

Cosco Capital, Inc.

Investor Presentation 1H2016 Financial Results & Performance

August 12, 2016



LAWSON



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Philippines

Agenda

- Company Overview
 - Corporate Structure
 - Our Subsidiaries
 - Company Milestones
- 1H 2016 Consolidated Financial Results
- Core Businesses
 - Grocery Retailing
 - Liquor Distribution
 - Specialty Retailing
 - Commercial Real Estate
- Key Initiatives for FY2016
- Q&A

Company Overview

Corporate Structure

COSCO is one of the leading retail conglomerates in the Philippines



Our Subsidiaries

Grocery Retailing



Puregold Price Club, Inc.

- 2nd largest grocery retail chain in the Philippines
- Nationwide presence with 261 stores across the country



S&R Membership Shopping Club

- Pioneer and dominant player in membership club retailing
- 10 warehouses and 20 Quick Service Stores (“QSR”) nationwide

Liquor Distribution



- Leading player in the premium wine and liquor distribution industry
- Covers 90% of imported wine and liquor in the Philippines
- Global brands such as Bacardi, Cuervo, Alfonso, Johnnie Walker and other well-known imported names

Specialty Retailing



Liquigaz Philippines Corporation

- 2nd largest liquefied petroleum gas (“LPG”) supplier in the Philippines



Office Warehouse, Inc.

- Office and school supplies, furniture and technology products
- 62 retail outlets nationwide

Commercial Real Estate



HARBOR POINT

- Commercial Real Estate portfolio includes community malls, commercial buildings, land for long-term lease
- 38 commercial properties located mostly in the Metro Manila area as well as in neighboring provinces of Luzon

Company Milestones

2013

April 22: Approval by the Securities and Exchange Commission (SEC) of change in corporate name and increase in capital stock of Parent company.

May 31: Implementation of issuance and listing of new shares, cross trade at the Philippine Stock Exchange (PSE) of PGOLD shares to the Parent company, issuance of shares to the subscribers pursuant to share swap, special block sale at the PSE of new shares.

2014

January 29: Approval of merger of Nation Realty, Inc., Go Fay & Co, Inc., SVF Corporation and 999 Shopping Mall, Inc. (Nation Realty, Inc. as the absorbing entity).

February 28: Acquisition of NE Pacific Shopping Centers Corporation

May 1: Acquisition of Office Warehouse, Inc.

July 17: Acquisition and subscription of additional shares of Canaria Holdings Corporation.

July 21: Acquisition of Liquigaz Philippine Corporation through Canaria Holdings Corporation

2015

February 3

- Puregold Price Club, Inc. acquired nine (9) supermarkets from NE Incorporated.
- Cosco Capital, Inc. through its wholly-owned subsidiary, Ellimac Prime Holdings, Inc., acquired four (4) commercial properties from NE Incorporated

August 5: through wholly-owned subsidiary, Ellimac Prime Holdings, Inc. acquired RFC mall located along Alabang, Zapote, Las Pinas City

August 6: Puregold Price Club, through wholly-owned subsidiary Entenso Equities and Goldtempo Company, Inc., acquired eight (8) supermarket stores operating under trade name Budgetlane

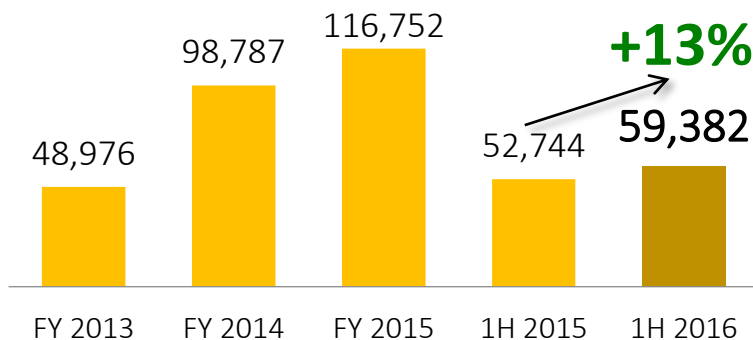
August 12: Cosco Capital, Inc. through its wholly-owned subsidiary, Ellimac Prime Holdings, Inc., acquired Maunlad mall situated at Malolos Bulacan

1H 2016 Consolidated Financial Results

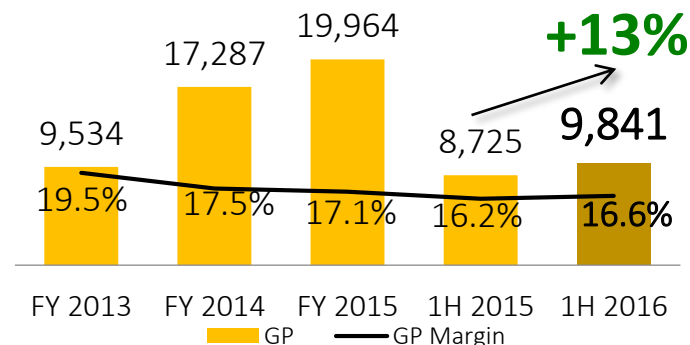
1H 2016 Consolidated Financial Highlights

(In PHP millions)

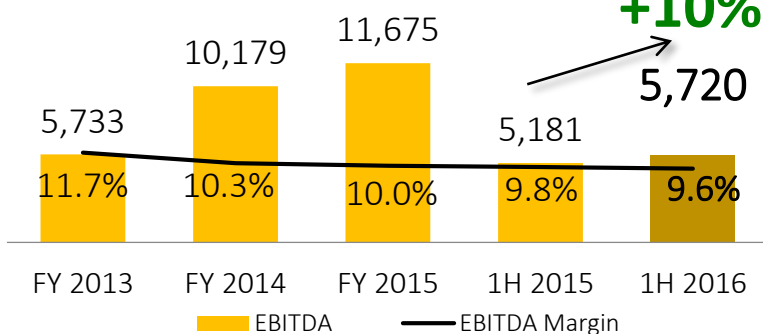
REVENUES



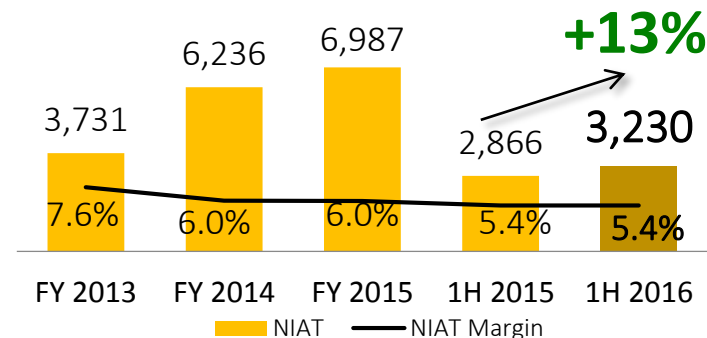
GROSS PROFIT



EBITDA



NET INCOME

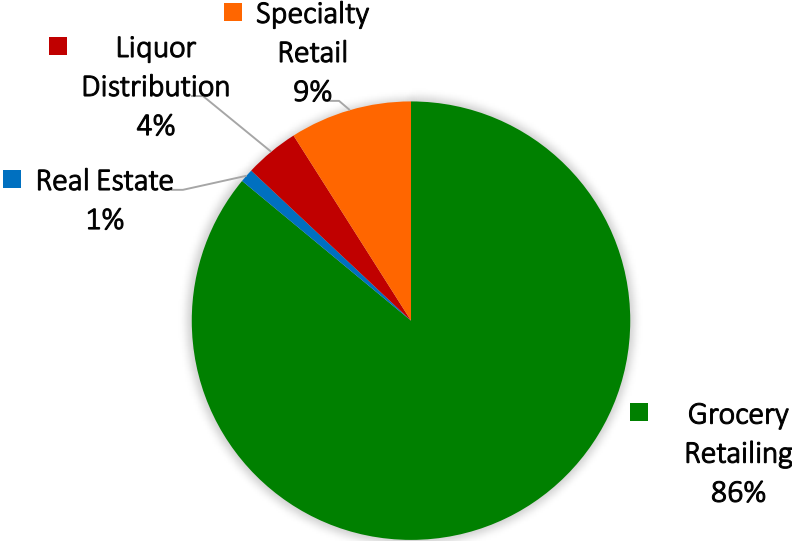


- **Revenues** grew by 13% to Php59.4 billion driven by strong performance and consistent growth across all business segments
- **Gross Profit** increased by 13% to Php9.84 billion and Gross Margin at 16.6%
- **EBITDA** increased by 10% to PHP 5.72 billion and EBITDA Margin of 9.6%
- **Net Income** increased by 13% to PHP 3.23 billion and Net Income Margin at 5.4%

1H2016 Revenue Contribution

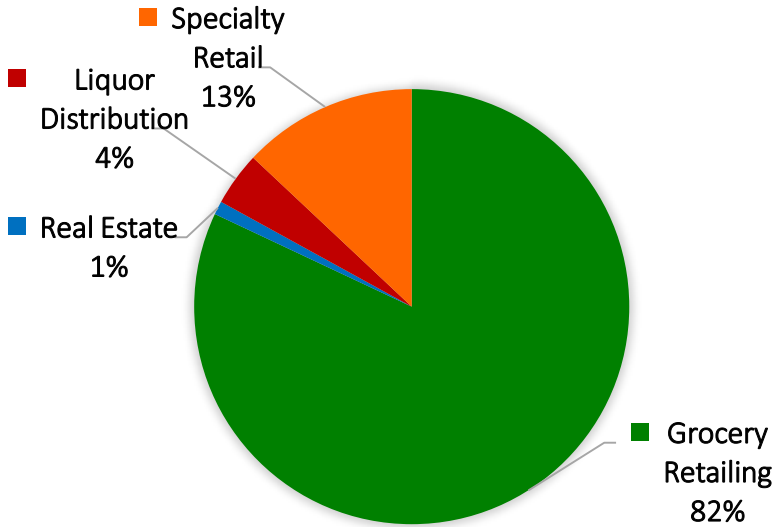
Consolidated Revenues

1H2016



PHP59.38 billion

1H2015



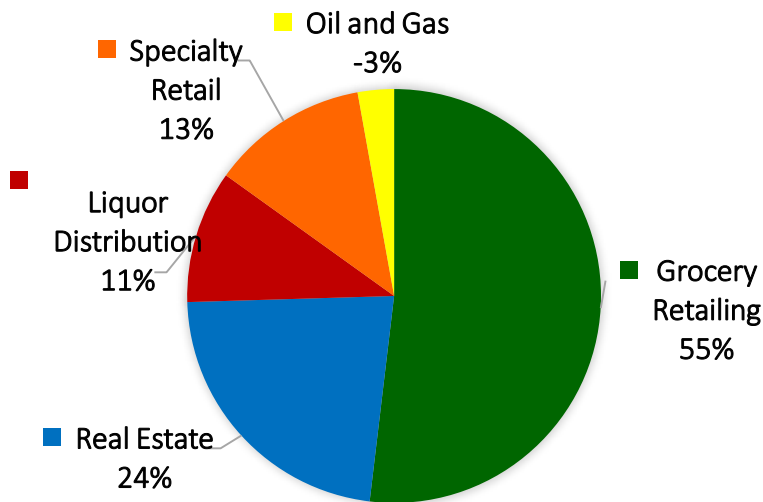
PHP 52.74 billion

1H 2016 Net Income Contribution

Strong Net Income contribution across business segments

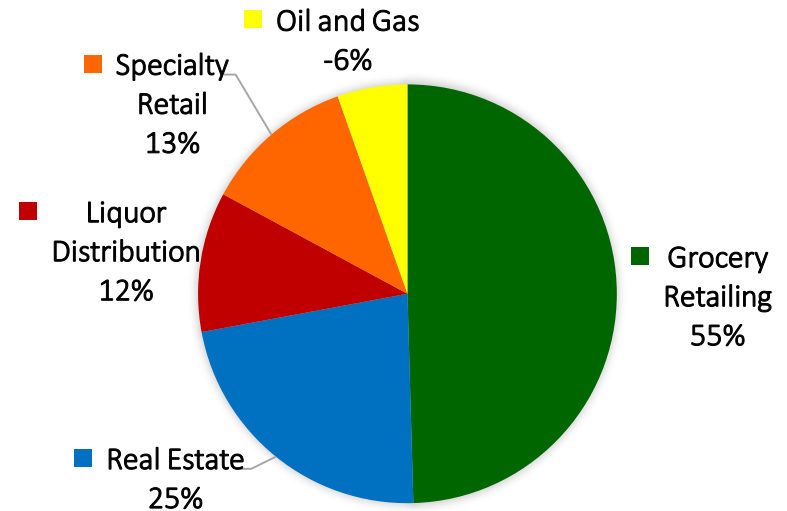
Net Income*

1H2016



PHP2.1 billion

1H2015



PHP 1.86 billion

*attributable to equity holders of the parent company

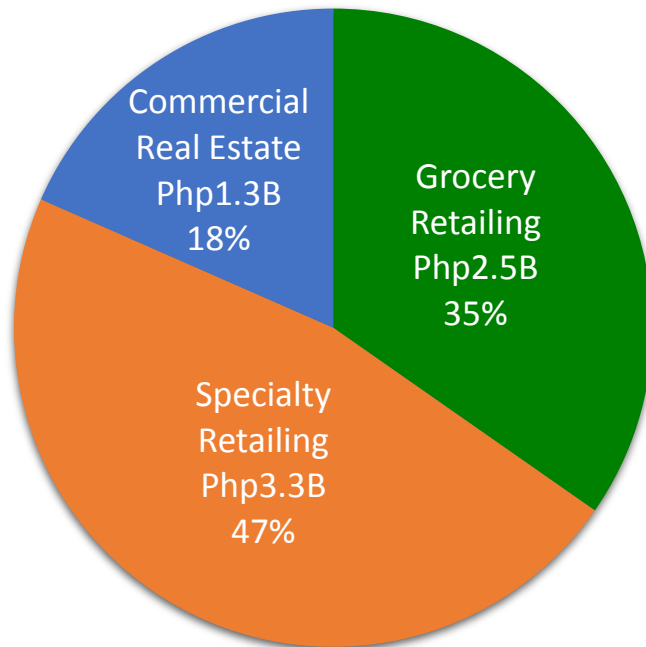
1H2016 Consolidated Balance Sheet

Healthy Balance Sheet and Strong Funding Capacity

(In PHP millions)	1H2016	FY2015	Increase (Decrease)	%
Cash and cash equivalents	7,862	14,541	-6,680	-46%
Total Current Assets	34,748	39,499	-4,751	-12%
Total Non Current Assets	61,013	58,117	2,896	5%
TOTAL ASSETS	95,761	97,617	-1,855	-2%
Total Current Liabilities	13,735	19,041	-5,306	-28%
Total Non-current Liabilities	13,294	13,032	262	2%
TOTAL LIABILITIES	27,029	32,073	-5,044	-16%
TOTAL EQUITY	68,732	65,544	3,188	5%
Debt to Equity Ratio	0.39x	0.39x	-	-

- Cash and cash equivalents decreased due to the net effect of the settlement of trade and non-trade payables principally from the Grocery Retail Segment, payment of 2015 cash dividends, settlement of loans and payment for capital expenditures during the period.
- Total Liabilities declined due to payment of trade payables, income tax payables, and debt service payments of operating subsidiaries

Continued expansion of business units



**FY2016 Capex Budget:
PHP 7.1 billion**

Grocery Retailing

- Puregold 25 new stores (PHP1 billion)
- S&R 2 new stores (PHP1 billion)
- S&R QSR stores 10 new stores (PHP 150 million)
- Lawsons 50 new stores (PHP300 million)

Specialty Retailing

- Liquigaz for the acquisition and construction of refilling plants, cylinders, and new terminal and jetty in Sairaya, Quezon
- Office Warehouse 10 new stores

Commercial Real Estate

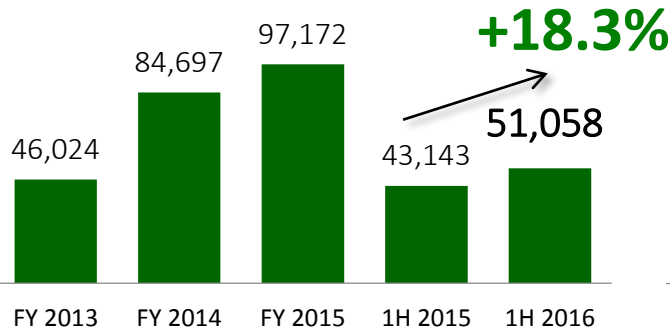
- Development and construction of 3 community malls located in Laguna, Marikina, and Tagaytay
- Refurbishment and rehabilitation of 6 commercial properties acquired in 2015

Core Businesses

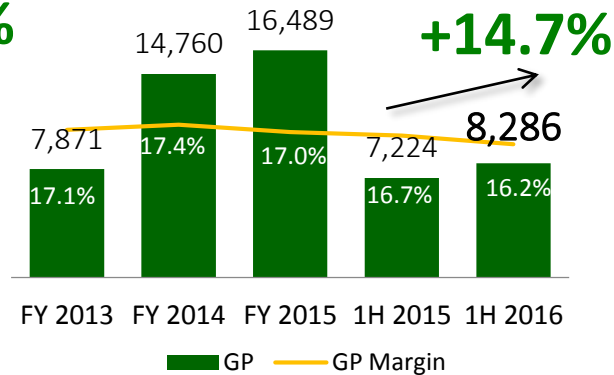
Grocery Retailing: 1H 2016 Financial Highlights

(In PHP millions)

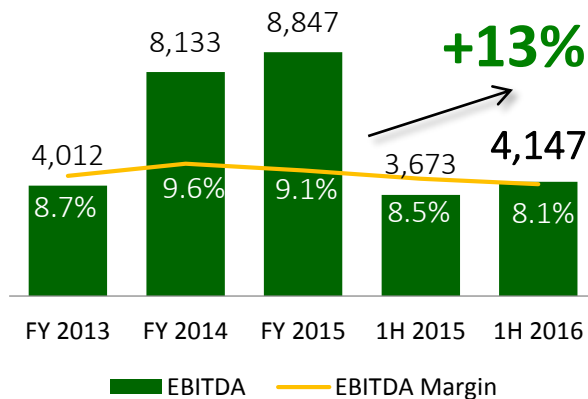
REVENUES



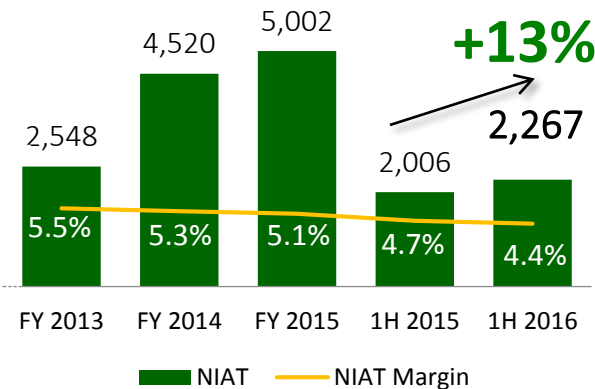
GROSS PROFIT



EBITDA



NET INCOME



Key Highlights

- 18.3% growth in Consolidated Net Sales to PHP 51.06 billion, with Puregold contributing 82.6% of total.
- Growth in Revenues driven by Puregold's Same Store Sales Growth ("SSSG") of 7.0% due to positive growth in basket size and traffic count of 6.7% and 0.2% respectively
- Gross profit grew by 14.7% to PHP8.3 billion with gross profit margin of 16.2%
- EBITDA increased by 12.9% to PHP4.15 billion with EBITDA margin of 8.1%
- Consolidated Net Income grew by 13% to PHP2.3 billion with margin of 4.4% Puregold only net margin is 3.6% while S&R net margin is 8.5%

Grocery Retailing: Recent Developments



- Puregold opened 9 new stores and closed 3 stores during the first half of 2016, bringing total store count to 261 stores nationwide
- S&R New York Style Pizza (QSR) opened 4 new stores with total of 20 stores during the period
- As of 1H2016, the Grocery Retailing segment is operating a total of 291 stores with consolidated NSA of more than 433,000 square meters¹.

¹excludes NE Bodega and Budgetlane stores with a total of 17 stores and 33,000 sqm NSA

Grocery Retailing: Store Network

Key statistics 1H 2016

Total no. of stores

- 291

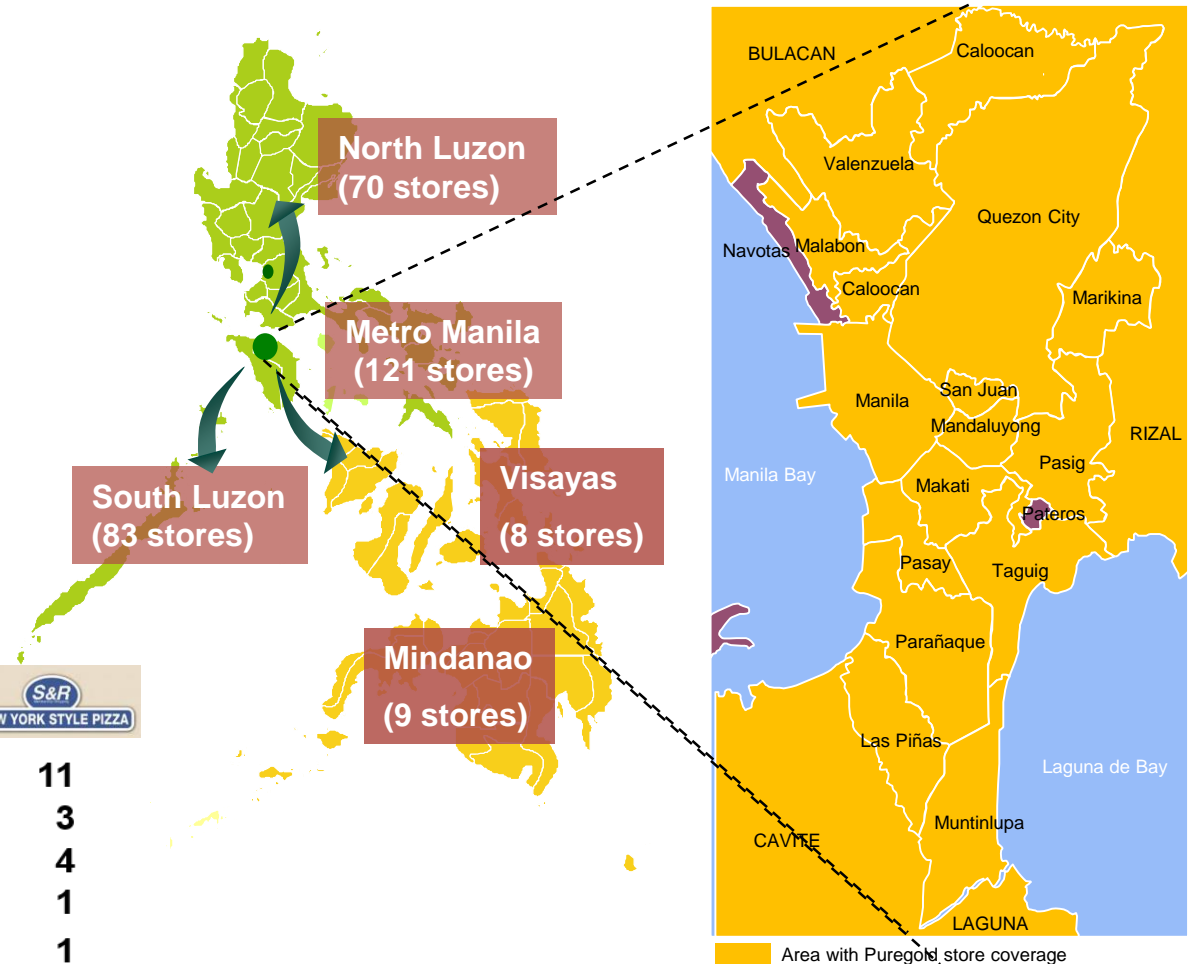
No. of stores per format

- 141 hypermarkets; 92 supermarkets; 28 extras
- 10 S&Rs & 20 S&R QSR

Consolidated net selling area

- about 433,000 square meters

Geographic coverage

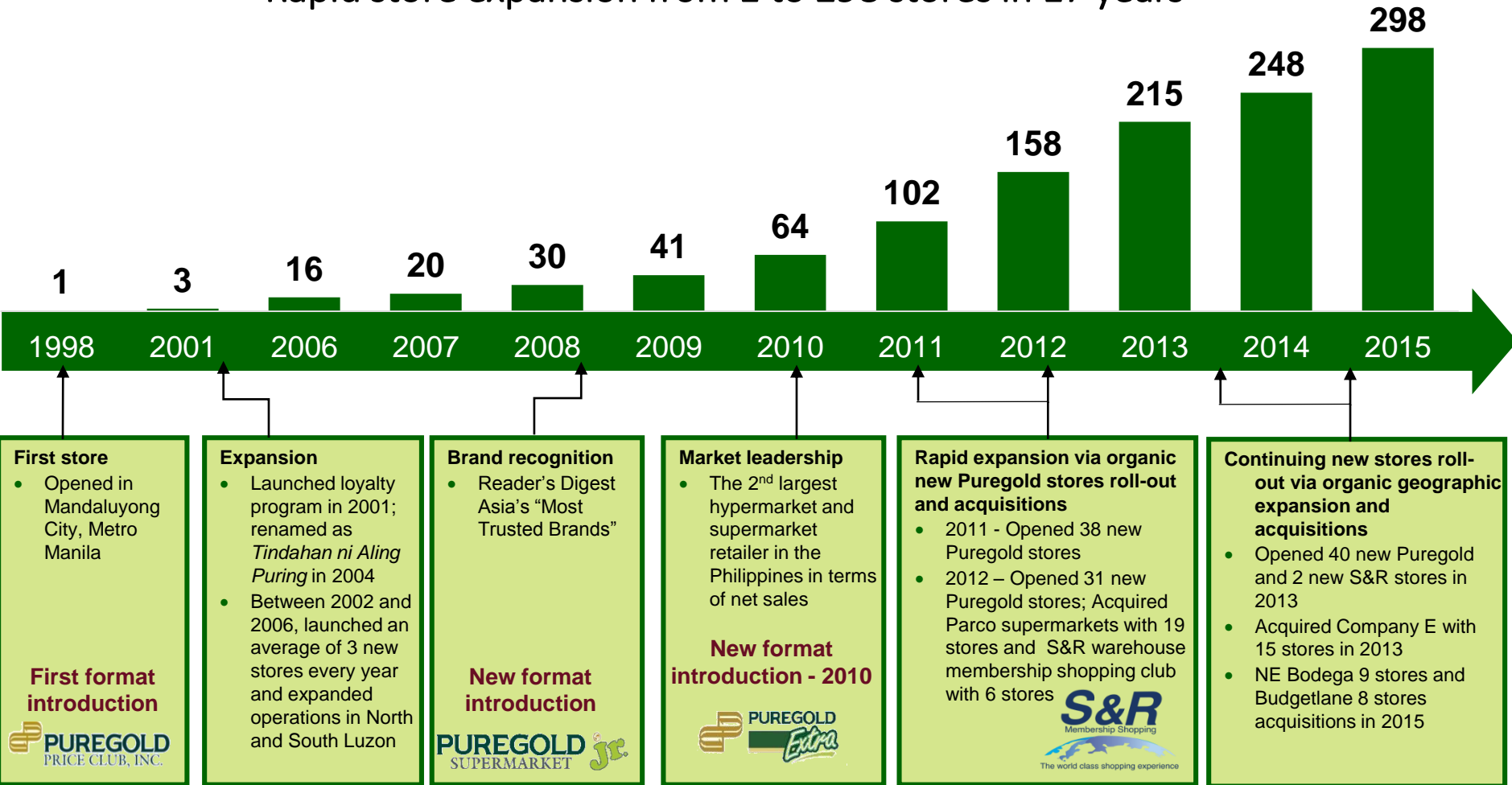


	PUREGOLD	S&R	S&R NEW YORK STYLE PIZZA
Metro Manila	105	5	11
North Luzon	66	1	3
South Luzon	77	2	4
Visayas	6	1	1
Mindanao	7	1	1
	<u>261</u>	<u>10</u>	<u>20</u>

*excludes NE Bodega and Budgetlane stores with a total of 17 stores and 33,000 sqm NSA

Grocery Retailing: Store Network

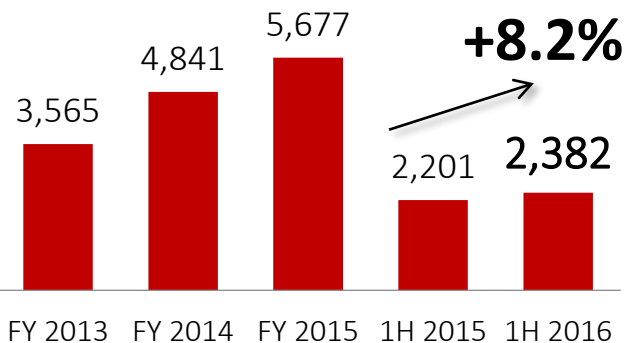
Rapid store expansion from 1 to 298 stores in 17 years



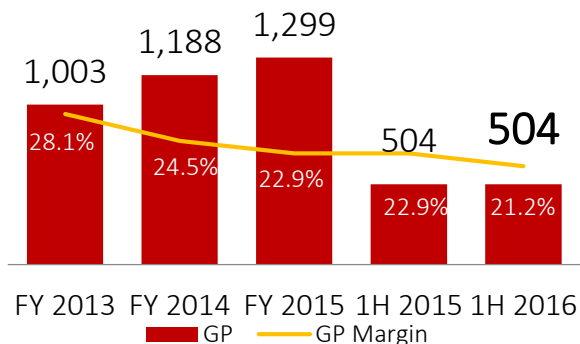
Liquor Distribution: 1H 2016 Financial Highlights

(In PHP millions)

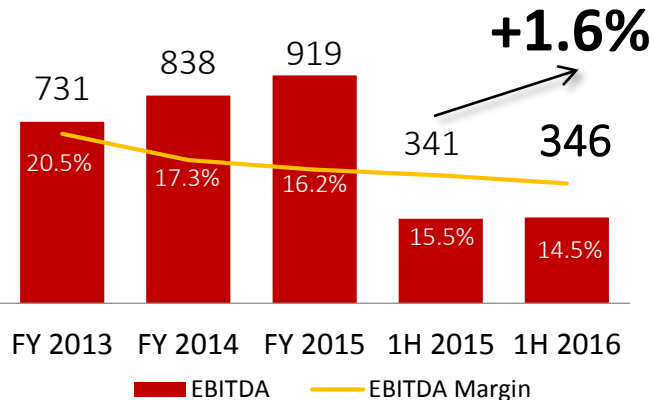
REVENUES



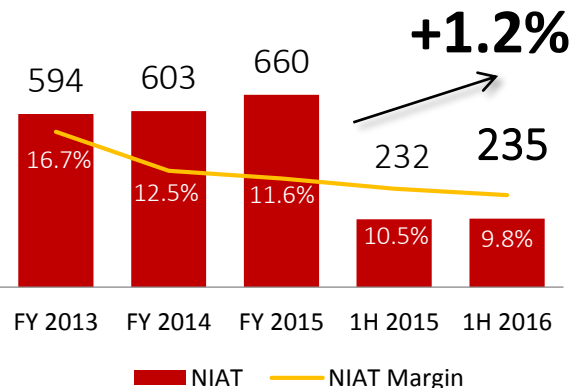
GROSS PROFIT



EBITDA



NET INCOME



MONTOSCO INC.



Key Highlights

- Continued to dominate 90% of the premium imported liquor segment
- 8.2% growth in Revenues to PHP2.38 billion driven by expanding customer base and 11% increase in total volume sales
- Gross Profit is sustained at PHP504 million, with Gross Profit margin of 21.2%
- EBITDA grew by 1.6% to PHP346 million with EBITDA Margin of 14.5%
- Net Income grew by 1.2% increase to PHP235 million and Net Income Margin of 9.8%

Liquor Distribution: Total Volume Sales

Total Volume Sales (in cases)

Category	2016	%	2015	%	Increase (Decrease)	%
Brandy	441,895	64%	387,949	62%	53,946	14%
Other spirits	127,896	19%	129,005	21%	(1,109)	-1%
Wines	59,026	9%	56,312	9%	2,714	5%
Specialty beverages	62,020	9%	49,259	8%	12,762	26%
	690,837	100%	622,525	100%	68,312	11%

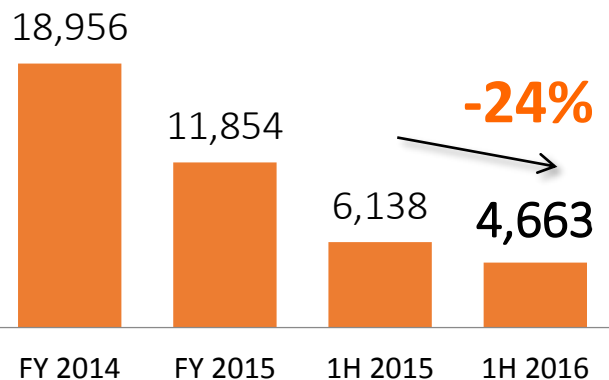
- Alfonso brandy showing more sales volume potential particularly the light version
- Distribution of Fundador brandy would continue to serve the Grocery Retail sales volume requirements estimated at around 50% of existing volume

Liquigaz: 1H 2016 Financial Highlights

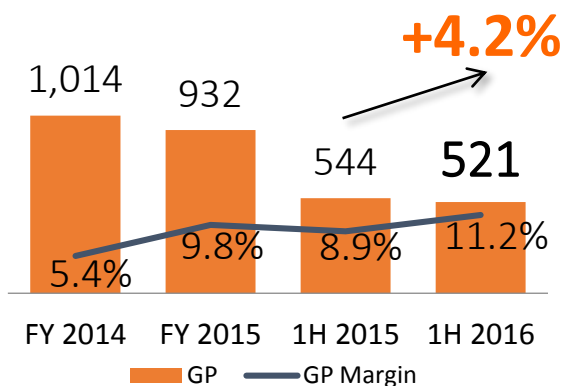
(In PHP millions)



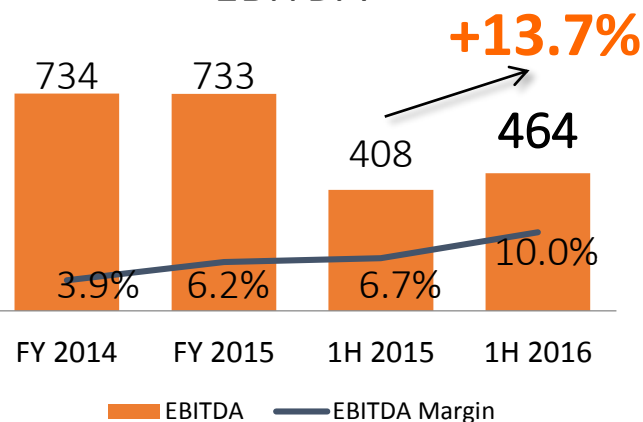
REVENUES



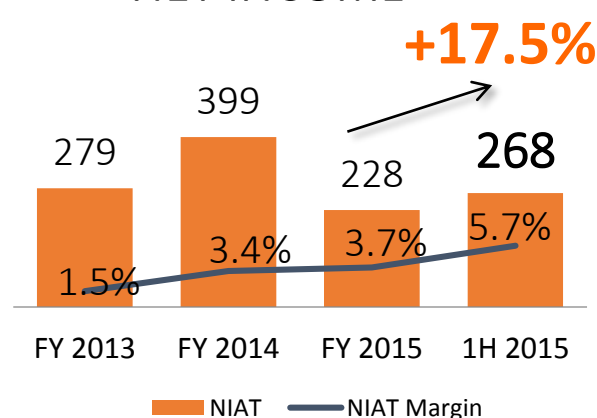
GROSS PROFIT



EBITDA



NET INCOME



Key Highlights

- Net Income increased by 17.5% to PHP268 million during the first half of 2016 with Net Income margin of 5.7%.
- 24% decline in Revenues to PHP4.66 billion due to low global petroleum and gas prices during the first half of the year.

Specialty Retailing: Liquigaz Philippines Corp.

Operational Highlights:



	2015	1H2015	1H2016
Volume sold (in metric tons)	423,151	210,376	200,201

Recent Developments:

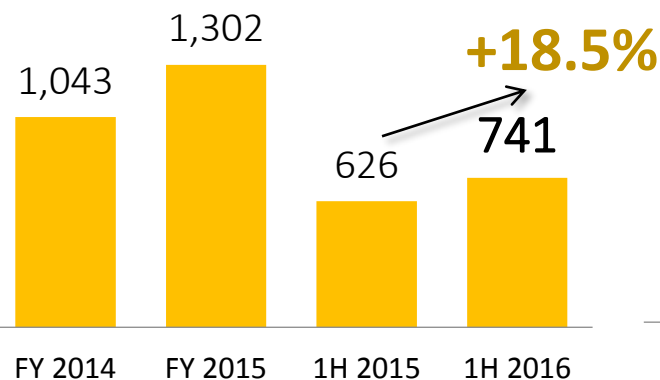
- Expansion program updates
 - Storage and terminal capacity expansion in Sairaya, Quezon:
 - Phase 1: 5,100 mT – completed July 2016
 - Phase 2: additional 12,000 mT – to be completed in 2H2017
 - Platform for geographic expansion
 - Opened pilot LPG retail store in Caloocan last July 2016

Office Warehouse, Inc.: 1H 2016 Financial Highlights

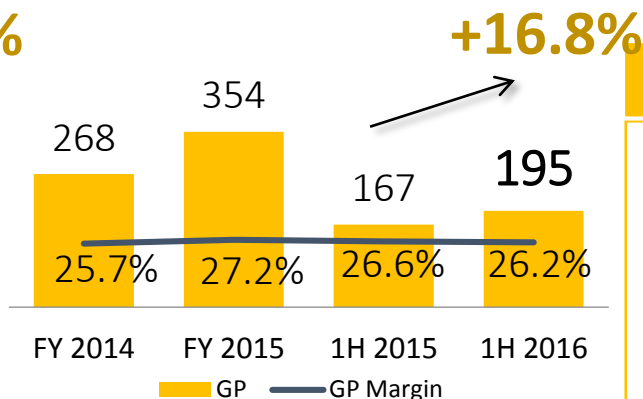
(In PHP millions)



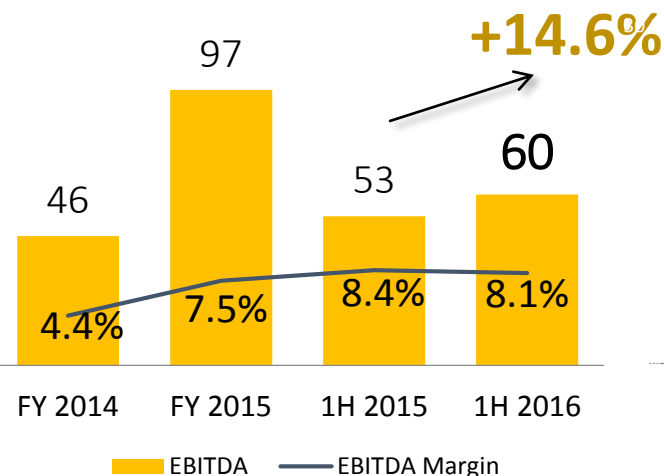
REVENUES



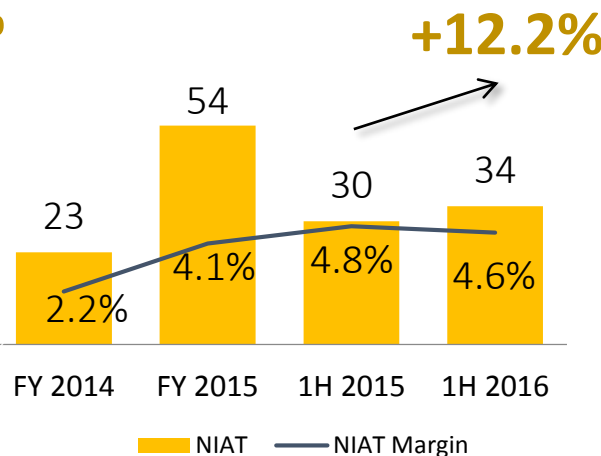
GROSS PROFIT



EBITDA



NET INCOME



Key Highlights

- Revenues increased by 18.5% to PHP741 million due to its continuing stores network expansion program, enhanced product offerings, and aggressive sales and marketing campaigns.
- Strong SSSG of 9.25% during the first half of 2016.
- Net income grew by 12.2% to PHP34 million compared to the same period last year.

Specialty Retailing: Office Warehouse, Inc.

Store Network

	2014	1H2015	1H2016
# of Stores	48	51	62
Net Selling Area		10,779 sqm	12,405 sqm



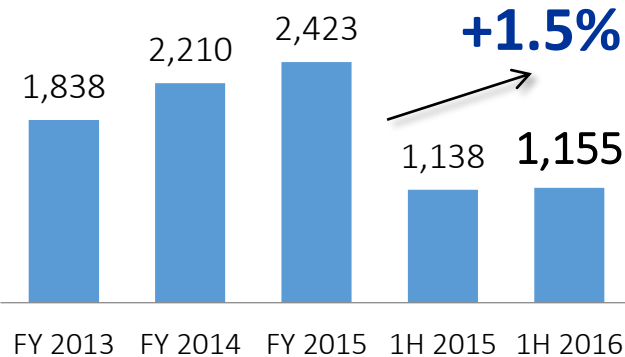
Recent developments:

- Opened 3 new stores in the 1H2016 bringing total store count to 62 stores. Net Selling Area increased by 15% year on year to 12,405 sqm
- On track with its target to build 10 new stores by year end 2016; remaining 7 stores in various stages of development

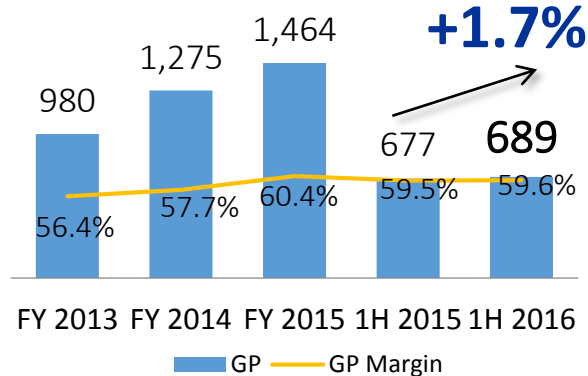
Commercial Real Estate: 1H 2016 Financial Highlights

(In PHP millions)

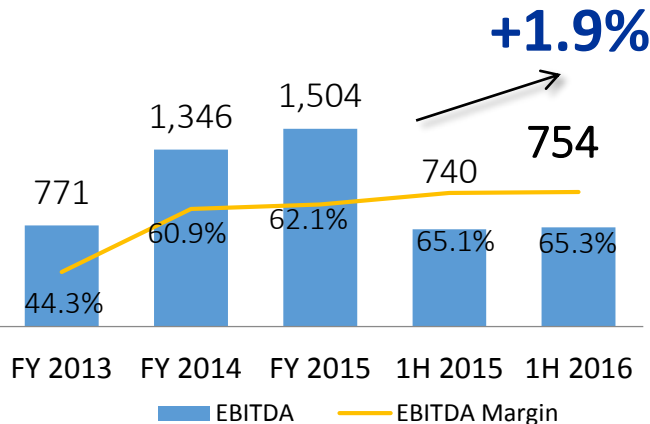
REVENUES



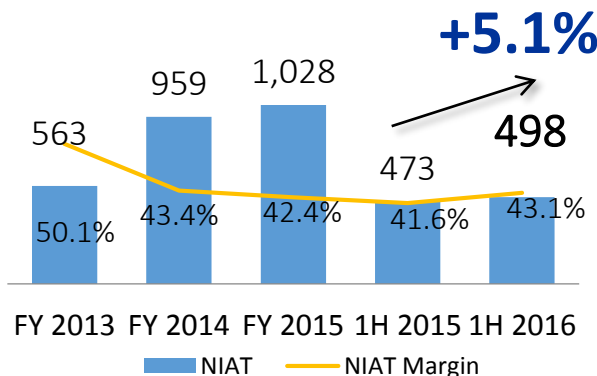
GROSS PROFIT



EBITDA



NET INCOME



Key Highlights

- Rental revenues remained stable at PHP1.15 billion, a 1.5% increase from the previous year.
- Gross Profit grew 1.7% to PHP689 million, while EBITDA increased by 1.9% to PHP754 million.
- Net Income increased likewise grew by 5.1% to PHP498 million during the first half of 2016.
- Key Financial Ratios:

	1H2015	1H2016
EBITDA/ Rentals	80.6%	81.1%
Rentals/ PPE	13.2%	12.1%
EBITDA/ PPE	10.7%	9.8%
Debt to Equity	0.50	0.60
NIAT/ Equity	3.5%	3.5%

Commercial Real Estate: Property Portfolio

Key statistics 1H 2016

Total no. of properties

• 38

Property Types

• 29 Commercial retail buildings/ Community Malls

• 9 Land under lease

Total Gross Leasable Area (GLA)/Lot Area

• About 405,000 sqms

Ave. Occupancy Rate

• 92%

Geographic coverage

Metro Manila

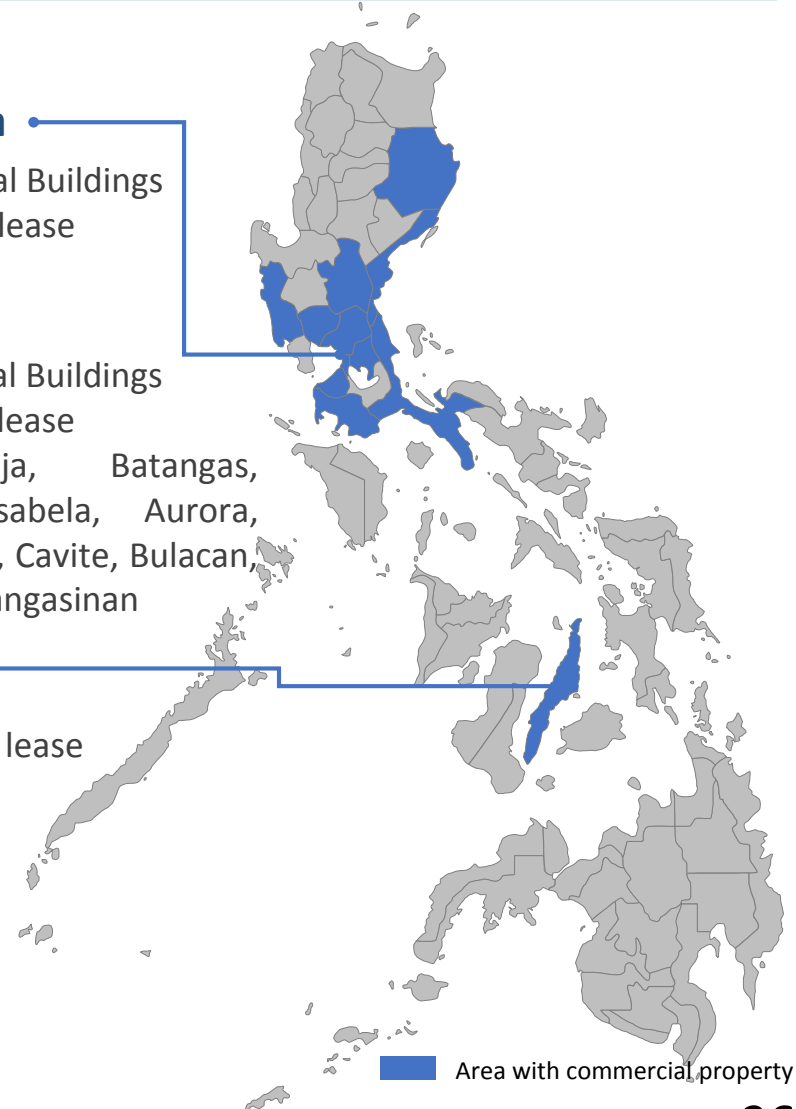
- 13 Commercial Buildings
- 5 Land under lease

Luzon

- 16 Commercial Buildings
- 3 Land under lease
- Nueva Ecija, Batangas, Zambales, Isabela, Aurora, Quezon, Rizal, Cavite, Bulacan, Pampanga, Pangasinan

Visayas

- 1 Land under lease
- Cebu City



Commercial Real Estate: Property Portfolio

38 Commercial Properties

Total GLA /Lot Area **405,000 sqms**

Php 17.2 billion Investment Cost



Fairview Terraces, Quezon City



Harbor Point Mall, Subic



999 Shopping Mall, Divisoria

Commercial retail buildings	1H2015	1H2016
No. of properties	27	29
Total GLA (in sqms)	243,822	259,215
Investment cost (in PHP)	Php12,257M	Php12,973M

Increase due to acquisition of Maunlad Mall in Bulacan and RFC Mall in Las Pinas last August 2015

Land Under Lease	1H2015	1H2016
No. of properties	9	9
Total Area (in sqms)	146,148	146,148
Investment cost (in PHP)	Php4,243M	Php4,243M

Commercial Real Estate: Recent Developments

- Real estate development program:
 - Development and construction of 3 community malls located in Binan, Laguna, Marikina, and Tagaytay
 - Refurbishment and rehabilitation of properties acquired in 2015:
 - 4 NE community malls,
 - Maunlad Mall in Malolos, Bulacan
 - RFC Mall in Las Pinas City

Key Initiatives for FY2016

Management remains focused on core target markets for each of its brands, and on the sustainable and long-term growth of the Company

Grocery Retailing

- Continue to expand into new geographic locations
- Puregold to increase store network by 25 stores
- S&R to expand by 2 new warehouse club outlets

Liquor Distribution

- Maintain market leadership in the premium wine and liquor segment
- Continue to introduce new product lines

Specialty Retailing

- Liquigaz to invest in additional infrastructure and pursue downstream market expansion strategy
- Office Warehouse store expansion by 10 stores per year in the mid-term, and strengthen customer base through loyalty program and online marketing

Commercial Real Estate

- Development of 3 community malls
- Refurbishment and renovation of newly acquired properties to increase tenancy



Thank you.

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