



## **Press Release**

June 20, 2017

### **LTG expects better business environment in 2017**

LT Group, Inc. (LTG) expects the business environment in 2017 to be better than the previous year, with the Duterte Administration's infrastructure plan to "Build, Build, Build," providing a boost.

LTG President Michael G. Tan said during the company's Annual Stockholders' Meeting that the Government's infrastructure plan will increase employment, especially in the countryside, which in turn will increase the purchasing power, resulting in continued demand for the group's products. But a lingering concern is the stiff competition, and rising inflation which will translate to higher costs.

In a statement following the firm's Annual Stockholders' Meeting, Tan mentioned that the group's capital expenditures will amount to about Php10 billion for 2017, from Php7 billion in 2016. The bulk will be for the construction of Eton's projects and the technology upgrades for PNB.

Prospects for the group's different businesses remain positive.

PNB will be able to take advantage of the sustained demand for loans. The Bank's migration to a unified, more modern IT system within 2017 should enable it to offer customers more products and services. But, the Bank will have to work harder to compensate for the one-time gains booked in 2016.

Asia Brewery will benefit from the increasing income of consumers, despite stiff competition. Consumers' higher disposable income will sustain demand, as well as provide a new market for Vitamilk soymilk which was previously being sold only in the modern trade. Meanwhile, the joint venture with Heineken will enable the Company to develop a bigger market for beer and alcopop. However, additional

marketing expenses will have to be incurred to develop and expand existing and additional brands, especially in the alcoholic beverage segment.

Tanduay will likewise benefit from the renewed demand for rum, especially in Mindanao and Visayas. A more inclusive growth in the Philippines will mean that consumers will have more discretionary funds to buy our products.

Eton will continue to enjoy high occupancy rates in the BPO office buildings, as well as the retail space that complement these and its residential developments.

LTG is hopeful that PMFTC's profitability will improve as the Government addresses the illicit trade and the industry moves into a level playing field.

In 2016, LTG's attributable net income was Php9.39 billion, a 42% increase over the Php6.60 billion reported for 2015. PNB accounted for Php3.42 billion or 36% of LTG's income. The tobacco business contributed Php2.58 billion or 27% of total, followed by Asia Brewery at Php1.75 billion or 19%. Tanduay added Php908 million or 10%, and Eton generated Php388 million or 4%. Equity in net earnings from Victorias Milling Company amounted to Php142 million, or 2% of total.

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