



3Q & 9M 2023 **Earnings Call and Analysts' Briefing**

23 November 2023

Presenters



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



Mr. Joselito G. Orense
Treasurer and
Chief Finance Officer

General rules

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.

9M 2023 Financial and Operational Highlights



Net sales decreased by
-0.04%
to PhP26.54 billion



Gross profit grew by
3.79%
to PhP5.75 billion

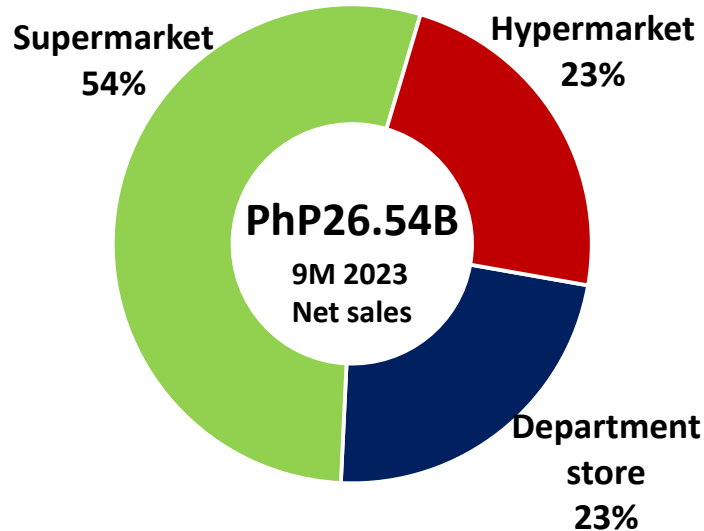


EBITDA decreased by
-19.7%
to PhP1.29 billion



Net income declined by
-36.5%
to PhP254.57 million

Share to Business
(in % of 9M2023 net sales)



PhP22.19 billion
Total assets



PhP9.07 billion
Total equity

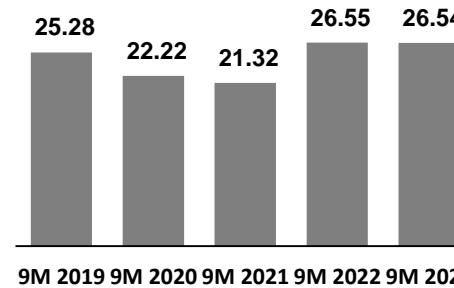


62 stores
35 SM, 15 DS, 12 HM

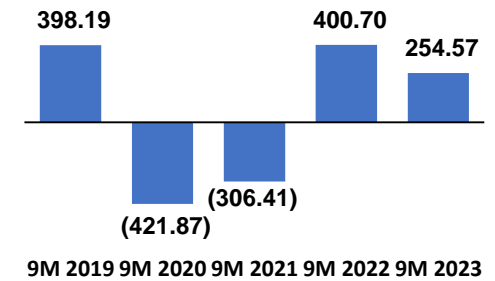
Note: Store count as of end-Sep 2023
(SM refers to supermarkets, DS for department stores, and HM for hypermarkets)

vs. historical financials

Net sales (PhP billions)



Net income (PhP millions)



As of 30 September 2023

Market capitalization

PhP3.83B

Book value per share

PhP2.79

Share price

PhP1.18

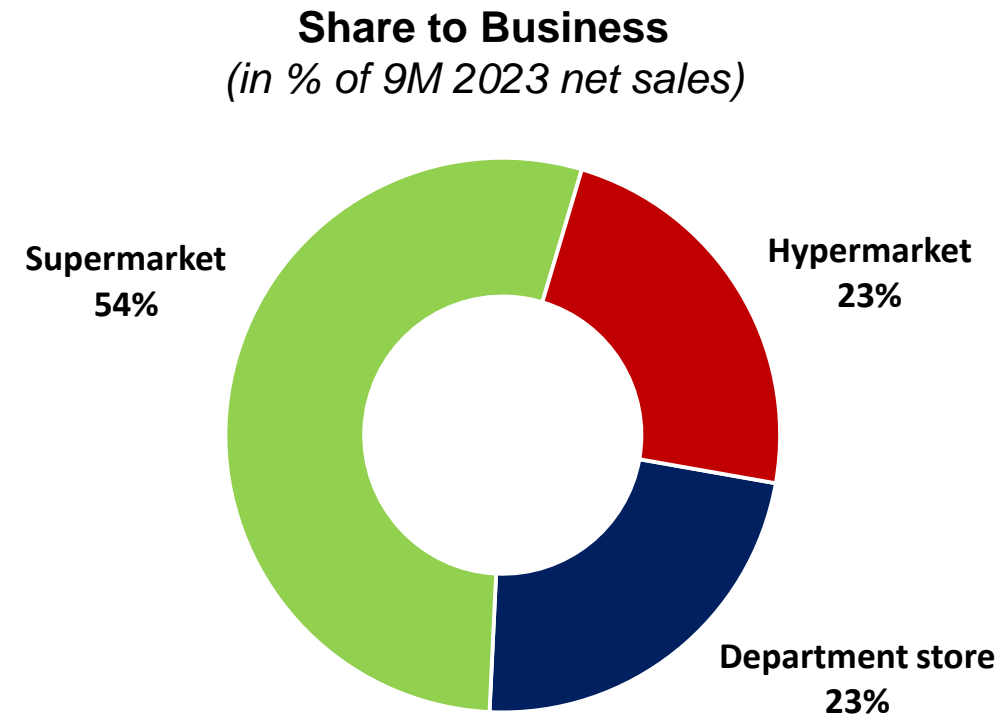
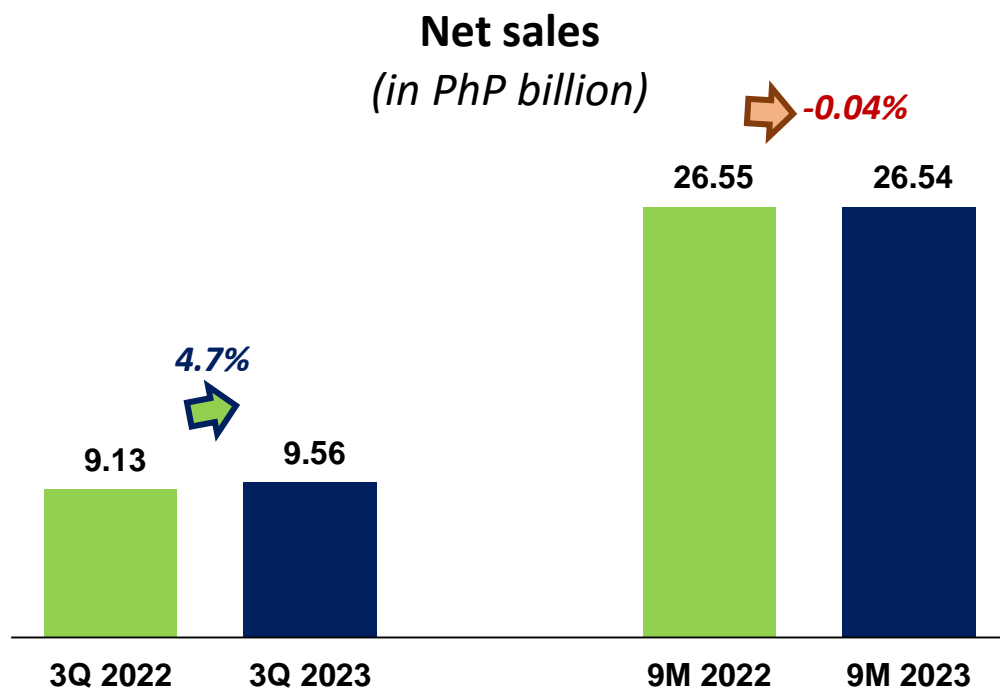
Earnings per share (9M 2023)

PhP0.08

As of 22 November 2023, MRSGL has a market capitalization of PhP3.83 billion. Share price closed at PhP1.18.

Results of operations

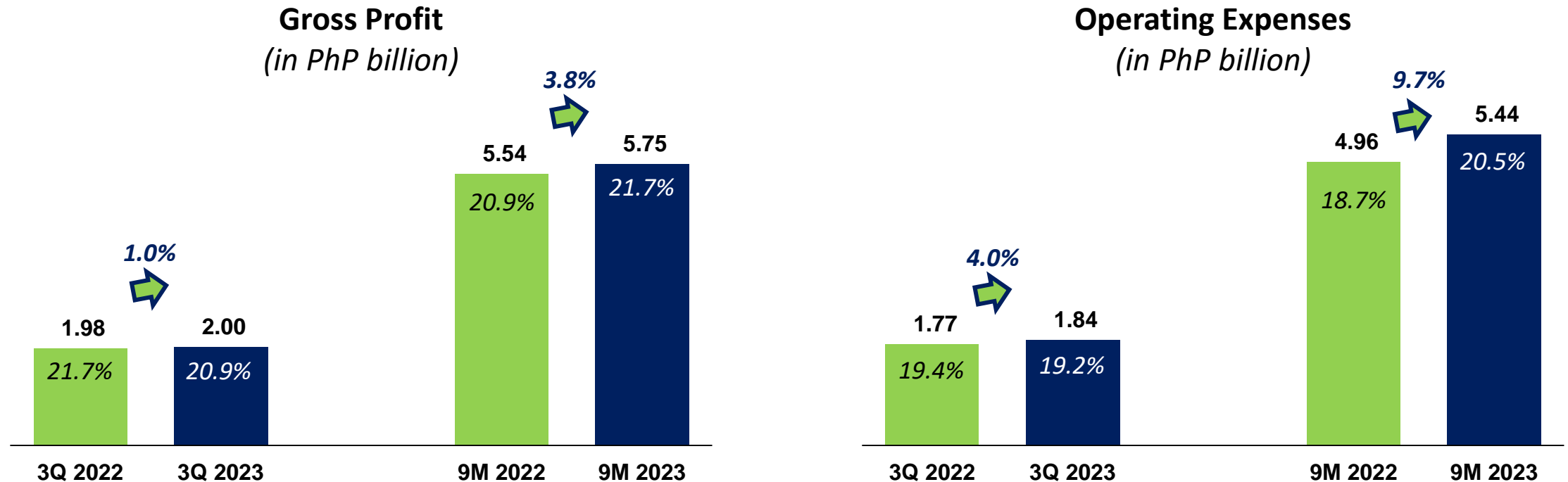
Net Sales increased in Q3 but remained flattish overall for the year



- ❑ Net sales for the quarter is higher by 4.7% compared last year due to the increase in sales of existing stores and incremental sales from new stores. However, blended same-store sales stays flattish for the nine-month period of this year versus last year due to the decline of bulk wholesale transactions.
- ❑ Excluding bulk wholesale transactions, total net sales increased by 5.2% in the first nine months of 2023 versus 2022.

Results of operations

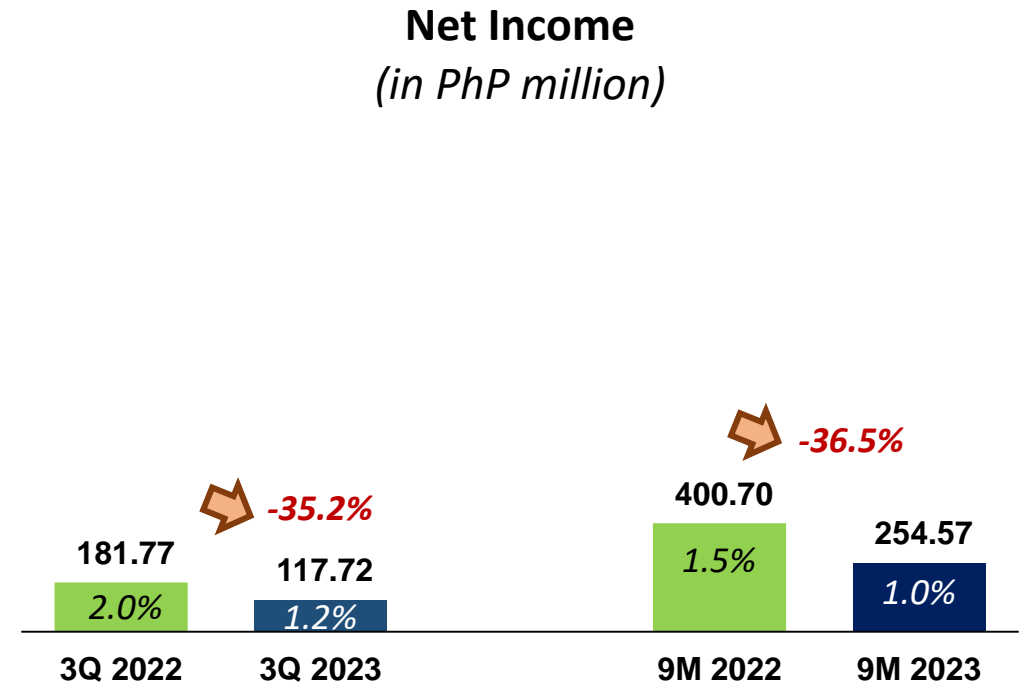
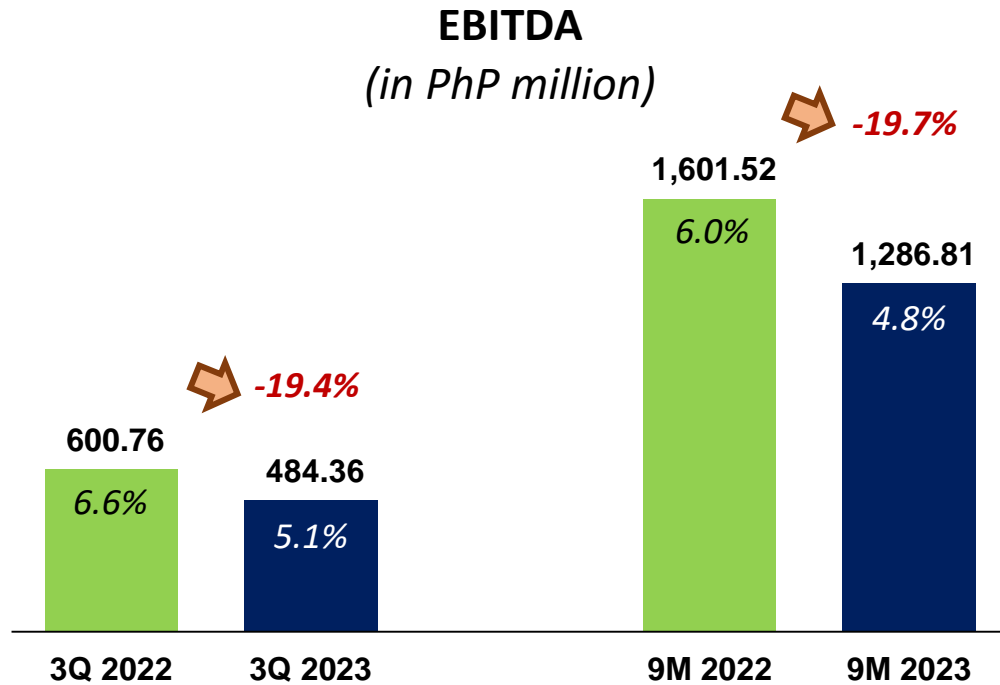
Gross profit margin improved in absolute terms and as % of sales



- ❑ Gross profit margin improved for the quarter and for the nine-month period of the year. This was driven by the higher profit margin for both businesses – food retail and general merchandise.
- ❑ Operating expenses increased by 9.7% mainly due to higher rent expense and manpower costs.

Results of operations

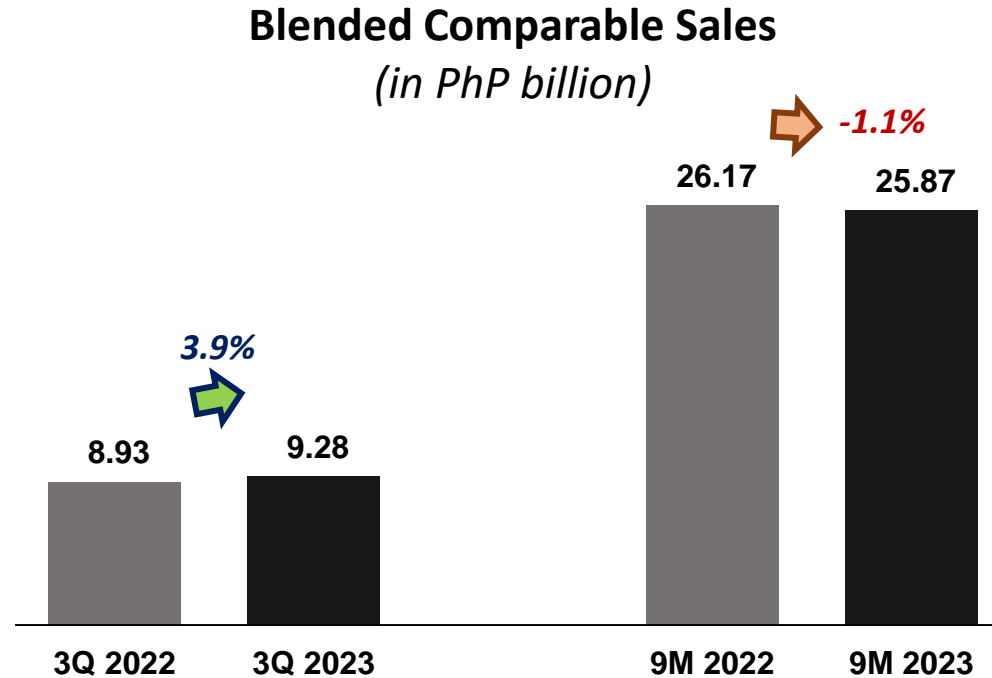
EBITDA and NIAT decreased



- ❑ As a result of faster growth in operating expenses, EBITDA and Net income declined in the first nine months of 2023 compared to the same period last year.

Results of operations | Comparable store sales

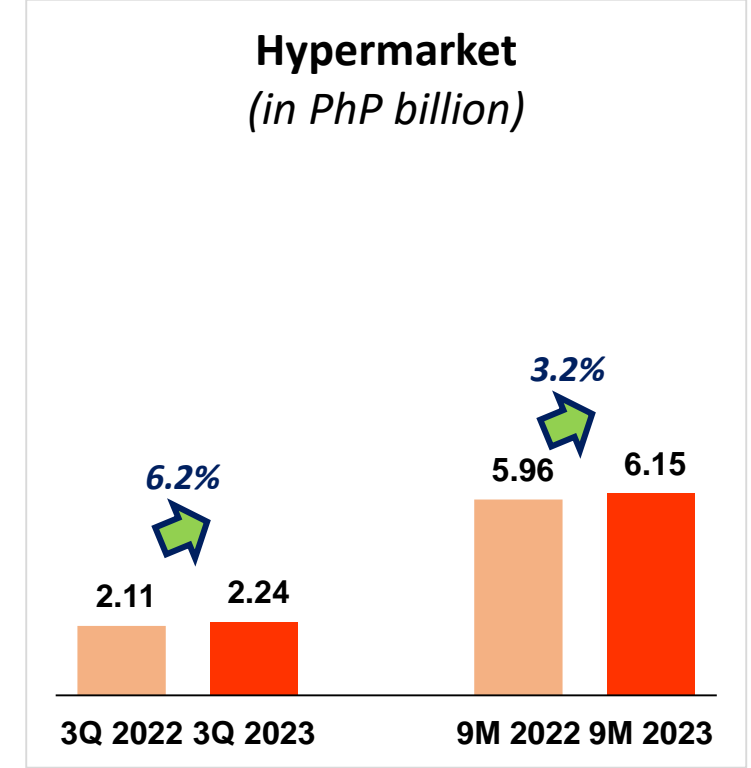
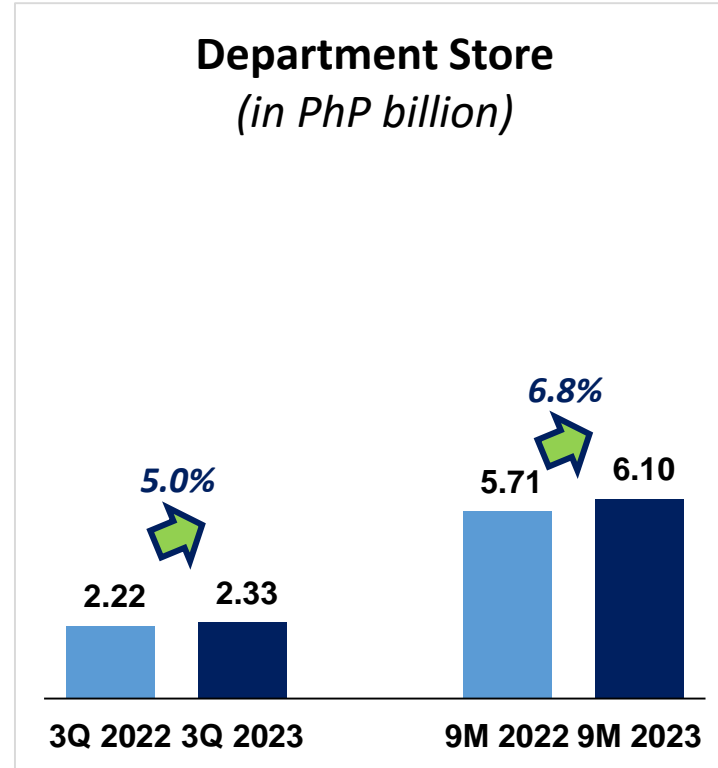
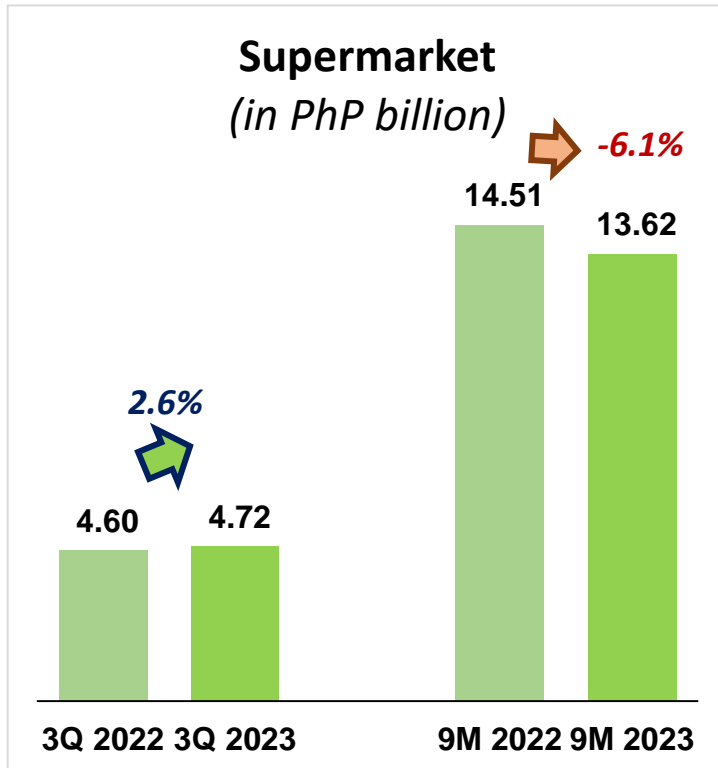
Slightly decline in comparable sales year-to-date, but showing improvement in Q3



- ❑ The Company's blended comparable sales improved for the quarter while decreased for nine months 2023 vs 2022 due to the accounted bulk sales last year.

Results of operations | Comparable store sales

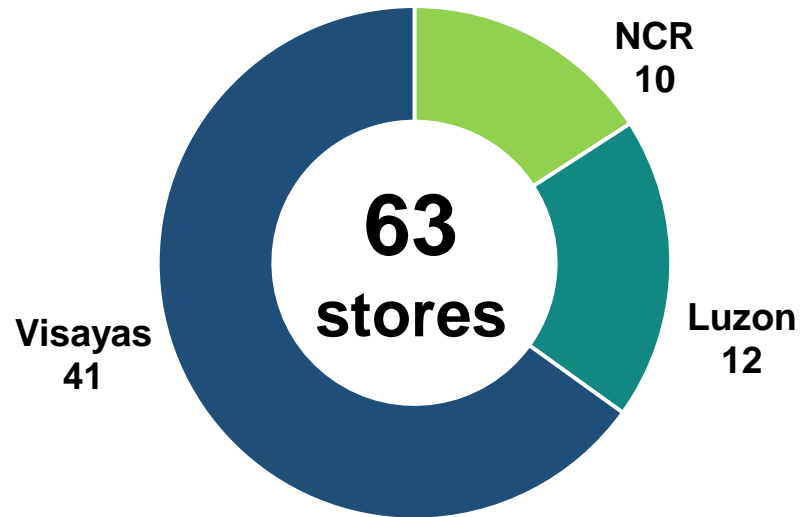
Department store and Hypermarket increased while Supermarket decreased



☐ Comparable sales increased across all formats for the third quarter. Year to date, only Supermarket format showed a decline attributed to the bulk wholesale transactions from the same period last year.

MRSGI existing store network

Geographical composition of store network (as of 23 November 2023)



📍 Supermarket

NCR	7
Luzon	5
Visayas	24
Total	36

🏬 Department Store

NCR	3
Luzon	4
Visayas	8
Total	15

🏪 Hypermarket

NCR	-
Luzon	3
Visayas	9
Total	12

Note: Closed two stores – Metro Atria on February 1 and Super Metro Calamba on March 1.
Opened Metro LG Garden Matro Value Mart Lancaster in August 2023 and Metro Alang-alang in Nov 2023

MRSGI network expansion | New stores

Opened two stores in August 2023



Metro LG Market
(Supermarket)
Mactan, Cebu



Metro Value Mart Lancaster
(Neighborhood mini-mart)
Gen. Trias, Cavite

MRSGI network expansion | New store in Alang-alang, Leyte

Metro Alangalang (Supermarket) | Opened on 14 November 2023



MRSGI network expansion | Sta. Rosa Warehouse

Ongoing final preparations for start of operations



Awards and Certifications |

DTI Gold Bagwis Awards and Landbank's *DIAMOND* Award



Received additional eight (8) awards for various store locations in Visayas (July 2023)



Received DIAMOND (Distinguished Initiators and Movers of Nat'l Dev't) Award from Landbank (Aug 2023)

Metro Retail Stores elevates partnerships for business growth through Mareng Ems (Enterprising Metro Suki partner) program

METRO

Mareng Ems

Ang iyong Enterprising Metro Suki Partner

Get the Mareng EMS Card and enjoy **10 Pang-Asenso Benefits!**

- FREE Negosyante Membership!**
Basta Certified Business Owner ka, Mareng Ems Member ka na agad. Mag-sign up sa Mareng Ems and get a Starter Gift Pack plus FREE P100 GC upon purchase of at least P10,000 worth of Metro groceries.
- Asenso Points**
Earn points and use them for future purchases.
- Monthly Kabuhayan Rebates**
Up to 2% ang rebate sa monthly purchases mo.
- Pangkabuhayan Raffle Promo**
Laging may promo, laging may chance man! 🎉
- Cellphone Loading Negosyo**
Dagdag-business para mas local ka.
- Kabuhayan Puhunan Credit Line**
Laging may salalay sa negosyong mangalangan.
- Alagang Metro**
Alter-service care. Libre delivery pag P10k and above ang Metro groceries mo.
- Negosyo-skwela**
FREE online lectures for better negosyo skills.
- Anniversaregalo**
Get treats on your membership anniversary.
- FREE Metro Medical Check-up**

Mag-member ka na at gawing partner si Mareng Ems!

Partner sa negosyo,
Partner sa asenso!



Mareng Ems Program is tailored to enhance collaborations and to serve as a comprehensive support system for businesses, particularly within the dynamic Sari-sari Store (SSS) and Hotel, Restaurant, and Catering (HoReCa) sectors.

- ### 10 Pang-Asenso Benefits
- Free Negosyante Membership
 - Asenso Points
 - Monthly Kabuhayan Rebates
 - Pangkabuhayan Raffle Promo
 - Cellphone Loading Negosyo
 - Kabuhayan Puhunan Credit Line
 - Alagang Metro
 - Negosyo-skwela
 - Anniversaregalo
 - Free Metro Medical Check-up

Key financial indicators

<i>Currency: PhP million</i>	2016	2017	2018	2019	2020	2021	2022	9M 2023
Financial highlights								
Net sales	34,411	35,016	33,050	36,790	31,286	31,211	38,102	26,537
EBITDA	1,547	1,877	1,781	2,785	1,273	1,220	2,680	1,287
Net income	789	977	965	776	(450)	(318)	917	255
Equity	7,145	7,943	8,703	9,236	8,536	8,173	9,061	9,074
Financial soundness indicator								
Current Ratio	2.14	2.41	2.01	1.47	1.45	1.71	2.34	2.23
Debt to Equity Ratio	-	-	-	-	0.18	0.18	0.33	0.32
Net Debt to Equity Ratio	(0.46)	(0.47)	(0.41)	(0.31)	(0.09)	(0.02)	(0.24)	(0.07)
Earnings per share (PhP)	0.23	0.28	0.28	0.23	(0.13)	(0.09)	0.28	0.08
Earnings per share - TTM (PhP)								0.24
Stock data								
Share price (PhP) – EOP	4.05	3.90	2.49	2.11	1.50	1.44	1.41	1.16
Market capitalization – EOP	13,889	13,375	8,539	7,236	5,144	4,833	4,628	3,769
Valuation metrics (EOP)								
P/B ratio	1.94	1.68	0.98	0.78	0.60	0.60	0.51	0.42
P/E ratio	17.61	13.93	8.89	9.17	(11.54)	(16.00)	5.04	4.14 ^a
P/E ratio – TTM								4.83
EV/Sales – TTM	0.31	0.28	0.15	0.12	0.14	0.15	0.06	0.08
EV/EBITDA – TTM	6.84	5.15	2.77	1.55	3.45	3.82	0.91	1.34

Note:

a. Using 2022 EPS

MRSGL's Strategy



3Q & 9M 2023
**Earnings Call and
Analysts' Briefing**

23 November 2023

MRSGI's Five Strategy Pillars



Q&A



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23 November 2023

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Annex: Financial Statements



**3Q & 9M 2023
Earnings Call and
Analysts' Briefing**

23 November 2023

Statement of Comprehensive Income

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUE				
Net sales (Note 15)	₱9,562,203,514	₱9,130,104,495	₱26,536,500,188	₱26,546,334,159
Rental (Note 22)	75,941,222	66,414,235	232,427,335	171,701,213
	9,638,144,736	9,196,518,730	26,768,927,523	26,718,035,372
COSTS AND EXPENSES				
Cost of sales (Note 17)	7,566,334,235	7,146,984,161	20,791,268,530	21,011,218,441
Operating expenses (Note 18)	1,838,948,643	1,770,699,951	5,437,256,564	4,961,426,004
	9,405,282,878	8,917,684,112	26,228,525,094	25,972,644,445
OPERATING INCOME	232,861,858	278,834,618	540,402,429	745,390,927
OTHER INCOME (CHARGES) (Note 16)				
Interest and other income	60,014,996	103,392,277	173,766,351	178,820,828
Finance costs	(134,600,691)	(137,322,364)	(371,336,710)	(388,373,523)
	(74,585,695)	(33,930,087)	(197,570,359)	(209,552,695)
INCOME BEFORE INCOME TAX	158,276,163	244,904,531	342,832,070	535,838,232

Statement of Comprehensive Income

INCOME BEFORE INCOME TAX	158,276,163	244,904,531	342,832,070	535,838,232
PROVISION FOR INCOME TAX (Note 21)				
Current	59,970,946	74,604,523	126,604,651	141,621,164
Deferred	(19,410,203)	(11,468,101)	(38,337,956)	(6,483,504)
	40,560,743	63,136,422	88,266,695	135,137,660
NET INCOME	117,715,420	181,768,109	254,565,375	400,700,572
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gains (losses) on defined benefit obligation	-	-	-	-
Income tax effect	-	-	-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	P117,715,420	P181,768,109	P254,565,375	P400,700,572
Basic/Diluted Earnings Per Share (Note 23)	P0.04	P0.05	P0.08	P0.12

Statement of Financial Position

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 25)	₱3,525,009,689	₱5,162,583,002
Short-term investments (Notes 4 and 25)	-	-
Receivables (Notes 5 and 25)	833,218,354	954,824,757
Merchandise inventories (Note 6)	5,946,829,960	5,495,332,780
Other current assets (Notes 7 and 25)	687,601,786	630,372,608
Total Current Assets	10,992,659,789	12,243,113,147
Noncurrent Assets		
Property and equipment (Note 8)	5,901,924,224	5,294,353,429
Right-of-use ("ROU") assets (Note 22)	4,158,935,208	4,307,663,208
Deferred tax assets - net (Note 21)	431,910,569	393,572,613
Other noncurrent assets (Notes 9 and 25)	702,825,946	500,309,676
Total Noncurrent Assets	11,195,595,947	10,495,898,926
TOTAL ASSETS	₱22,188,255,736	₱22,739,012,073

Statement of Financial Position

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10 and 25)	₱4,324,329,680	₱4,820,527,987
Contract liabilities (Note 11)	91,029,912	104,828,812
Income tax payable	25,636,909	23,734,498
Loans payable – current portion (Note 12)	323,611,111	130,208,334
Lease liabilities - current portion (Notes 22 and 25)	155,375,727	156,724,371
Total Current Liabilities	4,919,983,339	5,236,024,002
Noncurrent Liabilities		
Lease liabilities – net of current portion (Notes 22 and 25)	5,097,426,266	5,106,227,807
Retirement benefit obligation (Note 19)	500,911,162	470,417,519
Loans payable – net of current portion (Note 12)	2,573,792,190	2,850,878,173
Other noncurrent liabilities (Notes 13 and 25)	22,615,245	14,473,976
Total Noncurrent Liabilities	8,194,744,863	8,441,997,475
Total Liabilities	13,114,728,202	13,678,021,477
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)	(253,037,855)	(207,150,258)
Retained earnings (Note 14)	3,347,600,550	3,289,176,015
Remeasurement losses on defined benefit obligation (Note 19)	94,047,690	94,047,690
Total Equity	9,073,527,534	9,060,990,596
TOTAL LIABILITIES AND EQUITY	₱22,188,255,736	₱22,739,012,073

Statement of Cash Flows

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	For the Nine-month Periods Ended	
	September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱342,832,071	₱535,838,232
Adjustments for:		
Depreciation and amortization - PPE (Note 8)	449,212,342	447,574,094
Finance costs (Note 16)	371,336,710	388,373,523
Depreciation - ROU assets (Note 22)	242,001,560	269,774,362
Retirement benefits costs (Note 19)	50,805,503	46,927,352
Foreign currency exchange gains (Note 16)	(14,017,769)	(49,034,605)
Provision for impairment loss on receivables (Note 18)	-	90,790
Gain on lease contract pretermination (Note 18)	(29,107,167)	-
Interest income (Note 16)	(118,569,464)	(40,024,470)
Operating income before working capital changes	1,294,493,786	1,599,519,278
Decrease (increase) in:		
Receivables	70,167,183	3,927,886
Merchandise inventories	(451,497,180)	(957,639,229)
Other current assets	(67,636,923)	(166,506,371)
Increase (decrease) in:		
Trade and other payables	(509,384,920)	285,680,935
Contract liabilities	(13,798,900)	(22,483,839)
Other current liabilities	8,141,270	-
Cash flows provided by operations	330,484,316	742,498,660
Income tax paid	(114,294,495)	(5,666,547)
Interest received	116,327,281	31,934,281
Interest paid	(120,808,950)	(82,777,638)
Retirement benefits paid	(9,818,237)	(5,583,573)
Net cash provided by operating activities	201,889,915	680,405,183

Statement of Cash Flows

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(1,056,783,137)	(521,521,052)
Proceeds from insurance claim	53,681,402	-
Increase in short-term investments	-	(2,223,744,533)
Decrease (increase) in other noncurrent assets	(202,516,270)	87,309,876
Net cash used in investing activities	(1,205,618,005)	(2,657,955,709)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans (Note 12)	-	2,500,000,000
Repayment of loans (Note 12)	(86,805,556)	(1,000,000,000)
Purchase of treasury stocks (Note 14)	(45,887,597)	(85,554,972)
Payment of:		
Lease liabilities (Note 22)	(319,028,999)	(379,439,107)
Dividends payable (Note 14)	(196,140,840)	-
Debt issue cost (Note 12)	-	(18,750,000)
Net cash provided by (used in) financing activities	(647,862,992)	1,016,255,921
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,651,591,082)	(961,294,605)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	14,017,769	49,034,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,162,583,002	1,671,751,798
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱3,525,009,689	₱759,491,798

Press Release



MEDIA RELEASE

November 14, 2023

Metro Retail registers PhP254.6 million net income for the first nine months of 2023

14 November 2023, Manila, Philippines – Metro Retail Stores Group, Inc. (MRSGI) recorded a net income of PhP254.6 million in the first nine months of 2023, down by 36.5% from the PhP400.7 million net income in the same period last year. The decline is primarily due to higher operating expenses partially offset by the improvement in gross margin. MRSGI posted a PhP117.7 million net income in the third quarter.

The Company generated 4.7% growth in net sales for the quarter, supported by better sales from existing stores and incremental sales from newly opened stores. By business, general merchandise increased by 4.8% for the quarter and 6.1% over nine months, benefitting from back-to-school and increased travel activities. Similarly, food retail expanded by 4.5% for the quarter mainly from higher grocery consumption and improved marketing and store initiatives. For the nine-month period, food retail was slightly lower by 2.2% due to reduced wholesale transactions in 2023.

Total net sales over the nine months reached PhP26.5 billion, which was just a shade lower (0.04%) versus the prior year. Excluding bulk wholesale transactions, total net sales for the first nine months of 2023 increased by 5.2% year-on-year. Blended same-store sales was at about the same level (1.2% lower) as a year ago.

Gross margin improved across businesses which resulted in a higher blended gross margin at 21.7% for the first nine months of 2023 from 20.6% for the same period last year. However, this was offset by the 9.6% increase in operating expenses mainly due to the rise in manpower and rent expenses.

The Company's balance sheet remained solid, with a strong cash level of PhP3.4 billion, while the bank debt-to-equity ratio was low at 0.32.

Last August, MRSGI launched two new supermarkets in Lapu-Lapu City, Cebu and Gen. Trias, Cavite. With the closure of two underperforming stores earlier this year, the net store count currently stands at 62.

In the coming months, the Company will continue to pursue its acquisition and expansion plans, especially in the Visayas. Alongside this, MRSGI will refresh its merchandising brand and online engagement, consistent with the changing shopping needs and aspirations of the Company's customers.

"Our last three quarterly results showed an improving trend quarter-on-quarter. Before the year concludes, we anticipate a lift in our performance as the holiday season draws in more robust consumer spending," said MRSGI President and Chief Operating Officer Manuel Alberto. "We are ready to serve early Christmas shoppers with a much wider selection of quality products at competitive prices and an easy and friendly shopping experience across our physical stores and online channels," he continued.

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