



LT GROUP, INC.

Press Release

May 7, 2019

LT Group looks to a better 2019, but will not be an easy task

LT Group, Inc. (LTG) President Michael G. Tan said during the Company's Annual Stockholders' Meeting that LTG is looking at a better 2019, although it will not be an easy task.

Mr. Tan said that LTG is gaining momentum and is reaping the benefits of hard work in the past. The Company also expects the same from investments that have been made in the last few years, including new partnerships forged for a township development as well as for the beer and life insurance businesses. LTG also continues to expand its partnership in the dairy business, while increasing the capacities of other businesses and introducing new products.

LTG is operating in an even more competitive environment, with continuing challenges to the dominant positions of its different products. New laws to further increase the excise tax for tobacco products and alcoholic beverages would adversely affect volumes. The delay in the passing of the 2019 National Budget may slow down infrastructure spending which is helping provide jobs and more disposable income to consumers.

The tobacco business will remain as the main source of LTG's earnings. PMFTC Inc. will continue to be vigilant in the fight against illicit trade and continue to work with Government. LTG is not against tax increases, but believes that the hikes should be moderate. Continual price increases to pass on higher excise taxes may result to further volume drops.

LTG expects Philippine National Bank (PNB) to grow its core income, as sale of foreclosed assets contributed significantly to earnings in the past three years. In the future, LTG expects the Bank to realize higher returns, create value for LTG and contribute a bigger share to LTG's earnings.

Tanduay Distillers, Inc.'s (TDI) liquor sales will be affected if excise taxes are substantially increased. Bioethanol sales will continue to augment earnings as TDI continues to take advantage of the Biofuels Law.

Eton Properties Philippines, Inc. (Eton) will increase its leasing portfolio with the completion of its pipeline of projects. Its office buildings should continue to enjoy high occupancy rates.

Asia Brewery, Inc. (ABI) should see the volume of Cobra to stabilize as there is no further increase in the tax on sugary drinks. The expansion of the bottled water facilities will support the healthy growth of this segment while most of the imported supply of Vitamilk soymilk will be produced locally.

Following the Company's Annual Stockholders' Meeting, Mr. Tan mentioned that the group's capital expenditures (capex) for 2019 will be around Php19 billion, including participation in PNB's stock rights offering. In 2018, capex was at Php11 billion.

In 2018, LTG's attributable net income amounted to Php16.19 billion. The tobacco business accounted for Php8.72 billion or 54% of total. PNB contributed Php5.47 billion or 33%. TDI added Php890 million or 5%. Eton contributed Php479 million while ABI provided Php421 million, each accounting for 3% of total. Victorias Milling Company, Inc. (VMC) added Php247 million, or 2% of total.