



**INVESTMENTS  
CORPORATION**

March 1, 2017

**PHILIPPINE STOCK EXCHANGE, INC.**  
Tower One, Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **Mr. Jose Valeriano B. Zuño III**  
*OIC - Head, Disclosure Department*

**Ms. Christina Marie C. Fortes**  
*Assistant Manager, Disclosure Department*

**PHILIPPINE DEALING & EXCHANGE CORP.**  
37<sup>th</sup> Floor, Tower 1, The Enterprise Center  
6766 Ayala Ave., cor. Paseo de Roxas, Makati City

Attention: **Ms. Vina Vanessa S. Salonga**  
*Head, Issuer Compliance and Disclosure Department (ICDD)*

Re: **Press Release - SM Net Income at PHP31 billion in 2016**  
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Ladies and Gentlemen:

Please be informed that SM Investments Corporation will be releasing to the press the attachment entitled "SM Net Income at PHP31 billion in 2016."

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Elmer B. Serrano', written over a horizontal line.

**ELMER B. SERRANO**  
Corporate Secretary

Encl. a/s



## **SM Net Income at PHP31 billion in 2016**

(01 March 2017. Pasay City, Philippines) SM Investments Corporation (SM) reported an 8% growth in net income to PHP31.2 billion in 2016. Property accounted for 39% of total earnings, with banks comprising 37% and retail 24%.

"Our core businesses performed well and continue to grow in line with the country's strong economic development. We are optimistic about continued development and that government plans for infrastructure, agriculture and tourism in particular will enable broader regional growth. SM continues to prioritize regional investment and our nationwide expansion plans are focused on effective execution," SM President Harley T. Sy said.

SM's consolidated revenues grew 9% to PHP362.8 billion for the period, up from PHP332.8 billion in 2015. This was driven by an 8% increase in retail revenues and a 12% growth in property revenues.

### **Retail**

Operations under SM Retail Inc., which consist of non-food (THE SM STORE and specialty stores) and food stores (SM Markets), reported sustained growth in total revenues of 8% to PHP276.5 billion, while net income grew 7% to PHP10.6 billion from PHP9.9 billion the previous year.

Early in 2016, SM announced the merger of SM Retail with several leading specialty retail stores with over 1,400 outlets. The merger received final approval from the Securities and Exchange Commission on 7 July 2016. The specialty stores added 153 stores nationwide last year.

"Following the retail merger last year, the performance of our specialty retail has been boosted by discretionary spending, especially in areas such as home furnishings and do-it-yourself goods, tracking the strong consumption and overall growth of the economy," Mr. Sy added.

For its part, THE SM STORE opened four stores in SM San Jose Del Monte in Bulacan, SM Trece Martires and SM Molino in Cavite and SM East Ortigas in Pasig. Total gross selling areas of all 57 department stores stood at 0.75 million square meters.

The food group, which includes SM Markets (SM Supermarket, SM Hypermarket and Savemore) and WalterMart, continued to expand mostly in provincial areas in 2016. The group added 33 new stores, most of which are stand-alone Savemore stores. SM's food group continues to expand in various regions of the country with a multi-format growth strategy to address the lack of organized retail.

At end-December 2016, SM Retail had a total of 2,110 outlets, comprising 57 THE SM STORES, 1,556 specialty retail outlets, 48 SM Supermarkets, 44 SM Hypermarkets, and 156 Savemore, 39 WalterMart and 210 Alfamart stores.

## **Property**

SM Prime Holdings, Inc., SM's property holding firm, said its recurring net income grew 14% in 2016 to PHP23.8 billion. Consolidated revenues grew 12% to PHP79.8 billion in 2016. Revenues of its mall business, which includes rentals, cinema and event ticket sales and other revenues, grew 9% to PHP48.6 billion due to added retail spaces in the last two years.

To date, SM Prime has 60 shopping malls in the Philippines (7.7 million sqm GFA) and seven in China (1.3 million sqm GFA) with the recent addition of the Tianjin mall.

The residential group, which consists of SM Development Corporation (SMDC), Highlands Prime and Costa del Hamilo among others, posted consolidated revenues of PHP25.4 billion, up 13%. The growth was largely due to higher sales take-up on ready for occupancy (RFO) units from projects such as Princeton, M Place and Mezza II in Quezon City and Jazz Residences in Makati. SMDC's reservation sales grew 18% to PHP46.7 billion in 2016, translating to a 15% improvement in unit sales to 16,320 units.

Consolidated revenues of SM Prime's Commercial Properties Group rose 32% to PHP2.7 billion mainly from the rental revenues from the newly opened FiveEcomCenter that is almost 100% occupied.

SM Prime's Hotels and Convention Centers posted 32% growth in revenues to PHP3.2 billion largely due to improved occupancy rates and the opening of Park Inn Clark in December 2015 and Conrad Manila in June 2016.

## **Banking**

BDO Unibank, Inc. posted a net income of PHP26.1 billion in 2016. Net interest income grew by 15% to PHP65.6 billion, driven by the 16% growth in gross customer loans to PHP1.5 trillion. Deposits grew 15% to PHP1.9 trillion, primarily in the form of low-cost CASA deposits. Fee-based income was up 15% to PHP22.2 billion while insurance premiums contributed P8.0 billion, compensating for the decline in trading gains to PHP4.8 billion last year.

In January 2017, the Bank successfully completed its rights offer, raising a total of PHP60 billion (USD1.2 billion) in fresh capital. This will allow the Bank to sustain its medium-term growth targets and recent strategic initiatives that include ONB's expansion and coverage of underserved markets, refocusing efforts on the insurance business through BDO Life, and creating an online stock trading platform to serve a fast-growing market through BDO Nomura. The new capital will also provide a comfortable buffer over higher minimum capital requirements with the staggered implementation of the Domestic Systemically Important Bank (DSIB) surcharge.

China Banking Corporation (China Bank), meanwhile, reported net income growth of 15% to PHP6.4 billion in 2016 on the back of sustained growth in core and fee-based businesses. Net interest income was up 11% to PHP16.7 billion while gross loans expanded 24% to PHP393.7 billion. Fee-based revenues improved 14% to PHP5.1 billion. Total deposits grew 23% to PHP541.6 billion underpinned by growth in checking and savings accounts by 21% to PHP276.4 billion.

China Bank issued the first tranche (PHP9.6 billion) of its PHP20 billion long-term negotiable certificates of time deposits (LTNCD) in 2016 to support its strategic initiatives and business expansion. Its

investment house, China Banking Capital Corporation also put up a stock brokerage house, China Bank Securities Corporation and a special purpose company CBC Assets One (SPC), inc.

## **Balance Sheet**

As of end 2016, total assets of SM grew 10% to PHP861.5 billion. SM maintains a healthy balance sheet with a conservative gearing ratio of 37% net debt to 63% equity.

In 2016, the parent firm raised PHP20 billion from its 7-year Series G retail bonds due in 2023. The bond proceeds will be used to finance future investments and strategic acquisitions in SM's core business segments, namely property, retail and financial services.

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## **About SM Investments Corporation**

SM Investments Corporation (SM) is one of the leading conglomerates in the Philippines with highly synergistic businesses in retail, banking and property development. SM is one of the more responsible companies in the country due to its progressive approach in business and its comprehensive sustainability programs for its host communities through SM Foundation and SM Cares.

SM's retail operations enjoy a strong brand franchise consisting of THE SM STORE; a strong portfolio of leading specialty retailers including Ace Hardware, SM Appliances, Homeworld, Our Home, Toy Kingdom, Watsons and others; and its food retail chains, namely SM Supermarket, SM Hypermarket, Savemore and WalterMart stores. SM's property arm, SM Prime Holdings, Inc., is one of the largest integrated property developers in the Philippines with interests in mall, residential, commercial and tourism development. SM's interests in banking are in BDO Unibank, Inc. (BDO), the country's leading bank and in China Banking Corporation (China Bank), the sixth largest private bank. Combined, these two banks have a network of over 1,600 branches nationwide.

For further information, please contact:

### **Ms. Corazon P. Guidote**

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