



**METRO**

RETAIL STORES GROUP, INC.

# 9M 2020 Earnings Call and Analysts' Briefing

November 17, 2020

# 9M 2020 Financial and operational highlights



**PhP22.2 billion**  
Net sales



**PhP1.1 billion**  
EBITDA



**PhP(421.9) million**  
Net loss



**PhP20.6 billion**  
Total assets



**PhP8.6 billion**  
Total equity



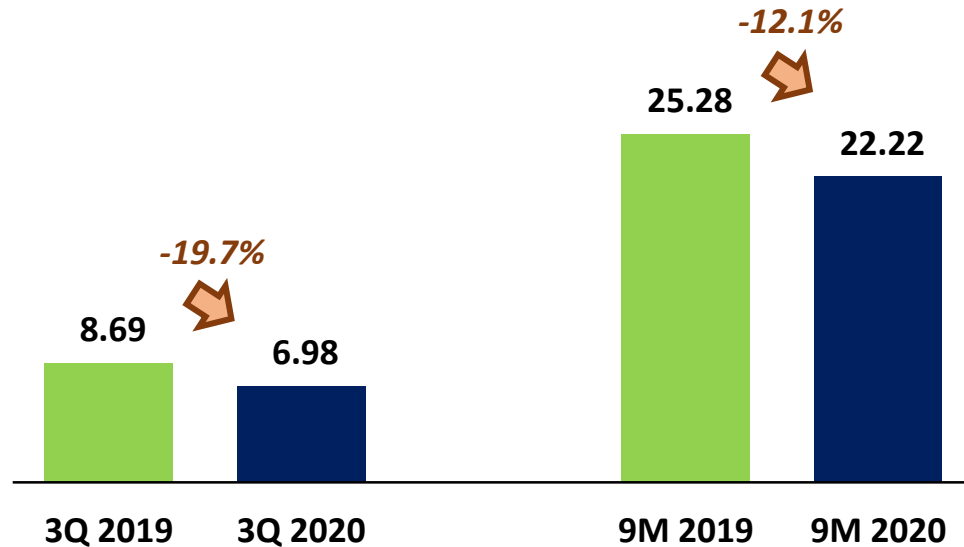
**55 stores**  
30 SM, 12 DS, 13 HM

**Note:** SM refers to Metro Supermarkets, DS for Metro Department Stores, and HM for Super Metro Hypermarkets.

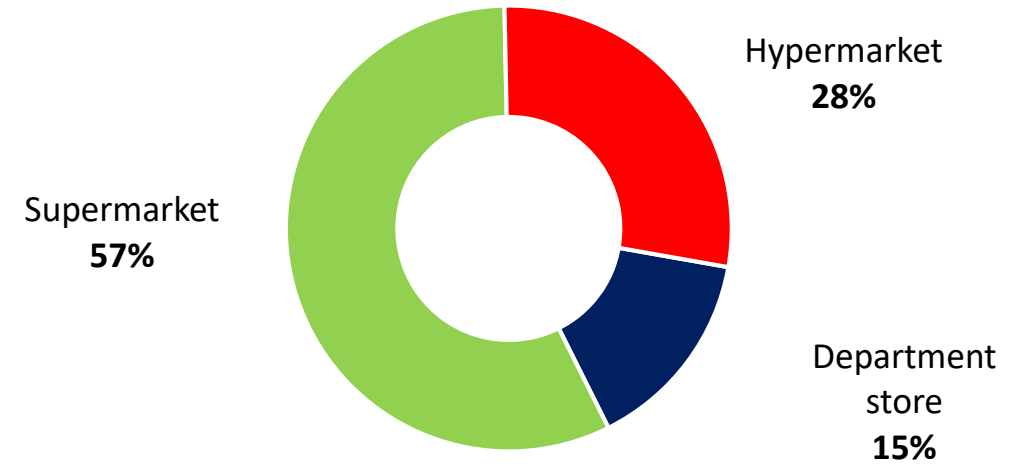


# Results of operations

**Net sales**  
(in PhP billion)



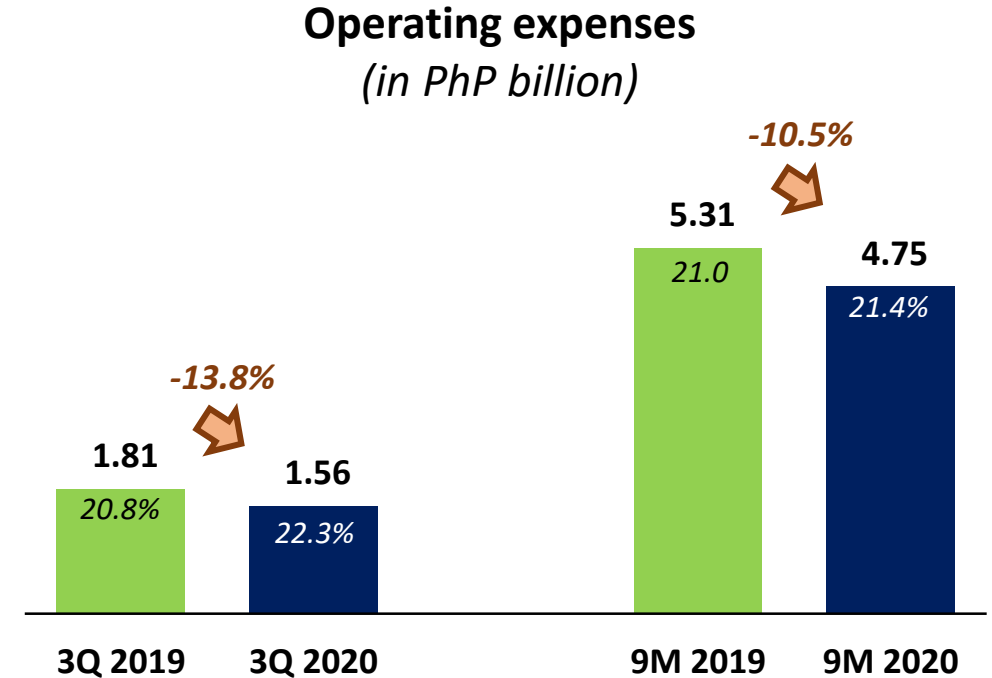
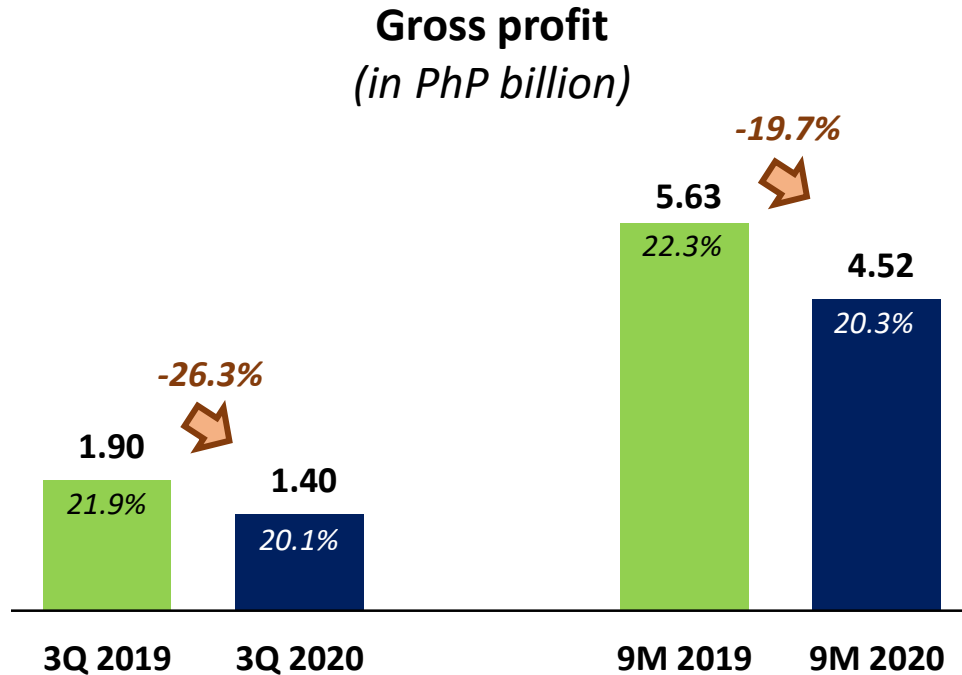
**Share to business**  
(as % of 9M 2020 net sales)



- ❑ Net sales declined as general merchandise business remains subdued against the same period last year as it reels from the impact of pandemic-related restrictions on consumer spending and customer traffic.
- ❑ Meanwhile, sales of the Company's food retail business grew due to increase in demand brought about by the quarantine measures, as well as, the improving performance of two (2) new supermarket stores that opened in the second half of 2019.



# Results of operations

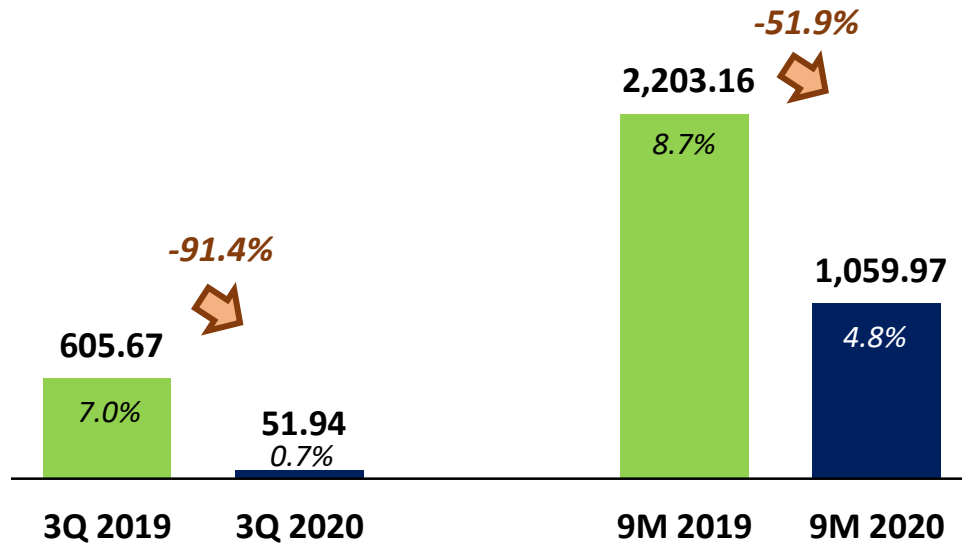


- ❑ Gross profit for the 9M 2020 decrease by 19.7% or PhP1.1 billion in absolute amount. GP margin slid by 193 basis points primarily due to faster rate of growth of our food retail business, which typically have a higher cost of sales compared to our general merchandise.
- ❑ Operating expenses for same stores, warehouses and shared services declined over the same period last year brought by the disrupted operations of department stores due to COVID-19 pandemic.

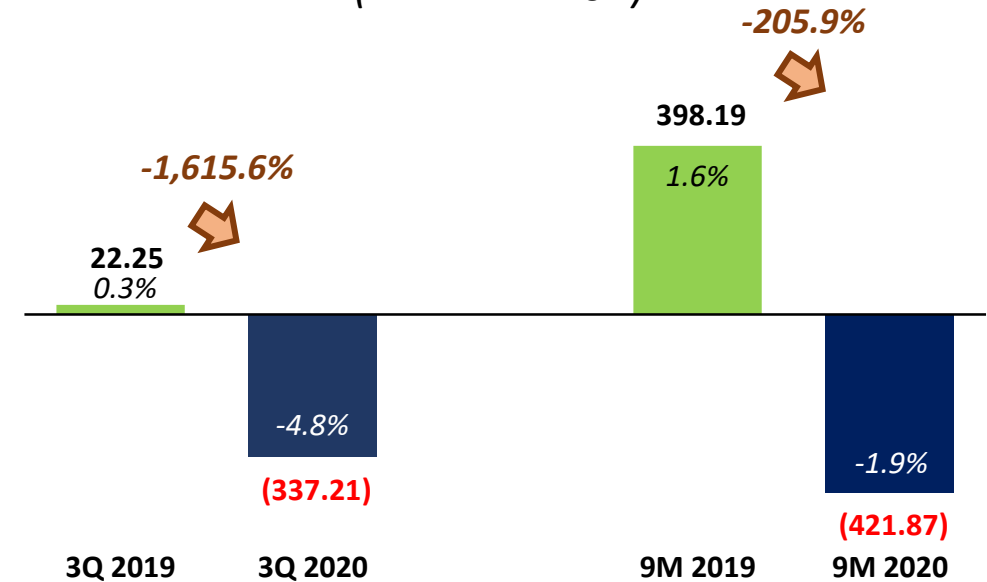


# Results of operations

**EBITDA**  
(in PhP million)



**Net income/(loss)**  
(in PhP million)

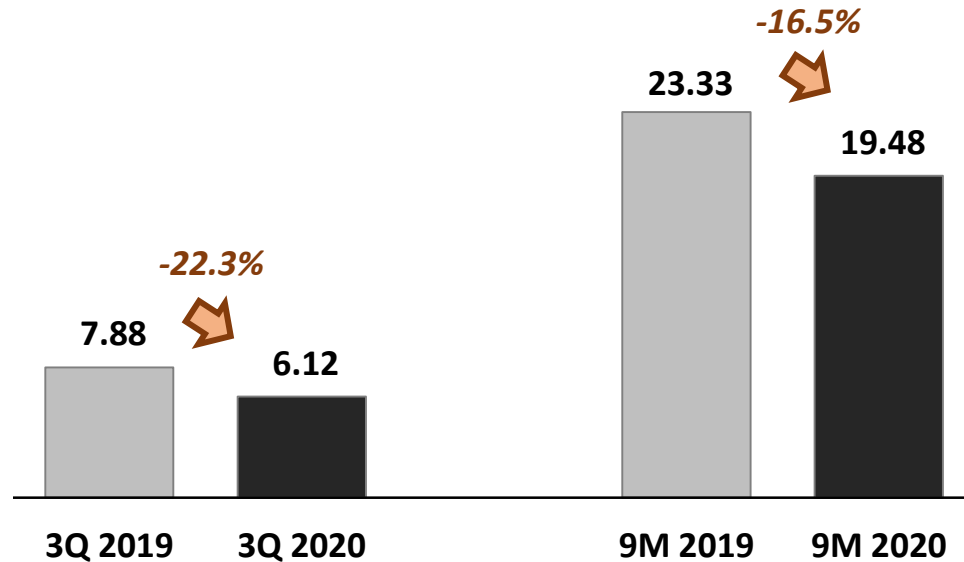


- ❑ In 9M 2020, the Company had a Net loss of PhP421.9 million which is driven by the decline in sales and the one-time booking of cost provisions for store network and manpower rationalization programs
- ❑ Despite the Net loss in 9M 2020, the Company' EBITDA was still in a positive position of PhP1.1 billion in the same period.

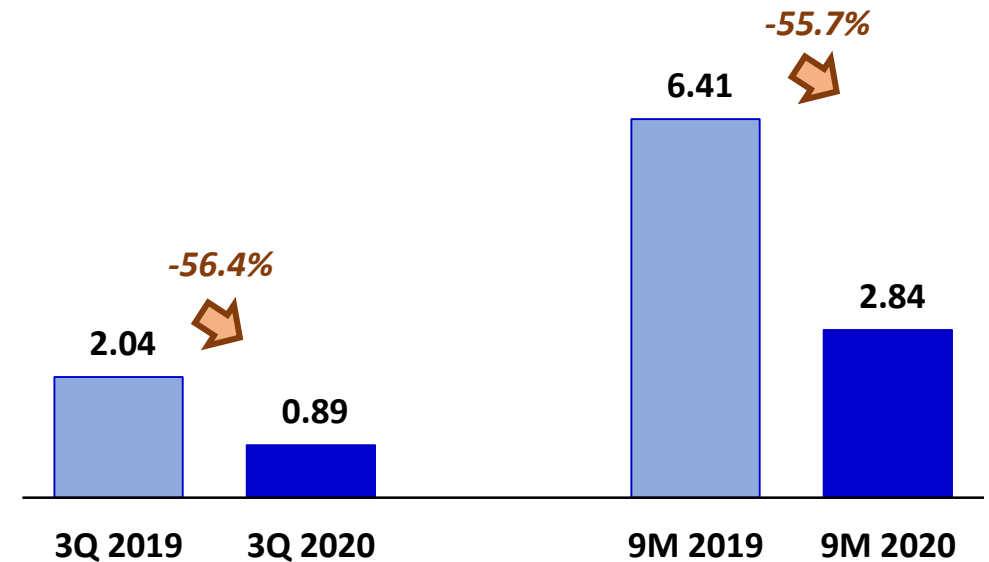


# Comparable sales

**Blended comparable sales**  
(in PhP billion)



**Department Store sales**  
(in PhP billion)

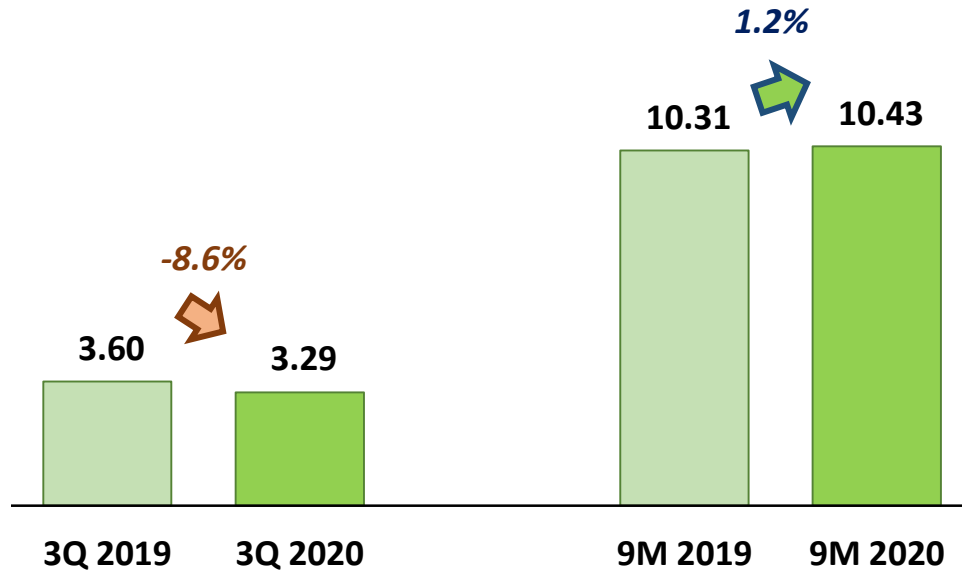


- ❑ Blended same store sales decreased by 16.5% over the same period last year mainly due to the decline in sales of our general merchandise business.
- ❑ Comparable sales of Department Stores decreased by 55.7% in nine-month period primarily due to the temporary closure of all Metro Department Stores in compliance with strict quarantine guidelines, restrained consumer spending and decline in store traffic.

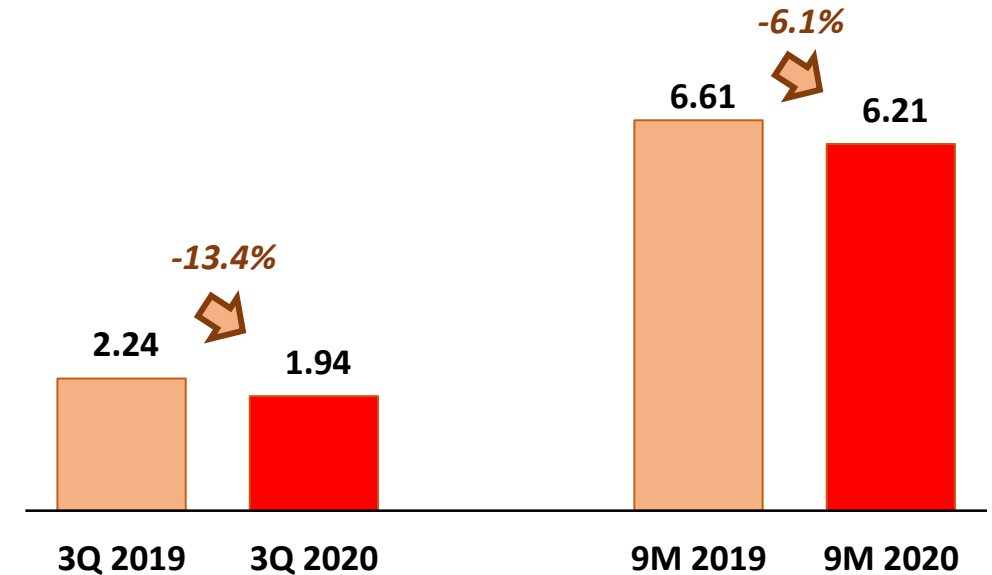


# Comparable sales

**Supermarket sales**  
(in PhP billion)



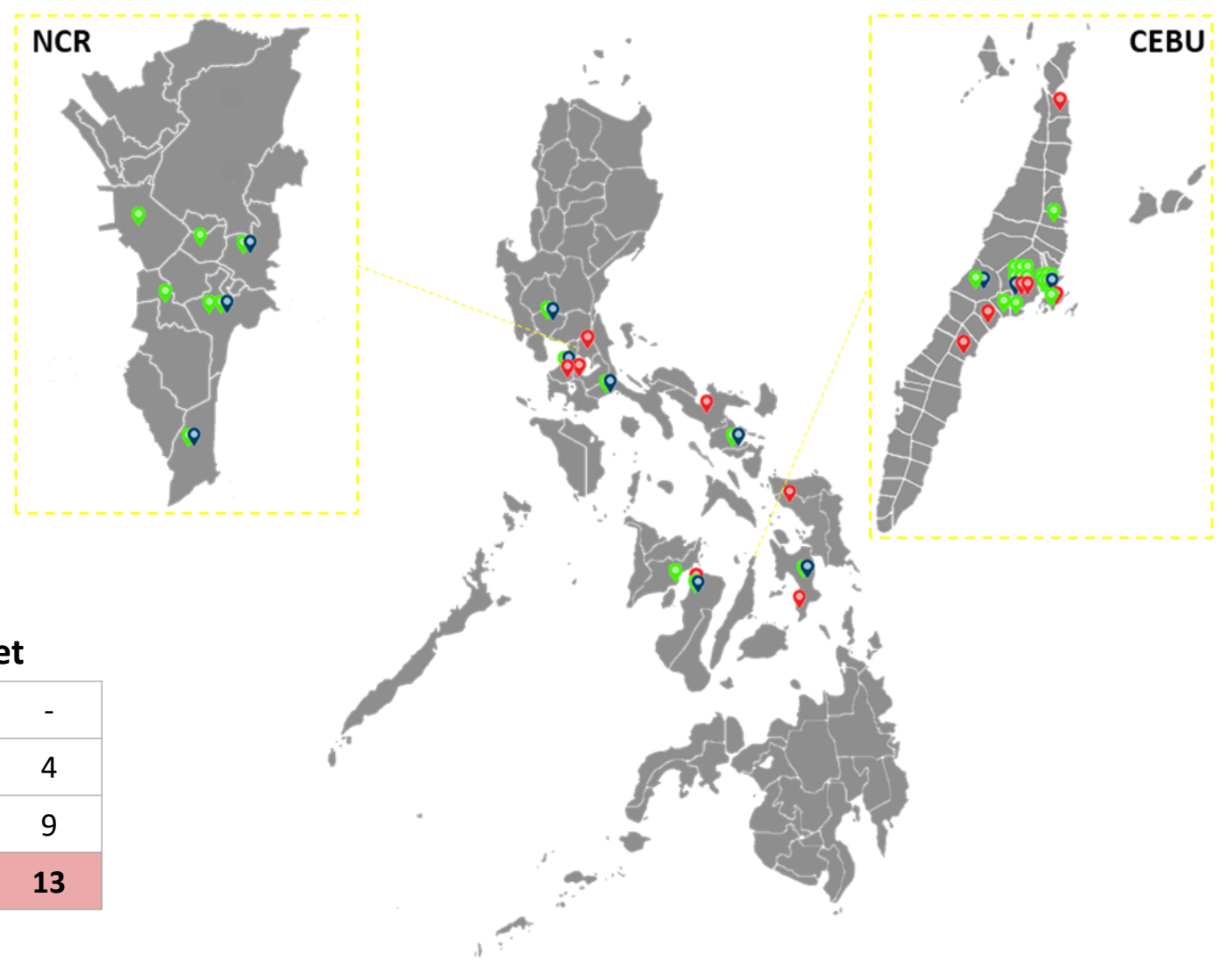
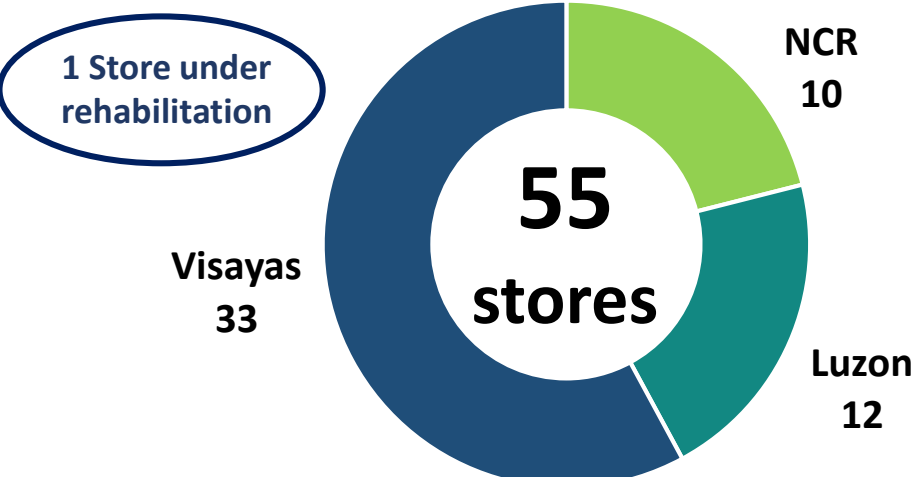
**Hypermarket sales**  
(in PhP billion)



- ❑ Metro Supermarkets and Super Metro Hypermarkets remained open to serve its customers during the community quarantine period.
- ❑ In 9M 2020, Comparable sales for Supermarkets increased by 1.2% while for Hypermarkets decreased by 6.1%

# MRSGI existing store network

Geographical composition of store network  
(as of 16 November 2020)



**Supermarket**

NCR	7
Luzon	4
Visayas	19
<b>Total</b>	<b>30</b>

**Department Store**

NCR	3
Luzon	4
Visayas	5
<b>Total</b>	<b>12</b>

**Hypermarket**

NCR	-
Luzon	4
Visayas	9
<b>Total</b>	<b>13</b>



# MRSGI network expansion

## Metro Ayala Cebu Department Store

Metro Ayala Cebu level	% to store sales (2017)	Re-build phase	Scheduled re-opening
Basement 1	6%	Phase 1	Opened 2018
Basement 2	49%		
Ground Floor	12%	Phase 2	Opened 2019
Second Floor	12%		
Third Floor	6%	Phase 3	Opened 2H 2020
Fourth Floor	8%		
Fifth Floor	7%		
Sixth Floor	1%		



Metro Ayala  
HOUSEWARE | STORAGE & ORGANIZATION  
APPLIANCE | ELECTRONICS | LINEN | FABRICS

**Now Open**  
**LEVEL 5**

AyalaMalls Ayala center cebu



# MRSGI network expansion

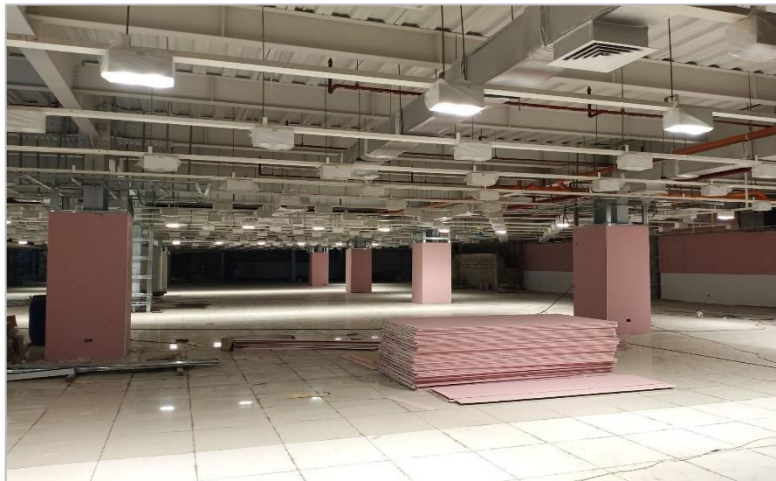
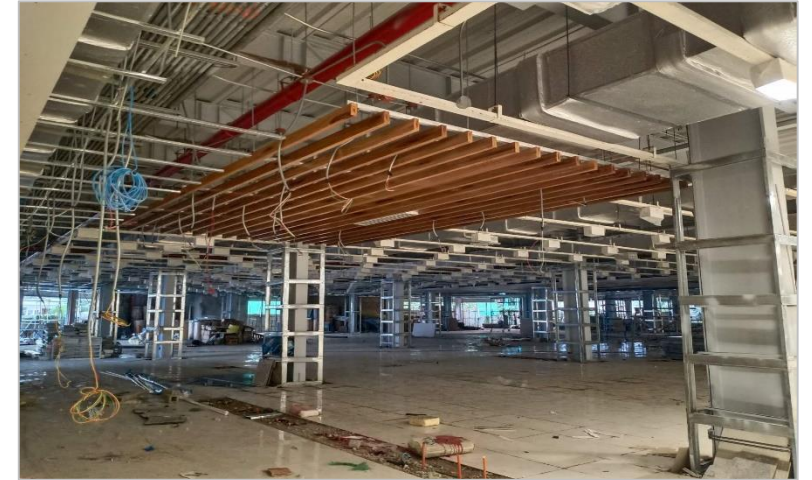
*Metro Tacloban – to open on November 2020*





# MRSGI network expansion

*Metro Danao – to open on 1H 2021*





# MRSGI network expansion

*Metro Sum-ag – to open on 1H 2021*





# Our response to the COVID-19 global pandemic



Keeping communities  
**safe and healthy.**



# Our response to the COVID-19 global pandemic



Ensuring the **well-being**  
of our **customers.**



# Our response to the COVID-19 global pandemic



Your safety is our **priority.**

PUBLIC ADVISORY  
Pursuant to the national government's  
new health protocol, please be advised  
that starting August 23, 2020  
**NO FACE SHIELD  
FACE MASK  
ENTRY.**  
Thank you for your cooperation  
Your safety is our priority.



# Our response to the COVID-19 global pandemic





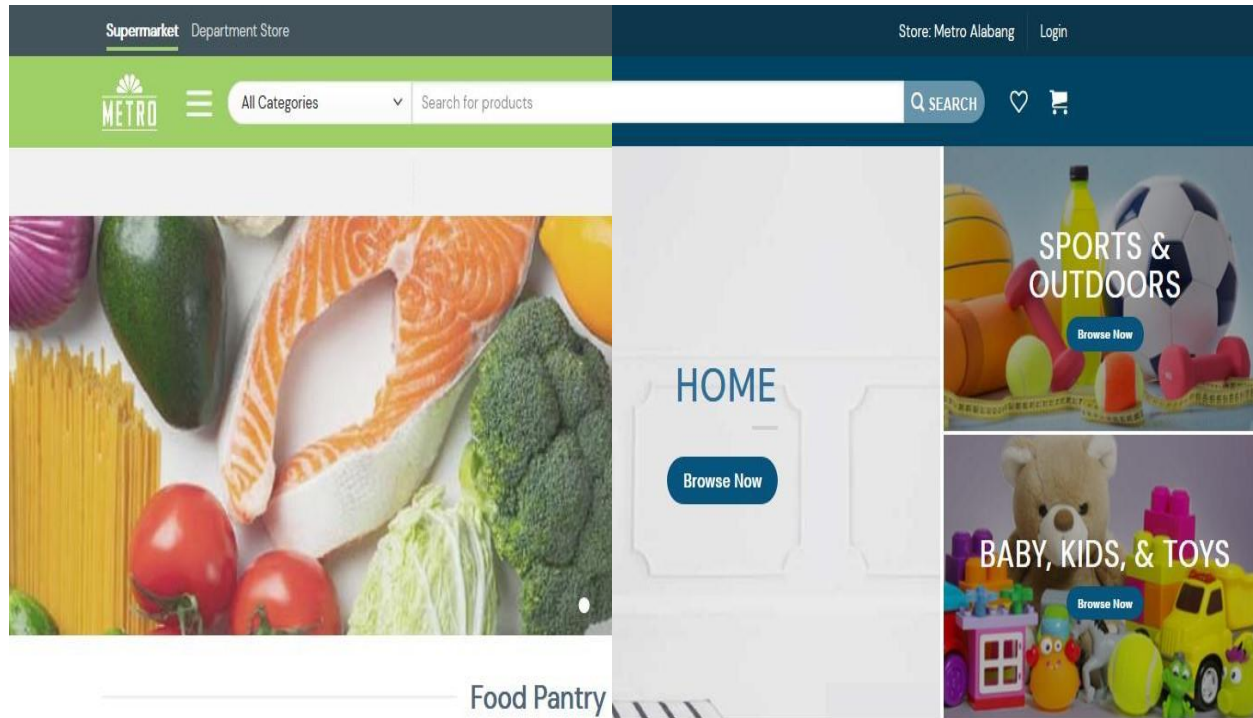
# Thematic promotions



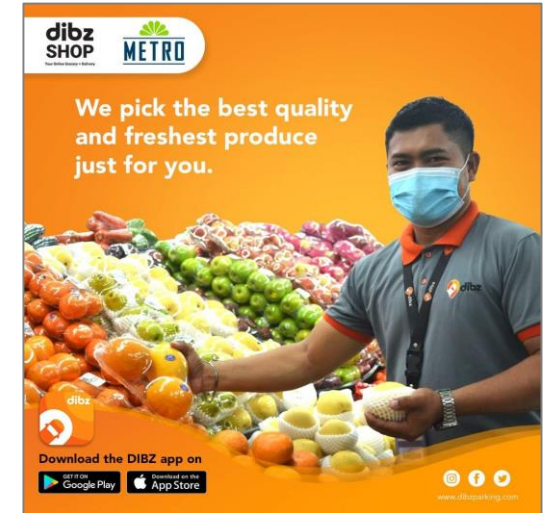
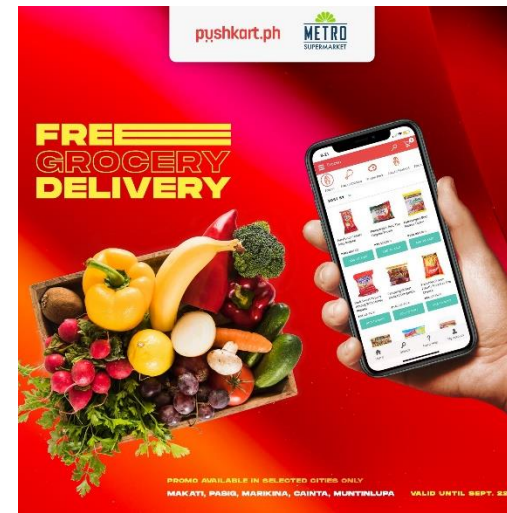
# Online and Mobile Channels

## E-commerce

<https://shop.themetrostores.ph/>



## Strategic Partnership



## Mobile Commerce





# Other developments

- The Company has initiated a transformation program aimed at positioning METRO for the 'next normal'. The initiatives under the program are intended to improve profitability and merchandise reach.
- Transformation efforts will include increasing market reach in both digital and physical channels, optimizing costs by streamlining operations, rationalizing store network, and undertaking a workforce rightsizing program.
  - All investments are currently under review by Management
  - Closed down two (2) Department Stores
  - Ongoing organization-wide rightsizing intended not just to temper manpower cost but improve the efficiency and competitiveness of MRSGI
- Following the success of both mobile commerce and e-commerce platform, MRSGI launched a version 2.0 of its online store (<https://shop.themetrostores.ph/>) with more participating stores and rolling out additional features.
  - The updated version of the online store now includes METRO Department Store page
  - To create a seamless online shopping experience, shop.themetrostores.ph introduced a '*one-cart*' shopping experience allowing customers to purchase both supermarket and department store merchandise under 'one (online) cart'





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# Plans and Prospects

# Plans and prospects

- ❑ **Strengthen Trust on the MRS GI Company**
  - Prioritize Employee Welfare and Safety
  - Build Customer confidence
- ❑ **Aggressively pursue our e-commerce program**
  - Headless commerce
  - Improved user experience
  - Intensified online marketing campaign
  - Partnership with strong e-commerce companies
- ❑ **Re-organize MRS GI for agility and focus**
- ❑ **Create new formats/channels**
  - Clearance centers
  - Neighborhood stores
  - Wholesale program
- ❑ **Implement operational efficiency initiatives**
  - “Store-ready” program
  - Digital transformation
  - “Deeper” rationalization initiatives

## MRS GI’s 4Cs of Growth

<b>CREATE</b> <b>Online / New Channels</b>	<b>CONQUER</b> <b>Supermarkets</b>
<b>CONTRACT</b> <b>Department Stores</b>	<b>CONVERT</b> <b>Hypermarkets</b>





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# Question and Answer

# Thank you



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**Annex**



# Statement of financial performance

## 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	
	2020 (Unaudited)	2019 (Unaudited) As Restated (Note 2)	2020 (Unaudited)	2019 (Unaudited) As Restated (Note 2)
<b>REVENUE</b>				
Net sales (Note 15)	₱6,984,147,860	₱8,685,469,266	₱22,218,328,746	₱25,284,348,579
Rental (Note 22)	32,077,520	65,587,868	112,971,222	187,275,165
	<b>7,016,225,380</b>	<b>8,751,057,134</b>	<b>22,331,299,968</b>	<b>25,471,623,744</b>
<b>COSTS AND EXPENSES</b>				
Cost of sales (Note 17)	5,583,058,512	6,788,385,293	17,694,849,445	19,657,998,179
Operating expenses (Note 18)	1,564,261,918	1,811,666,771	4,746,931,715	5,306,834,119
	<b>7,147,320,430</b>	<b>8,600,052,064</b>	<b>22,441,781,160</b>	<b>24,964,832,298</b>
<b>OPERATING INCOME / (LOSS)</b>	<b>(131,095,050)</b>	<b>151,005,070</b>	<b>(110,481,192)</b>	<b>506,791,446</b>
<b>OTHER INCOME (CHARGES) (Note 16)</b>				
Interest and other income	(213,038,442)	33,209,669	(59,602,849)	511,260,712
Finance costs	(134,284,521)	(152,559,718)	(427,298,774)	(454,463,210)
	<b>(347,322,963)</b>	<b>(119,350,049)</b>	<b>(486,901,623)</b>	<b>56,797,502</b>
<b>INCOME / (LOSS) BEFORE INCOME TAX</b>	<b>(478,418,013)</b>	<b>31,655,021</b>	<b>(597,382,815)</b>	<b>563,588,948</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)</b>				
Current	(23,165,669)	47,946,395	7,004,406	277,790,212
Deferred	(118,039,967)	(38,540,968)	(182,514,360)	(112,389,983)
	<b>(141,205,636)</b>	<b>9,405,427</b>	<b>(175,509,954)</b>	<b>165,400,229</b>
<b>NET INCOME / (LOSS)</b>	<b>(337,212,377)</b>	<b>22,249,594</b>	<b>(421,872,861)</b>	<b>398,188,719</b>



# Statement of financial performance (cont.)

<b>INCOME / (LOSS) BEFORE INCOME TAX</b>	<b>(478,418,013)</b>	<b>31,655,021</b>	<b>(597,382,815)</b>	<b>563,588,948</b>
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<b>NET INCOME / (LOSS)</b>	<b>(337,212,377)</b>	<b>22,249,594</b>	<b>(421,872,861)</b>	<b>398,188,719</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gains (losses) on defined benefit obligation	-	-	-	-
Income tax effect	-	-	-	-
	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<b>(P337,212,377)</b>	<b>P22,249,594</b>	<b>(P421,872,861)</b>	<b>P398,188,719</b>
<b>Basic/Diluted Earnings Per Share (Note 23)</b>	<b>(P0.10)</b>	<b>P0.01</b>	<b>(P0.12)</b>	<b>P0.12</b>



# Statement of financial position

## METRO RETAIL STORES GROUP, INC.

### UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

(With Comparative Audited Figures as at December 31, 2019)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	₱1,081,856,337	₱2,909,123,300
Short-term investments (Note 4)	670,644,434	629,574,974
Receivables (Note 5)	583,866,243	1,149,127,596
Merchandise inventories (Note 6)	5,862,810,334	4,636,576,270
Other current assets (Note 7)	657,557,921	491,626,178
<b>Total Current Assets</b>	<b>8,856,735,269</b>	<b>9,816,028,318</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	4,864,690,297	4,700,483,138
Right-of-use assets (Note 22)	5,454,150,273	7,512,796,866
Deferred tax assets - net (Note 21)	588,388,706	309,275,514
Other noncurrent assets (Note 9)	803,052,127	1,026,033,995
<b>Total Noncurrent Assets</b>	<b>11,710,281,403</b>	<b>13,548,589,513</b>
<b>TOTAL ASSETS</b>	<b>₱20,567,016,672</b>	<b>₱23,364,617,831</b>



# Statement of financial position (cont.)

<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 10)	₱4,353,371,987	₱5,409,499,852
Contract liabilities (Note 11)	74,902,433	103,525,837
Income tax payable	17,290,382	230,178,863
Lease liabilities - current portion (Note 22)	609,738,567	949,045,108
Loans Payable (Note 12)	1,000,000,000	-
<b>Total Current Liabilities</b>	<b>6,055,303,369</b>	<b>6,692,249,660</b>
<b>Noncurrent Liabilities</b>		
Lease liabilities - net of current portion (Notes 22)	5,292,230,363	6,870,042,722
Retirement benefit obligation (Note 19)	542,850,236	500,623,022
Other noncurrent liabilities (Note 13)	68,303,596	65,737,958
<b>Total Noncurrent Liabilities</b>	<b>5,903,384,195</b>	<b>7,436,403,702</b>
<b>Total Liabilities</b>	<b>11,958,687,564</b>	<b>14,128,653,362</b>
<b>Equity</b>		
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)	2,717,721,900	3,345,357,261
Remeasurement gains on defined benefit obligation (Note 19)	5,690,059	5,690,059
<b>Total Equity</b>	<b>8,608,329,108</b>	<b>9,235,964,469</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱20,567,016,672</b>	<b>₱23,364,617,831</b>



# Statement of cash flows

## METRO RETAIL STORES GROUP, INC.

### UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	For the Nine-month Periods Ended September 30	
	2020	2019 As Restated (Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	(P597,382,815)	P563,588,948
Adjustments for:		
Depreciation - ROU assets (Note 22)	894,054,001	895,120,822
Depreciation and amortization - PPE (Note 8)	372,294,645	372,053,446
Finance costs (Note 16)	427,298,774	454,463,210
Provisions (Note 16)	396,357,010	-
Provision for impairment of receivables (Note 18)	6,960,963	-
Loss on retirement of property and equipment	306,860	2,999,394
Net gain on insurance claims (Notes 16)	(104,364,149)	(372,771,327)
Gain on lease termination (Note 16 and 22)	(102,803,607)	-
Gain on lease modification (Note 16 and 22)	(67,643,128)	-
Interest income (Note 16)	(36,297,138)	(82,063,637)
Retirement benefits costs (Note 19)	43,329,726	37,679,478
Foreign currency exchange losses (gains) (Note 16)	2,847,807	(2,204,935)
Operating income before working capital changes	1,234,958,949	1,868,865,399
Decrease (increase) in:		
Receivables	460,149,936	173,558,732
Merchandise inventories	(1,226,234,064)	(733,504,728)
Other current assets	(198,249,695)	(24,973,485)
Increase (decrease) in:		
Trade and other payables	(1,147,015,620)	(571,365,174)
Contract liabilities	(28,623,404)	(35,367,501)
Other noncurrent liabilities	2,565,638	5,441,410
Cash flows provided by (used in) operations	(902,448,260)	682,654,653
Proceeds from insurance claims on merchandise inventory and business interruption	208,324,195	828,409,724
Income tax paid	(284,173,767)	(372,975,018)
Interest received	30,487,546	83,018,851
Interest paid	(6,373,294)	(1,304,361)
Net cash provided by (used in) operating activities	(954,183,580)	1,219,803,849



# Statement of cash flows *(cont.)*

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(858,165,674)	(1,345,717,779)
Decrease (increase) in short-term investments	(41,069,460)	197,514,630
Decrease (increase) in other noncurrent assets	247,525,795	(12,998,704)
Net cash used in investing activities	(651,709,339)	(1,161,201,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Principal portion of lease liabilities (Note 22)	(606,623,499)	(523,206,786)
Interest portion of lease liabilities (Note 22)	(406,140,471)	(443,384,600)
Cash dividends	(205,762,267)	(205,754,066)
Proceeds from loans payable	1,000,000,000	-
Net cash used in financing activities	(218,526,237)	(1,172,345,452)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,824,419,156)	(1,113,743,456)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	(2,847,807)	2,204,935
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,909,123,300	3,606,179,404
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱1,081,856,337	₱2,494,640,883



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