



3Q & 9M 2019

**EARNINGS CALL &
ANALYSTS' BRIEFING**

November 19, 2019

Metro Retail Stores Group, Inc.

Manila Corporate Office

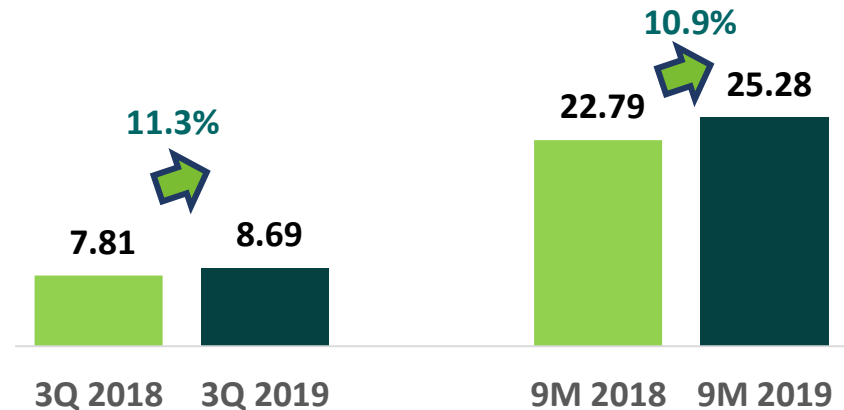
Agenda

- 3Q & 9M 2019 Performance and Results
- Existing Store Network
- Network Expansion Initiative

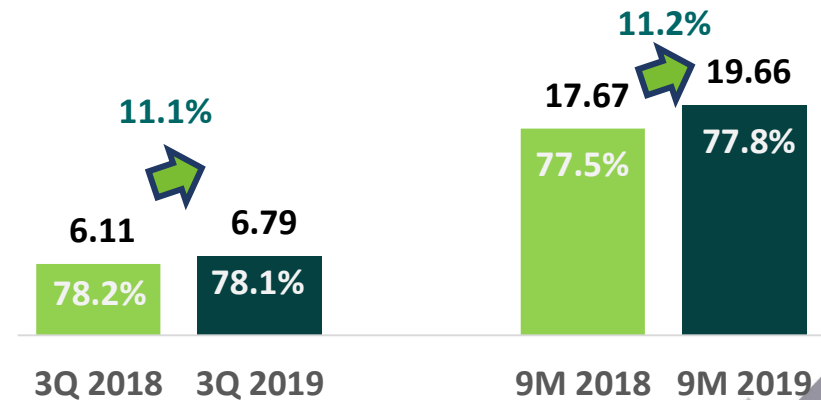
3Q & 9M 2019 Unaudited Consolidated Results

- Revenue for the first nine-months of the year continue to increase primarily due to the ramp up in sales of new stores and the re-opening of our flagship Ayala Center Cebu Supermarket. Same-store Sales Growth for the period posted at 2.5%.

Revenue (in billions Php)



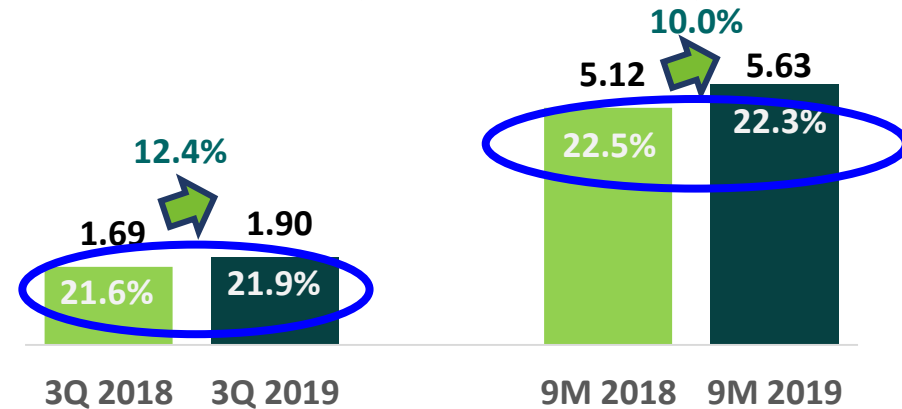
Cost of Sales (in billions Php)



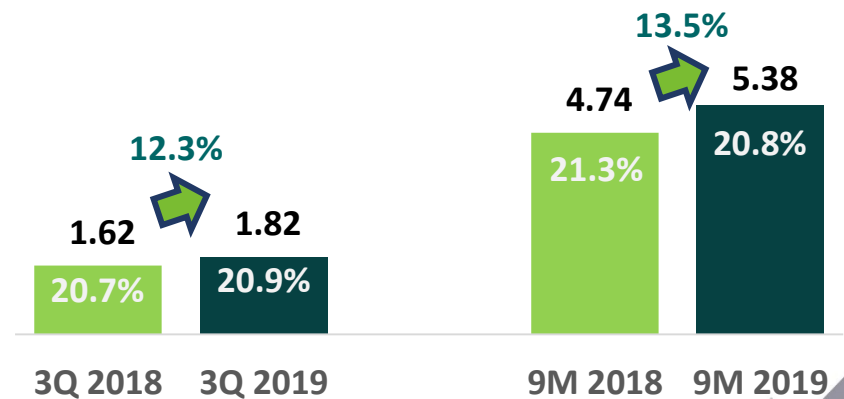
3Q & 9M 2019 Unaudited Consolidated Results

- Absolute Gross Margin (PhP) grew by 10% due to the improving performance of new and existing stores. Gross margins (in %), on the other hand, contracted by 20 bps due to the lower margins provided by food retail.
- MRSGL remains committed to its Margin Enhancement Plan, which includes: supplier re-negotiation, improvement of share to business of outright sales, among others.
- Operating expenses remains at manageable levels with the increase mainly associated to the opening of new stores
- Opex for same stores, warehouses, and shared services offset by the closure of a non-performing store posted an increase of 2.1% for the period.

Gross Margin (in billions PhP)



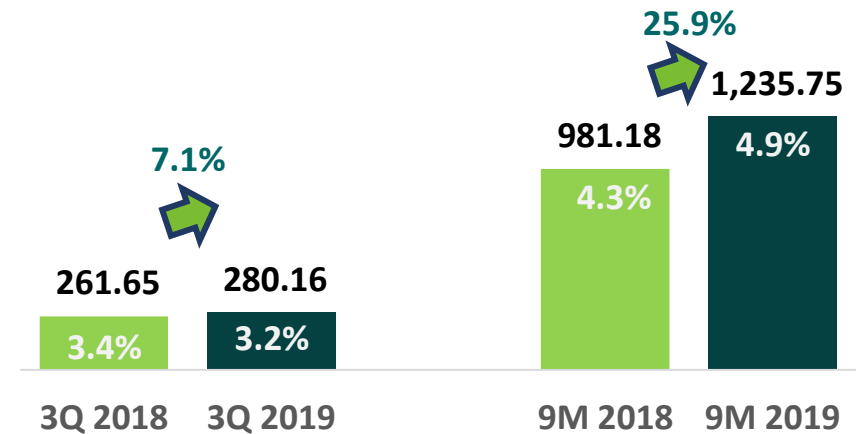
Operating Expense (in billions PhP)



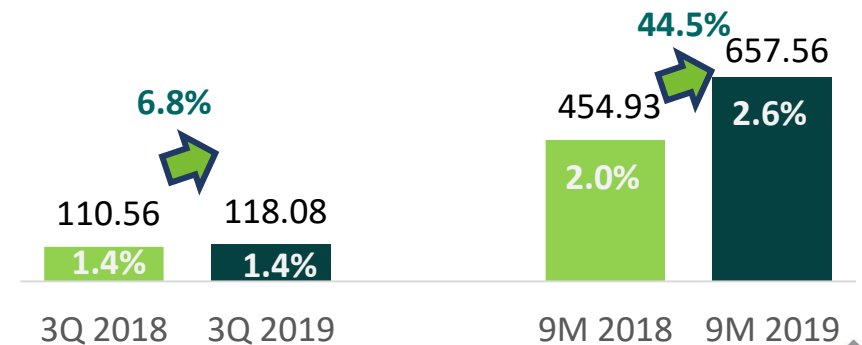
3Q & 9M 2019 Unaudited Consolidated Results

- Both EBITDA and Net Income registered double-digit growth for the nine-month period due to improving stores performance; and execution of key strategies and process improvements; further bolstered by the remainder of the insurance coverage for our damaged store.

EBITDA (in millions Php)



Net Income (in millions Php)



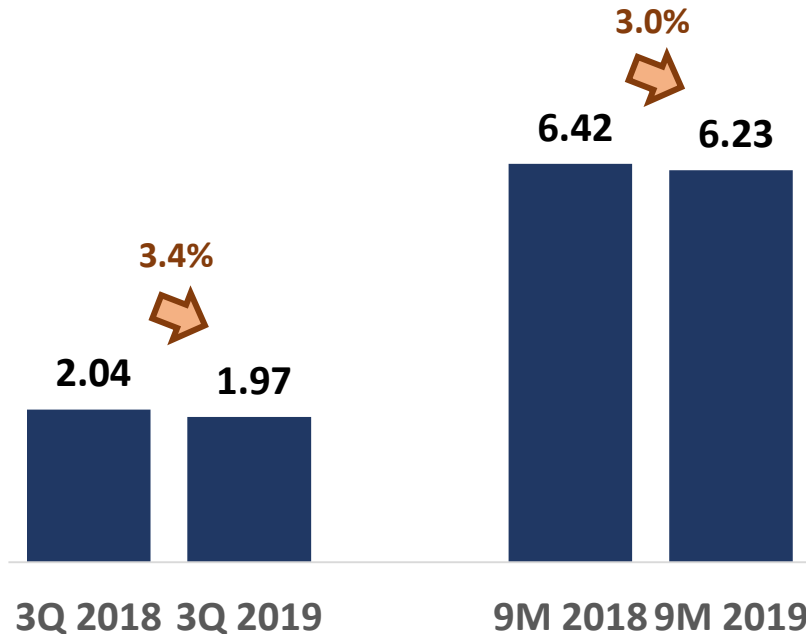
Other Nine-months Highlights

- Rental income expanded by 6.6% from **P157.7 million** to P187.3 million in the same nine-month period a year ago on account of the additional leasable space from our new stores and the regular rent escalation.
- Rent expense for the nine-month period increased by 25.4% due to the new stores and normal escalation of our existing lease agreements. In terms absolute peso amount, new stores accounted for 75.7% of the increase in rent expense.
- In terms of Gain from Insurance Claims; which refers to the insurance coverage for business interruptions for our Ayala Center Cebu store; the amount recognized for the third quarter of 2019 totaled to P372.77 million, respectively.

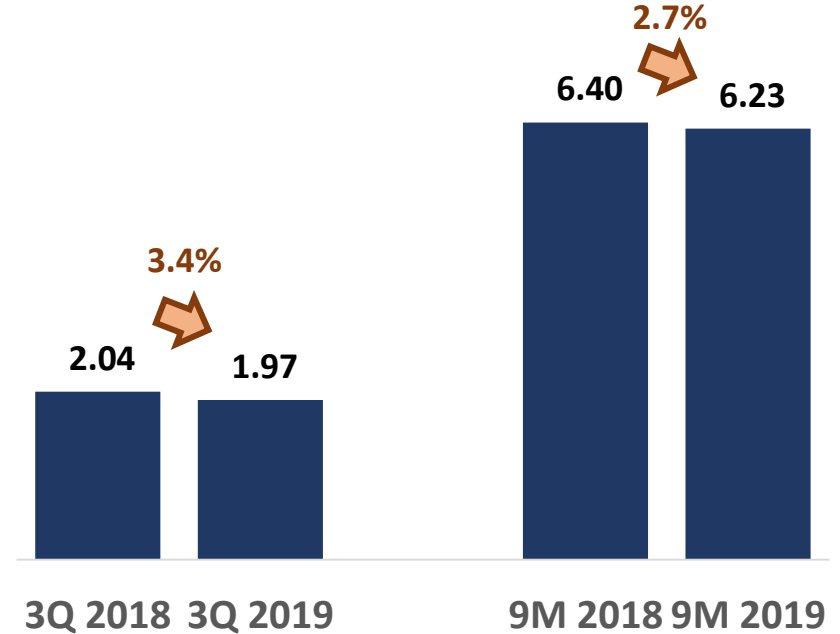
3Q & 9M 2019 Performance and Results

Department Store Comparable Sales

Store Sales with METRO Ayala Cebu



Store Sales w/o METRO Ayala Cebu



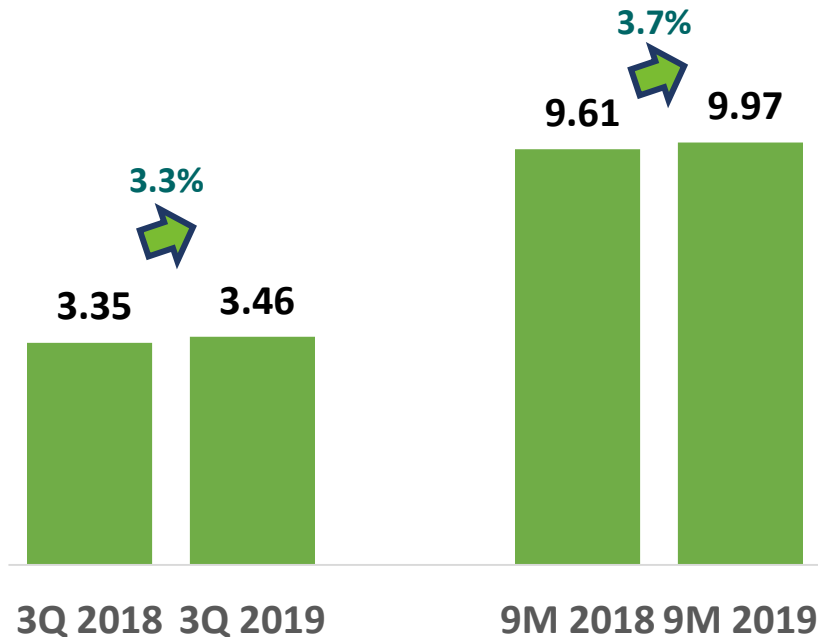
- Sales of our Department Store segment remains subdued due to growing competition in areas in which we are currently operating.

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

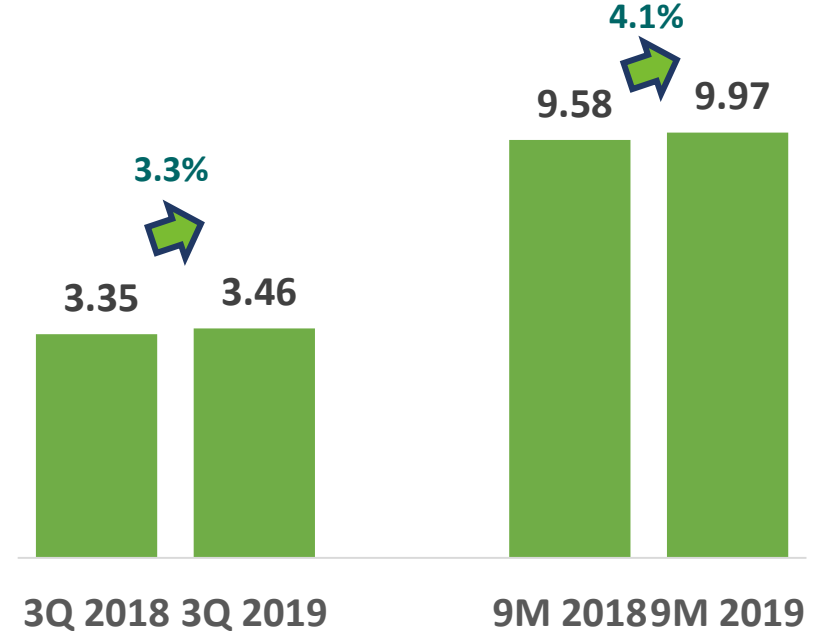
3Q & 9M 2019 Performance and Results

Supermarket Comparable Sales

Store Sales with METRO Ayala Cebu



Store Sales w/o METRO Ayala Cebu

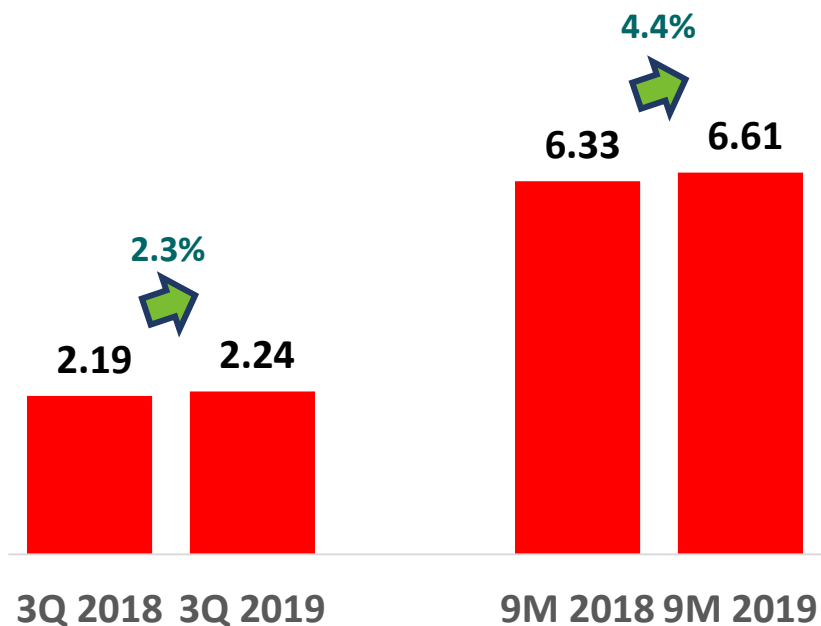


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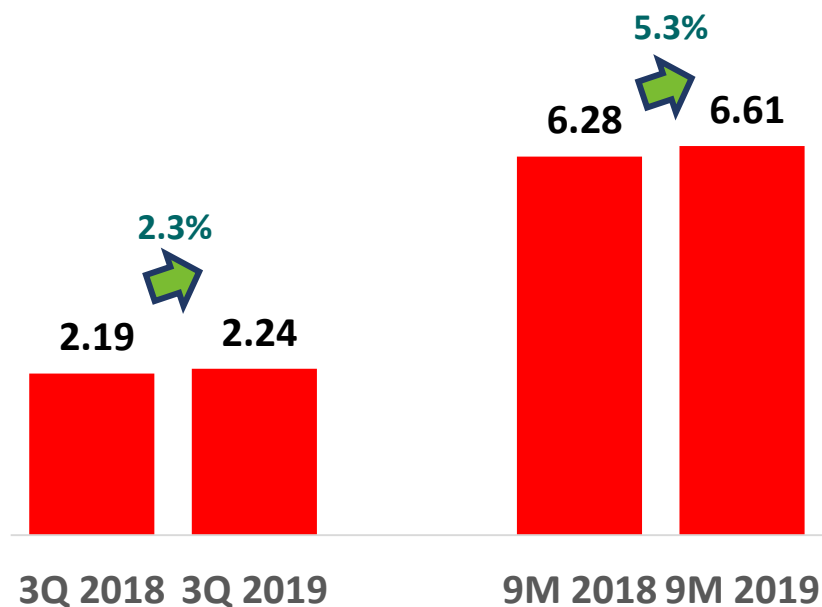
3Q & 9M 2019 Performance and Results

Hypermarket Comparable Sales

Store Sales with Super METRO Anonas

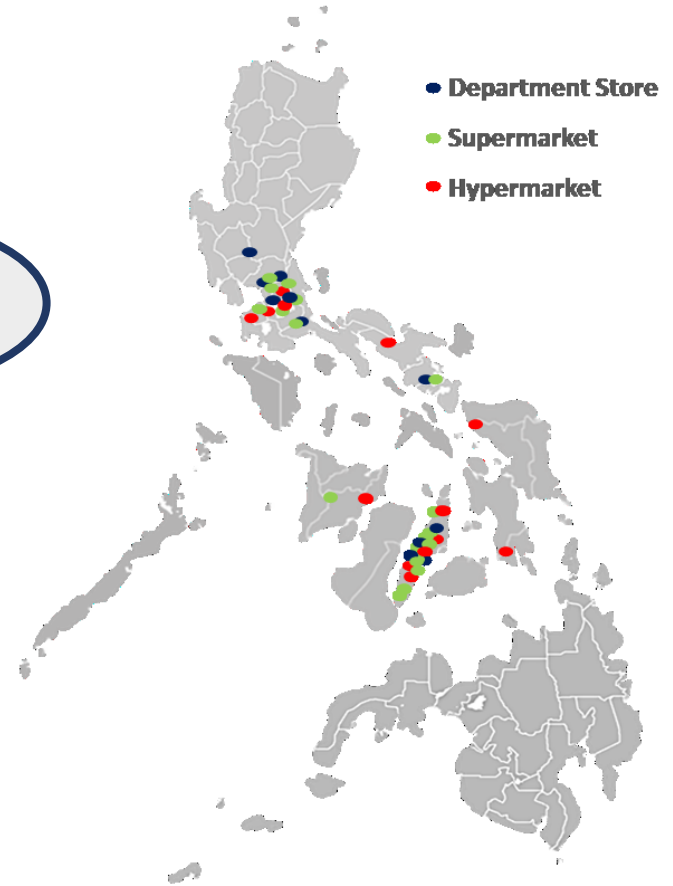
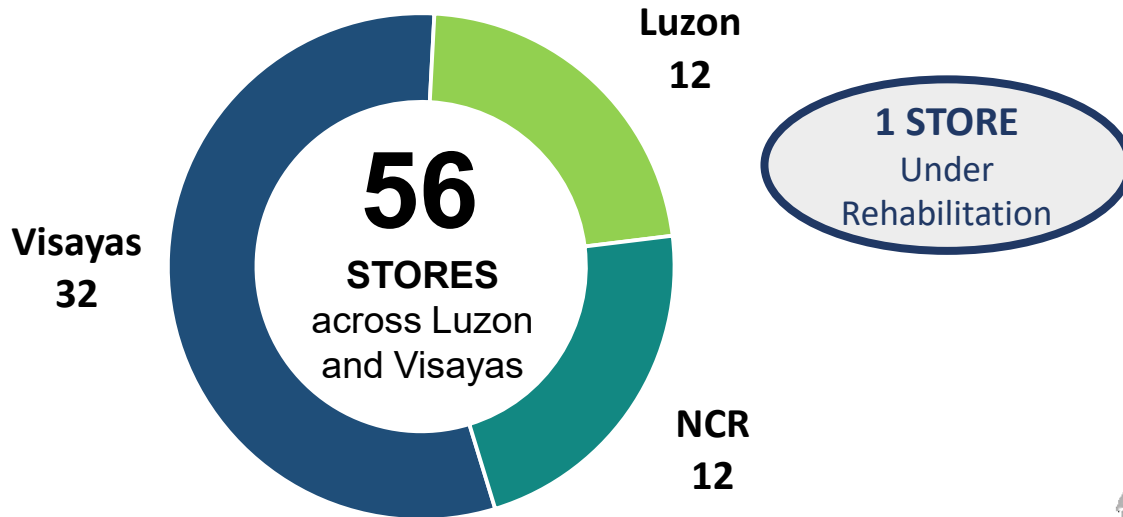


Store Sales w/o Super METRO Anonas



MRSGI Existing Store Network

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



DEPARTMENT STORE	
NCR	5
Luzon	4
Visayas	5
TOTAL	14

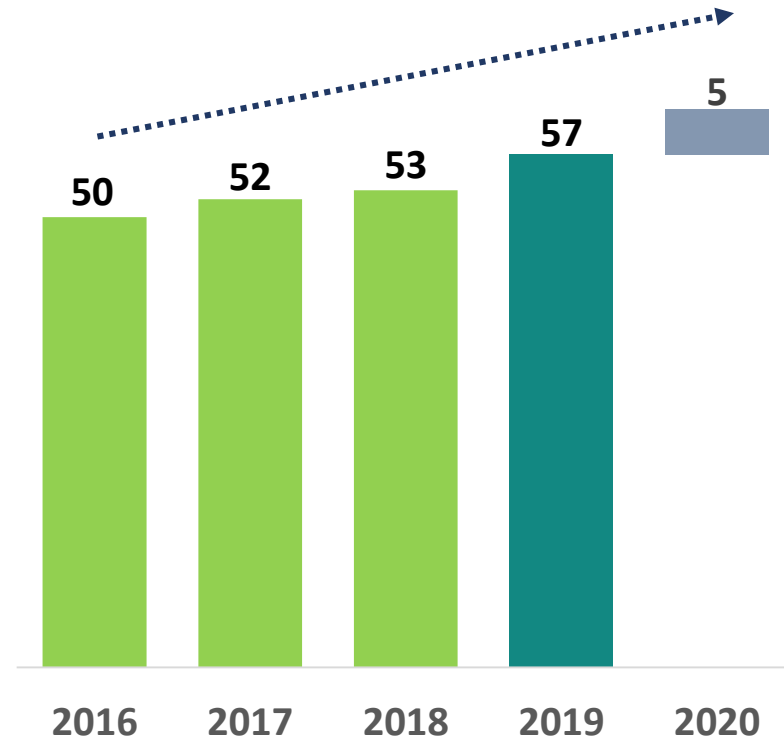
SUPERMARKET	
NCR	7
Luzon	4
Visayas	18
TOTAL	29

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
Metro Ayala Center Cebu Dept. Store	Cebu City C. Visayas	33,000	Soft Open Nov. 2019
Metro IT Park Supermarket	Cebu City C. Visayas	3,000	Dec. 2019
Department Store & Supermarket	Tacloban, E. Visayas	18,000	1H 2020
Department Store & Supermarket	Danao, Cebu C. Visayas	15,000	1H 2020
Supermarket	Sum-ag, Bacolod, W. Visayas	3,000	1H 2020

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	Opened on 4Q 2019
Second Floor	12%		
Third Floor	6%	Phase 3	2020
Fourth Floor	8%		
Fifth Floor	7%		
Sixth Floor	1%		

MRSGI Expansion Plan

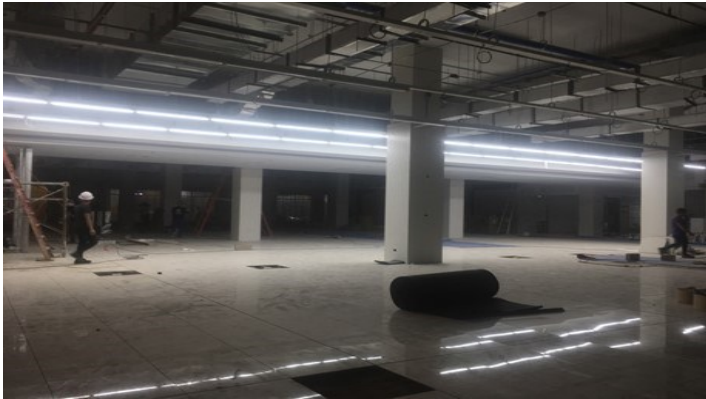
METRO Ayala Cebu – Department Store
Partially opened on Nov. 2019



MRSGI Expansion Plan

METRO CITP

Estimated Opening Date: Dec. 2019



MRSGI Expansion Plan

METRO Tacloban

Estimated Opening Date: 1H 2020



MRSGI Expansion Plan

METRO Danao

Estimated Opening Date: 1H 2020



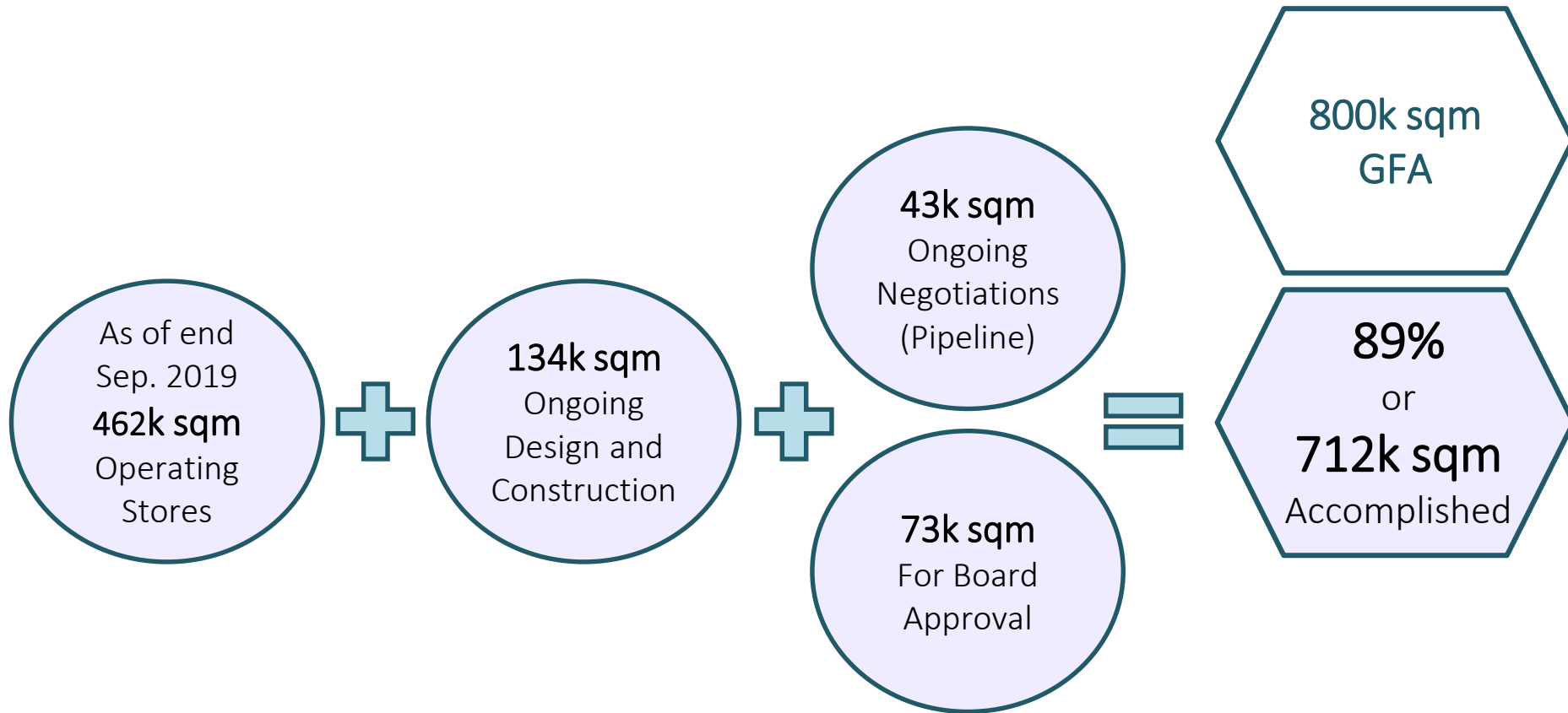
MRSGI Expansion Plan

METRO Sum-Ag

Estimated Opening Date: 1H 2020



MRSGI Expansion Plan



New Stores will mostly be Supermarket or Hypermarket

Department Stores will be pursued opportunistically



**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 September 30		For the Nine Months Ended September 30	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
REVENUE				
Net sales (Note 14)	₱8,685,469,266	₱7,806,577,069	₱25,284,348,579	₱22,790,583,458
Rental (Note 23)	65,587,868	57,722,665	187,275,165	175,743,073
	8,751,057,134	7,864,299,734	25,471,623,744	22,966,326,531
COSTS AND EXPENSES				
Cost of sales (Note 16)	6,788,385,293	6,112,869,294	19,657,998,179	17,671,282,133
Operating expenses (Note 17)	1,823,413,343	1,621,347,500	5,378,847,644	4,736,214,772
	8,611,798,636	7,734,216,794	25,036,845,823	22,407,496,905
OTHER INCOME (CHARGES)				
Interest and other income (Note 15)	33,209,670	31,462,822	511,260,712	103,940,769
Finance costs (Notes 10 and 23)	(3,910,976)	(5,007,720)	(11,919,270)	(12,918,691)
	29,298,694	26,455,102	499,341,442	91,022,078
INCOME BEFORE INCOME TAX	168,557,192	156,538,042	934,119,363	649,851,704
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)				
Current	47,946,394	49,026,518	277,790,212	205,018,281
Deferred	2,529,684	(3,044,425)	(1,230,858)	(10,101,255)
	50,476,078	45,982,093	276,559,354	194,917,026
NET INCOME	118,081,114	110,555,949	657,560,009	454,934,678
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	₱118,081,113	₱110,555,949	₱657,560,009	₱454,934,678
Basic/Diluted Earnings Per Share (Note 21)	₱0.03	₱0.03	₱0.19	₱0.13

Unaudited Interim Statement of Financial Position

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	P2,494,640,883	P3,606,179,404
Short-term investments (Note 4)	160,923,774	358,438,404
Receivables (Note 5)	741,441,405	1,371,593,749
Merchandise inventories (Note 6)	4,323,109,899	3,589,605,171
Other current assets (Note 7)	477,373,607	495,107,374
Total Current Assets	8,197,489,568	9,420,924,102
Noncurrent Assets		
Property and equipment (Note 8)	4,280,441,630	3,286,048,181
Deferred tax assets - net (Note 20)	154,226,088	152,995,229
Other noncurrent assets (Note 9)	993,655,153	1,008,491,592
Total Noncurrent Assets	5,428,322,871	4,447,535,002
TOTAL ASSETS	P13,625,812,439	P13,868,459,104
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 10)	P3,833,093,595	P4,392,287,409
Contract liabilities (Note 11)	67,828,158	103,195,660
Income tax payable	28,560,493	158,339,929
Finance lease liability - current portion (Note 23)	42,964,661	36,744,720
Total Current Liabilities	3,972,446,907	4,690,567,718
Noncurrent Liabilities		
Finance lease liability - net of current portion (Note 23)	11,593,170	28,648,744
Retirement benefit obligation (Note 18)	428,297,702	393,006,901
Other noncurrent liabilities (Note 12)	58,657,813	53,216,403
Total Noncurrent Liabilities	498,548,685	474,872,048
Total Liabilities	4,470,995,592	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)	3,227,272,539	2,775,475,030
Remeasurement gains on defined benefit obligation (Note 18)	42,627,159	42,627,159
Total Equity	9,154,816,847	8,703,019,338
TOTAL LIABILITIES AND EQUITY	P13,625,812,439	P13,868,459,104

Unaudited Interim Statements of Cash Flows

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	Nine-month Periods Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P934,119,363	P649,851,704
Adjustments for:		
Depreciation and amortization (Note 9)	372,053,446	374,191,058
Net gain on insurance claims (Notes 6, 7, 9 and 16)	(372,771,327)	-
Retirement benefits costs (Note 20)	37,679,478	34,249,480
Finance costs (Notes 11 and 23)	11,919,270	12,918,691
Loss on retirement of property and equipment	2,999,394	25,802
Reversal of allowance for impairment loss	-	(155,972)
Interest income (Note 16)	(82,063,637)	(54,264,411)
Foreign currency exchange gains (Note 16)	(2,204,935)	(25,416,334)
Operating income before working capital changes	901,731,052	991,400,018
Decrease (increase) in:		
Receivables	1,001,968,456	(383,198,624)
Merchandise inventories	(733,504,728)	350,082,657
Other current assets	(16,860,865)	(120,613,389)
Increase (decrease) in:		
Trade and other payables	(571,365,174)	(495,677,370)
Contract liabilities	(35,367,501)	92,484,216
Other noncurrent liabilities	5,441,410	4,230,827
Cash flows generated from (used in) operating activities	552,042,650	438,708,335
Interest received	83,018,851	52,795,572
Income tax paid	(372,975,018)	(331,992,294)
Interest paid	(2,145,021)	(3,753,327)
Net cash generated from (used in) operating activities	259,941,462	155,758,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 9)	(1,345,717,779)	(885,820,741)
Increase in other noncurrent assets	(8,892,070)	(102,956,946)
Decrease(increase) in short-term investments	197,514,630	(405,524,494)
Net cash used in by investing activities	(1,157,095,219)	(1,394,302,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Finance lease liability (Note 23)	(10,835,633)	(10,695,866)
Dividend	(205,754,066)	(205,754,341)
Net cash used in financing activities	(216,589,699)	(216,450,207)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,113,743,456)	(1,454,994,102)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	2,204,935	25,416,334
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)	P2,494,640,883	P2,277,574,940

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