



**INVESTMENTS  
CORPORATION**

August 9, 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*

**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 Recurring Income Grows 16%  
in H1 2017 to PHP16.6 Billion**

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Ladies and Gentlemen:

Please be informed that SM Investments Corporation will be releasing to the press the attachment entitled "SM Recurring Income Grows 16% in H1 2017 to PHP16.6 Billion".

Very truly yours,

A handwritten signature in black ink, appearing to read 'Elmer B. Serrano', written over a light blue circular stamp.

**ELMER B. SERRANO**  
Corporate Secretary

Encl. a/s



## PRESS RELEASE

### SM Recurring Income Grows 16% in H1 2017 to PHP16.6 Billion

(09 August 2017. Pasay City, Philippines) SM Investments Corporation (SM) said reported income grew 9% to PHP16.6 billion. Excluding one-time items in 2016, recurring income increased 16% in the first six months.

Consolidated revenues rose 7% to PHP181.6 billion in the first half from PHP169.7 billion in the same period last year.

“Even without the benefits of an election year, we saw sustained growth across all our core businesses, driven by the strong economy and resilient consumer sentiment. SM will continue to capture this momentum through nationwide expansion and by investing in high growth opportunities,” SM President Frederic DyBuncio said.

The property business contributed the most to consolidated net income at 42%. This was followed by banks with 36% and retail with 22%.

Outside of the core businesses, SM continues to build its portfolio of investments in complementary businesses that will help capture the high growth of the Philippine economy. Among its equity investments portfolio, Belle Corporation benefited from increased growth in the tourism sector, reporting consolidated net income growth of 93% to PHP1.8 billion.

#### **Retail**

SM Retail reported sustained growth in total sales of 6% to PHP131.6 billion, while net income rose 6% to PHP5.2 billion.

Net margin stood at 4.4%. At end-June 2017, SM Retail had a total of 2,357 stores, comprising 58 THE SM STORES, 1,709 specialty stores, 50 SM Supermarkets, 44 SM Hypermarkets, 170 Savemore stores, 41 WalterMart stores and 285 Alfamart stores.

The Food Retail Group pursued its aggressive expansion in both urban and rural communities nationwide, adding 15 mid-sized format Savemore stores, two SM Supermarkets and two WalterMart stores. Meanwhile, Alfamart increased its number of stores by 75 as of end-June from 210 at the start of the year.

THE SM STORE opened one store in SM CDO Downtown in Cagayan de Oro in May 2017. As of the first half, the total gross selling area of all 58 department stores stood at 760,000 square meters.

Revenues from SM Retail's specialty retail stores grew 8% to PHP31.6 billion. Specialty retail brands include Ace Hardware, SM Appliance Center, Homeworld, Our Home, Toy Kingdom, Watsons, Kultura, Baby Company, Sports Central, Forever 21 and Body Shop.

### **Property**

SM Prime Holdings reported consolidated net income of PHP14.4 billion, up 14%. Consolidated revenues increased 10% to PHP43.2 billion from PHP39.2 billion in the same period last year.

Mall revenues, which consist of rentals, cinema and event ticket sales and amusement revenues, accounted for 60% of total revenues and rose 10% to PHP25.7 billion in 2017. Mall rental revenues alone grew 10% to PHP21.8 billion from additional retail space of 1.1 million square meters of gross floor area added since 2015.

During the first half of 2017, SM Prime opened SM CDO Downtown Premier in Cagayan de Oro, S Maison at Conrad Manila in Pasay City and SM Cherry in Antipolo, Rizal, bringing total Philippine operating malls to 63 with a GFA of almost 7.8 million sqm. Including the seven malls in China, SM Prime has a total GFA of 9.1 million sqm.

SM Prime's residential group recorded 5% higher revenues of PHP13.9 billion in the period, which accounted for 32% of total revenues, largely due to higher construction accomplishments of SM Development Corporation (SMDC) projects that were launched since 2014. SMDC's reservation sales surged 22% to PHP27.6 billion in the first half, translating to a 8% improvement in unit sales to 8,699 units.

The Commercial Properties Group, which contributed 3% of total revenues, posted a 14% increase in revenues to PHP1.5 billion.

Hotels and convention centers revenues soared 73% to PHP2.2 billion in the first half, largely from the opening of Conrad Manila in 2016.

### **Banking**

BDO Unibank, Inc. (BDO) reported its first half net income at PHP13.3 billion driven by the growth in loan portfolio, low-cost deposits and higher recurring fee-based service income. Excluding one-time gains from the consolidation of BDO Life in 2016 recurring income in 2017 grew by 16%.

Net interest income grew 22% in the six-month period to PHP38.6 billion. Customer loans increased 17% to PHP1.6 trillion while total deposits rose to almost PHP2.0 trillion, supported by the 17% growth in current account and savings account (CASA) deposits.

China Banking Corporation reported net income growth of 10% to PHP3.6 billion for the first half, driven by strong growth in its lending business and core recurring income.

Net interest revenues grew 16% to PHP9.2 billion year-on-year. Gross loans expanded 22% year-on-year to PHP401.7 billion while total deposits grew 20% to PHP554.0 billion.

## **Balance Sheet**

As of end-June 2017, total assets of SM grew 17% to PHP916.3 billion. SM maintains a healthy balance sheet with a conservative gearing ratio of 43% net debt to 57% equity.

SM increased its investments in its subsidiaries in the first half with the PHP60 billion stock rights issue of BDO in January 2017 and PHP15 billion for China Bank in May 2017, as well as its acquisition of stakes in logistics company 2GO Group and Philippines Urban Living Solutions, the operator of a dormitel chain under the brand, "MyTown".

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## **About SM Investments Corporation**

SM Investments Corporation is a leading Philippine company that is invested in market leading businesses in retail, banking and property. It also invests in ventures that can capture high growth opportunities in the emerging Philippine economy. It looks for market leaders or those with potential to become leaders in their chosen sectors that offer synergies and attractive returns and cashflows.

SM's retail operations are the country's largest and most diversified with its food, non-food and specialty retail stores. SM's property arm, SM Prime Holdings, Inc., is the largest integrated property developer in the Philippines with interests in malls, residences, offices, hotels and convention centers as well as tourism-related property developments. SM's interests in banking are in BDO Unibank, Inc. (BDO), the country's largest bank and China Banking Corporation (China Bank), the 7th largest bank.

For more about SM, click here: [www.sminvestments.com](http://www.sminvestments.com)

**For further inquiries, please contact:**

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