



JG SUMMIT HOLDINGS, INC.

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JG Summit's 9M2019 net income surpasses its full-year 2018 earnings by 16%

JG Summit posted consolidated net income of Php22.5 billion for the nine months ended September 30, 2019. This is a strong recovery and is 52% higher vs same period last year (SPLY), and is already 16% ahead of its full-year earnings of Php19.2 billion in 2018. In addition, JG Summit's bottomline grew faster than the 11% year-on-year (YoY) increase in consolidated revenues, which amounted to Php239.6 billion in 9M19. Meanwhile, core net income after tax, which excludes the impact of forex and mark-to-market adjustments, rose 11% YoY to Php19.7bn in 9M19, sustaining the double-digit-growth we saw in the first half of the year.

Focusing on 3Q19, JG Summit experienced an acceleration in the group's revenue growth resulting in Php81.2 billion, up 12% YoY. This happened on the back of Robinsons Land Corporation's incremental revenues from the completion of its China phase 1 project, coupled with solid performances across most divisions; CEB's robust passenger volumes, as well as higher average fares and ancilliary revenues; and Robinsons Bank's net interest margin expansion and trading gains. In addition, CEB's lower cost per available seat-kilometer (CASK), and JG Summit Petrochemicals Group's (JG Petrochem) improving margins quarter-on-quarter (QoQ), largely offset the higher depreciation and interest expenses at RLC, as well as the reinvestments in URC.

In terms of balance sheet, JGS' consolidated gearing ratio and net debt-to-equity remain stable at 0.64 and 0.51 respectively as of end-September 2019.

"We are happy to report another solid quarter and the business continue to post strong topline and profit growth for the year. Growth was mainly driven by our core businesses in food, real-estate and airlines while challenges still remain in some of our business units like Petrochemicals. Overall, the diversity of our portfolio including our minority investments has resulted in the group's increase in earnings" JG Summit President & CEO Lance Gokongwei said.

Key performances per business unit are as follows:

Food: Universal Robina Corporation (URC)

3Q2019 topline amounted to Php32.7 billion, a 6% growth vs. SPLY driven by strong growth across all categories as a result of URC's transformation initiatives on better supply fulfillment and wider distribution coverage in Branded Consumer Foods (BCF) Philippines; and robust performance of Flour and Animal Nutrition & Health (ANH) in Agro-Industrial and Commodities (AIC) division. Although Thailand continues to be weak, the decline in overall BCF International has tapered off as Vietnam and Oceania

accelerated for the quarter. These drove URC's healthy 9M2019 topline of Php99.8 billion, higher by 6% YoY. Operating income (excluding revaluation gain/loss of biological assets in Farms segment) continues to grow driven by all business divisions. However, net income in Q3 declined by 5% vs. SPLY amounting to Php1.9 billion due to forex losses. 9M2019 net income was still up 4% YoY to Php7.1 billion.

Real Estate and Hotels: Robinsons Land Corporation (RLC)

RLC continues to deliver strong results with 3Q19 revenues significantly up by 80% to Php16.4 billion owing to the incremental sales from our China project following the completion of Phase 1. Solid performances of its existing divisions were also sustained: malls, offices and hotels increased by double-digits due to stable growth of malls & cinema ticket sales, rental escalation & higher renewal rates in offices, strong hotels' performance, as well as contribution from our newly opened properties. Residential sales were also robust driven by strong demand from both local and foreign buyers. These led to 9M2019 revenues of Php31.1 billion, a 40% increase vs SPLY. On the other hand, RLC's net income for the quarter only grew by 3% to Php3.3 billion. The margin dilution was due to relatively lower margins from the China business, higher depreciation expenses mainly from the newly opened Hotels, and higher interest expenses. YTD net income amounted to Php7.3 billion, up 12% YoY.

Air Transportation: Cebu Air (CEB)

3Q2019 revenues were up 17% to Php18.9 billion driven by the 18% growth of passengers from its strong volumes and higher average fares, as well as higher ancillary revenues per passenger. These were slightly offset by cargo which increased slower at 2% due to lower volumes. With these, 9M2019 revenue totaled Php63.6 billion, an 18% growth vs SPLY.

CEB, which normally posts lean results in the third quarter, posted a net loss of Php317 million albeit lower than last year's Php529 million. Despite its effective cost management which led to lower CASK, net forex and mark-to-market losses for the quarter pulled down overall profitability. Nevertheless, YTD net income more than doubled last year's to Php7.0 billion.

Petrochemicals: JG Petrochemicals Group (JG Petrochem)

Revenues declined further to 33% YoY to Php7.5 billion in 3Q2019. Sales volumes were down 12% mainly due to weakened market conditions brought about by protracted US-China trade tensions. The current overall economic slowdown has led to tepid petrochemicals demand, causing blended average selling prices to go down by 23% YoY, bringing 9M2019 topline to Php26.1 billion, a 19% decline YoY.

YTD EBITDA dropped 88% to Php451.6M as average selling prices fell faster than the naphtha cost used in production. On the other hand, 3Q19 improved vs the previous quarters at Php396.8 million as input and operating costs improved QoQ, leading to a thinner net loss for the quarter at Php308.0 million.

Banking: Robinsons Bank Corporation (RBank)

RBank ended 9M2019 with revenues of Php6.0 billion, up 42% YoY on the back of a 9% loan growth which was mostly led by the faster expansion of consumer loans. Net income significantly expanded in 3Q2019 at 257% growth to Php292 million as NIMs continue to widen QoQ. Average loan yields improved partly because of the shift towards consumer loans while deposit costs have started declining driven by our strategy to let go of high cost funds as we issued P5.0B bonds last August. This, together with Php222 million trading gains in this quarter led to a YTD net income of Php484 million, up 65% vs SPLY.

Equity Earnings

Equity in net earnings of associated companies and joint ventures for 9M2019 increased by 41% vs SPLY to Php11.0 billion mainly driven by United Industrial Corporation (UIC)'s Php3.0 billion gain arising from its acquisition of Marina Mandarin in last quarter. These were offset by the flat earnings of Meralco and the 4% profit decline from Global Business Power.

Balance Sheet

The Group's balance sheet remains healthy. Consolidated gearing ratio and net-debt-to-equity remains stable at 0.64 and 0.51, respectively. At the Parent level, cash amounted to Php14.0 billion while net debt stood at Php66.4 billion as of end-September 2019.