



**INVESTMENTS  
CORPORATION**

February 28, 2018

**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. Erika Grace C. Alulod**  
*Head, Issuer Compliance and Disclosure Department (ICDD)*

Re: **Press Release - SM Nets PHP33 billion in 2017**  
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Ladies and Gentlemen:

Please be informed that SM Investments Corporation (SMIC) is releasing to the press the attached statement regarding SMIC reporting a net income of Php33 billion in 2017.

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 Nets PHP33 billion in 2017**

(28 February 2018. Pasay City, Philippines) SM Investments Corporation (SM) reported a 6% growth in net income to PHP32.9 billion in 2017 from PHP31.2 billion in 2016. Consolidated revenues rose 9% to PHP396.1 billion from PHP363.4 billion last year.

“Our core businesses continued to deliver strong results in 2017 with recurring net income growth of 9%, driven by overall growth in the economy and our nationwide expansion plans. Our property and specialty retail businesses delivered particularly strong results. During the year SM made substantial investments in its banks and in new business opportunities, which we expect to contribute to higher earnings growth in future years,” SM President Frederic C. DyBuncio said.

Property accounted for 40% of total earnings, with banks comprising 38% and retail 22%.

### **Retail**

Operations under SM Retail Inc., which consist of non-food (THE SM STORE and specialty stores) and food stores (SM Markets), reported total revenues grew 7% to PHP297.4 billion, while net income stood at PHP10.4 billion.

“The underlying performance of our retail operations remained good, led by strong growth in our higher margin specialty retailing and with the addition of the successful Miniso variety store chain during the year,” Mr. DyBuncio added.

For its part, THE SM STORE opened two stores in SM CDO Downtown Premier and SM City Puerto Princesa. Total gross selling areas of all 59 department stores stood at 0.76 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 2017. The group added 42 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 2017, SM Retail had a total of 2,032 outlets, comprising 59 THE SM STORES, 1,299 specialty retail outlets, 52 SM Supermarkets, 47 SM Hypermarkets, and 181 Savemore, 46 WalterMart and 348 Alfamart stores. A total of 341 outlets were added in 2017 across the retail business portfolio.

## **Property**

SM Prime Holdings, Inc., SM's property holding firm, reported its recurring net income grew 16% in 2017 to PHP27.6 billion driven by the increase in rental revenue from malls as well as the strong sales take-up of housing units. Consolidated revenues increased 14% to PHP90.9 billion in 2017.

Revenues of its mall business, which includes rentals, cinema and event ticket sales and other revenues, grew 9% to PHP53.2 billion due to rising contribution of rentals from new and expanded malls that were launched in 2016 and 2017.

At yearend, SM Prime has 67 shopping malls in the Philippines (8.0 million sqm GFA) and seven in China (1.3 million sqm GFA).

The residential group led by SM Development Corporation (SMDC) posted consolidated revenues of PHP30.0 billion, up 18%. The growth was largely due to higher construction accomplishments of projects launched between 2013 and 2016, namely Shore Residences and Shore 2 Residences in Pasay City, Air Residences in Makati and Fame Residences in Mandaluyong City as well as continued increase in sales take-up of Ready-for-Occupancy (RFO) units.

SMDC's reservation sales grew by 21% in terms of sales value to PHP57.8 billion in 2017 from PHP47.7 billion in 2016. The strong sales take-up came from projects that are within the Mall of Asia Complex in Pasay City such as Shore 2 Residences and Shore 3 Residences, as well as Fame Residences in Mandaluyong City.

The rest of SM Prime's businesses registered revenue growth of 32% to PHP7.9 billion in 2017 from PHP6.0 billion in the previous year. The Commercial Properties and the Hotels and Convention Centers business segments contributed to revenue growth of 12% and 49%, respectively, in 2017. This is attributed to the opening of FiveE-Com Center and Conrad Manila.

## **Banking**

BDO Unibank, Inc. (BDO) posted a net income of PHP28.1 billion in 2017. Net interest income grew by 25% to PHP81.8 billion, driven by the 18% growth in gross customer loans to PHP1.8 trillion. Deposits grew 11% to PHP2.1 trillion. Fee-based income was up 30% to PHP28.9 billion while insurance premiums contributed PHP9.9 billion.

China Banking Corporation (China Bank), meanwhile, reported net income growth of 15% to PHP7.4 billion in 2017 on the back of sustained growth in core and fee-based businesses. Net interest income was up 17% to PHP20 billion while gross loans expanded 17% to PHP454 billion due to strong demand across all segments. Total deposits rose 17% to PHP635 billion, boosted by the efforts of new branches.

## **Balance Sheet**

During 2017, total assets of SM grew by PHP100 billion to PHP960.1 billion. SM participated in the rights offerings of both BDO and China Bank and invested in the country's largest integrated supply chain operator, 2GO Group, Inc., and dormitory developer Philippine Urban Living Solutions.

SM maintains a healthy balance sheet with a conservative gearing ratio of 43% net debt to 57% equity.

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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 capture high growth opportunities in the emerging Philippine economy.

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., the country's largest bank and China Banking Corporation, the 7th largest bank.

For further information, please contact:

### **Mr. Tim Daniels**

Investor Relations

SM Investments Corporation

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