# ALLIANCE GLOBAL

## UBS Philippines CEO/CFO Forum

28 February – 1 March 2018

# AGI Group structure

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**AGI PM**
(US$ 2.8bn)

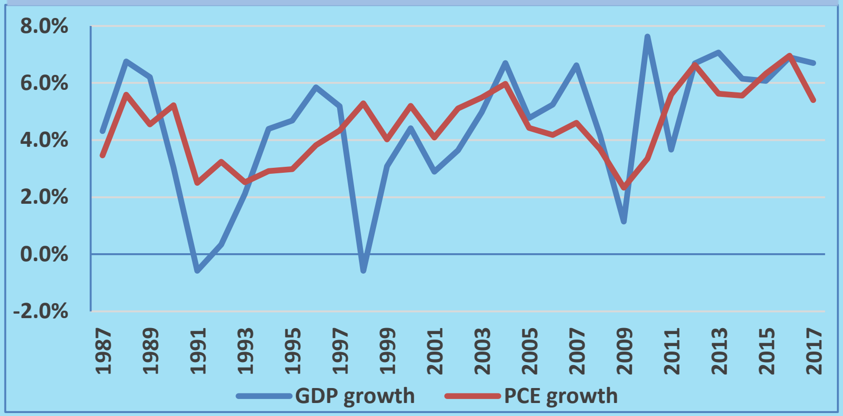
| 67% | 82% | 44% | 49% | 100% |
|---|---|---|---|---|
| MEGAWORLD | EMPERADOR INC. | TRAVELLERS INTERNATIONAL | McDonald's Philippines GOLDEN ARCHES DEVELOPMENT CORPORATION | INFRACORP AN ALLIANCE GLOBAL COMPANY |
| MEGPM (US$ 2.9bn) | EMP PM (US$ 2.3bn) | RWM PM (US$ 1.0bn) | Not listed | Not listed |
| Pioneer township developer | Largest brandy company in the world by volume | First integrated resort in the Philippines | Key player in the QSR industry | Foray into infrastructure projects |

*Market cap as of 26 February 2018.*

# Macro Drivers

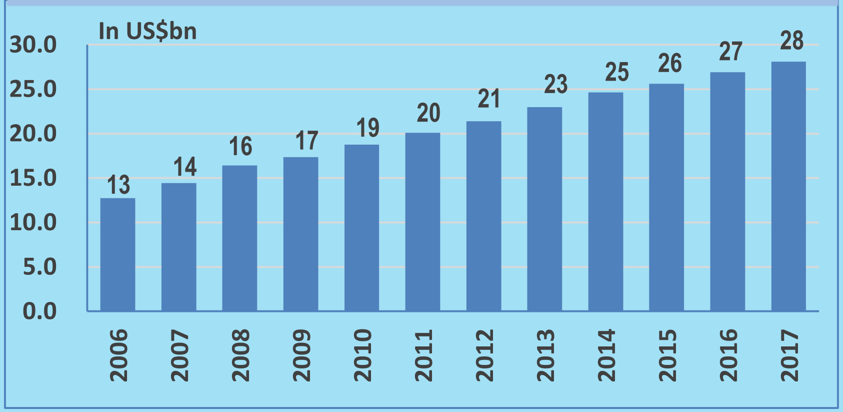
# Key economic drivers

## Economy remains on a growth path



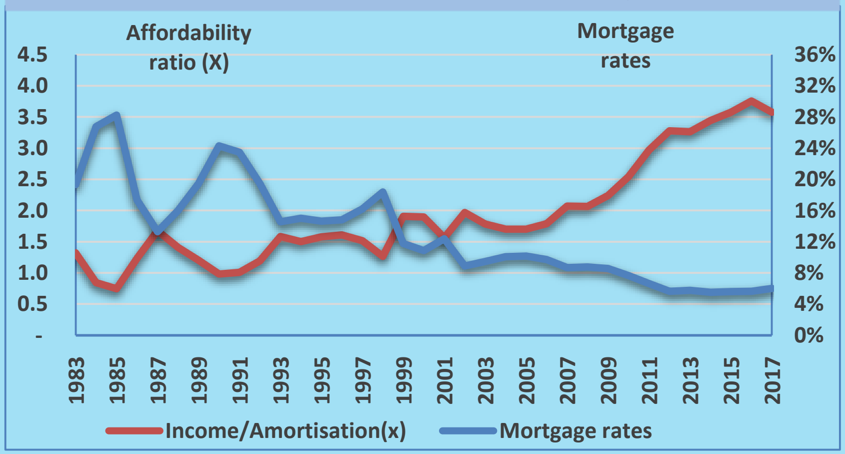

*Source: Philippine Statistics Authority (PSA).*

## Steady flows in OFW remittances



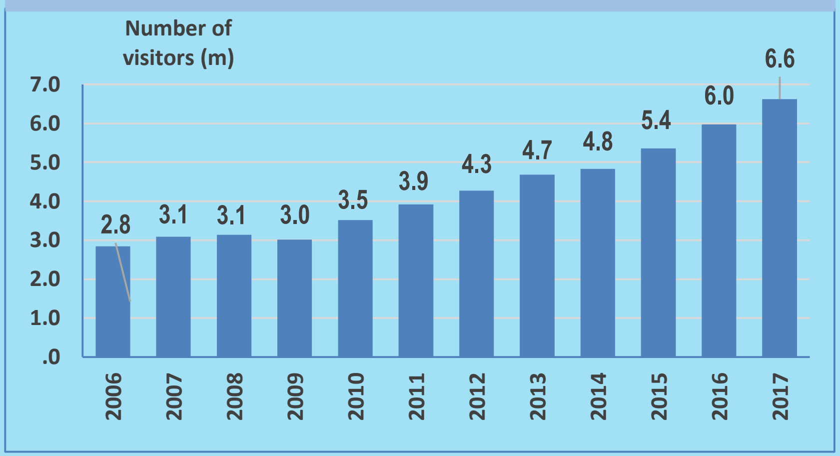

*Source: Bangko Sentral ng Pilipinas (BSP).*

## Improving affordability




*Source: BSP, National Statistics Coordinating Board.*

## Sustained expansion in tourism sector




*Source: Philippine Statistics Authority*

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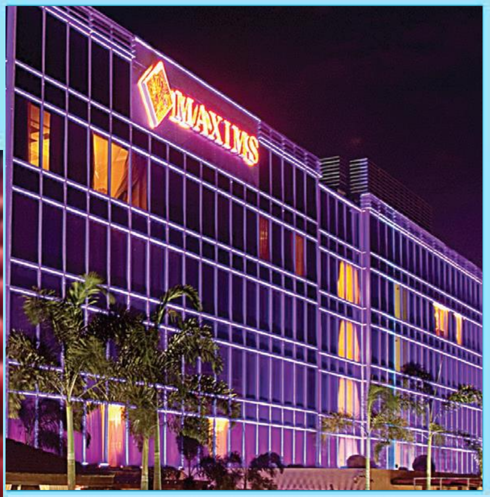


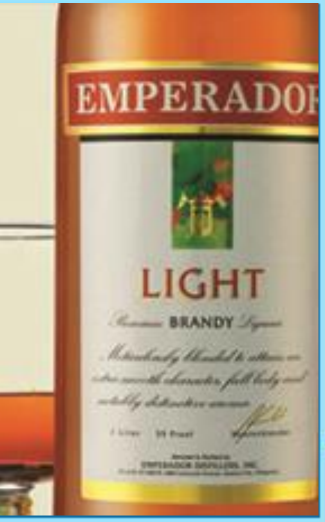


# Alliance Global Group Inc.

# AGI By the Numbers

ALLIANCE GLOBAL



**P545bn**
in total resources (end-Sep2017)

**P140bn**
in total revenues (2016)

**2%**
Parent net debt/equity (end-Sep2017)

**4,231**
Hotel room keys (2017)



# Key points

- Competitive strengths: property and consumer sectors.
- Future-proofing the business:
  - *i*Townships – *i*live. *i*work. *i*play. *i*connect
  - Increasing share of dependable recurring income.
    - Rentals contribute ~25% of MEG revenues and 50% of EBITDA.
    - Non-gaming revenues account for 15-20% of RWM net revenues.
  - Undertaking geographical expansion, both domestic and international.
    - Ex-Metro Manila projects contribute ~30% of MEG real estate sales.
    - WMG accounts for ~30% of EMP revenues.
    - RWM is looking to launch Westside City Resorts World by 2020/21.
  - Going into hospitality, a new area of growth.
  - Pursuing infrastructure projects to promote connectivity and sustainability of Group property assets.
- Continued heavy capital spending to ensure future growth.
- Implementing prudential practices to keep balance sheet strong.

# *i*Township: townships of the future

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Uptown Bonifacio

McKinley Hill

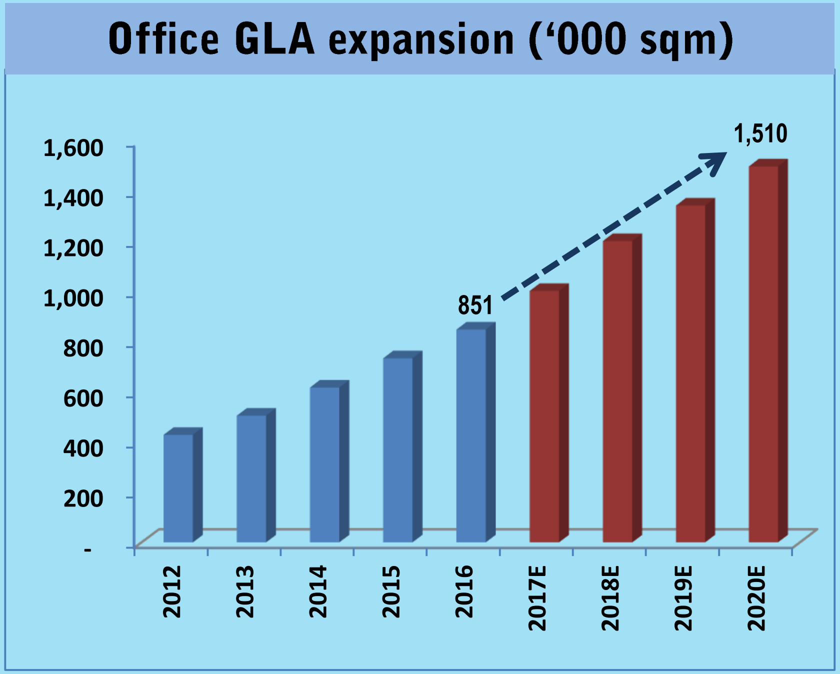

McKinley West

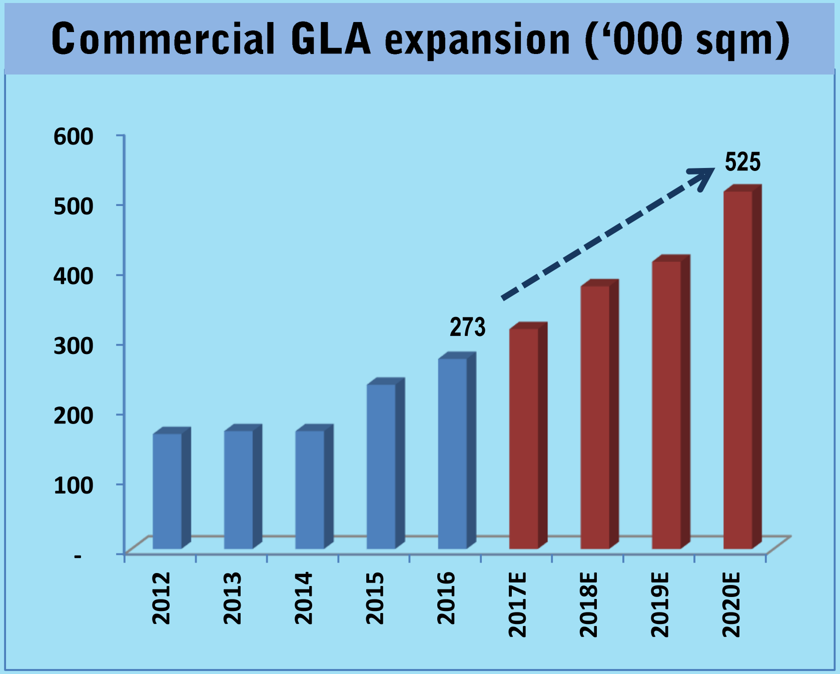
## *i*Live. *i*Work. *i*Play. *i*Connect.

Mactan Newtown

Iloilo Business Park

# MEG: growing the rental segment





# MEG: diversifying geographically

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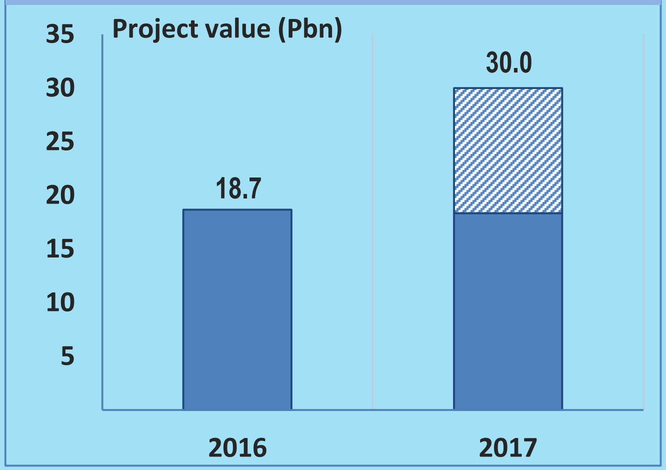
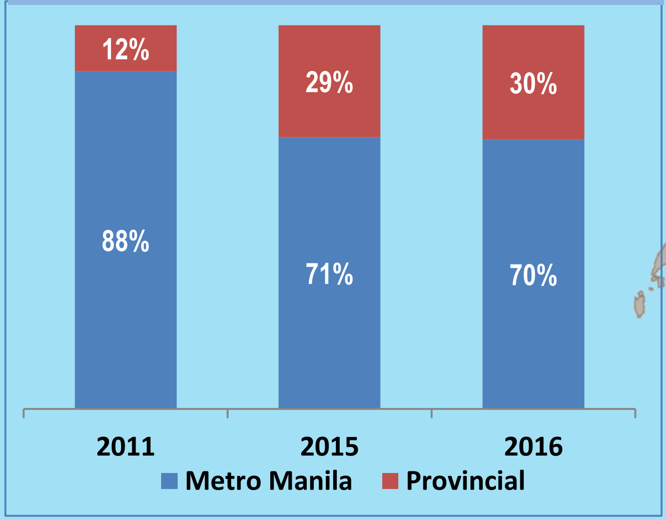
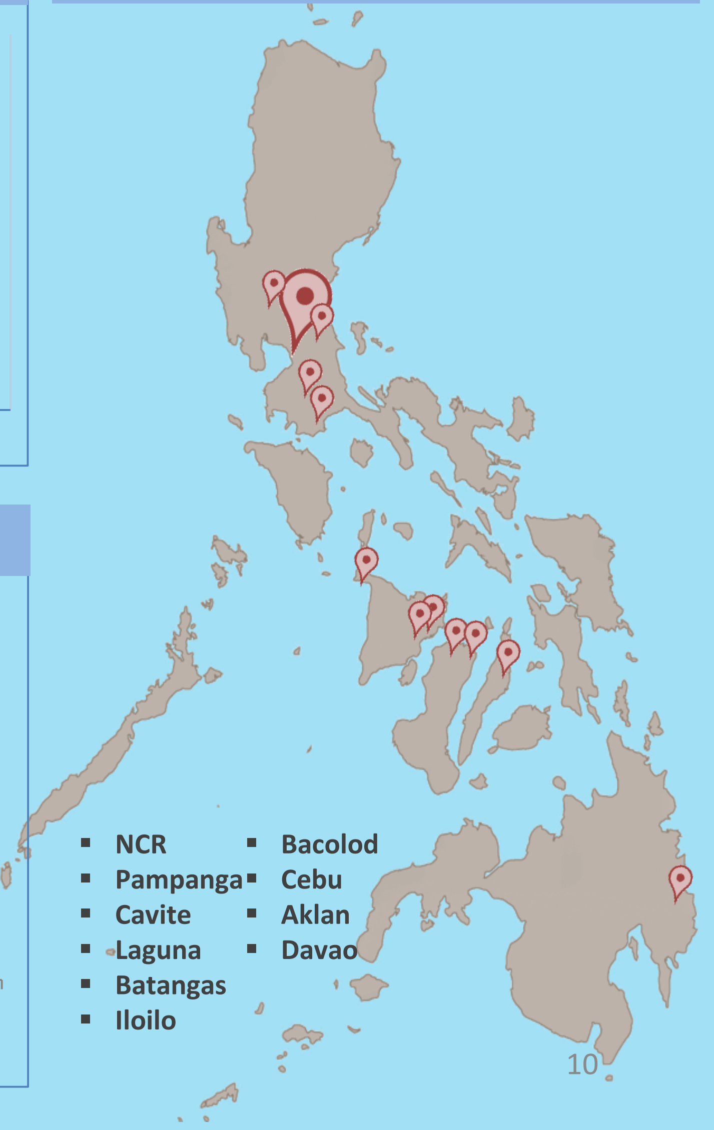
## Residential project launches…




## Real estate sales, by location




## …throughout the country



# GADC: improving QSR penetration

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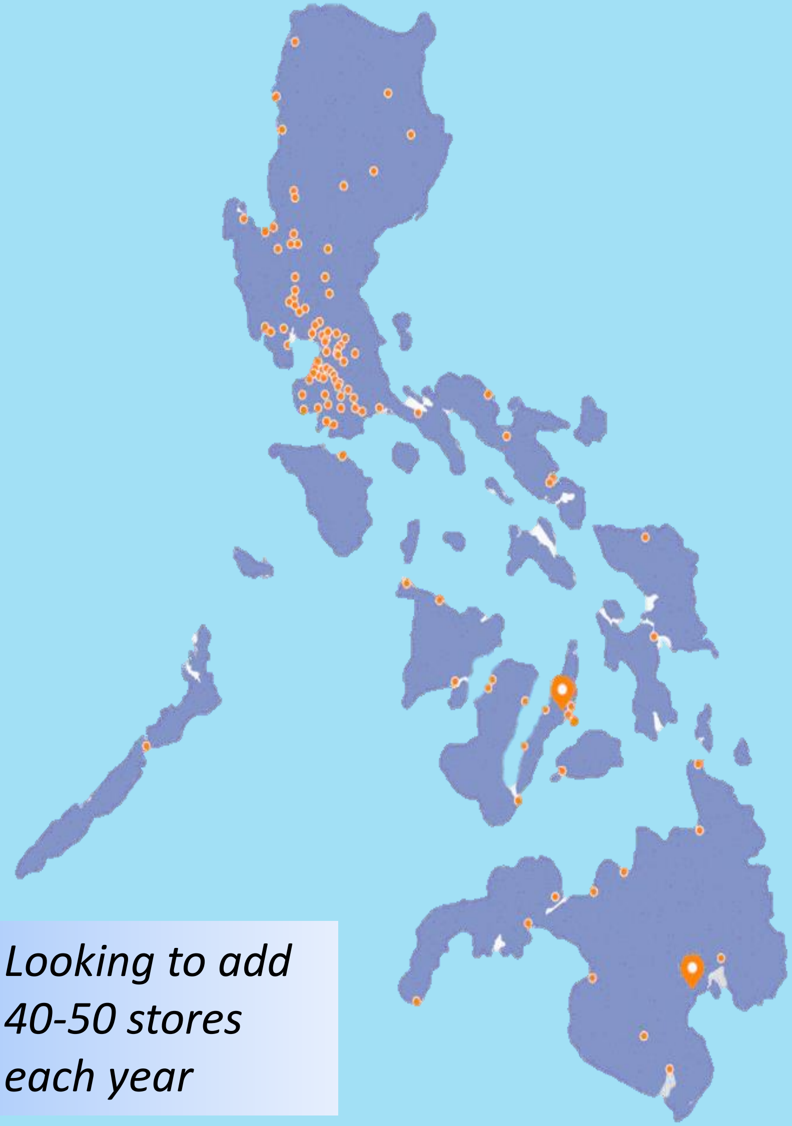
## McDo penetration throughout the country



*Looking to add 40-50 stores each year*


# EMP: continuing premiumization

## 2017 Emperador product launches


PHP 120-140 (1L)


US$ 24


€ 10.95

# EMP: increasing share of foreign brands

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Fundador store at Venice Grand Canal Mall


Dalmore flagship store at Uptown Bonifacio

# AGI: expanding hospitality business

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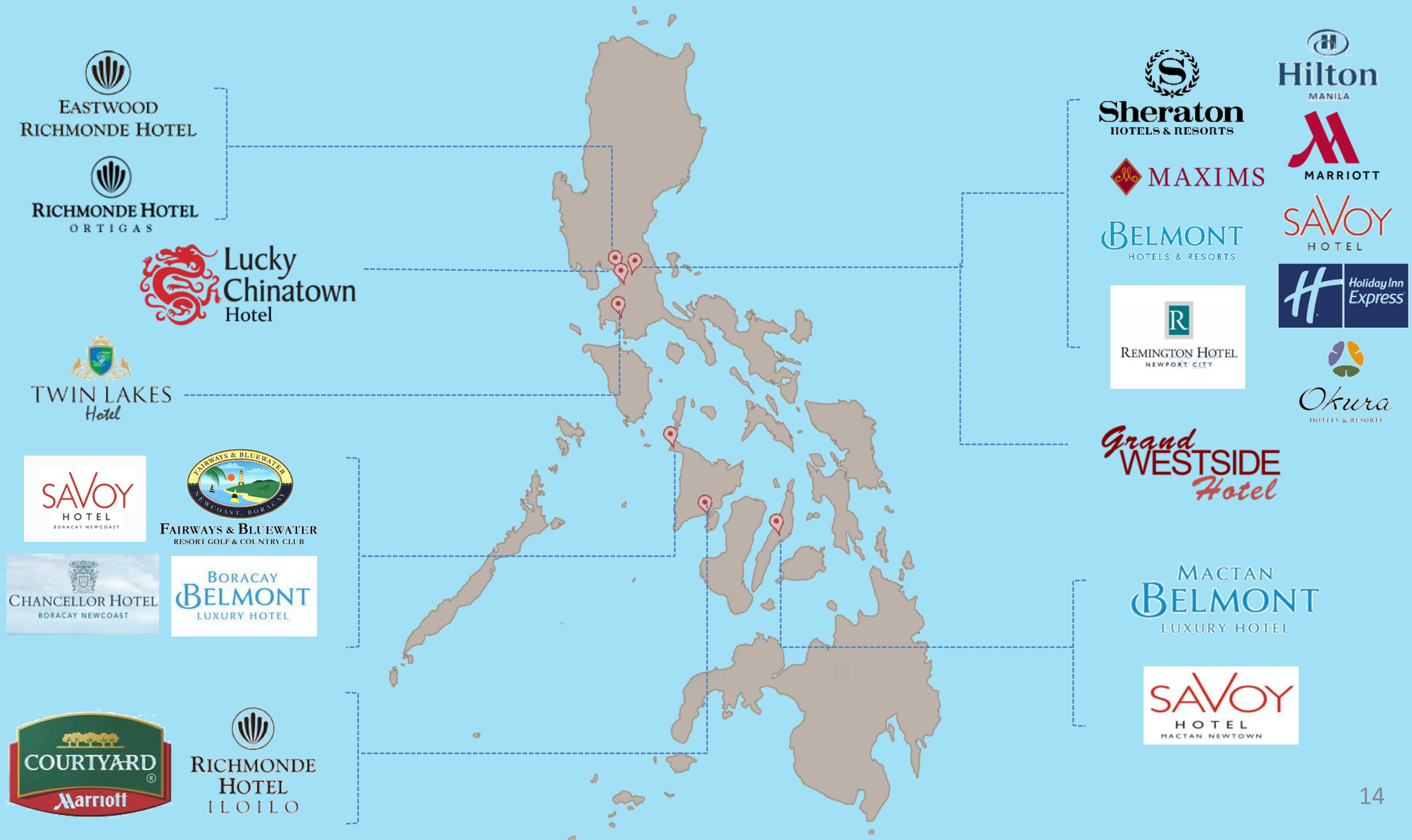
- **AGI is the country's largest hotel developer, with widest selection of well-known international brands.**
  - ➢ Existing capacity 4,203 rooms: targeting to reach 12,000 capacity in five years



# RWM: launching of Phase 3 expansion

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128,000 sq.m. Gross Floor Area

| 391 rooms | 357 rooms | 191 rooms |
| --- | --- | --- |
| Sheraton Hotels & Resorts | Hilton | Okura Hotels & Resorts |

14,000 SQ. M. GAMING GROSS FLR. AREA

3,200 SQ. M. RETAIL GROSS FLR. AREA



# Infracorp: forays into infrastructure

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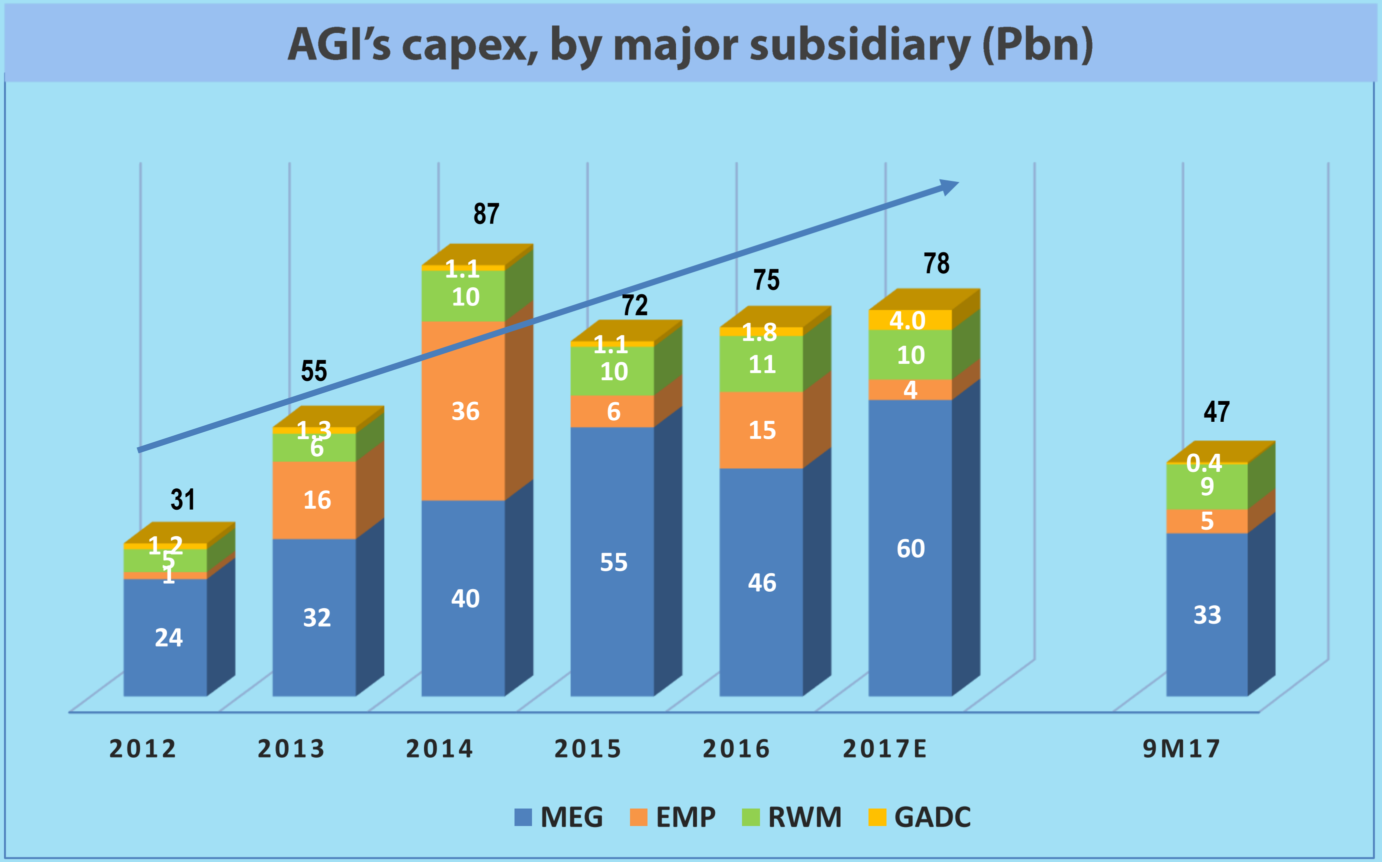
INFRACORP
AN ALLIANCE GLOBAL COMPANY


- The 5th leg of AGI that will handle infrastructure projects, particularly transport solutions around Metro Manila, key growth areas throughout the country and various AGI/MEG township developments.
- INFRACORP is expected to help transform MEG into a transit-oriented township developer.
- Its first project is *Skytrain,* a 1.88-km monorail that will connect MRT 3 Guadalupe Station to MEG township in Uptown Bonifacio.

# Group investment commitments




*E - Estimated.*

- AGI remains committed to a heavy capex to grow the business.
- 60% of this year's capex already spent in 9M2017.

# Group borrowings

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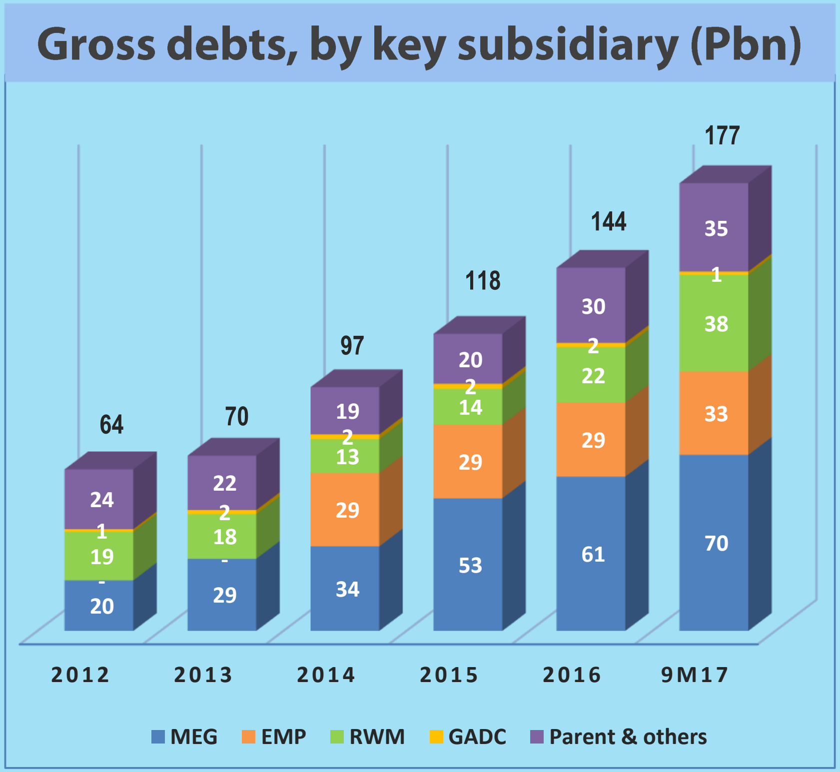
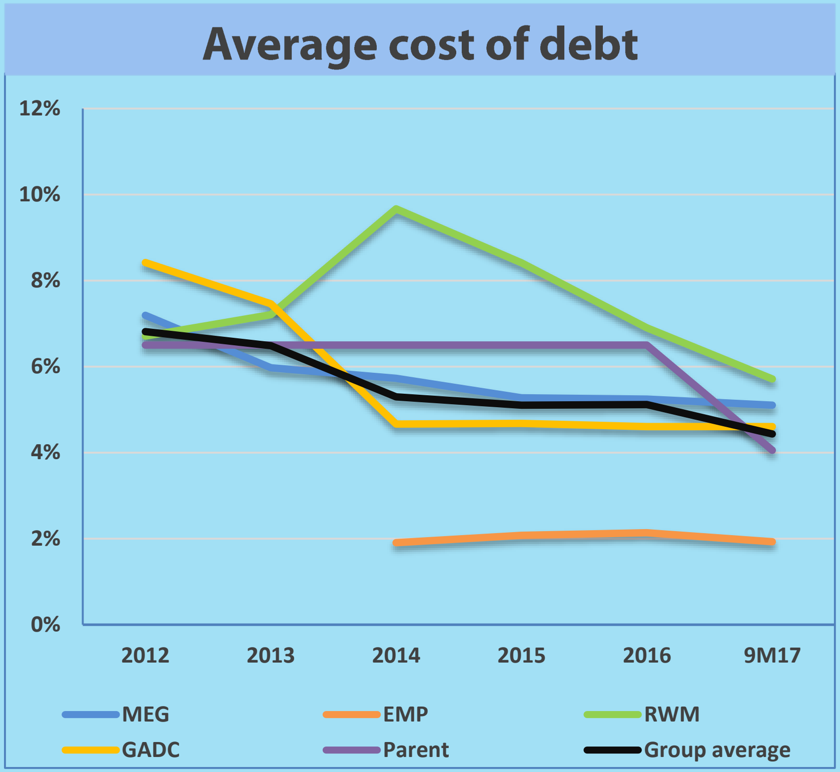
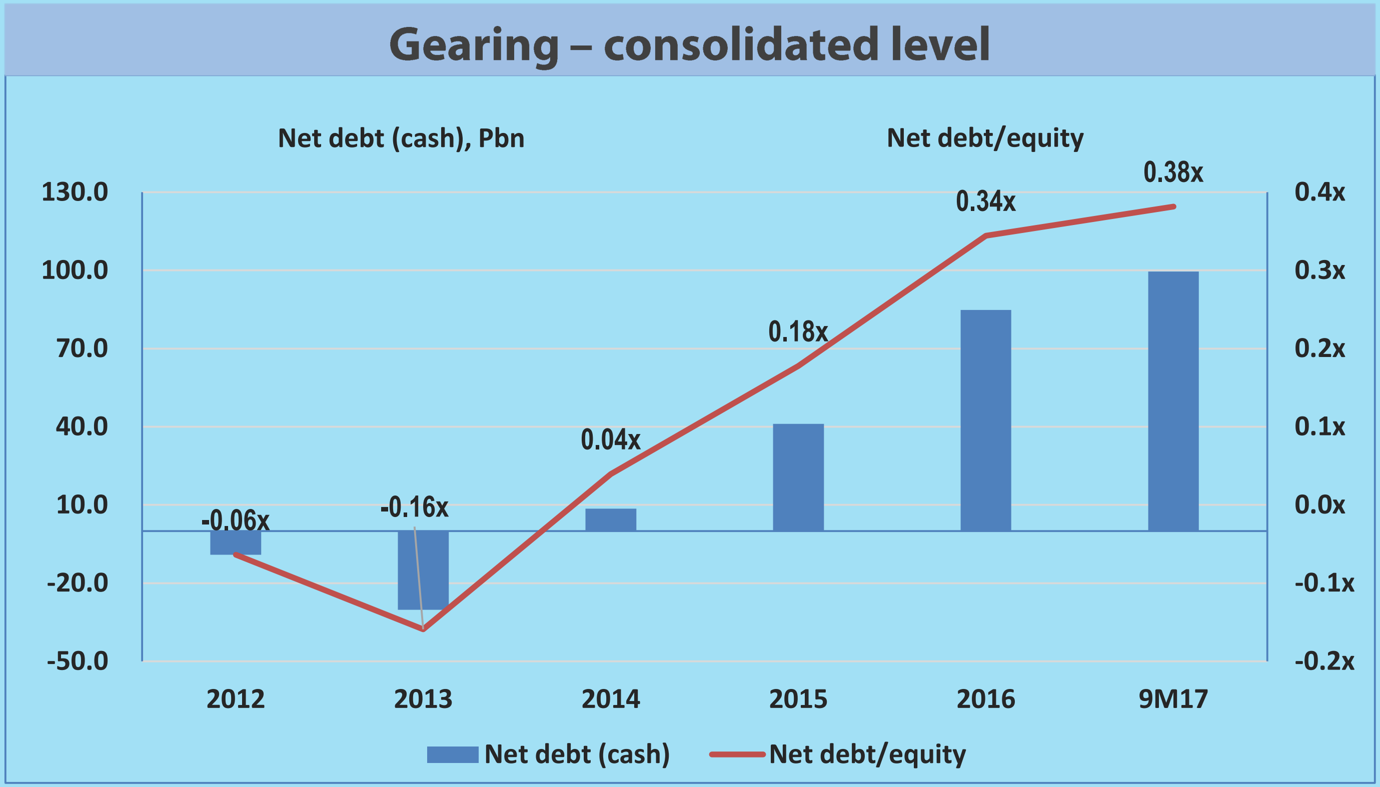



- End-Sep2017 group borrowings stood at P177bn, mainly to fund capex, taking advantage of lower average cost of debt.

# Consolidated gearing




- Group net debt/equity in end-Sep 2017 stood at 0.38x (vs 0.34x in end-2016).
- Parent net debt/equity remained low at 0.02x.



# Alliance Global Group Inc.

## 9M2017 performance highlights

# AGI's 9M2017 performance at a glance

- Group revenues -1% to P100.3bn; net income -8% to P10.2bn.
  - MEG: revenues +4% / profit +11%
    - Driven by strong revenue growth in rentals and hotels; residential segment up due to faster completion rate.
    - Broad-based improvement in pre-sales.
    - Overall margin enhancement given changing income mix.
  - EMP: revenues flat / profit -8%
    - Brandy sales steady helped by new product offerings; whisky sales grew 4%.
    - Lower margins amid higher packaging costs, salaries and marketing expenses.
  - RWM: revenues -24% / profit -98%.
    - Weighed down by June 2 incident; recovery underway.
    - Non-gaming business up given higher hotel occupancy rate.
  - GADC: revenues +13% / profit +19%.
    - Boosted by new stores, healthy same-store sales growth and economies of scale.
- Increased borrowings to fund ongoing capex, but financial gearing remains comfortable.

# 9M2017 performance at a glance

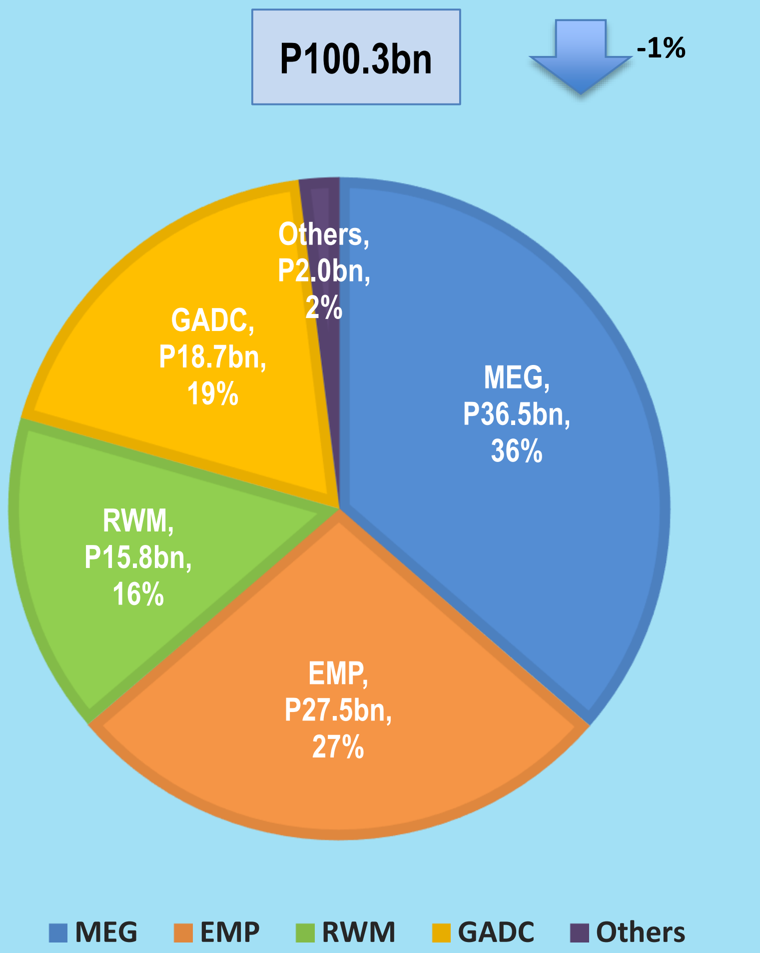
ALLIANCE GLOBAL

| P&L highlights (Pbn) | 9M2017 | 9M2016 | % chg | Comments |
|---|---|---|---|---|
| **Group revenues** | **100.3** | **101.6** | ***-1%*** | |
| Megaworld | 36.5 | 35.2 | *4%* | Robust growth in rentals; higher project completion. |
| Emperador | 27.5 | 27.6 | *0%* | Continued in growth in whisky sales; contribution from new product offerings support brandy sales. |
| Travellers | 15.8 | 20.8 | *-24%* | Weighed by June 2 incident, ramping up casino business; hotel/MICE operations continued to do well. |
| GADC | 18.7 | 16.5 | *13%* | 5.8% systemwide SSSG; active store expansion. |
| Others | 2.0 | 1.5 | *32%* | |
| **Group costs/expenses** | **(80.6)** | **(80.0)** | ***1%*** | |
| Megaworld | (23.2) | (23.2) | *0%* | Cost of sales steady; modest growth in cash opex. |
| Emperador | (22.2) | (21.7) | *2%* | Higher packaging costs, salaries, marketing spend. |
| Travellers | (15.5) | (17.7) | *-12%* | Drop in casino-related expenses but higher interest. |
| GADC | (17.2) | (15.3) | *12%* | Increases in COGS, G&A expenses. |
| Others | (2.5) | (2.0) | *24%* | |
| **Net income to owners** | **10.2** | **11.0** | ***-8%*** | |
| Megaworld | 6.7 | 6.0 | *11%* | Changing profit mix buoys overall margins. |
| Emperador | 3.7 | 4.0 | *-8%* | Improved whisky margins pared the profit decline. |
| Travellers | 0.0 | 1.3 | *-98%* | Includes P321m in losses from casualty. |
| GADC | 0.5 | 0.4 | *19%* | Achieving economies of scale with store growth. |
| Others | (0.6) | (0.6) | *-1%* | |
| ***Net profit margin*** | ***10.1%*** | ***10.9%*** | ***-73bps*** | |

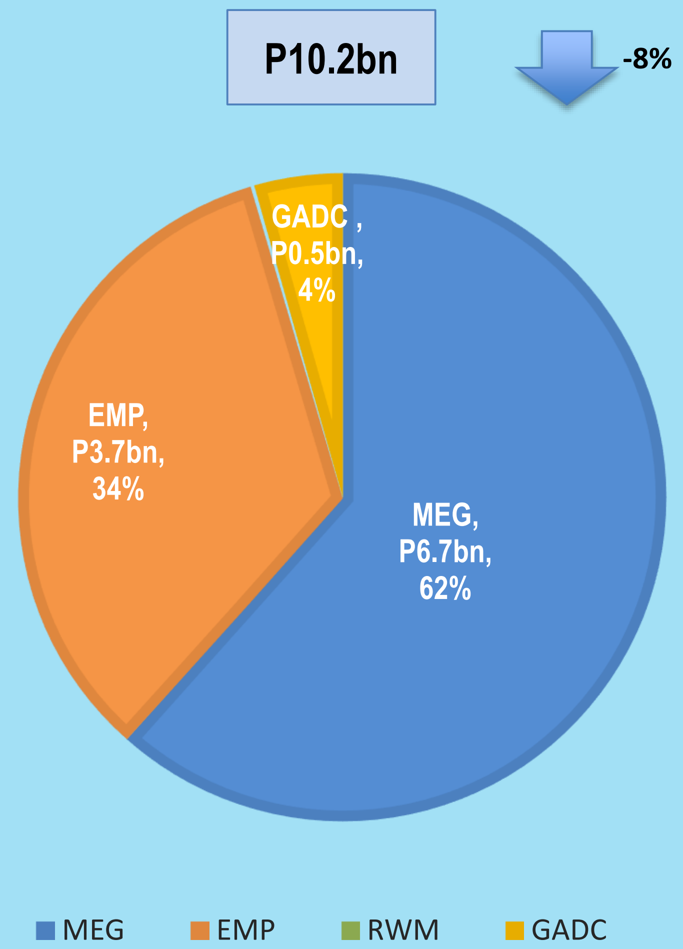
# Financial highlights

ALLIANCE GLOBAL

## 9M2017 Consolidated Revenues




## 9M2017 Attributable Net Income



MEGAWORLD

# Megaworld Corporation

## 9M2017 performance highlights

# Megaworld by the Numbers

**851k**
sqm office GLA

**273k**
sqm commercial GLA

**~130**
BPO clients

**4,414**
hectares landbank

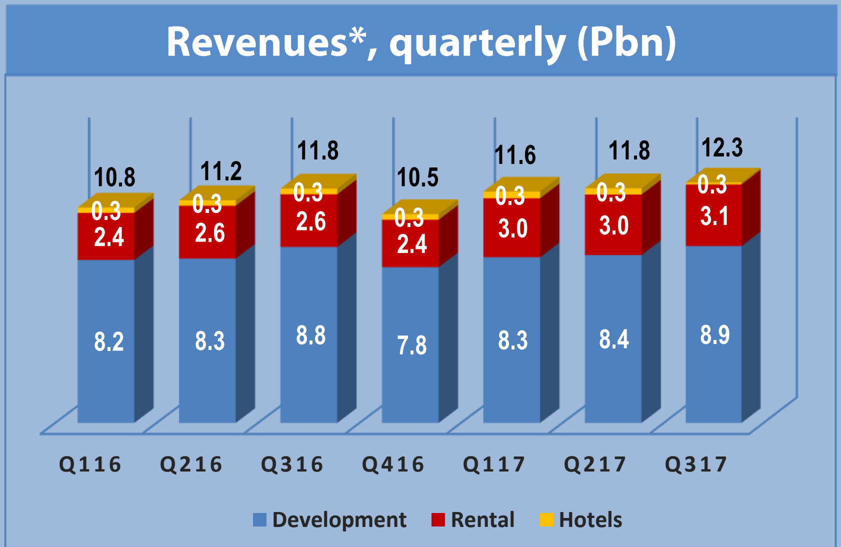

**22**
townships

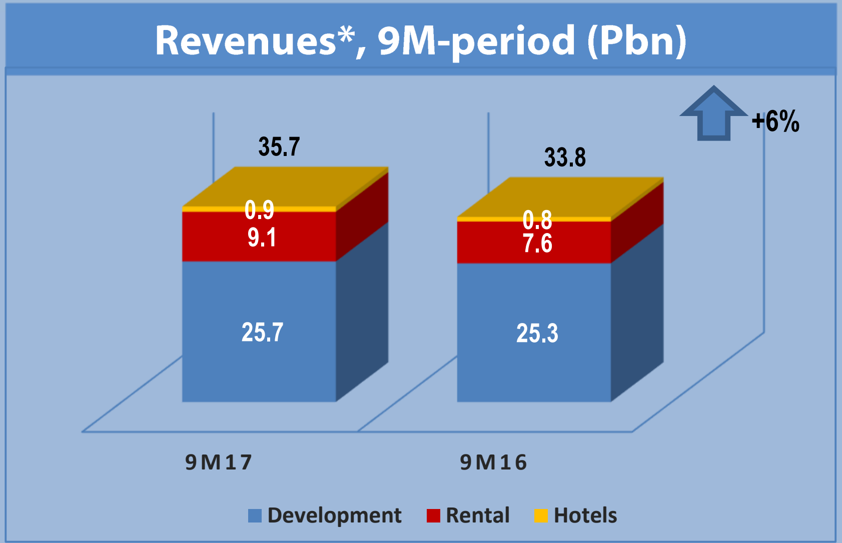
# Megaworld's 9M2017 performance at a glance

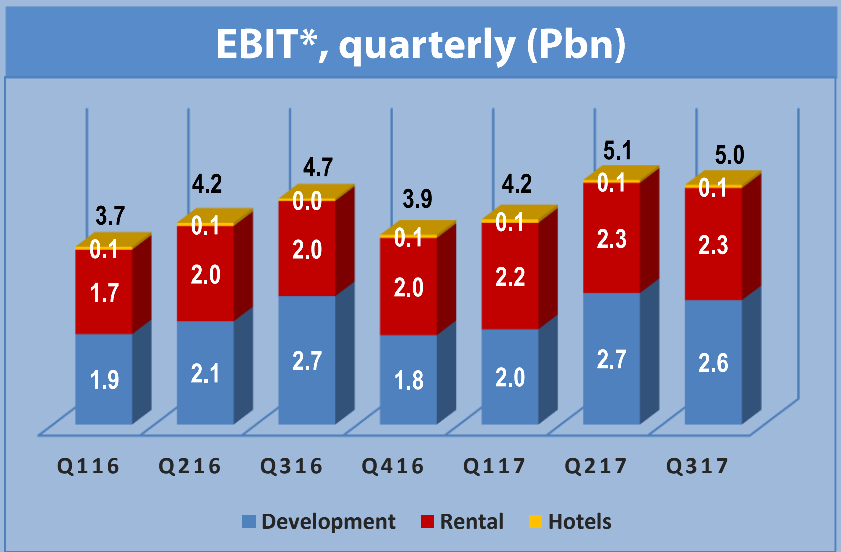
MEGAWORLD

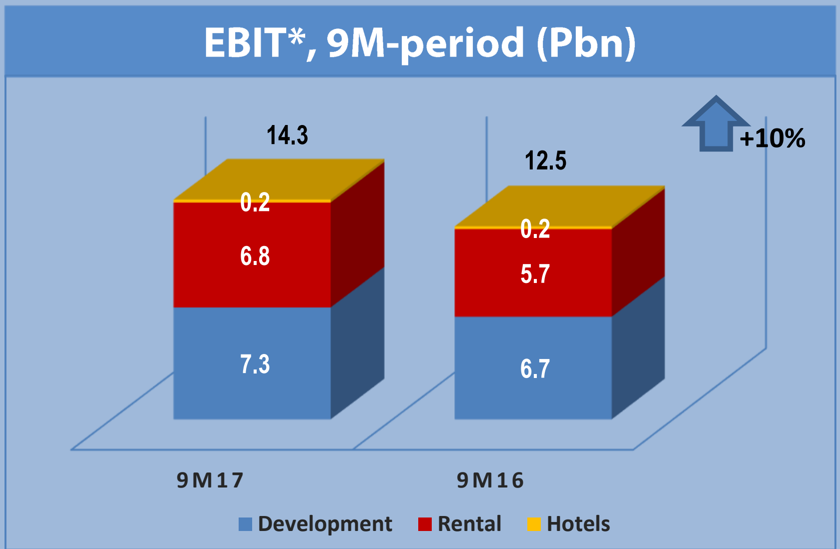
- Total revenues +5% YoY to P37.1bn.
  - Residential revenues +1% to P25.7bn (or 69% of total).
    - Total realized gross profit +8% to P10.0bn with higher project completion.
    - Growing share of projects outside of Metro Manila.
  - Rentals +19% to P8.8bn (or 24% of total).
    - Increasing share of rentals to 24% from 22% a year before.
    - Rental income split: office 61% / commercial 39%.
    - Rental GLA split: office 76% / commercial 24%.
  - Hotel income +8% to P950m.
- Overall margin direction ⇧ due to changing income mix.
  - Residential gross profit margin ⇩ 45.4% from 46.1%.
  - Rental EBIT margin ⇧ 75.2% from 74.6%.
  - Overall EBIT margin ⇧ 39.0% from 37.1%.
- Net income +12% to P10.3bn.
- Net debt/equity in end-Sep2017 at 0.38x (vs 0.31x in end-2016).

# Megaworld's interim financial highlights



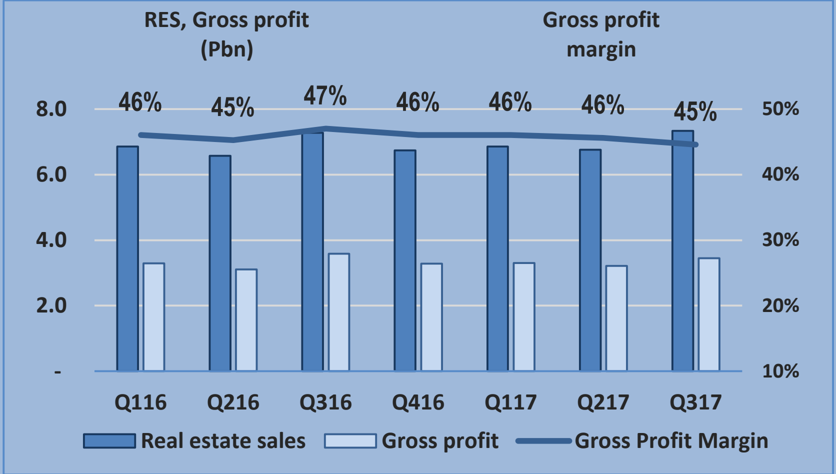




*Covers residential, rental and hotel operations only. Excludes financial and other income.

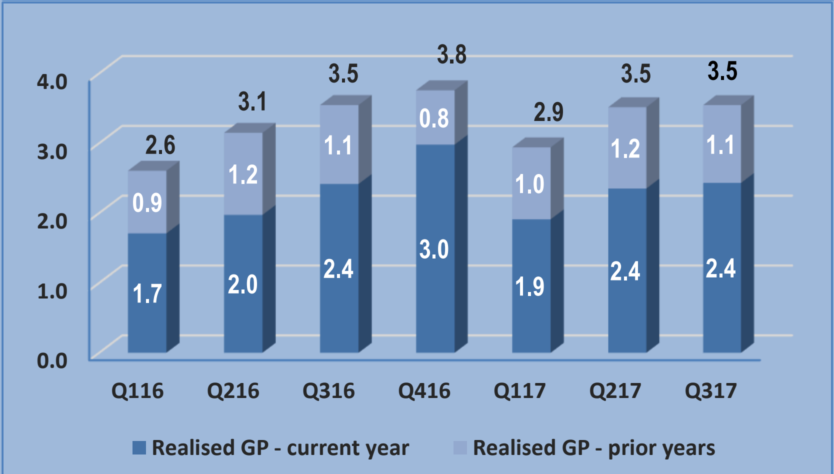
# Megaworld's interim financial highlights

MEGAWORLD

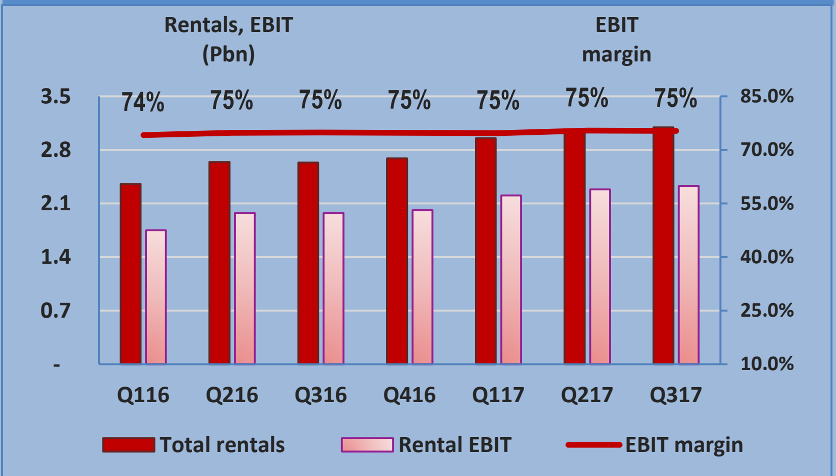
## Real estate sales vs Gross profit (Pbn)



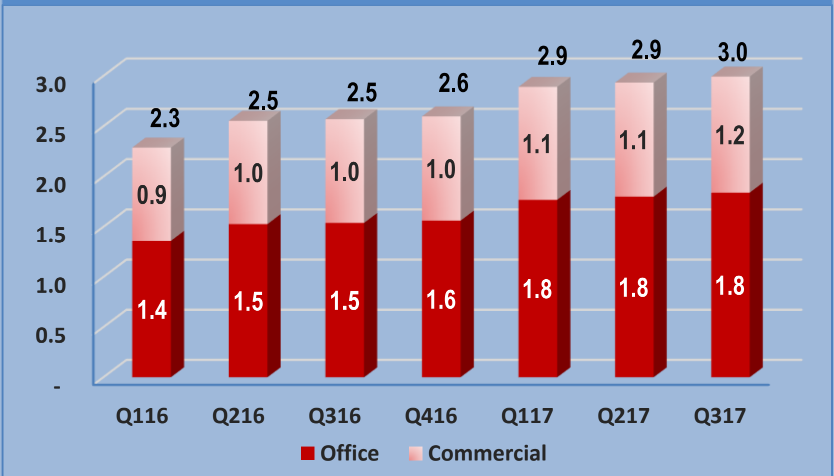

## Realized gross profit (Pbn)




## Rentals vs EBIT (Pbn)

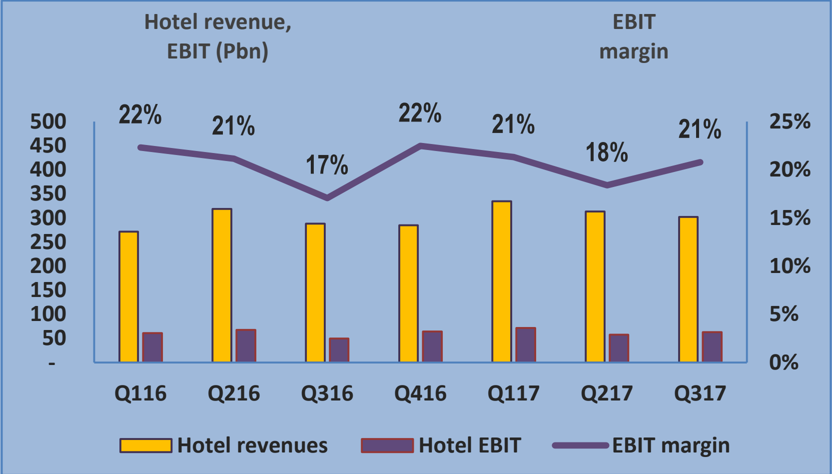



## Rentals: office vs commercial (Pbn)

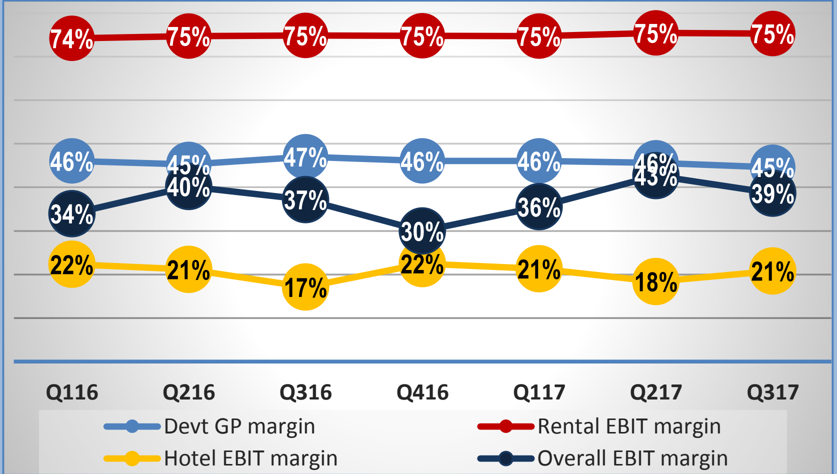


# Megaworld's interim financial highlights

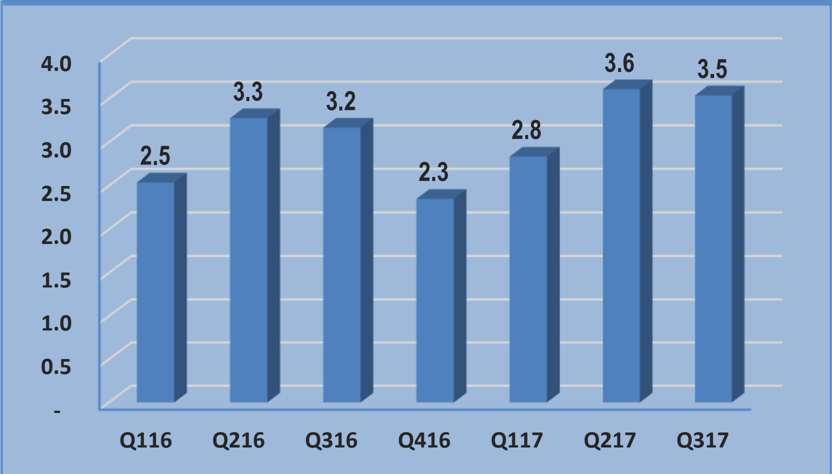
## Hotel income vs EBIT (Pbn)



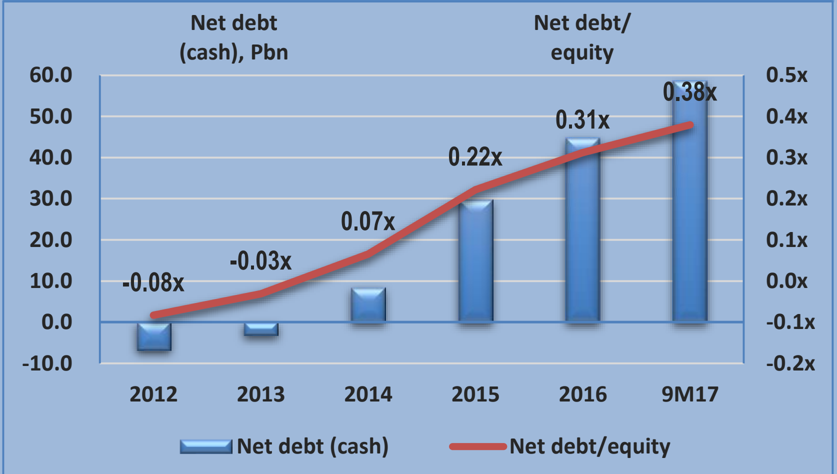

## Margin performance




## Attributable net income (Pbn)




## Gearing



EMPERADOR INC.


# Emperador Inc.

## 9M2017 performance highlights

# Emperador by the Numbers

EMPERADOR INC.

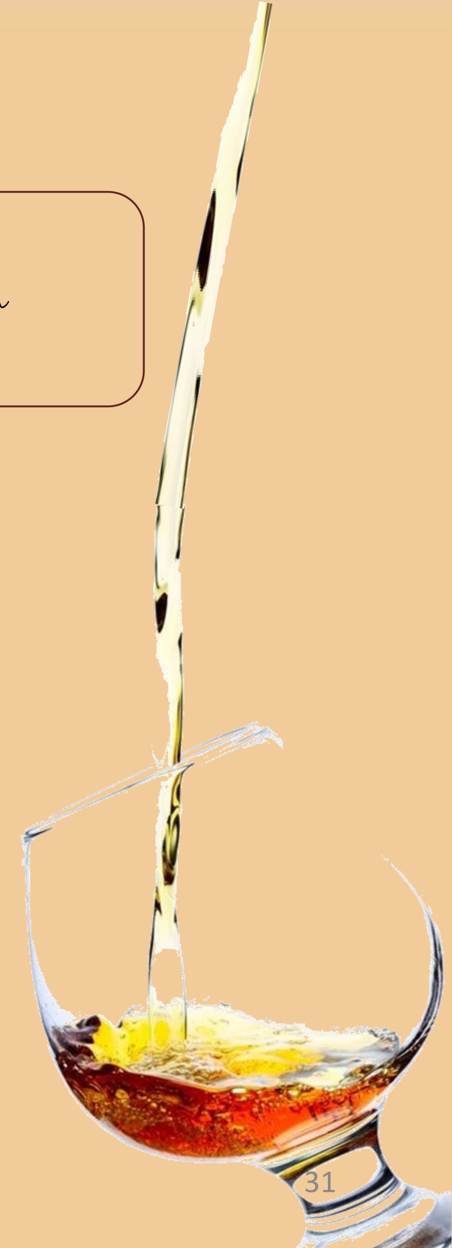
**22**
Sales offices nationwide

1st Dalmore flagship store in the Philippines

**121,000**
Distribution network

**P41bn**
Consolidated Revenues (2016)

**P989bn**
Total resources (end-Sep2017)

# Emperador's 9M2017 performance at a glance

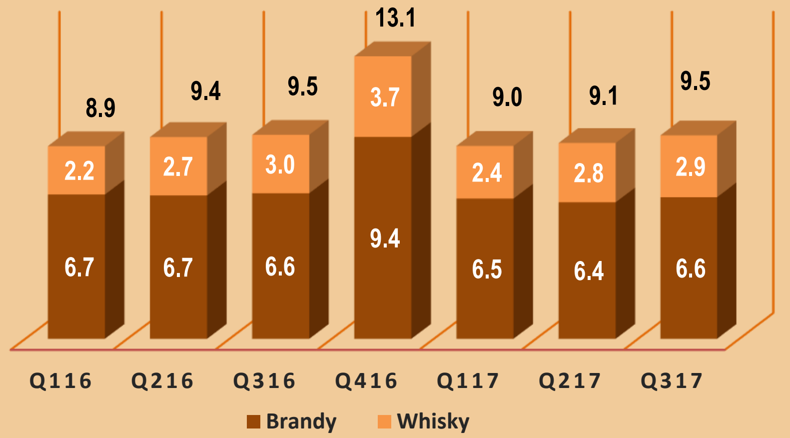
EMPERADOR INC.

- Consolidated revenues -1% to P27.6bn.
  - Brandy revenues stood at P19.5bn (or 71% of total).
    - 'New' products lifted brandy sales in Q317; kept 9M2017 brandy sales steady.
    - RTDs Hotshots, Smirnoff Mule and Andy Cola continued to gain market traction.
  - Whisky revenues reached P8.1bn (or 29% of total).
    - Whisky sales +4% in 9M2017 driven by increased sales of Dalmore, Jura and Whyte & Mackay labels in UK, Travel Retail, US, Asia and Greater Europe.
- Overall margin direction ⇩ amidst higher packaging costs, salaries, selling and marketing expenses.
  - GP margin ⇩ to 32.5% from 33.4%.
    - Brandy GP margin ⇩ to 33.5% from 35.9%; Whisky GP margin ⇧ to 27.5% from 27.2%.
  - EBITDA margin ⇩ to 23.0% from 25.7%.
  - Net profit margin ⇩ to 16.1% from 17.7%.
- Net income -10% to P4.4bn helped by lower interest, income taxes.
- Net debt/equity in end-Sep2017 at 0.45x (vs 0.37x in end-2016).

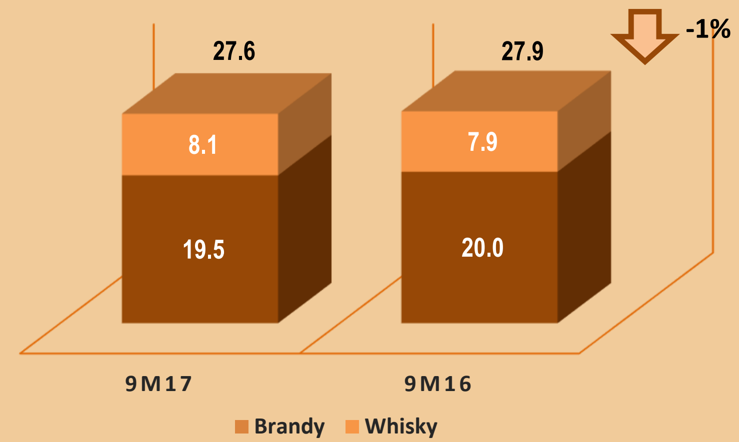
# Emperador's interim financial highlights

EMPERADOR INC.

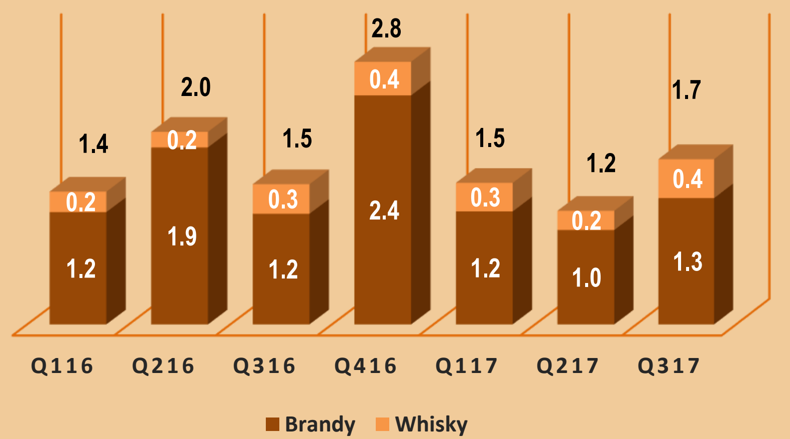
## Revenues, quarterly (Pbn)



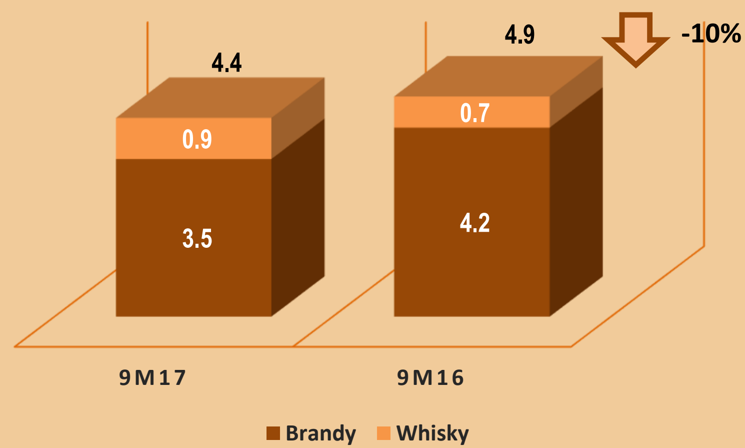

## Revenues, 9M-period (Pbn)




## Net income, quarterly (Pbn)



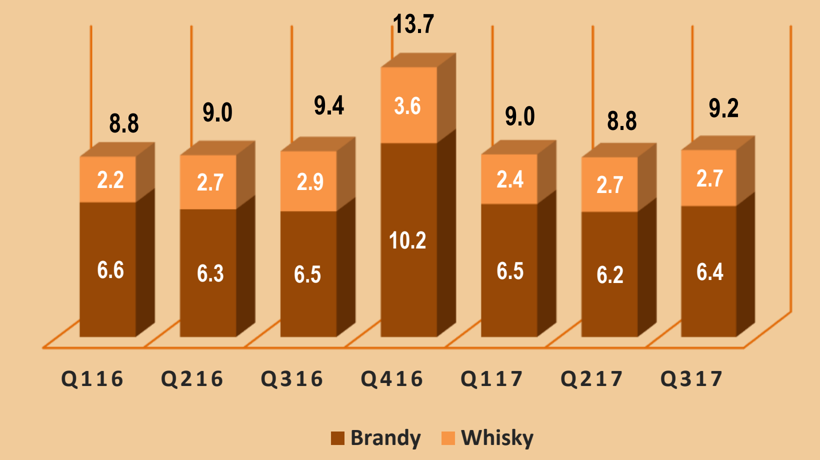

## Net income, 9M-period (Pbn)



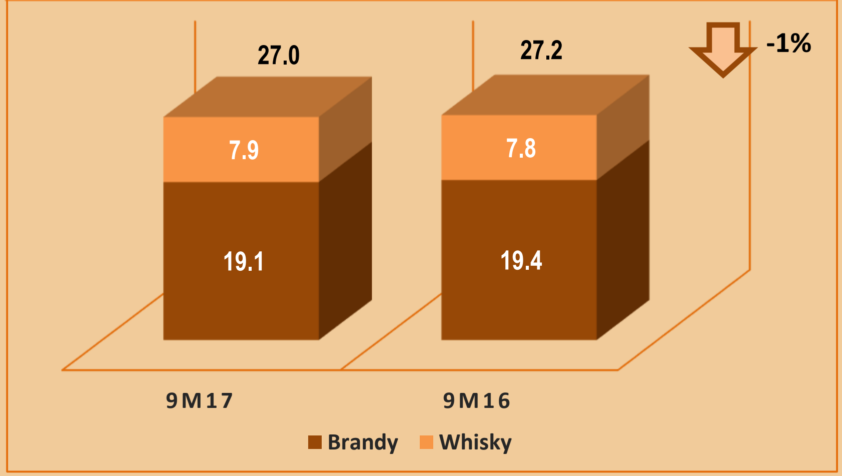
# Emperador's interim financial highlights

EMPERADOR INC.

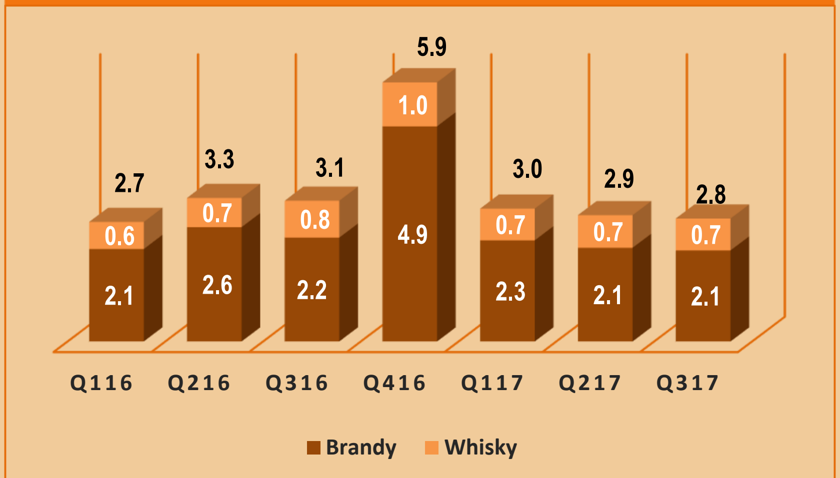
## Sales: Brandy vs Whisky (quarterly, Pbn)



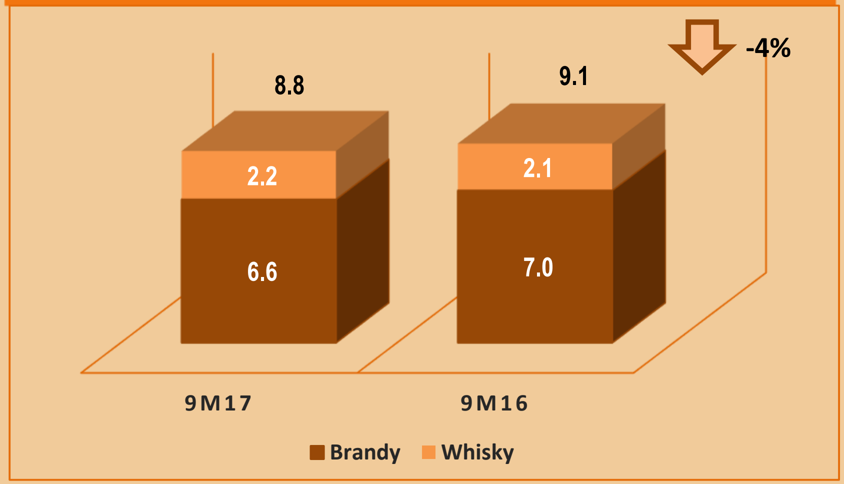

## Sales: Brandy vs Whisky (9M, Pbn)




## GP: Brandy vs Whisky (quarterly, Pbn)



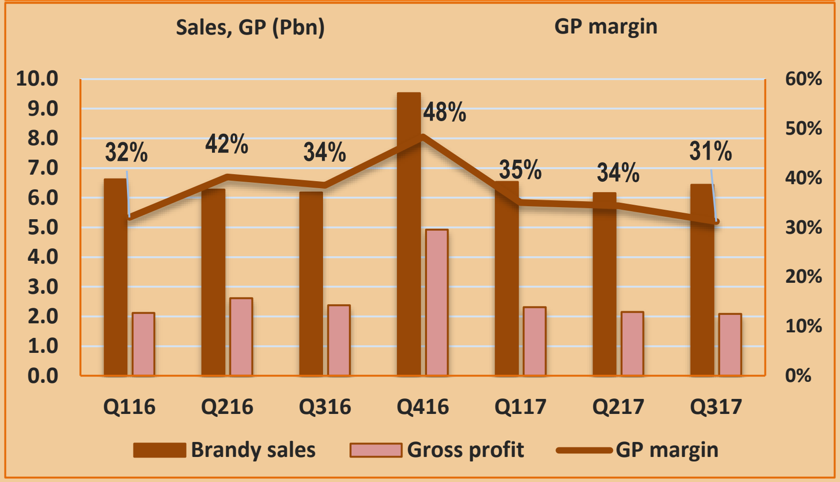

## GP: Brandy vs Whisky (9M, Pbn)



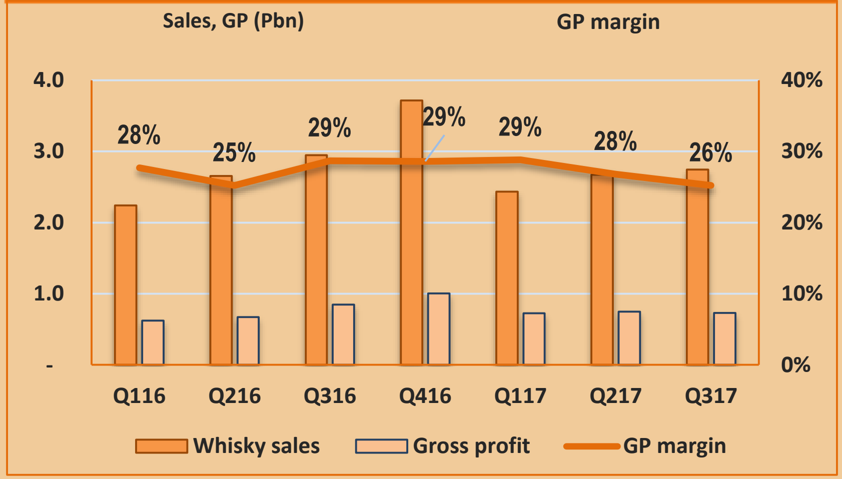
# Emperador's interim financial highlights

EMPERADOR INC.

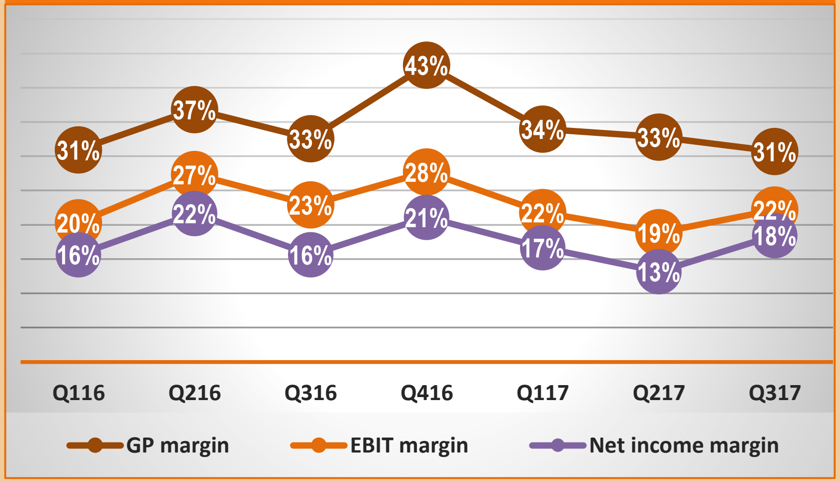
## Brandy: Sale of goods vs GP margin



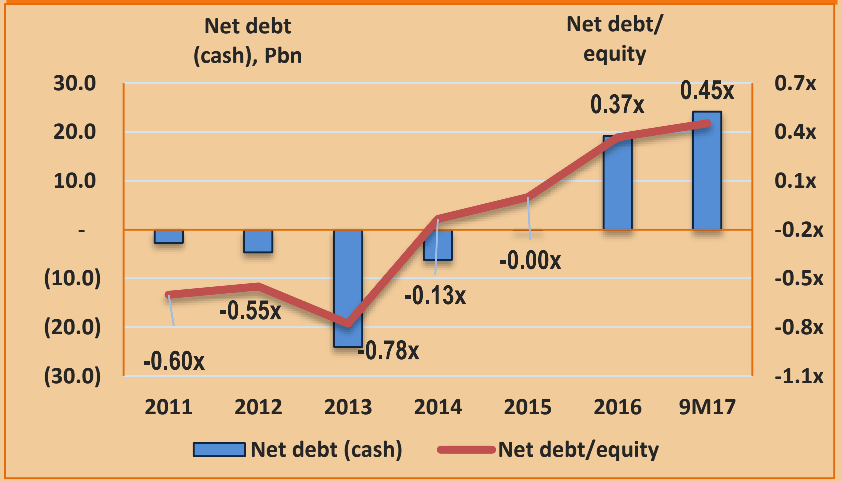

## Whisky: Sale of goods vs GP margin




## Margins




## Gearing



TRAVELLERS INTERNATIONAL

# Travellers International Hotel Group Inc.

## 9M2017 performance highlights

# Travellers By The Numbers

**11,534** sqm retail space

**1,454** hotel rooms

**78%** hotel occupancy rate (9M17)

**216** gaming tables (end-Sep17)

**1,415** Slots (end-Sep17)

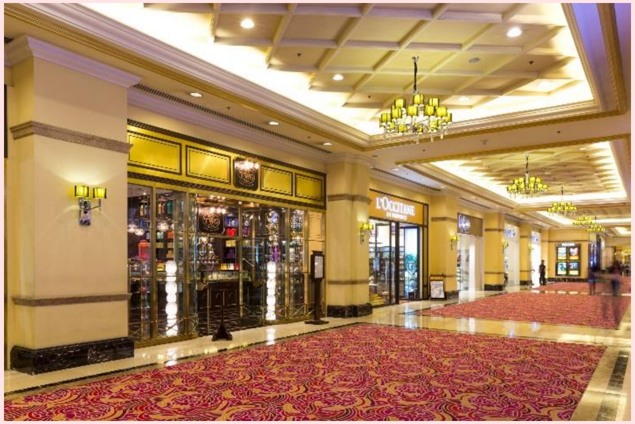
**4,000** Seating Capacity MGB

**88** retail outlets

**P27.5bn** Gross Revenues (2016)

**P94.3bn** Total Resources (end-Sep2017)

**P6.4bn** EBITDA (2016)



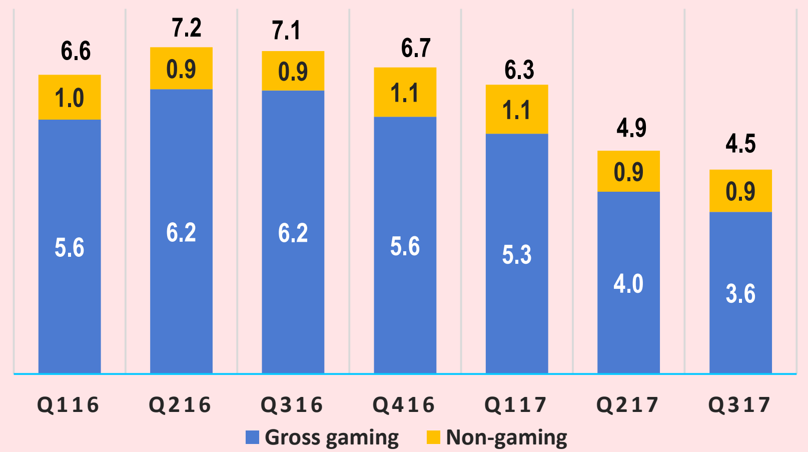
# Travellers' 9M2017 performance at a glance

- Net revenues -24% to P14.4bn weighed by the June 2 incident.
  - Gross gaming revenues -29% to P12.8bn due to lower gaming capacity while RWM ramps up casino operations in Q317.
  - Non-gaming revenues +5% to P2.9bn, boosted by healthy hotel and MICE operations; average hotel room occupancy rates at 78%.
  - Visitation has recovered: Q317 average daily visitors reached 23k; 25k in 9M17.
- EBITDA stood at P2.6bn in 9M17 (from P4.9bn in 9M16).
- Margin direction ↓ due mainly to decline in gaming capacity.
  - GP margins ↓ 48.3% from 53.2%
  - EBITDA margins ↓ 16.5% from 23.4%
  - EBIT margins ↓ 7.4% from 17.5%
- Net loss of P37m, inclusive of P321m in losses from casualty.
- Net debt/equity in end-Sep2017 at 0.35x (vs 0.19x in end-2016).

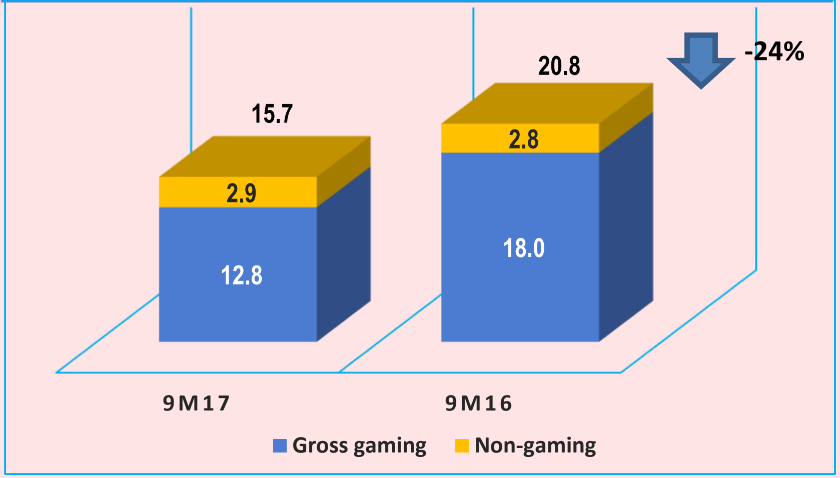
# Travellers' interim financial highlights

TRAVELLERS INTERNATIONAL

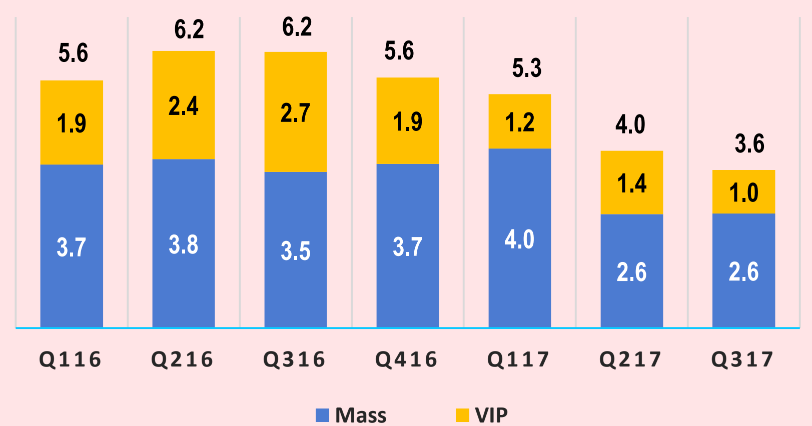
## Gross revenues, quarterly (Pbn)



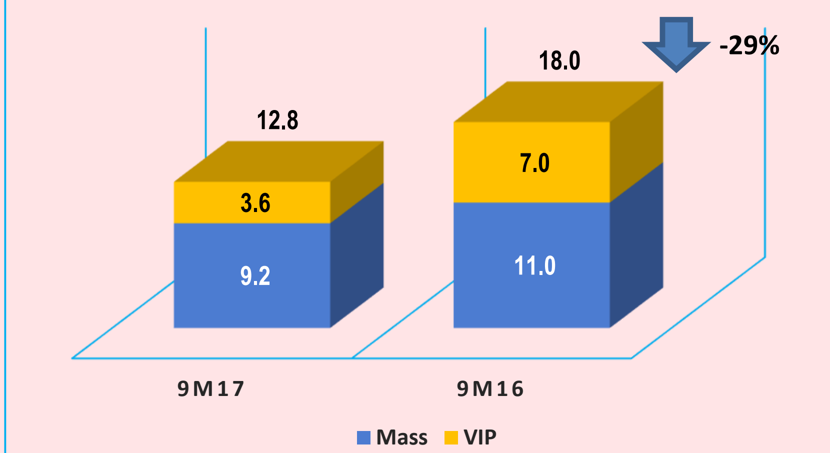

## Gross revenues, 9M-period (Pbn)




## GGR: Mass vs VIP (quarterly, Pbn)



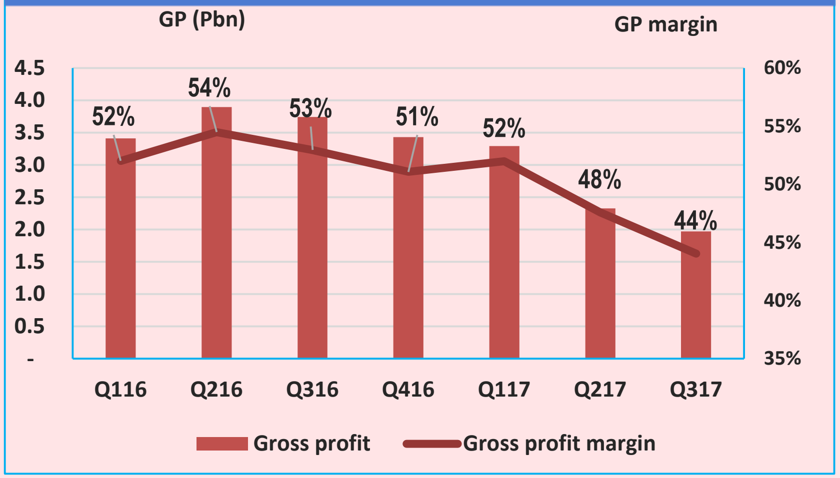

## GGR: Mass vs VIP (9M-period, Pbn)



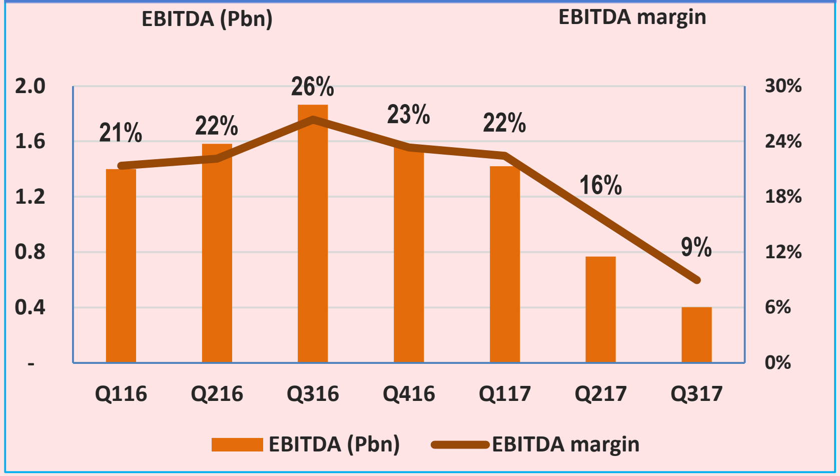
# Travellers' interim financial highlights

TRAVELLERS INTERNATIONAL

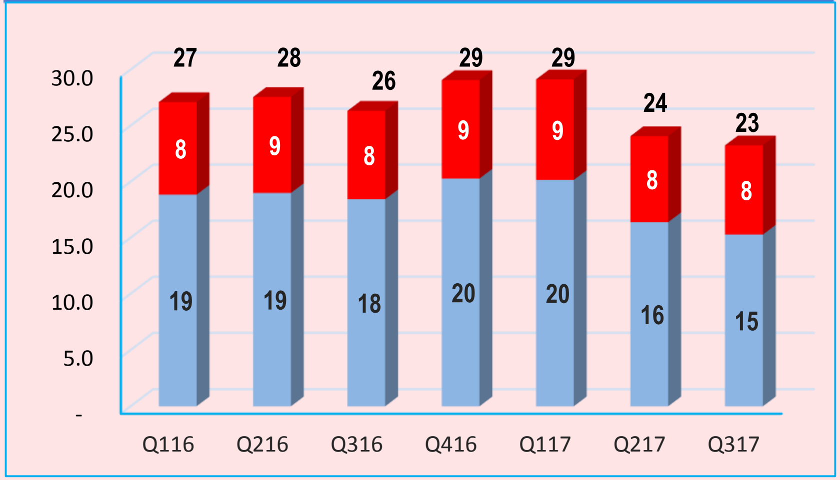
## Gross profit vs GP margin



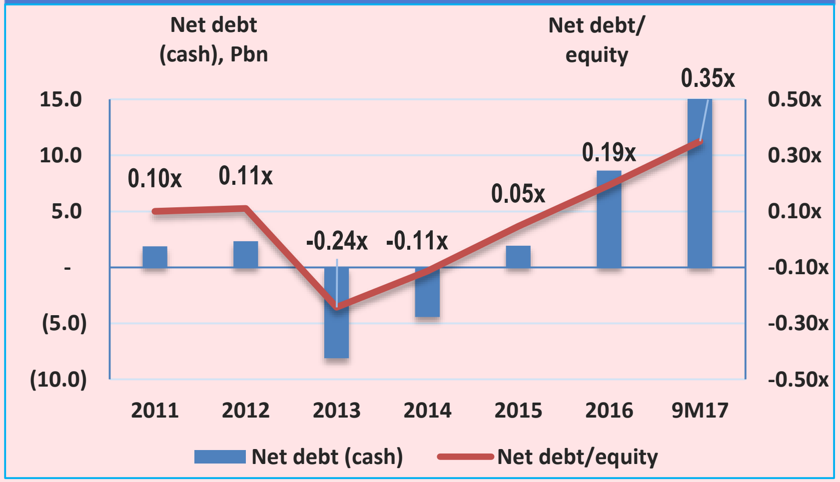

## EBITDA vs EBITDA margin




## Number of visitors ('000)




## Gearing



GOLDEN ARCHES DEVELOPMENT CORPORATION






# Golden Arches Development Corporation

## 9M2017 performance highlights

# GADC By The Numbers

GOLDEN ARCHES DEVELOPMENT CORPORATION


**547**
**Stores nationwide (end-Sep2017)**

**P23bn**
In sales revenues (2016)

**5.8%**
Systemwide same-store sales growth (9M 2017)

**310**
dessert centers (2016)


**292**
McDelivery hubs (2016)

# GADC's 9M2017 performance at a glance

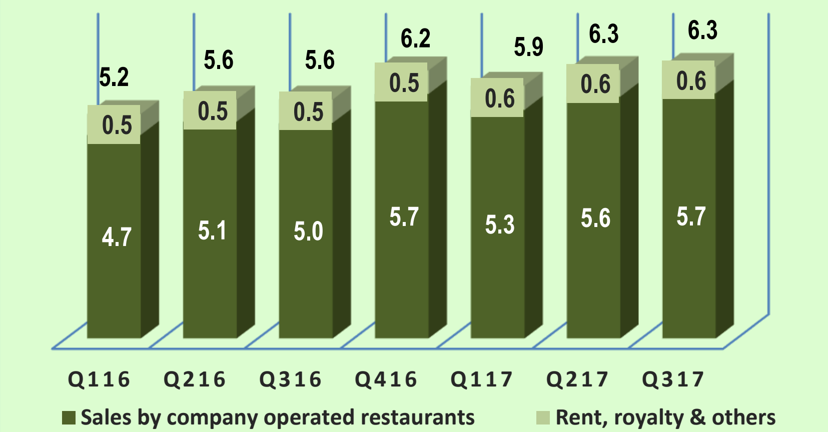
GOLDEN ARCHES DEVELOPMENT CORPORATION

- Sales revenues grew at a healthy clip of +13% to P18.5bn.
  - Sales by company-owned stores (90% of total): +12% to P16.7bn.
  - Rent, royalty & others (10% of total): +17% to P1.8bn.
  - Systemwide same-store sales growth +5.8% YoY (6.8% in 3Q17).
  - Number of stores by end-Sep2017: 547 vs 500 a year before.
  - Average sales per store +5% YoY.
- Margin direction given economies of scale.
  - GP margin 22.9% from 22.5%.
  - EBITDA margin 13.0% from 12.8%.
  - EBIT margin 8.6% from 7.8%.
  - Net profit margin 5.3% from 5.0%.
- Net income +19% to P966m.
- Net cash position further improved.

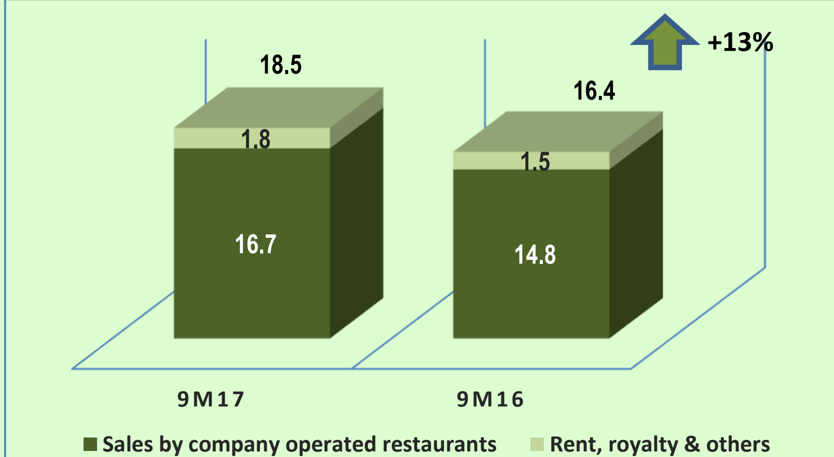
# GADC's interim financial highlights

GOLDEN ARCHES DEVELOPMENT CORPORATION

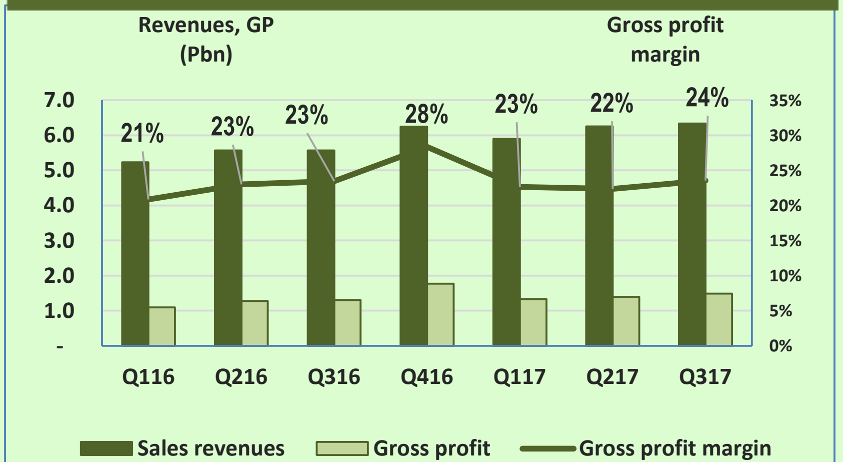
## Total revenues, quarterly (Pbn)



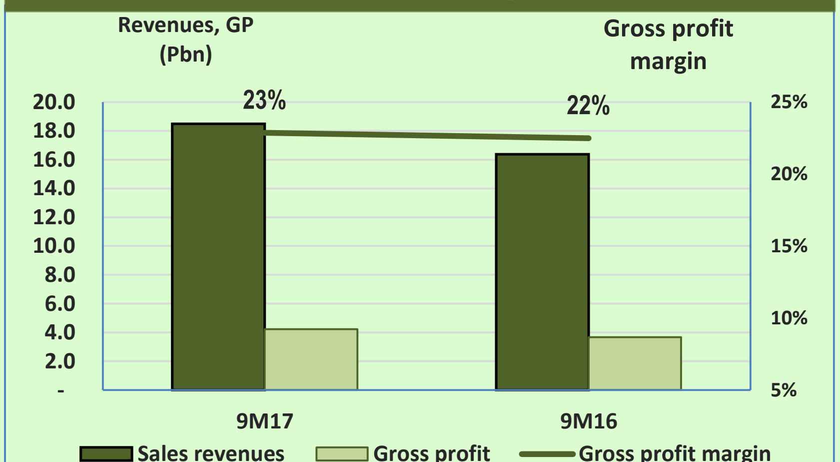

## Total revenues, 9M-period (Pbn)




## Revenues, GP & GP margin, quarterly



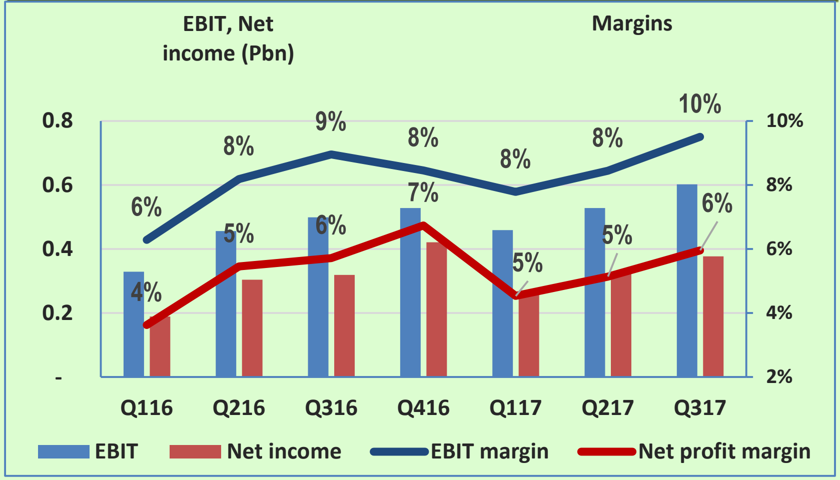

## Revenues, GP & GP margin, 9M-period



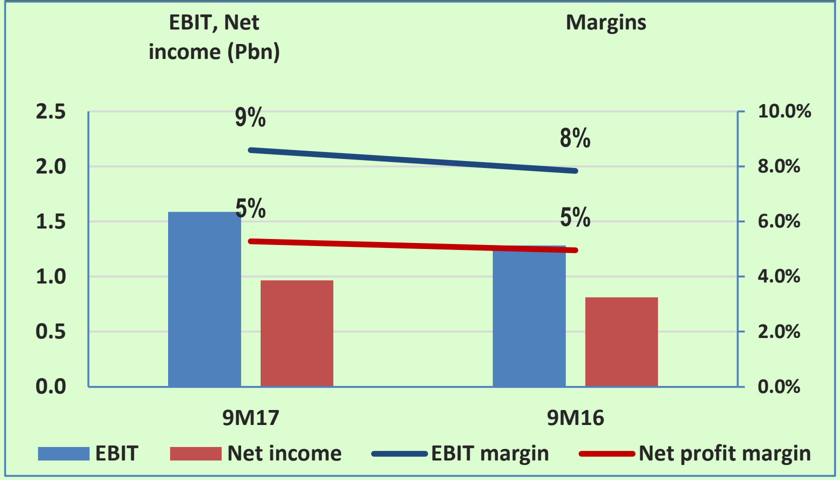
# GADC's interim financial highlights

GOLDEN ARCHES DEVELOPMENT CORPORATION

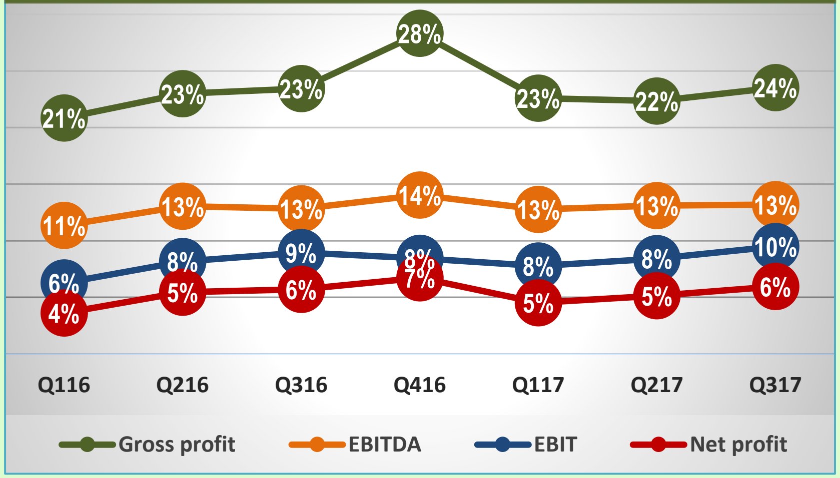
## EBIT, net income & margin, quarterly



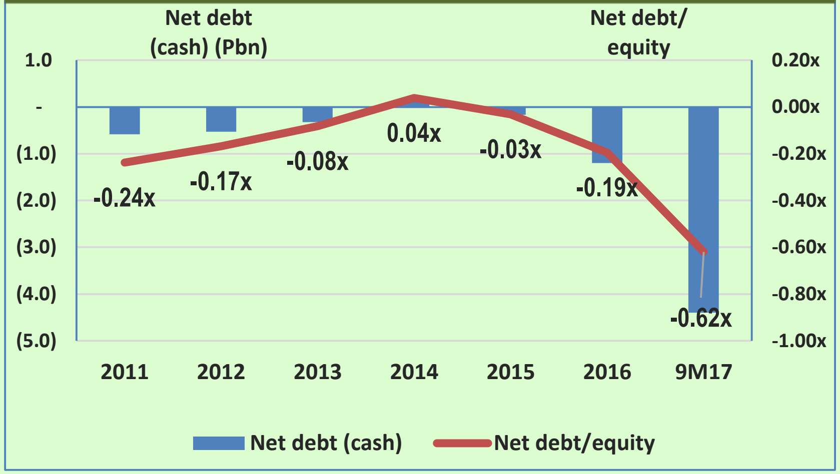

## EBIT, net income & margin, 9M-period




## Margins



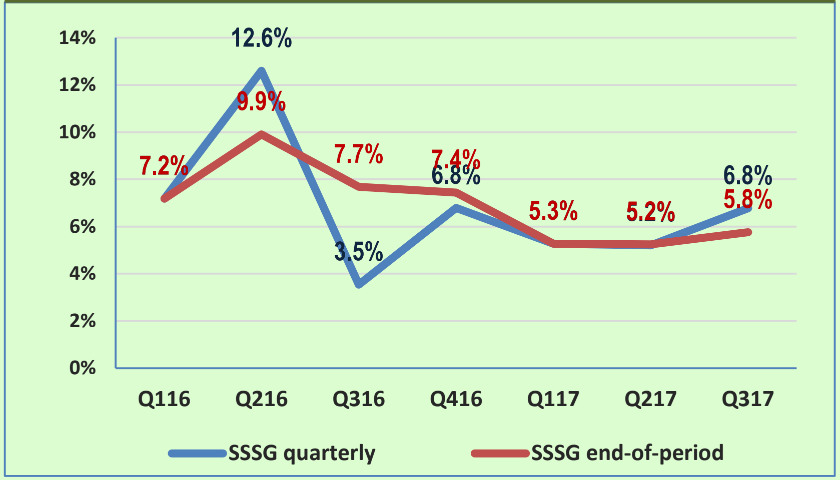

## Gearing



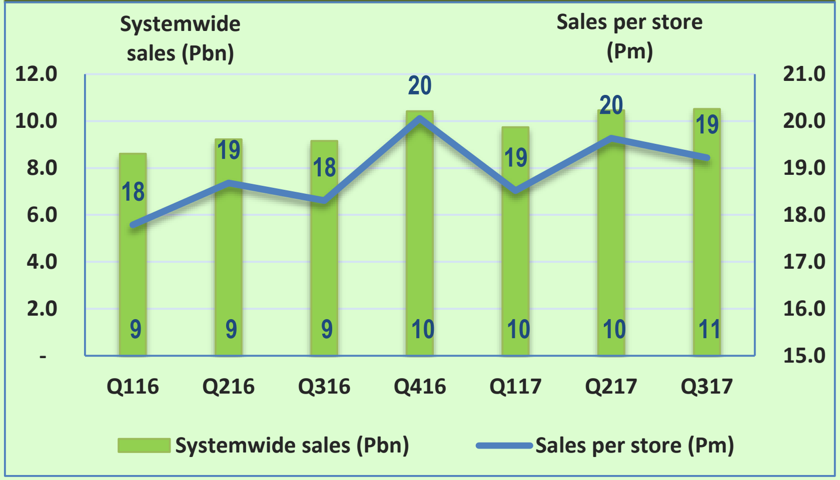
# GADC's interim financial highlights

GOLDEN ARCHES DEVELOPMENT CORPORATION

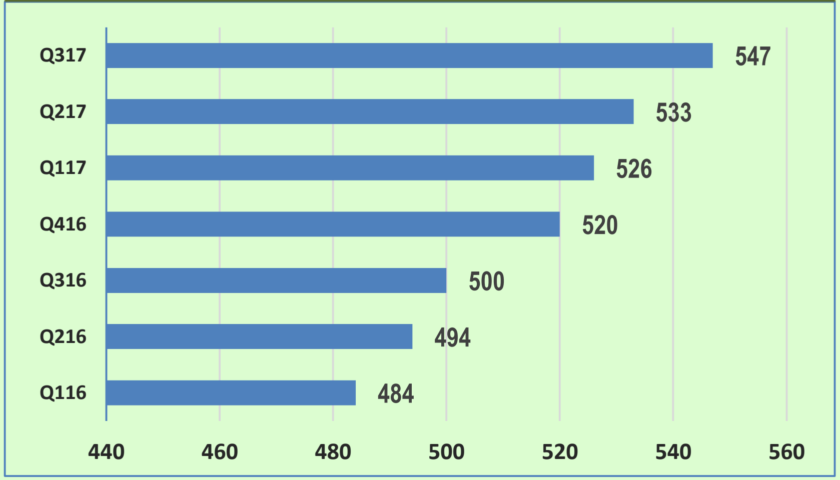
## Systemwide same-store sales growth



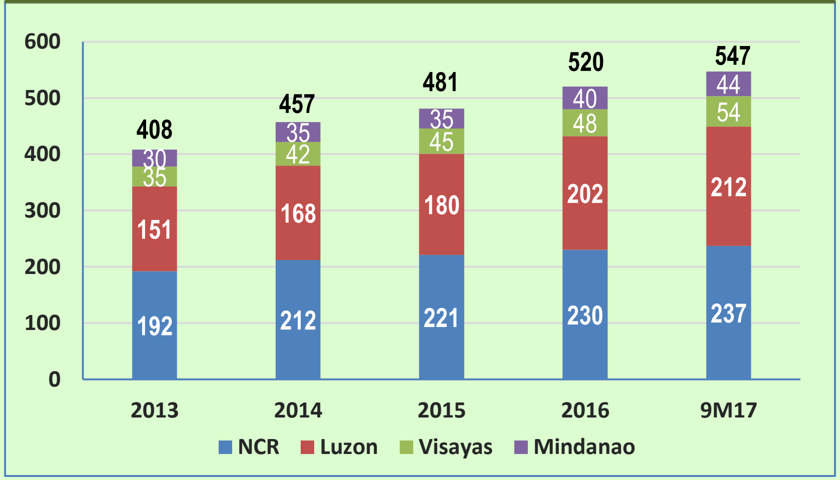

## Average sales per store (Pm)




## Number of stores




## Store geographic distribution



# Key takeaways

ALLIANCE GLOBAL

- 9M2017 mixed performance: property, QSR segments as key growth drivers, mitigating weaker gaming, liquor businesses.

- AGI continues to pursue the following growth initiatives:
  - Ongoing build-up in office + commercial GLA.
    - Rental revenues to hit P20bn, rental GLA to reach 2m sqm by 2020.
  - Initiating more residential projects in high-growth areas.
    - Backed by massive landbank outside of Metro Manila.
  - Continuing aggressive tourism thrust.
    - Targeting 12,000 hotel room keys in next five years.
  - Launching new gaming and non-gaming facilities at RWM by 2018.
  - Increasing market penetration for McDonald's.
  - Expanding liquor product portfolio, a move towards premiumization.
  - Initiating infra projects to enhance the Group's overall value.

- Aggressive capex to continue but maintain healthy balance sheet.

Thank you.