



# 1Q 2023 **Earnings Call and Analysts' Briefing**

18 May 2023

# General rules

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1. Please note that this call will be recorded. Recording of this Earnings Call will be shared upon request.
2. This Earnings Call will run for about an hour with the first part allotted for a presentation and the second part for the Q&A.
3. Participants other than the speakers will be muted throughout the Call, unless recognized by the moderator.
4. For a convenient viewing experience, participants are advised to pin the shared presentation screen.
5. During the Q&A portion, participants may raise their questions and/or clarifications by clicking the 'Raise Hand' icon. Following the prompt, kindly allow the moderator to recognize you by name first before unmuting.

# Presenters

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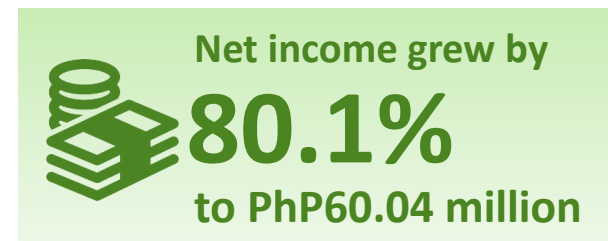
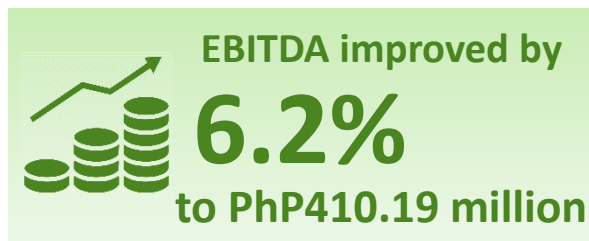
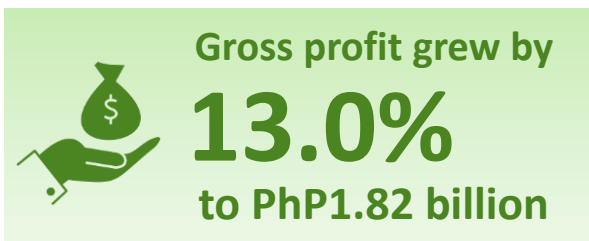


**Mr. Arnold M. Leoncio**  
Vice President for Business Development  
and Investor Relations




**Mr. Joselito G. Orense**  
Treasurer and  
Chief Finance Officer


# 1Q 2023 Financial and Operational Highlights



## Share to Business (in % of 1Q2023 net sales)



**PhP21.50 billion**  
Total assets



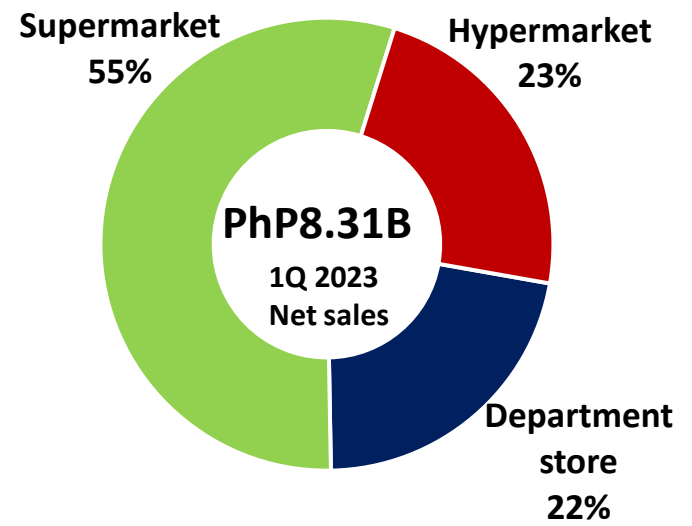
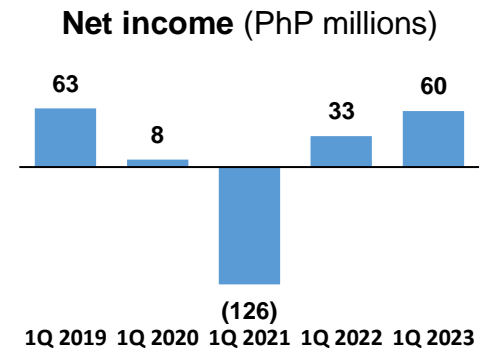
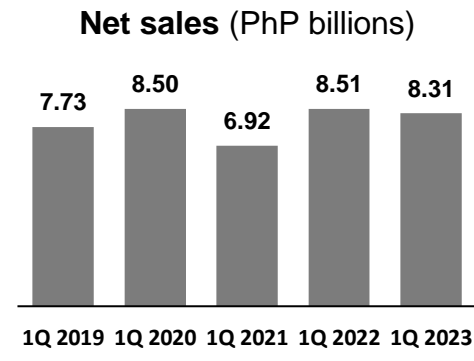
**PhP8.91 billion**  
Total equity



**60 stores**  
33 SM, 15 DS, 12 HM

Note: Store count as of end-March 2023  
(SM refers to supermarkets, DS for department stores, and HM for hypermarkets)

## vs. historical financials



## As of 31 March 2023

Market capitalization  
**PhP4.54B**

Share price  
**PhP1.39**

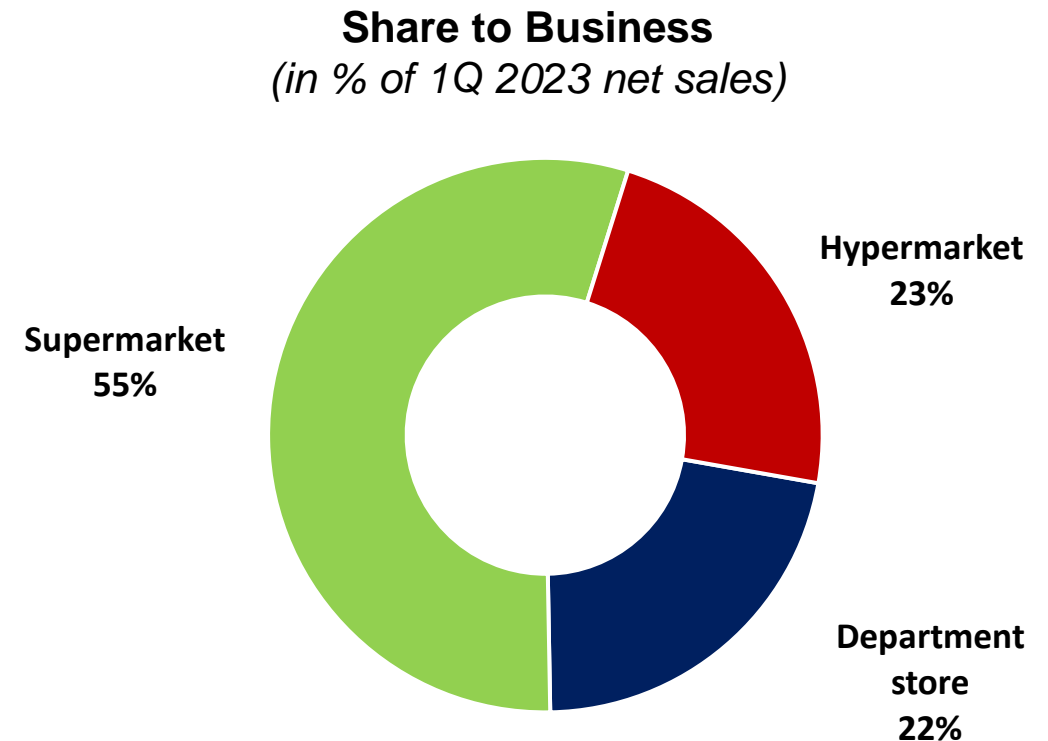
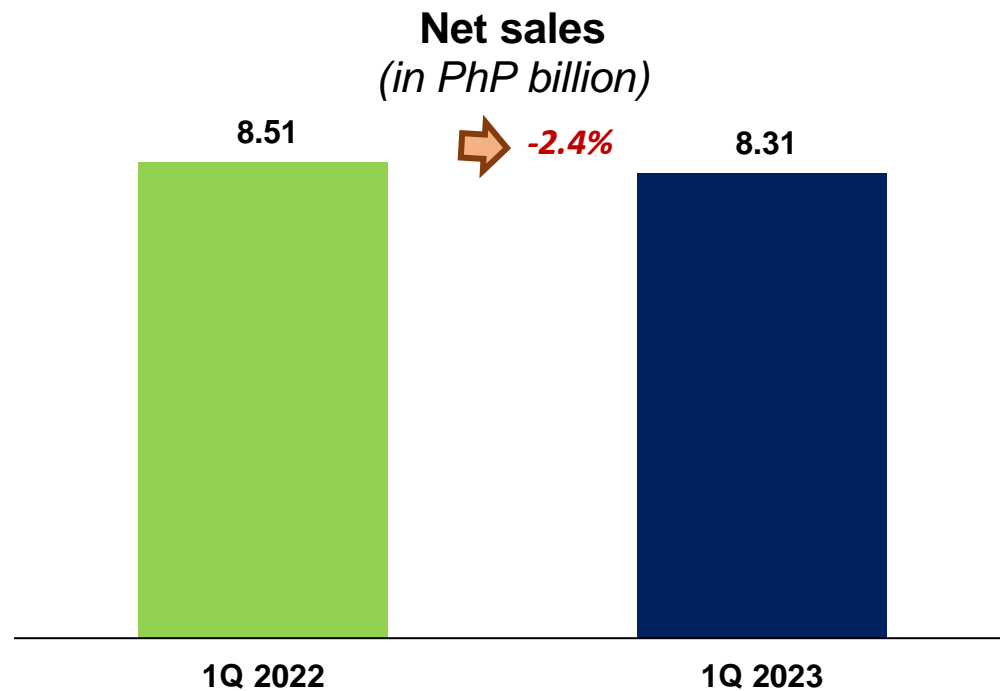
Book value per share  
**PhP2.72**

Earnings per share (1Q 2023)  
**PhP0.02**

As of 17 May 2023, MRSGL has a market capitalization of PhP4.64 billion. Share price closed at PhP1.42.

# Results of operations

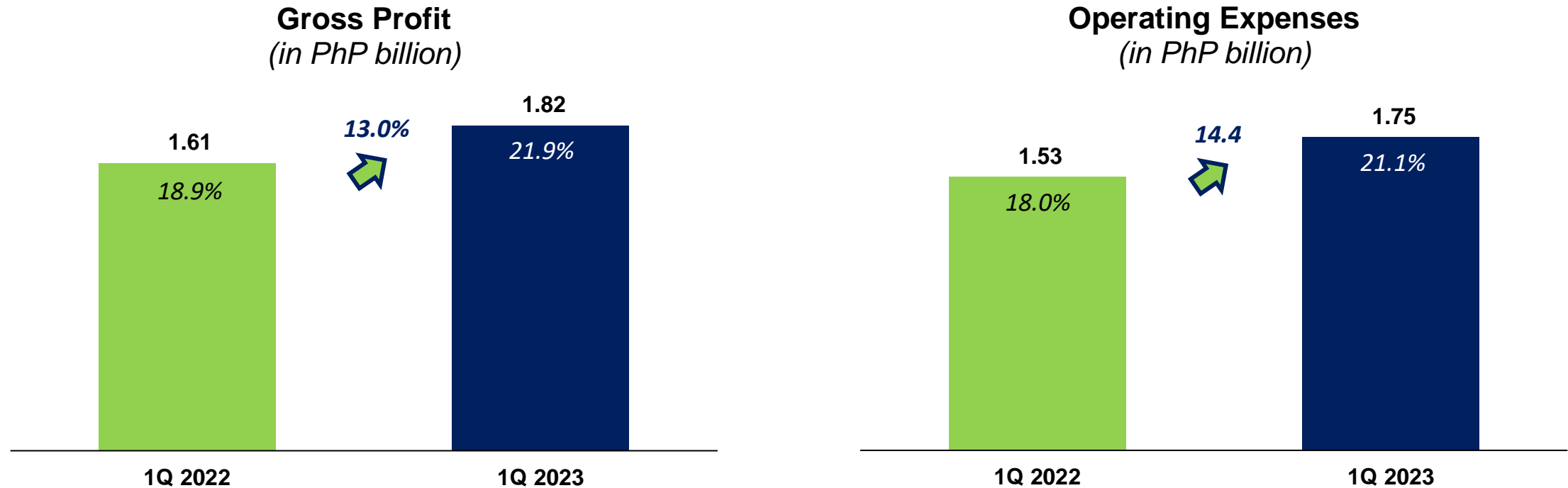
*Net Sales slightly decreased by 2.4%*



- ❑ Net sales slightly decreased by 2.4% in the first three months of this year due to bulk wholesale transactions that had beefed up the first-quarter sales of 2022. Same-store sales growth also lower by 4.6%.
- ❑ Excluding the bulk transactions, retail sales posted an increase of 12%.

# Results of operations

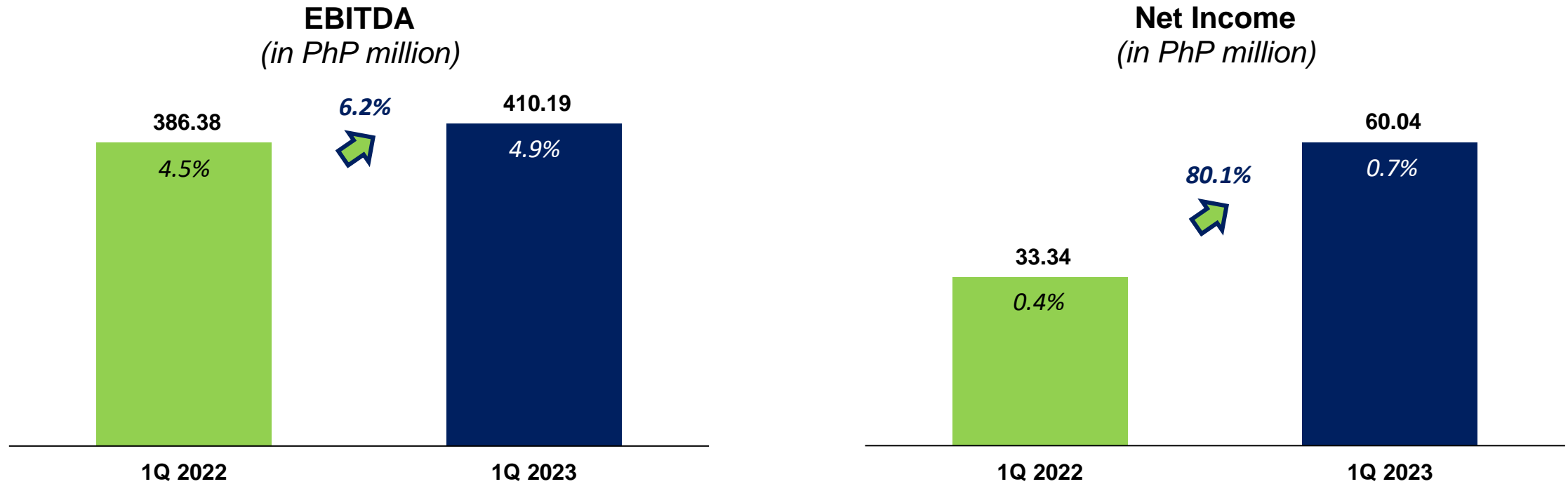
*Gross profit margin improved*



- ❑ Gross profit margin improved by 300 bps as general merchandise, which provides higher margin than food retail, continued to thrive.
- ❑ Operating expenses increased by 14.4% mainly due to higher rent and utilities and additional stores that opened in April 2022.

# Results of operations

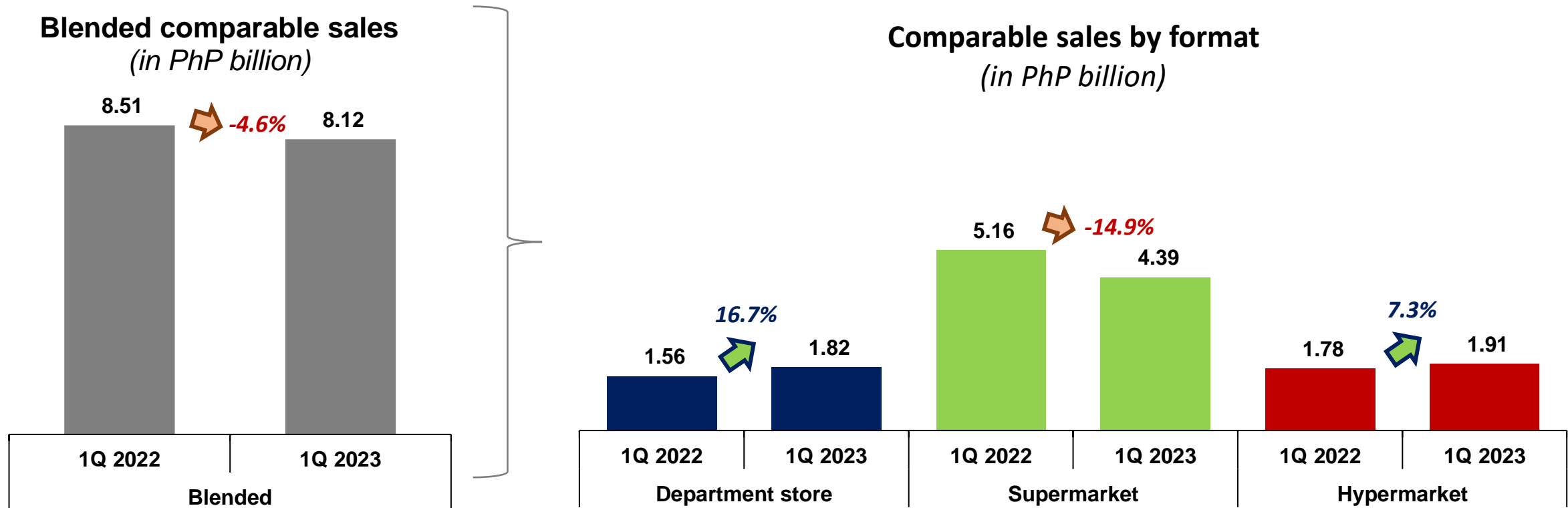
## *EBITDA and NIAT increased*



- ❑ As a result of higher gross margin, EBITDA and Net income grew in the first three months of 2023 compared to the same period last year.

# Results of operations | Comparable store sales

*Department store and Hypermarket increased while Supermarket decreased*

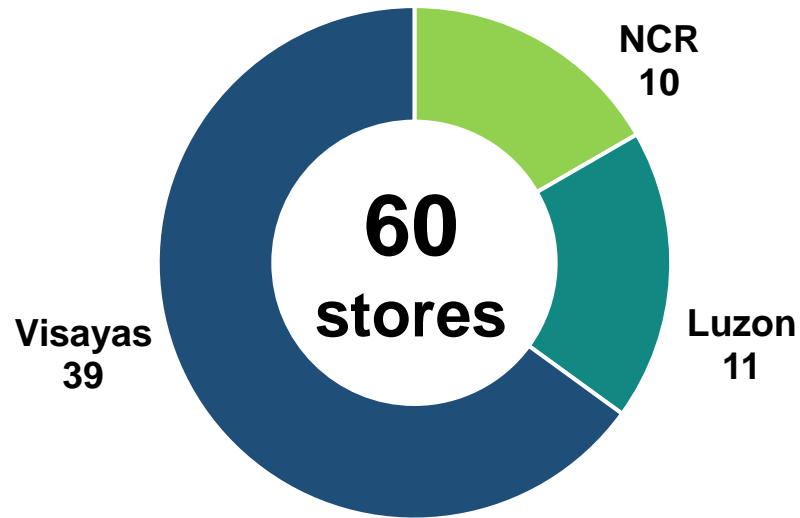


- ❑ The Company's blended comparable sales decreased by 4.6% in the first quarter of the year driven by the Supermarket format where most of the bulk sales were accounted. While comparable sales of Department store and Hypermarket had 16.7% and 7.3% increase, respectively.



# MRSGI existing store network

Geographical composition of store network  
(as of 18 May 2023)



**Supermarket**

NCR	7
Luzon	4
Visayas	22
<b>Total</b>	<b>33</b>

**Department Store**

NCR	3
Luzon	4
Visayas	8
<b>Total</b>	<b>15</b>

**Hypermarket**

NCR	-
Luzon	3
Visayas	9
<b>Total</b>	<b>12</b>

Note: The Company closed two stores – Metro Atria on February 1 and Super Metro Calamba on March 1, 2023

# Key financial indicators

<i>Currency: PhP million</i>	2016	2017	2018	2019	2020	2021	2022	1Q 2023
<b>Financial highlights</b>								
Net sales	34,411	35,016	33,050	36,790	31,286	31,211	38,102	8,310
EBITDA	1,547	1,877	1,781	2,785	1,273	1,220	2,680	410
Net income	789	977	965	776	(450)	(318)	917	60
<b>Financial soundness indicator</b>								
Current Ratio	2.14	2.41	2.01	1.47	1.45	1.71	2.34	2.55
Debt to Equity Ratio	-	-	-	-	0.18	0.18	0.33	0.33
Net Debt to Equity Ratio	(0.46)	(0.47)	(0.41)	(0.31)	(0.09)	(0.02)	(0.24)	(0.10)
Earnings per share (PhP)	0.23	0.28	0.28	0.23	(0.13)	(0.09)	0.28	0.02
Earnings per share - TTM (PhP)								0.29
<b>Stock data</b>								
Share price (PhP) – EOP	4.05	3.90	2.49	2.11	1.50	1.44	1.41	1.39
Market capitalization – EOP	13,889	13,375	8,539	7,236	5,144	4,833	4,628	4,544
<b>Valuation metrics (EOP)</b>								
P/B ratio	1.94	1.68	0.98	0.78	0.60	0.60	0.51	0.51
P/E ratio	17.61	13.93	8.89	9.17	(11.54)	(16.00)	5.04	4.96 <sup>a</sup>
P/E ratio – TTM								4.79
EV/Sales – TTM	0.31	0.28	0.15	0.12	0.14	0.15	0.06	0.10
EV/EBITDA – TTM	6.84	5.15	2.77	1.55	3.45	3.82	0.91	1.36

Note:

a. Using 2022 EPS

# MRSGL's Strategy



1Q 2023  
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# MRSGI's Five Strategy Pillars



**Q&A**



1Q 2023  
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# Thank you!

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# **Annex: Financial Statements**



**1Q 2023  
Earnings Call and  
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18 May 2023

# Statement of Comprehensive Income

## METRO RETAIL STORES GROUP, INC.

### UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three-Months Period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
<b>REVENUE</b>		
Net sales (Note 15)	₱8,310,177,510	₱8,509,869,087
Rentals (Note 22)	80,176,541	49,268,479
	<b>8,390,354,051</b>	8,559,137,566
<b>COSTS AND EXPENSES</b>		
Cost of sales (Note 17)	6,488,674,646	6,895,258,397
Operating expenses (Note 18)	1,745,695,945	1,533,622,391
	<b>8,234,370,591</b>	8,428,880,788
<b>OPERATING INCOME</b>	<b>155,983,460</b>	130,256,778
<b>OTHER INCOME (CHARGES)</b> (Note 16)		
Interest and other income	62,347,240	28,129,111
Finance costs	(134,617,230)	(114,257,267)
	<b>(72,269,990)</b>	(86,128,156)
<b>INCOME BEFORE INCOME TAX</b>	<b>83,713,470</b>	44,128,622



# Statement of Comprehensive Income

<b>INCOME BEFORE INCOME TAX</b>	<b>83,713,470</b>	44,128,622
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)</b>		
Current	<b>29,279,075</b>	18,242,338
Deferred	<b>(5,607,410)</b>	(7,448,971)
	<b>23,671,665</b>	10,793,367
<b>NET INCOME</b>	<b>60,041,805</b>	33,335,255
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>		
<i>Not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement (losses) gains on defined benefit obligation	-	-
Income tax effect	-	-
	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱60,041,805</b>	₱33,335,255
<b>Basic/Diluted Earnings Per Share (Note 23)</b>	<b>₱0.02</b>	₱0.01

# Statement of Financial Position

## METRO RETAIL STORES GROUP, INC.

### UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2023

(With Comparative Audited Figures as at December 31, 2022)

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 3 and 25)	₱3,854,779,532	₱5,162,583,002
Short-term investments (Notes 4 and 25)	-	-
Receivables (Notes 5 and 25)	724,454,983	954,824,757
Merchandise inventories (Note 6)	5,828,144,288	5,495,332,780
Other current assets (Notes 7 and 25)	687,755,934	630,372,608
<b>Total Current Assets</b>	<b>11,095,134,737</b>	<b>12,243,113,147</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	5,324,736,535	5,294,353,429
Right-of-use ("ROU") assets (Note 22)	4,126,266,319	4,307,663,208
Deferred tax assets - net (Note 21)	399,180,023	393,572,613
Other noncurrent assets (Notes 9 and 25)	550,144,493	500,309,676
<b>Total Noncurrent Assets</b>	<b>10,400,327,370</b>	<b>10,495,898,926</b>
<b>TOTAL ASSETS</b>	<b>₱21,495,462,107</b>	<b>₱22,739,012,073</b>

# Statement of Financial Position

## LIABILITIES AND EQUITY

### Current Liabilities

Trade and other payables (Notes 10 and 25)	₱3,695,178,381	₱4,820,527,987
Dividends payable (Note 14)	196,140,840	-
Contract liabilities (Note 11)	92,543,984	104,828,812
Income tax payable	28,795,124	23,734,498
Loans payable – current portion (Note 12)	173,611,111	130,208,334
Lease liabilities - current portion (Notes 22 and 25)	165,564,339	156,724,371
<b>Total Current Liabilities</b>	<b>4,351,833,779</b>	<b>5,236,024,002</b>

### Noncurrent Liabilities

Lease liabilities – net of current portion (Notes 22 and 25)	4,942,345,906	5,106,227,807
Retirement benefit obligation (Note 19)	471,807,486	470,417,519
Loans payable – net of current portion (Note 12)	2,808,488,320	2,850,878,173
Other noncurrent liabilities (Notes 13 and 25)	14,473,976	14,473,976
<b>Total Noncurrent Liabilities</b>	<b>8,237,115,688</b>	<b>8,441,997,475</b>
<b>Total Liabilities</b>	<b>12,588,949,467</b>	<b>13,678,021,477</b>

### Equity

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
Treasury stock (Note 14)	(225,529,179)	(207,150,258)
Retained earnings (Note 14)	3,153,076,980	3,289,176,015
Remeasurement losses on defined benefit obligation (Note 19)	94,047,690	94,047,690
<b>Total Equity</b>	<b>8,906,512,640</b>	<b>9,060,990,596</b>

<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱21,495,462,107</b>	<b>₱22,739,012,073</b>
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# Statement of Cash Flows

## METRO RETAIL STORES GROUP, INC.

### UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	For the Three-month Periods Ended March 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱83,713,470</b>	₱44,128,622
Adjustments for:		
Depreciation and amortization - PPE (Note 8)	<b>146,112,396</b>	148,684,616
Finance costs (Note 16)	<b>134,617,230</b>	114,257,267
Depreciation - ROU assets (Note 22)	<b>90,843,246</b>	88,533,385
Gain on lease contract termination (Note 18)	<b>(29,107,167)</b>	-
Retirement benefits costs (Note 19)	<b>17,142,272</b>	15,253,285
Foreign currency exchange gains (Note 16)	<b>(3,759,284)</b>	(7,269,526)
Interest income (Note 16)	<b>(45,091,575)</b>	(9,221,777)
Operating income before working capital changes	<b>394,470,588</b>	394,365,872
Decrease (increase) in:		
Receivables	<b>179,907,233</b>	107,367,479
Merchandise inventories	<b>(332,811,509)</b>	(512,941,143)
Other current assets	<b>(73,966,737)</b>	(164,374,738)
Increase (decrease) in:		
Trade and other payables	<b>(1,126,397,234)</b>	(97,518,017)
Contract liabilities	<b>(12,284,828)</b>	(37,492,246)
Cash flows used in operations	<b>(971,082,487)</b>	(310,592,793)
Income tax paid	<b>(7,635,037)</b>	(1,213,647)
Interest received	<b>41,872,714</b>	4,883,578
Interest paid	<b>(37,896,841)</b>	(12,210,049)
Retirement benefits paid	<b>(15,752,305)</b>	(1,284,965)
Net cash used in operating activities	<b>(990,493,956)</b>	(320,417,876)

# Statement of Cash Flows

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment (Note 8)	(176,495,503)	(241,657,610)
Proceeds from insurance claim	53,681,402	-
Increase in short-term investments	-	(1,704,716,327)
Decrease (increase) in other noncurrent assets	(49,834,817)	56,329,462
Net cash used in investing activities	(172,648,918)	(1,890,044,475)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans (Note 12)	-	2,500,000,000
Repayment of loans (Note 12)	-	(1,000,000,000)
Purchase of treasury stocks (Note 14)	(18,378,921)	(39,419,756)
Payment of:		
Principal portion of lease liabilities (Note 22)	(130,040,959)	(124,396,700)
Debt issue cost (Note 12)	-	(18,750,000)
Net cash provided by (used in) financing activities	(148,419,880)	1,317,433,544
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,311,562,754)</b>	<b>(893,028,807)</b>
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)</b>	<b>3,759,284</b>	<b>7,269,526</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,162,583,002</b>	<b>1,671,751,798</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>	<b>₱3,854,779,532</b>	<b>₱785,992,517</b>

# Press Release



## MEDIA RELEASE

May 12, 2023

### *Metro Retail posts 80% YoY growth in net income for 1Q 2023*

12 May 2023, Manila, Philippines – Metro Retail Stores Group, Inc. (MRSGI) reported a net income of PhP60.0 million for the first three months of 2023, an 80.2% increase from PhP33.3 million in the same period in 2022. The improvement came from robust operating margins and solid revenues.

Total first quarter sales was flattish, posting a slight decline of 2.4% in net sales to PhP8.3 billion from PhP8.5 billion for the first quarter of 2022, with comparable store sales also lower by 4.6% versus last year. The decrease was due to bulk wholesale transactions in 2022 that had beefed up first-quarter sales last year. Excluding these bulk transactions, sales for the first quarter this year posted a double-digit increase of 12.0% vs 2022, of which General Merchandise business continued to thrive with 14.1% growth.

MRSGI's blended gross margin significantly improved by 290bps to 21.9% in the first quarter of 2023 from 19.0% in the same period a year ago. This was mainly attributable to the higher share to business of general merchandise that generates better margins.

While the Company continued to implement efficiency initiatives, operating expenses increased by 13.8% amid higher rent and utilities expenses and the additional stores that opened in April last year. This was partially offset by the increases in rental income and interest and other income.

As a result of the expansion in retail sales and higher gross profit margins, the Company's earnings before interest, taxes, depreciation, and amortization (EBITDA) for the first quarter grew by 6.2% to PhP410.2 million from the same period last year. The Company remained in a strong cash position at PhP3.9 billion, while the bank debt-to-equity ratio was low at 0.33. With the comfortable liquidity level, Metro Retail also declared cash dividends in March amounting to PhP196.1 million based on the prior year's earnings.

*"Last year's results gave the Company more confidence to pursue stronger growth and financial performance this 2023. MRSGI will continue to seek new opportunities to serve our customers better and to create financial value for our stakeholders. MRSGI registered positive earnings in the first quarter and we plan to build on the momentum for the rest of the year," said Manuel Alberto, President and Chief Operating Officer of MRSGI.*

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