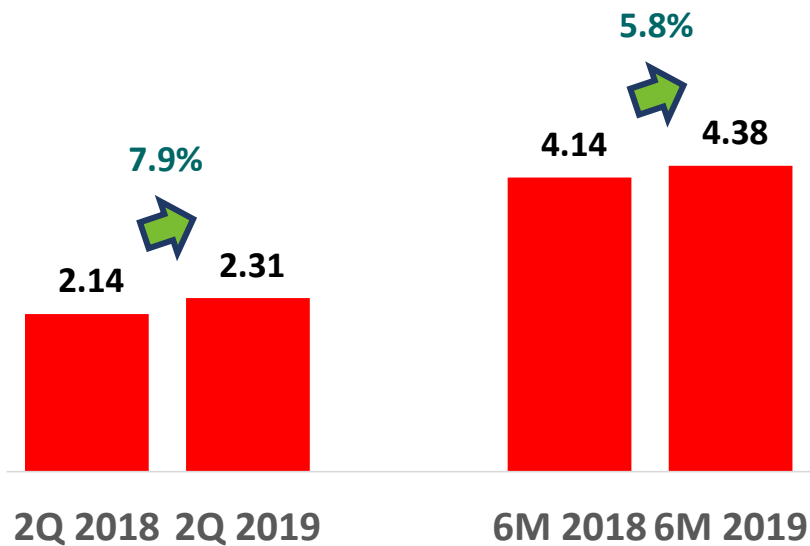


** Sales with Ayala refers only to sales of the old Metro Ayala and excludes the sales of the newly rebuilt Metro Ayala site

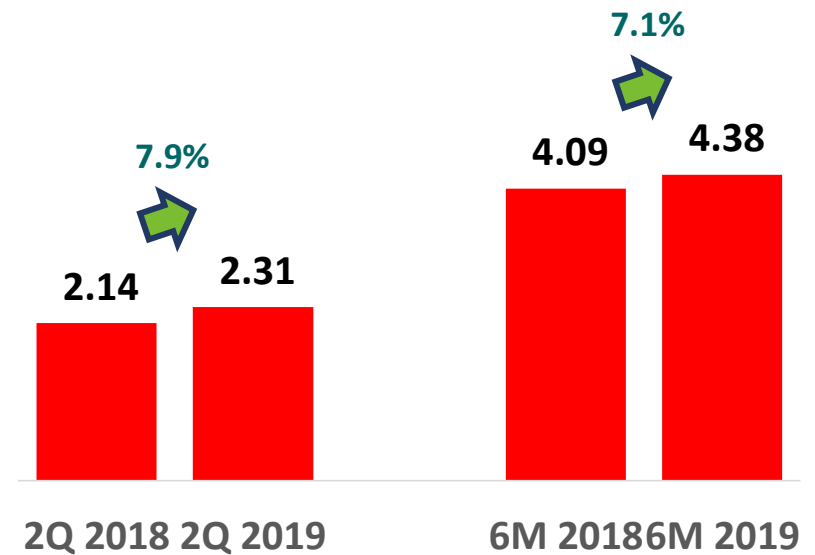
2Q & 1H 2019 Performance and Results

Hypermarket Comparable Sales

Store Sales with Super METRO Anonas



Store Sales w/o Super METRO Anonas



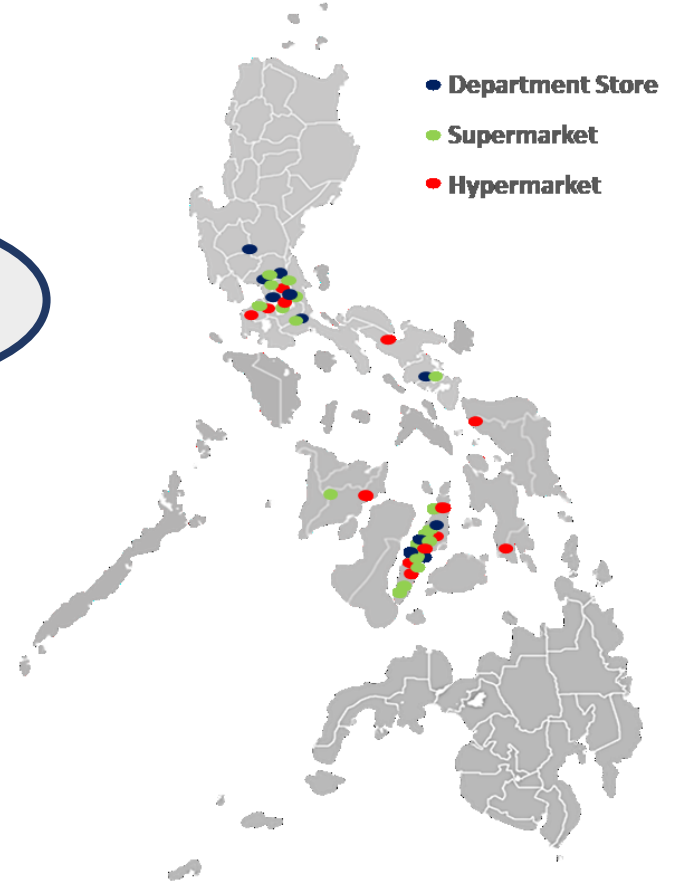
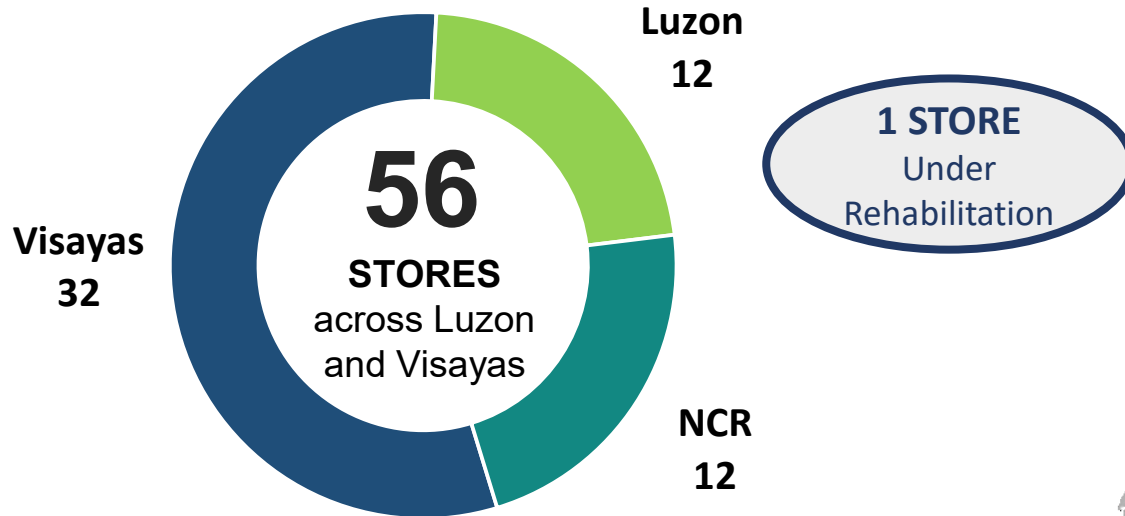
*** Sales with Ayala refers only to sales of the old Metro Ayala and excludes the sales of the newly rebuilt Metro Ayala site*

Other First Half Financial Highlights

- Rental income posted an uptick as it grew by 3.1% to P121.7 million from P118.0 million registered in the same six-month period a year ago primarily due to the additional leasable space from our new stores coupled with annual rent escalation.
- Rent expense for the first half of the year expanded by 30.5% due to the opening of new stores and normal escalation of our existing lease agreements. In terms absolute peso amount, new stores accounted for 76.3% of the increase in rent expense.
- The slight decline in our Gross Margin can be attributed to the faster growth of our food retail brought about by the opening of 3 Supermarkets. GMs for these items are usually lower as compared to general merchandise sold in our Department Stores.
- In terms of Gain from Insurance Claims which refers to the insurance coverage for business interruptions for our Ayala Center Cebu store, amount recognized were P190.5 million and P182.3 million for first and second quarter of 2019, respectively.

MRSGI Existing Store Network

Geographical Store Network Composition
(as of end-July 2019)



DEPARTMENT STORE	
NCR	5
Luzon	4
Visayas	5
TOTAL	14

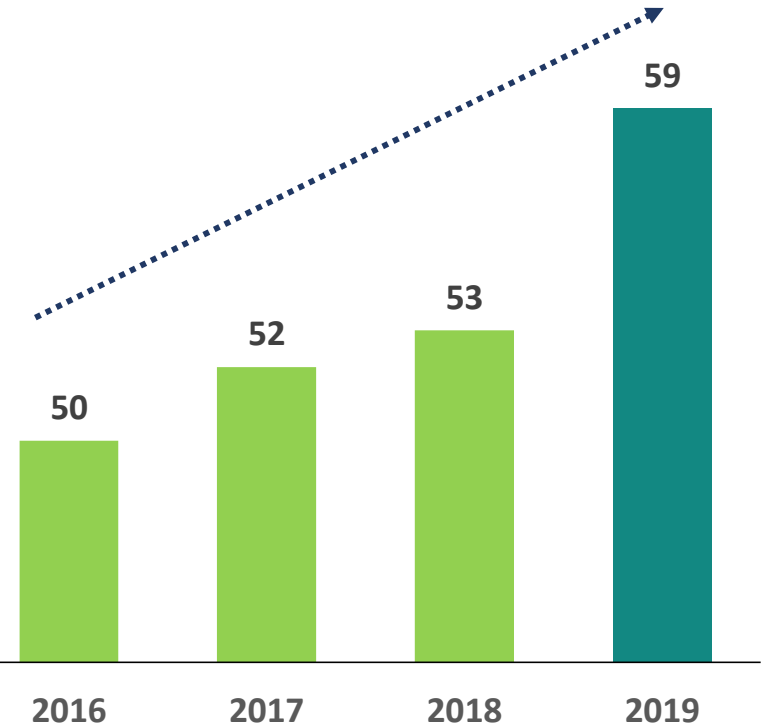
SUPERMARKET	
NCR	7
Luzon	4
Visayas	18
TOTAL	29

HYPERMARKET	
NCR	0
Luzon	4
Visayas	9
TOTAL	13

MRSGI Expansion Plan

Format	Region	GFA	Est. Opening
Compact Dept. Store & Supermarket	Baybay, Leyte E. Visayas	10,800	Opened on July '19
Ayala Center Cebu Department Store	Cebu City C. Visayas	33,000	4Q 2019
Department Store & Supermarket	Tacloban, E. Visayas	18,000	4Q 2019
Department Store & Supermarket	Danao, Cebu C. Visayas	15,000	4Q 2019
Supermarket	Cebu City C. Visayas	3,000	4Q 2019
Supermarket	Bacolod W. Visayas	3,000	4Q 2019

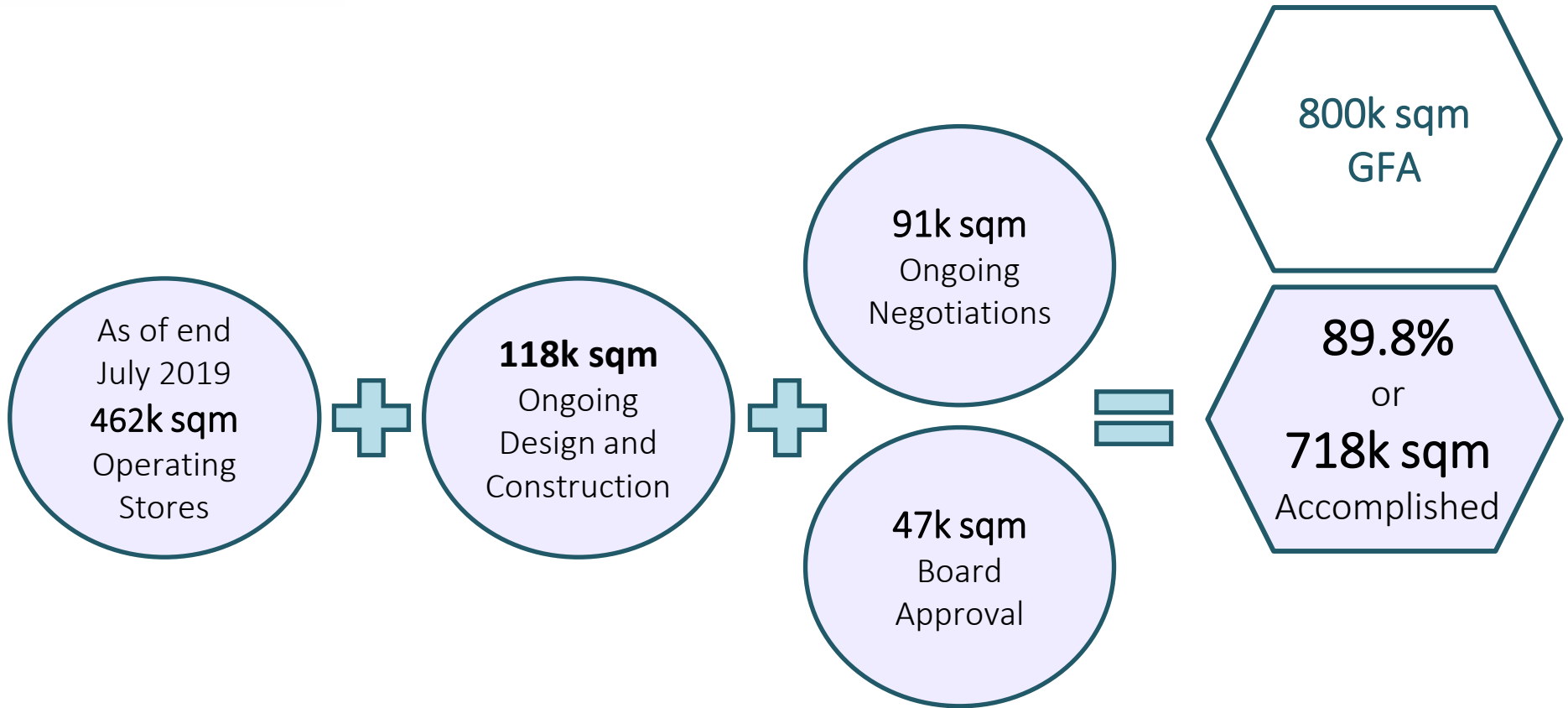
Projected No. of Stores by 2019



Metro Ayala Center Cebu Rebuild Program

METRO Ayala Cebu Level	% to Store Sales (2017)	Re-Build Phase	Scheduled Re-Opening
Basement 1	6%	Phase 1	Opened in Dec. 2018
Basement 2	49%		
Ground Floor	12%	Phase 2	4Q 2019
Second Floor	12%		
Third Floor	6%		
Fourth Floor	8%		
Fifth Floor	7%	Phase 3	4Q 2019
Sixth Floor	1%		1Q 2020

MRSGI Expansion Plan



New Stores will mostly be Supermarket or Hypermarket

Department Stores will be pursued opportunistically

MRSGI Expansion Plan

METRO Baybay - Supermarket
Opened on July 2019



MRSGI Expansion Plan

METRO Baybay – Compact Department Store
Opened on July 2019



MRSGI Expansion Plan

METRO Danao

Estimated Opening Date: 2H 2019



MRSGI Expansion Plan

METRO Tacloban

Estimated Opening Date: 2H 2019



MRSGI Expansion Plan

METRO Sum-Ag

Estimated Opening Date: 2H 2019





**THANK
YOU!**



| **Annex**

Unaudited Interim Statement of Comprehensive Income

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Net sales (Note 14)	¥8,870,440,507	¥8,016,221,854	¥16,598,879,313	¥14,984,006,389
Rental (Note 23)	63,279,659	37,335,769	121,687,297	118,020,408
	8,933,720,166	8,073,777,623	16,720,566,610	15,102,026,797
COSTS AND EXPENSES				
Cost of sales (Note 16)	6,828,508,086	6,165,230,257	12,869,612,886	11,358,404,339
Operating expenses (Note 17)	1,783,093,369	1,580,837,649	3,555,434,301	3,114,873,772
	8,611,601,455	7,746,067,906	16,425,047,187	14,473,280,111
OTHER INCOME (CHARGES)				
Interest and other income (Note 15)	238,639,764	41,162,593	478,051,042	72,477,947
Finance costs (Notes 10 and 23)	(3,884,221)	(3,335,922)	(8,008,294)	(7,910,971)
	234,755,543	37,826,671	470,042,748	64,566,976
INCOME BEFORE INCOME TAX	556,874,254	365,316,388	765,562,171	493,313,662
PROVISION FOR (BENEFIT FROM)				
INCOME TAX (Note 20)				
Current	166,630,058	114,804,523	229,843,818	153,991,763
Deferred	(478,503)	(3,674,793)	(3,760,542)	(7,056,830)
	166,151,555	111,129,730	226,083,276	146,934,933
NET INCOME	390,722,699	254,186,658	539,478,895	344,378,729
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gains (losses) on defined benefit obligation	-	-	-	-
Income tax effect	-	-	-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME	¥390,722,699	¥254,186,658	¥539,478,895	¥344,378,729
Basic/Diluted Earnings Per Share (Note 21)	¥0.11	¥0.07	¥0.16	¥0.10

See accompanying Notes to Interim Condensed Financial Statements.

Unaudited Interim Statement of Financial Position

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2019

(With Comparative Audited Figures as at December 31, 2018)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	₱2,788,793,872	₱3,606,179,404
Short-term investments (Note 4)	160,923,774	358,438,404
Receivables (Note 5)	1,062,749,346	1,371,593,749
Merchandise inventories (Note 6)	3,892,510,467	3,589,605,171
Other current assets (Note 7)	426,155,570	495,107,374
Total Current Assets	8,331,133,029	9,420,924,102
Noncurrent Assets		
Property and equipment (Note 8)	4,009,728,368	3,286,048,181
Deferred tax assets - net (Note 20)	156,755,771	152,995,229
Other noncurrent assets (Note 9)	1,004,459,349	1,008,491,592
Total Noncurrent Assets	5,170,943,488	4,447,535,002
TOTAL ASSETS	₱13,502,076,517	₱13,868,459,104
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 10)	₱3,722,363,310	₱4,392,287,409
Contract liabilities (Note 11)	64,176,975	103,195,660
Income tax payable	149,119,452	158,339,929
Finance lease liability - current portion (Note 23)	40,511,254	36,744,720
Total Current Liabilities	3,976,170,991	4,690,567,718
Noncurrent Liabilities		
Finance lease liability - net of current portion (Note 23)	17,335,212	28,648,744
Retirement benefit obligation (Note 18)	415,534,800	393,006,901
Other noncurrent liabilities (Note 12)	56,299,781	53,216,403
Total Noncurrent Liabilities	489,169,793	474,872,048
Total Liabilities	4,465,340,784	5,165,439,766
Equity		
Capital stock (Note 13)	3,429,375,000	3,429,375,000
Additional paid-in capital (Note 13)	2,455,542,149	2,455,542,149
Retained earnings (Note 13)	3,109,191,425	2,775,475,030
Remeasurement gains on defined benefit obligation (Note 18)	42,627,159	42,627,159
Total Equity	9,036,735,733	8,703,019,338
TOTAL LIABILITIES AND EQUITY	₱13,502,076,517	₱13,868,459,104

See accompanying Notes to Interim Condensed Financial Statements.

Unaudited Interim Statements of Cash Flows

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	Six-month Periods Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	#765,562,171	#493,313,662
Adjustments for:		
Depreciation and amortization (Note 9)	241,097,441	251,791,072
Net gain on insurance claims (Notes 6, 7, 9 and 16)	(372,771,327)	-
Retirement benefits costs (Note 20)	25,164,297	22,706,435
Finance costs (Notes 11 and 23)	8,008,294	7,910,971
Interest income (Note 16)	(58,875,071)	(32,417,056)
Foreign currency exchange gains (Note 16)	(4,653,159)	(21,962,067)
Operating income before working capital changes	603,532,646	721,343,017
Decrease (increase) in:		
Receivables	684,854,617	(363,360,713)
Merchandise inventories	(302,905,295)	278,697,290
Other current assets	47,291,400	(65,956,933)
Increase (decrease) in:		
Trade and other payables	(665,941,671)	(567,194,961)
Contract liabilities	(39,018,684)	(98,520,403)
Other noncurrent liabilities	3,083,378	3,438,078
Cash flows generated from (used in) operating activities	330,896,391	(91,534,625)
Interest received	55,636,184	32,897,678
Income tax paid	(217,403,893)	(226,146,973)
Interest paid	(14,627,342)	(13,698,492)
Net cash generated from (used in) operating activities	154,501,340	(298,482,412)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 9)	(941,706,386)	(511,861,385)
Increase in other noncurrent assets	(19,038,998)	(22,031,966)
Decrease(increase) in short-term investments	197,514,630	(301,872,798)
Net cash used in by investing activities	(763,230,754)	(833,766,149)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Finance lease liability (Note 23)	(7,546,998)	-
Dividend	(205,762,279)	(205,754,341)
Net cash used in financing activities	(213,309,277)	(205,754,341)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(822,038,691)	(1,340,002,902)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	4,653,159	21,962,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,606,179,404	3,707,152,708
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	#2,788,793,872	#2,389,111,873

See accompanying Notes to Interim Condensed Financial Statements.

Disclaimer

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