



# D.M. Wenceslao & Associates, Incorporated

1H 2018 Analyst Briefing

31 July 2018



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# Agenda

- 2** DMW at a Glance
- 9** Operating Performance
- 17** Financial Highlights
- 22** Summary

# Distinct Profile with Strong Embedded Upside Across Businesses

We are an integrated property developer with expertise in land reclamation, construction and real estate development



## 1 Commercial Building Leasing

- 8 existing developed properties with **leasable floor area of 89,914 sq.m.** and **average occupancy of 99%<sup>(1)</sup>**
- 7 of which are located in Aseana City: Aseana One, Aseana Two, Aseana Three, Aseana Powerstation Building, Aseana Town Center, Aseana Square and S&R

## 2 Property Development

- 8 pipeline projects (3 residential and 5 commercial) with **total saleable area of 88,316 sq.m.** and **total leasable floor area of 248,065 sq.m. to be completed in the next 5 years**
- Pixel Residences is 100% pre-sold
- With **292,035 sq.m. unallocated land bank** available for further development

## 3 Land Sales and Leasing

- Owns one of the largest and contiguous land holdings in Metro Manila
- With **land holdings of 569,121 sq.m.** in Aseana City
- **20,103 sq.m. allocated for future leases and 10,000 sq.m. allocated for future sales**

## 4 Land Reclamation

- **More than 50-year track record in infrastructure construction and land reclamation** with over 2.4 million sq.m. of land reclaimed to date
- Able to secure land at low cost relative to current market prices through land reclamation services

## 5 Construction

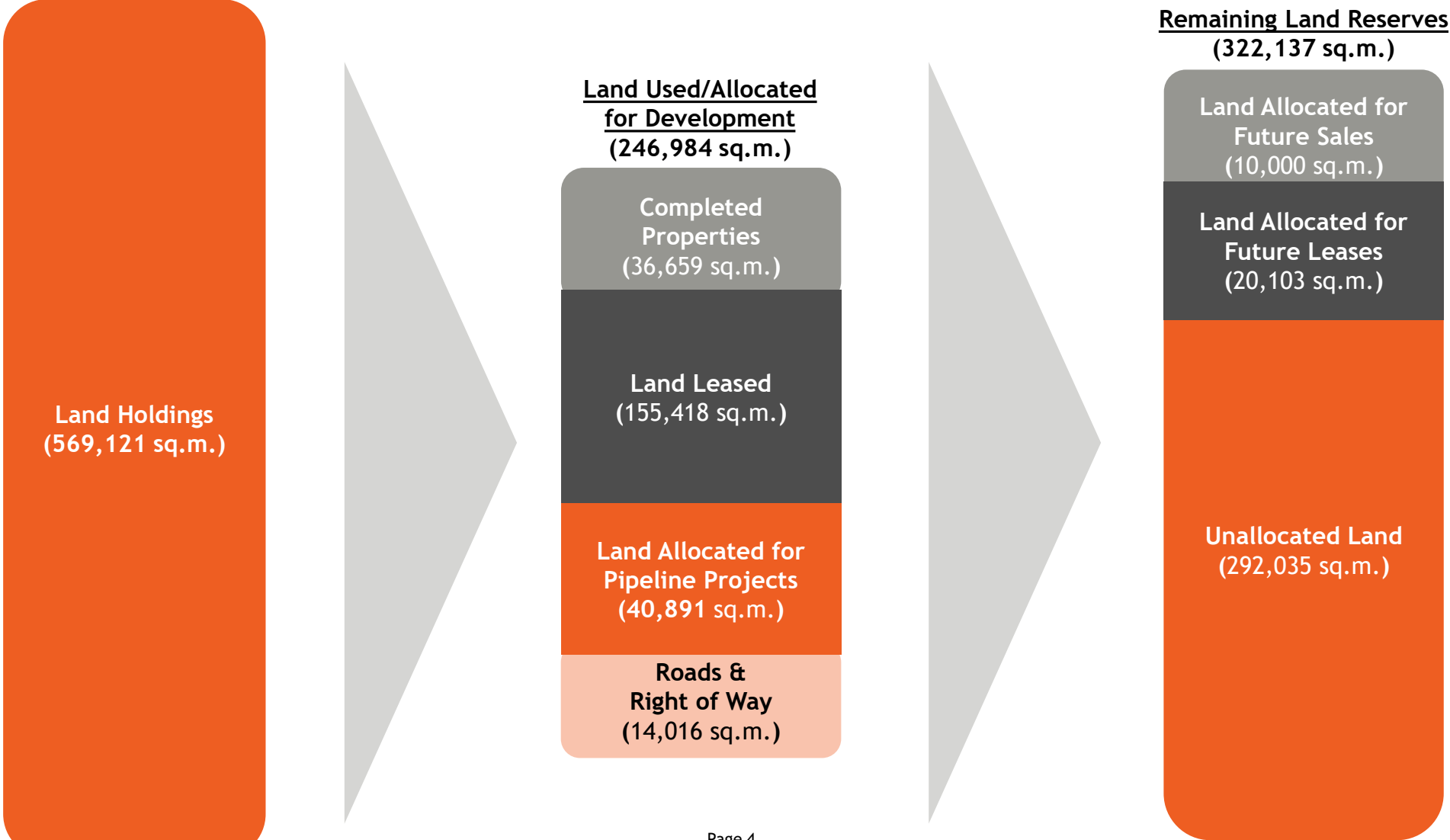
- **Licensed AAAA contractor** (less than 20 construction companies have this license in the Philippines<sup>(2)</sup>)
- Holds a right to match the lowest bid or a right of first refusal to undertake certain construction works in Aseana City
- Ready-to-use, easily deployed capabilities, as well as in-house resources and personnel for Aseana City's master plan

Notes:

1. Average in 1H 2018
2. Philippine Contractor's Accreditation Board, as of January 4, 2018

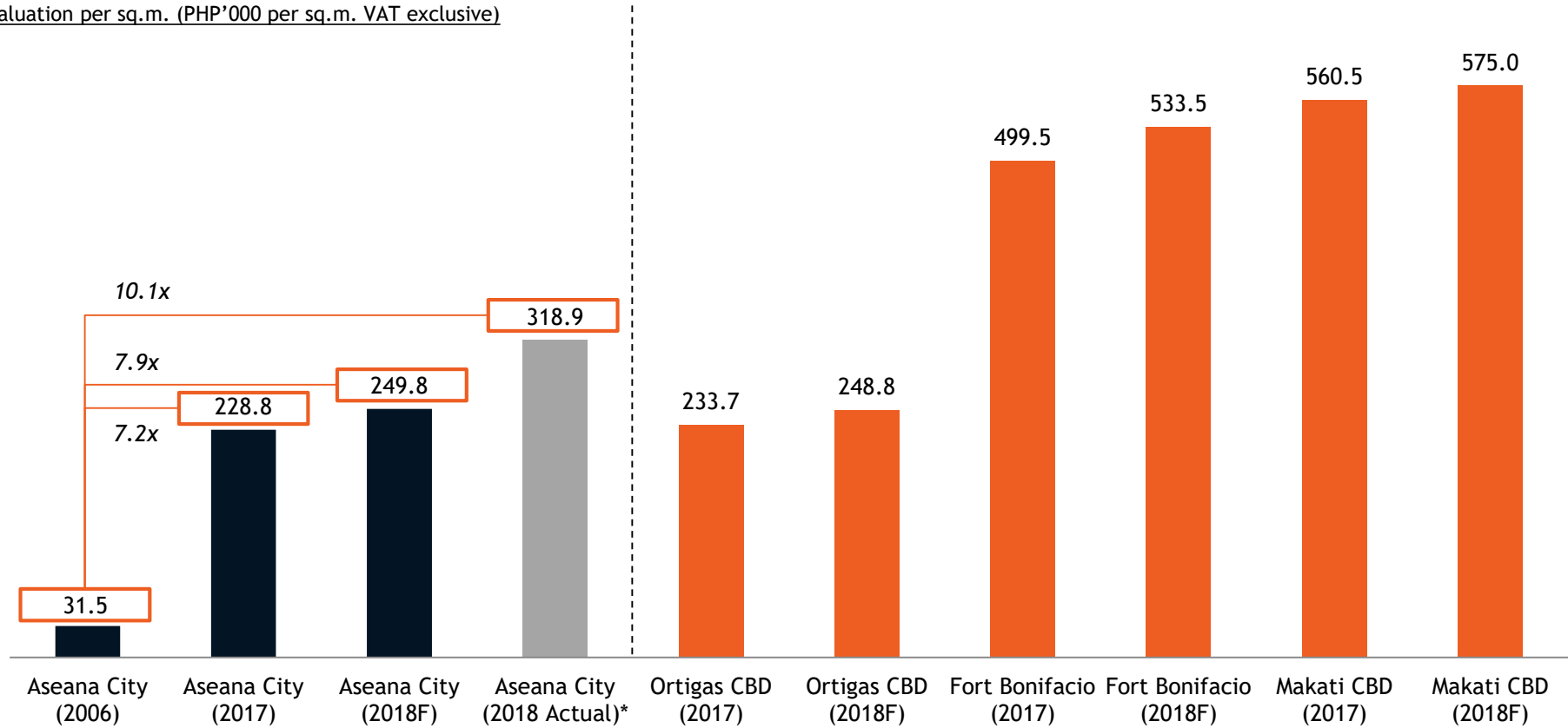
# A Strategic and Sizeable Land Bank in Aseana City

Positioned as the next major mixed-use CBD in Metro Manila anchored by tourism, recreational developments and retail malls



# Rapidly Appreciating Land Holdings Secured at Low Cost

Valuation per sq.m. (PHP'000 per sq.m. VAT exclusive)



Source: Colliers Independent Market Research

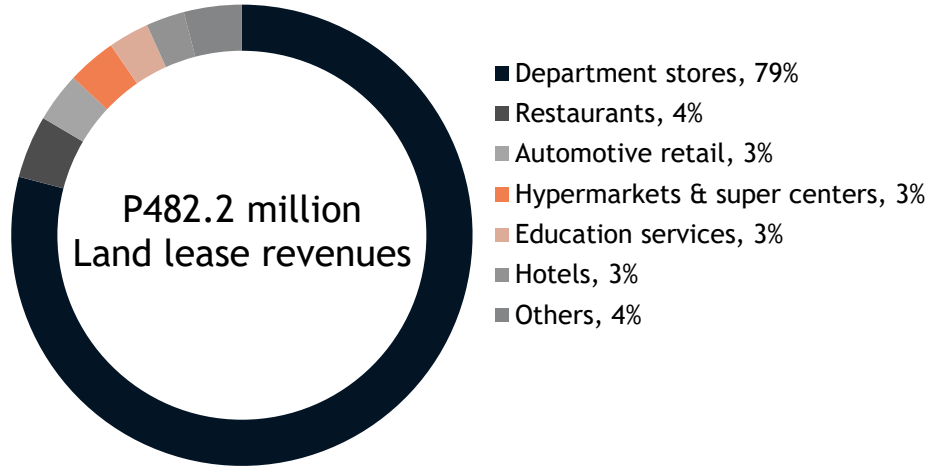
\*Aseana City (2018 Actual) is based on transacted price of P318,888/ sq.m. VAT exclusive for a 5,626.88 sq.m. parcel of land sold in March 2018

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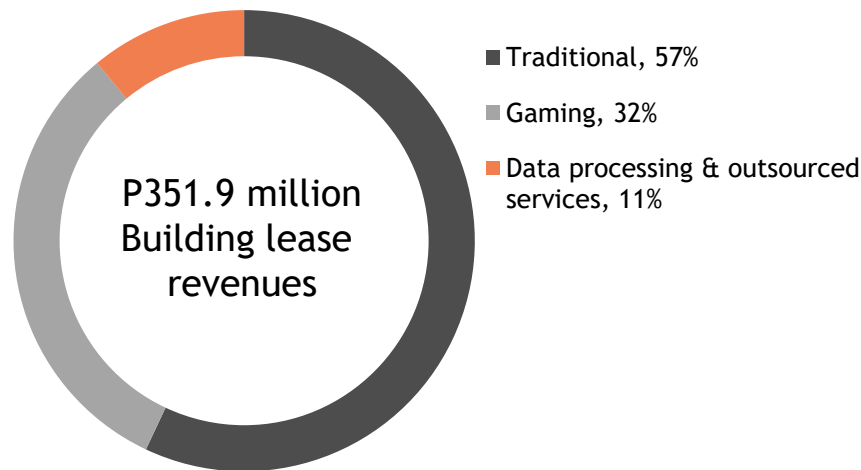
[www.afjprsb.com/uploads/3/7/1/5/2/37521453/tor\\_aseana\\_6e\\_new.pdf](http://www.afjprsb.com/uploads/3/7/1/5/2/37521453/tor_aseana_6e_new.pdf)

# Defensive Portfolio with Exposure to Vibrant Industries

Land lease breakdown by tenant profile<sup>(1)</sup>



Commercial lease breakdown by tenant profile<sup>(4)</sup>



Land Leasing	
Leased Land Area	155,418 sq.m.
# of Lease Tenants	22
Average Lease Term <sup>(2)</sup>	12 years
Average Annual Lease Rent Increases	7%

Commercial Leasing	
Leasable Floor Area	89,914 sq.m.
# of Lease Tenants	83
Average Lease Term	5 years
Average Annual Lease Rent Increases	5%
Occupancy Rate	94%

Recurring Income Contribution <sup>(3)</sup>	80%
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Notes:

All data as at June 30, 2018

1. Based on Global Industry Classification Standard (GICS®). Sum of the parts may not equal 100% due to rounding.

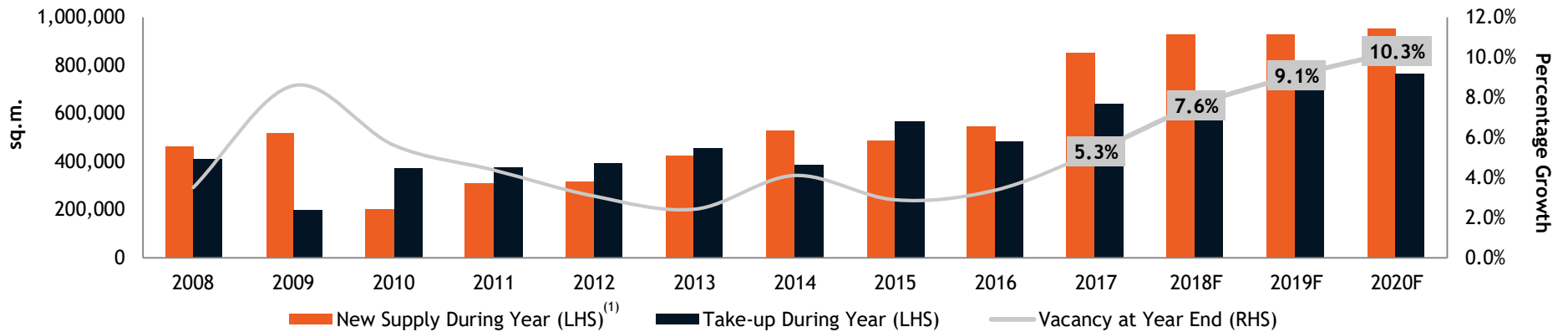
2. Excludes Ayala Land whose lease term is 45 years

3. Recurring income contribution is derived by dividing revenue from rentals by total revenue. Rentals comprise land, building and other revenues.

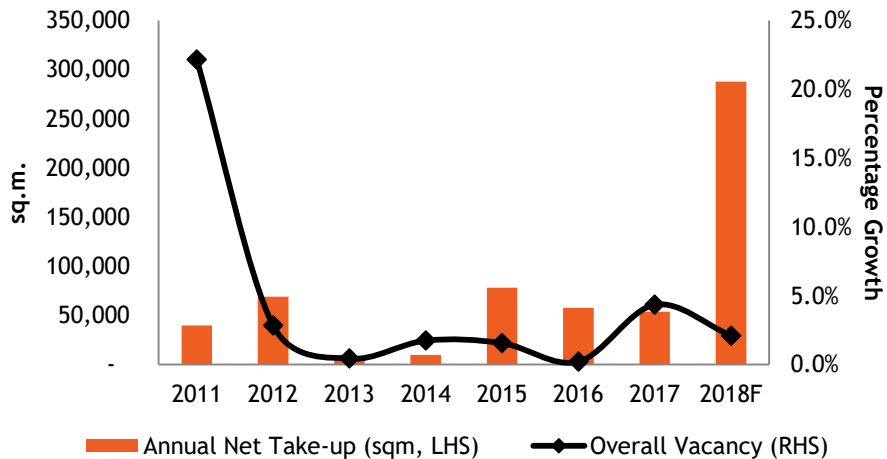
4. Traditional includes logistics, restaurants, retail

# Attractive Industry Growth Trends: Office

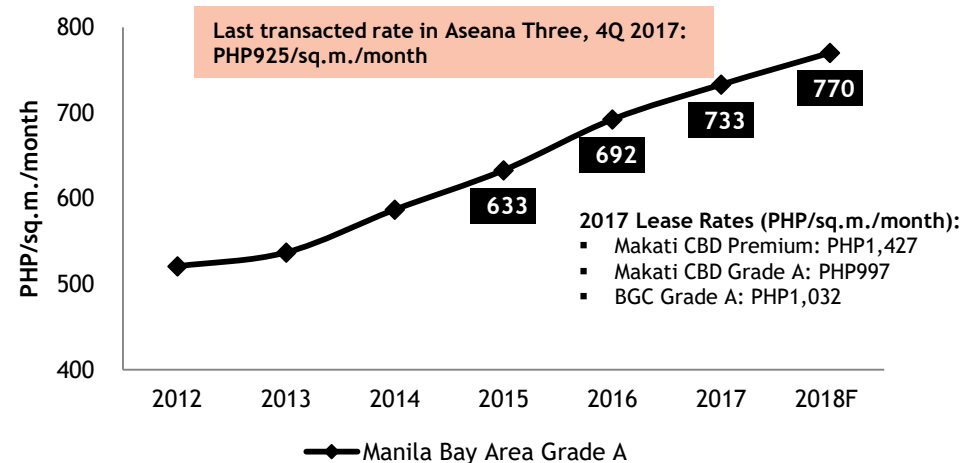
## Robust Demand for Office Space in Metro Manila



## Rising Manila Bay Office Net Take-up and Low Vacancy Rates...



## ...Which Results in Growth in Manila Bay Office Lease Rates



Source: Colliers Independent Market Research

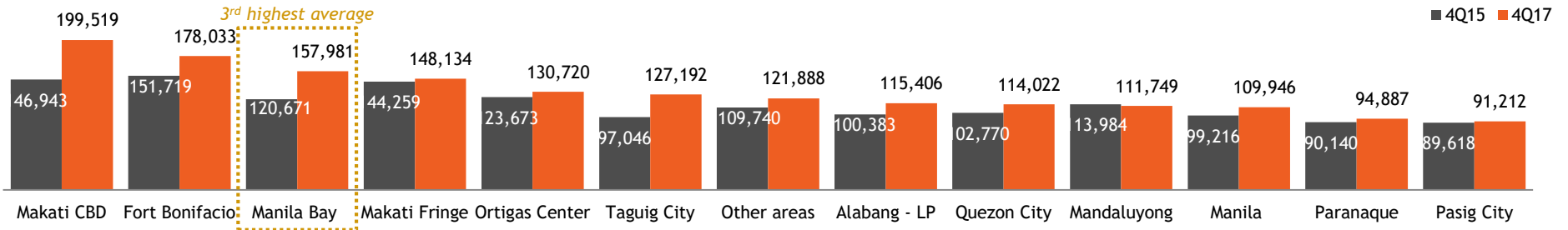
Note:  
1. In terms of gross leasable area



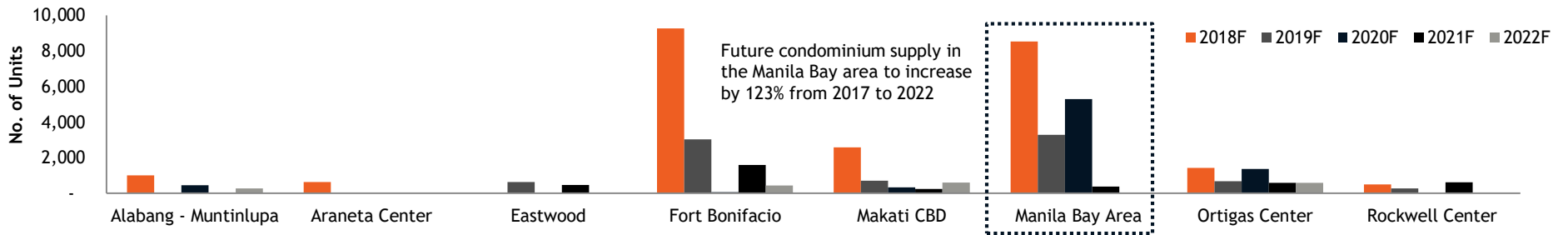
# Attractive Industry Growth Trends: Residential

## Strong Growth in Average Price per sq.m. in Manila Bay's Primary Residential Market

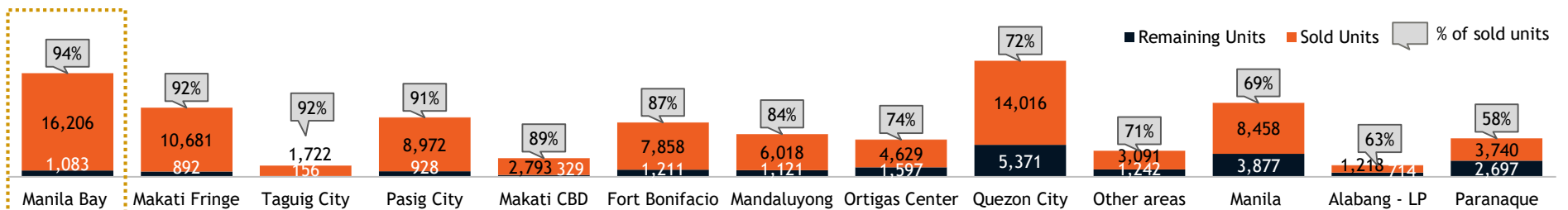
Average Price per sq.m. (PHP)



## Future Condominium Unit Supply to Come Primarily from Manila Bay and Fort Bonifacio



## Strong Demand for Residential Properties in Manila Bay - The highest percentage of condominium units were sold in Manila Bay (2017)



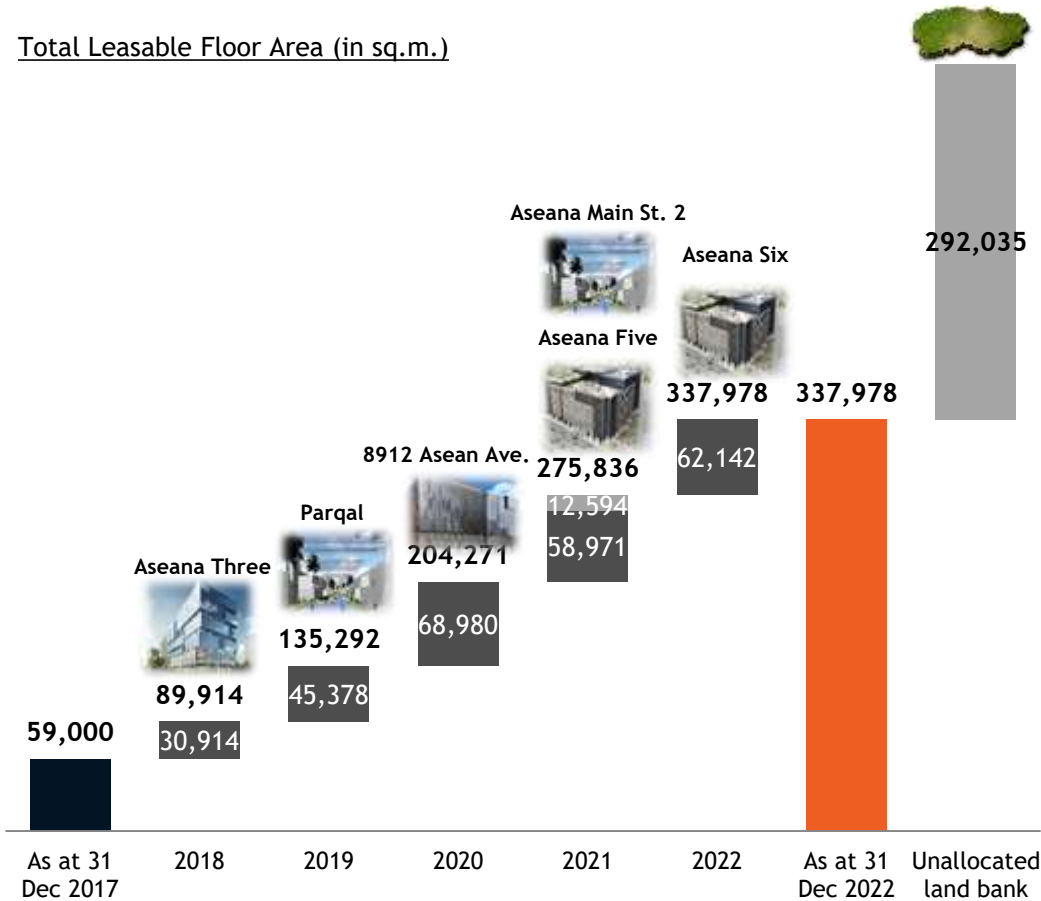
Source: Colliers Independent Market Research

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# Focused and Profitable Development Pipeline

Total Leasable Floor Area (in sq.m.)



Project Pipeline	Type	Gross Floor Area (sq.m.)
8912 Asean Ave.	Office	68,980
Parqal	Mixed Use	45,378
Aseana Five	Office	58,971
Aseana Mainstreet 2	Mixed Use	12,594
Aseana Six	Office	62,142
<b>Total Commercial</b>		<b>248,065</b>
Pixel Residences	Residential	13,106
MidPark Towers	Residential	46,881
Parkside Place 2	Residential	28,329
<b>Total Residential</b>		<b>88,316</b>

# Office Rental Rates Have Room to Grow

## 8-year boom in rental rates.

Rents will continue to move upward this 2018 as new deals are done at higher rates than immediately preceding transactions.

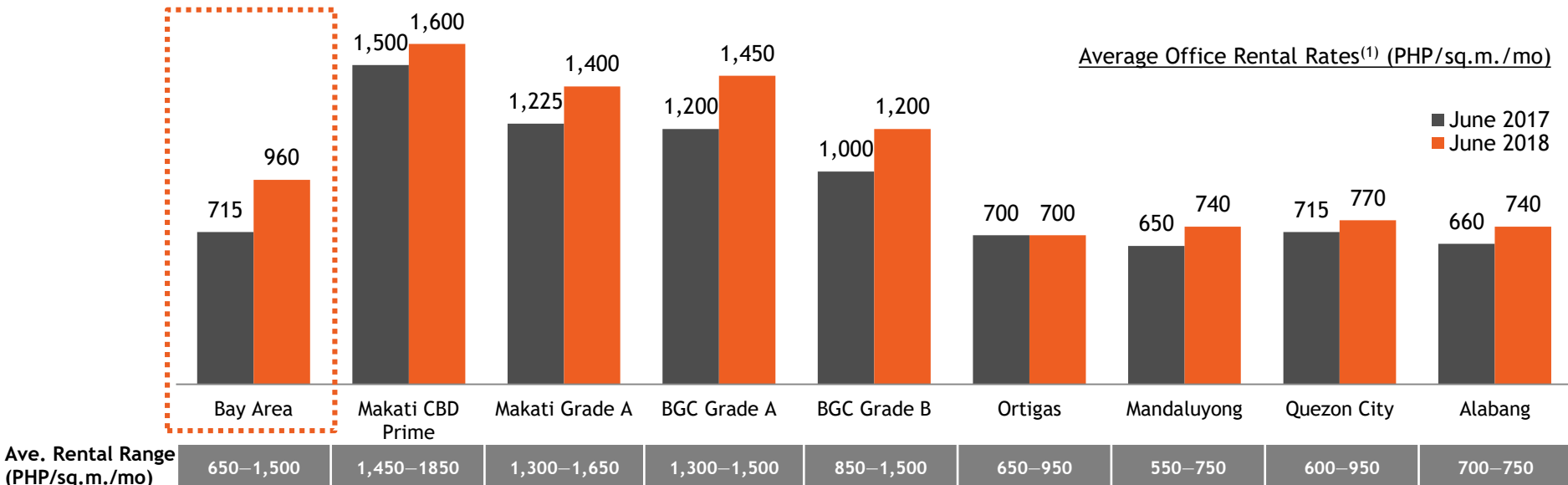
Offices at **Alabang** and **Bay City** are enjoying the lowest current vacancy rate at **1%**.

There will be **little land left for development**.  
The most important districts moving forward will be **Bonifacio Global City, Bay Area, Filinvest City, Evia and Arca South**.

—Leechiu Property Consultants

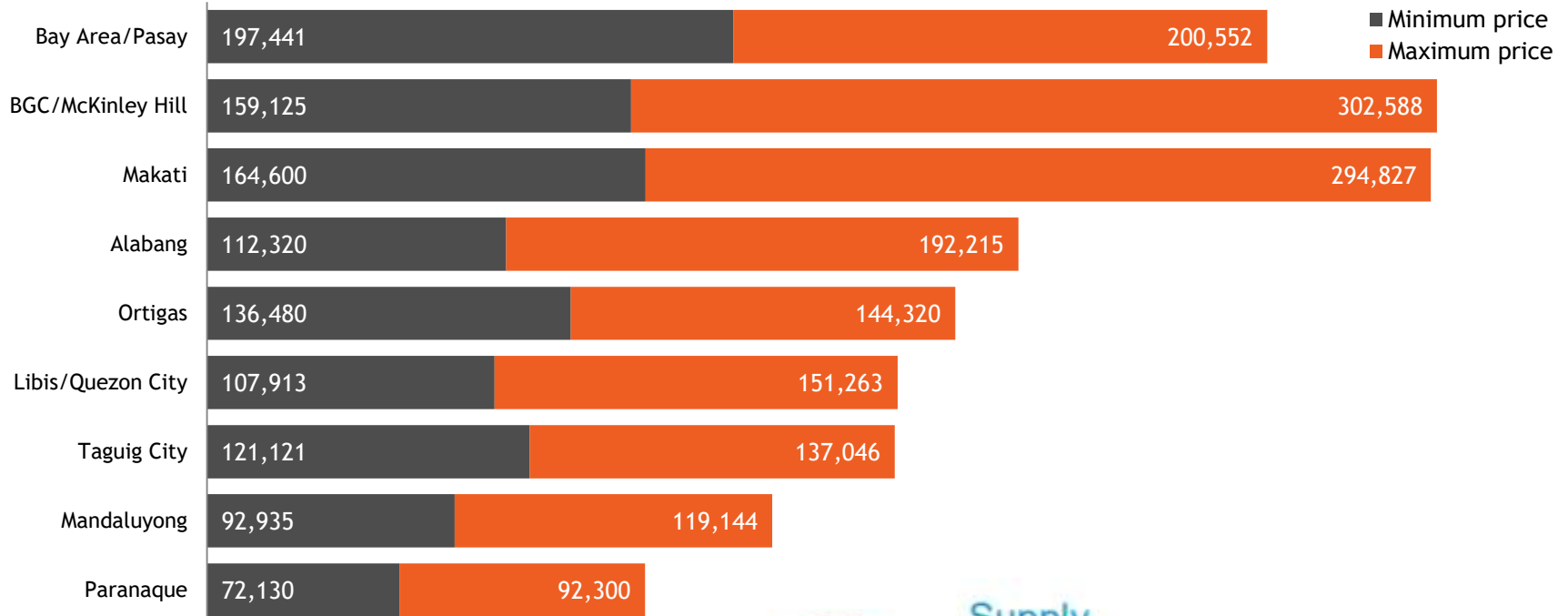
Manila ranks **4<sup>th</sup>** with **lowest capital value** and **8<sup>th</sup>** with **lowest rental value** across **27 cities in Asia Pacific**

—Jones Lang LaSalle



# So are Residential Property Prices

## Condominium Prices (PHP/sq.m.)



**Sustained demand** and **limited supply** of high-end condominiums in Makati City and Bonifacio Global City pushed prices to an **all-time high**, peaking at a little over **P300,000 per sq.m.**

—Leechiu Property Consultants



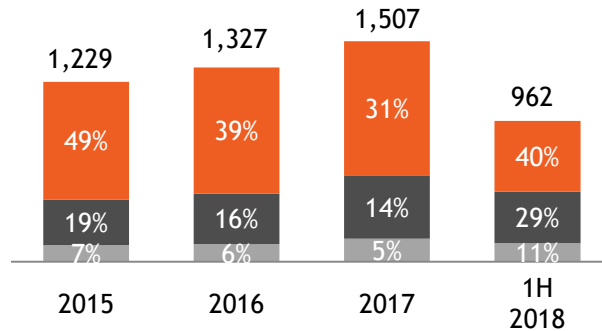
### Supply

2018 forecast is adjusted downward to 12,800 units given construction delays and adjustments in timelines. For 2019 to 2021, we still expect 27,100 units to be completed.

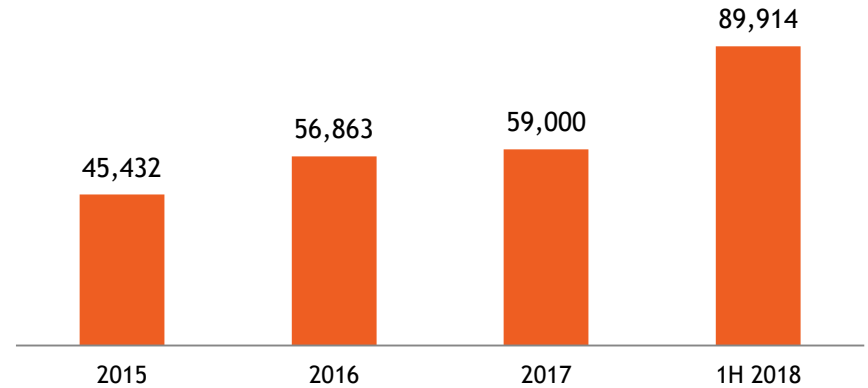
—Colliers International Philippines

# Robust Performance Across All Operational Metrics

Recurring Income Contribution<sup>(1)</sup> (%)

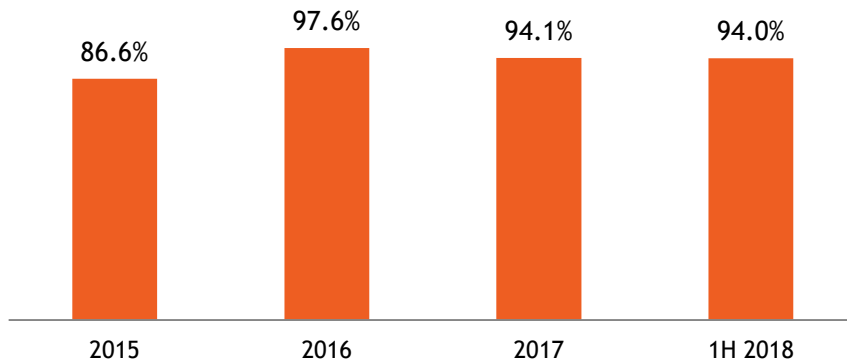


Total Leasable Floor Area<sup>(2)</sup> (sq.m.)

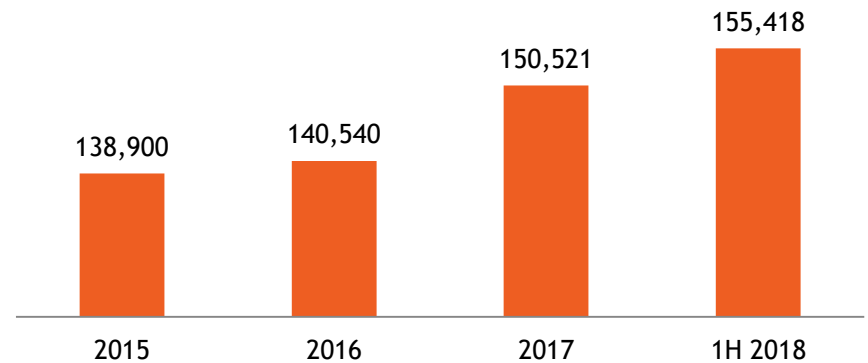


	2015	2016	2017	1H 2018
% to Total Revenues	75%	61%	50%	80%
■ Land (PHP mm)	803	861	919	482
■ Building	312	345	430	352
■ Other Revenues	114	122	158	128

Period Ending Occupancy (%)



Total Leased Land Area (sq.m.)



Notes:

All data as at December 31 of each year except for 1H 2018 (June 30, 2018)

1. Recurring income is derived by dividing revenue from rentals by total revenue. Rentals comprise land, building and other revenues. Sum of the parts may not equal 100% due to rounding.
2. Calculated based on the ratio of total leased floor area to total leasable floor area made available



*Aseana Three*  
*P750/sq.m. weighted ave. office lease*

## Aseana Three

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- ✓ Located along Macapagal Blvd. corner Aseana Ave.
- ✓ 15-story office building with 2,500 sq.m. typical floor plate
- ✓ Total leasable floor area: 30,914 sq.m.
- ✓ Fully leased out as of December 31, 2017



*8912 Aseana Ave.*  
*Target completion: 2020*

## 8912 Asean Ave. (formerly known as Aseana Four)

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- ✓ Located along Aseana Ave.
- ✓ 15-story office building with 2,800 sq.m. typical floor plate/tower
- ✓ Total leasable floor area: 68,980 sq.m. revised from 54,576 sq.m.
- ✓ Gross development value: P9,205 million



*Pixel Residences*  
P150,000/sq.m. average price

## Pixel Residences

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- ✓ Designed by Spark Architects in collaboration with Casas Architects
- ✓ 170 units ranging from studio to two-bedroom with sizes from 36 sq.m to 88 sq.m.
- ✓ Total saleable floor area: 13,106 sq.m.
- ✓ 24.7% completed and fully sold out with unrecognized revenue of P1,132.7 million as of June 30, 2018



*MidPark Towers*  
P220,000/sq.m. launch price

## MidPark Towers

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- ✓ Located 50 meters north from Aseana Ave. fronting Pacqal—our low-rise mixed-use main street concept adjacent to a greenway
- ✓ Designed by Casas Architects
- ✓ 670 units ranging from studio to three-bedroom with sizes from 36 sq.m. to 105 sq.m.
- ✓ Total saleable floor area: 46,881 sq.m.
- ✓ Gross development value: P8,495 million





Total leased land area: 102,297 sq.m.  
Term: 45 years

## Ayala Malls Bay Area

- ✓ Gross floor area: 396,000 sq.m.
- ✓ Net leasable area (sq.m.):
  - Mall - 171,000      BPO - 18,000
  - Landmark - 56,000      Hotel - 15,000; 350 rooms
- ✓ Status: 65.1% completed



Total leased land area: 4,897 sq.m.  
P600/sq.m. lease rate

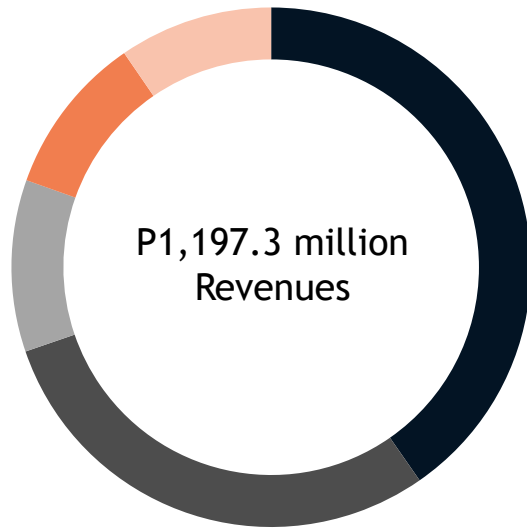
## Prestige Bay Realty Development Corp. (New)

- ✓ Located along Bradco Ave.
- ✓ Mixed-use commercial and retail building
- ✓ Lease rate: P600/sq.m./month
- ✓ Average annual lease rent increase: 7%
- ✓ Term: 15 years
- ✓ Total land area: 4,897 sq.m.
- ✓ On-going development application with the estate association

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# Highly Recurring Rental Revenues and Growing Net Income



- Rentals, 80%
- Land, 40%
- Building, 29%
- Other revenues, 11%
- Sale of condominium units, 10%
- Construction contracts, 10%

PHP	1H 2018	1H 2017	Change (%)
Rentals			
Land	482,192,981	459,091,111	5%
Building	351,900,929	207,608,330	70%
Other revenues	127,909,026	75,425,231	70%
	962,002,935	742,124,672	30%
Land sales	1,252,800	605,040,000	-100%
Construction contracts	114,517,783	96,341,433	19%
Sale of condominium units	119,484,279	112,492,067	6%
Total Revenues	1,197,257,797	1,555,998,172	-23%
Gross profit	886,722,759	1,195,058,329	-26%
Operating expenses	212,927,200	229,709,670	-7%
Operating profit	673,795,559	965,348,660	-30%
Other income (charges)	620,022,333	(15,576,604)	
Profit before tax	1,293,817,892	949,772,056	36%
Net profit attributable to equity holders	969,770,505	684,869,119	42%

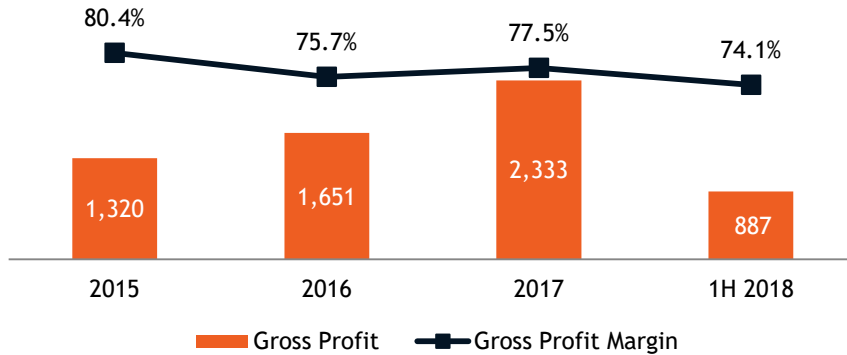
Notes:

Unaudited. Sum of the parts may not equal 100% due to rounding.

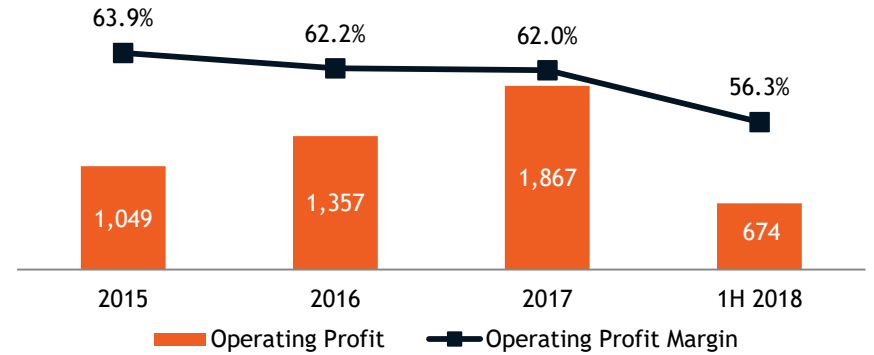
1. With reference to the settlement agreement with Alphaland Development, Inc., DMW is entitled to P2.05 billion over two years, of which a non-refundable portion amounting to P600 million was received during 1H 2018

# Superior Profitability Scorecard

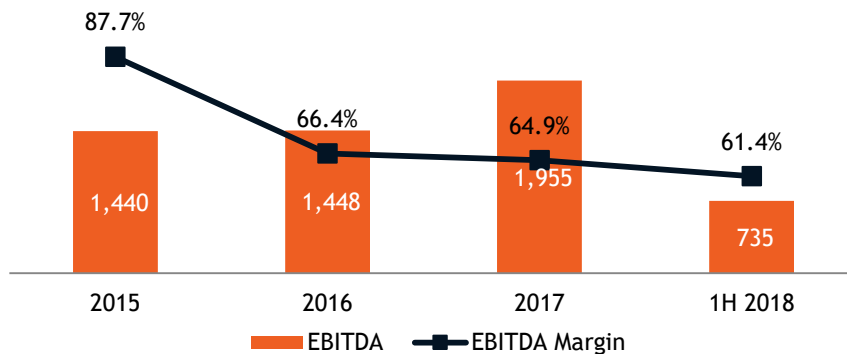
Gross Profit (PHP mm)



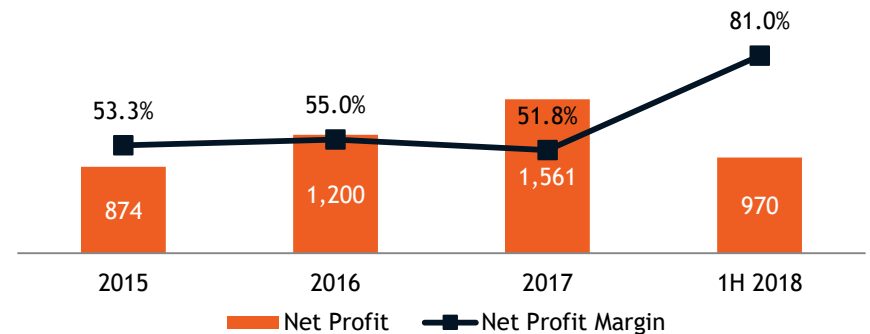
Operating Profit (PHP mm)



EBITDA<sup>(1)</sup> (PHP mm)



Net Profit Attributable to Equity Holders of the Parent (PHP mm)



Note:  
1. EBITDA = operating profit + depreciation and amortization

# Conservative Financial Position



- Common shares, 89%
- Long-term debt, 3%
- Short-term debt, 8%

PHP	Jun 30, 2018	Dec 31, 2017	Change (%)
Current Assets	17,281,823,407	8,212,136,455	110%
Non-current Assets	21,407,285,781	20,838,465,600	3%
<b>Total Assets</b>	<b>38,689,109,188</b>	<b>29,050,602,055</b>	<b>33%</b>
Current Liabilities	6,270,179,850	5,305,109,945	18%
Non-current Liabilities	13,553,205,749	13,488,597,621	0%
<b>Total Liabilities</b>	<b>19,823,385,599</b>	<b>18,793,707,566</b>	<b>5%</b>
Equity	18,865,723,589	10,256,894,489	84%
<b>Total Liabilities and Equity</b>	<b>38,689,109,188</b>	<b>29,050,602,055</b>	<b>33%</b>

## Capital Structure (PHP)

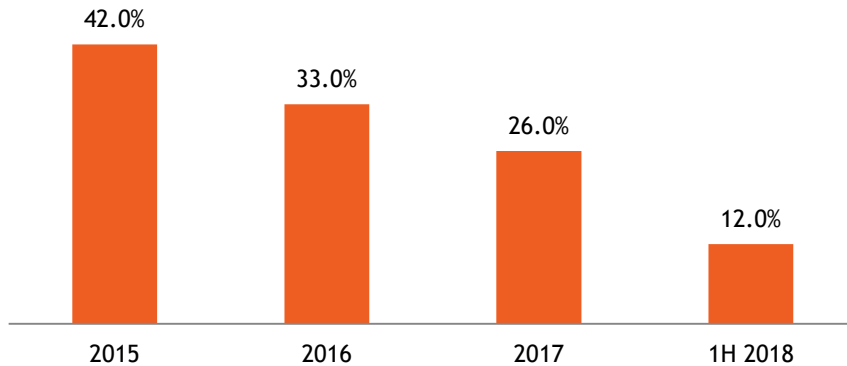
Short-term debt	1,539,733,411
Long-term debt	658,125,000
<b>Total bank debts</b>	<b>2,197,858,411</b>
Cash and cash equivalents	9,690,462,988
<b>Net cash</b>	<b>7,492,604,577</b>
Common equity	18,201,419,837

Book value	Appraised value <sup>(1)</sup>
<b>P22.1B</b>	<b>P132.8B</b>

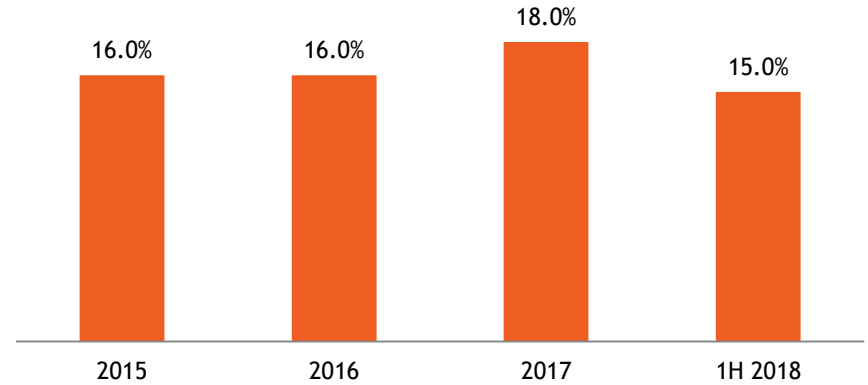
Note:  
1. Colliers valuation of our land holdings, existing properties and current developments in Aseana City

# Low Leverage, High Financial Flexibility

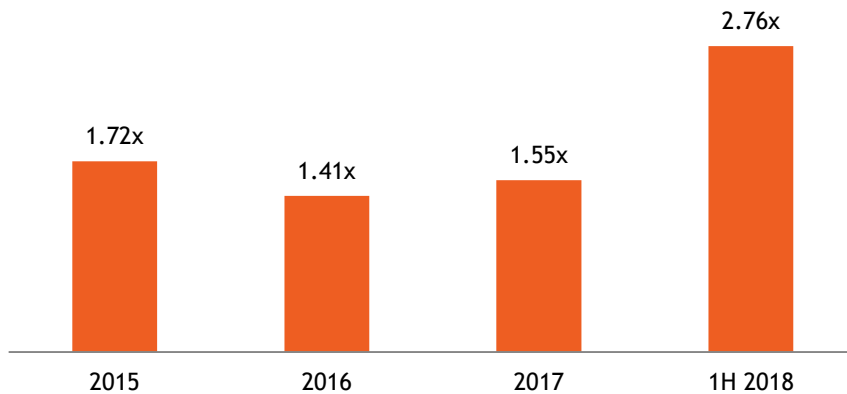
Debt To Equity<sup>(1)</sup> (%)



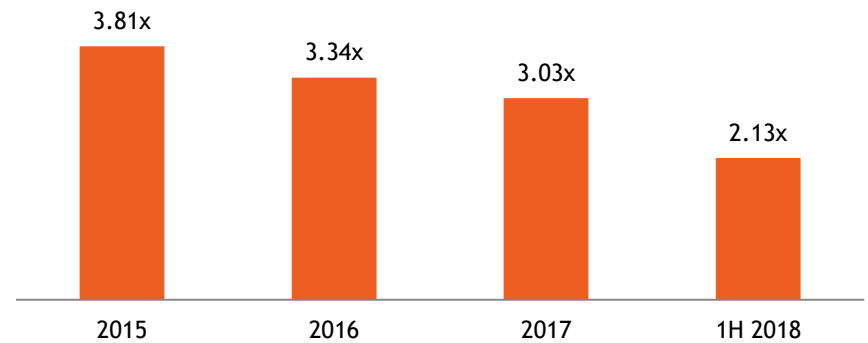
Return on Equity<sup>(2)</sup> (%)



Current Ratio<sup>(3)</sup> (x)



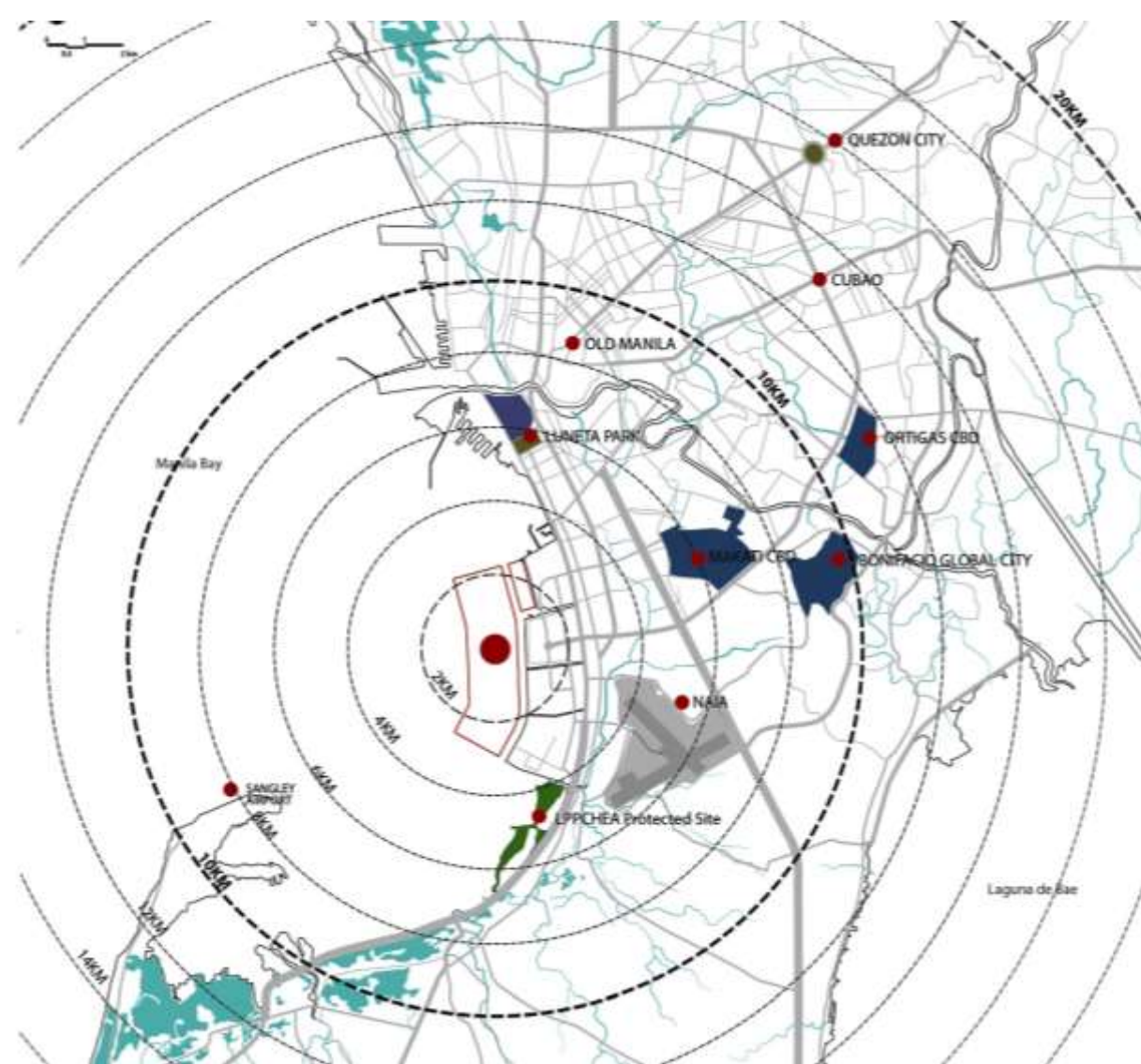
Assets to Equity<sup>(4)</sup> (x)



- Notes:
1. Our debt to equity ratio is derived by dividing our total loans and borrowings by total equity. It measures the degree of our financial leverage.
  2. Our annualized return on equity is derived by dividing net profit by average shareholders' equity. It measures how profitable we are at generating profit from each unit of shareholder equity.
  3. Our current ratio is derived by dividing current assets by current liabilities at the end of a given period. It measures our ability to pay short-term obligations.
  4. Our asset to equity ratio is derived by dividing total assets by shareholders' equity. It measures our financial leverage and long-term solvency.

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- High recurring income from land and building leases
- Strategic, sizeable and appreciating land bank in Aseana City
- Low land bank acquisition costs provide solid foundation for value appreciation and profitability
- Growing multi-year income streams to unlock deep land value
- Well-positioned to benefit from strong macroeconomic fundamentals and attractive industry growth trends



- Demonstrated scalability creates short and long term opportunities
  - Recurring income from rentals up 30% to P962 million or 80% of total revenues
  - Net income up 42% to P969.8 million
  - Unbooked revenue of P1,132.7 million from residential sales that will be progressively recognized from 2018–2019
  - Total saleable area of 88,316 sq.m. and total leasable floor area of 248,065 sq.m. to be completed in the next 5 years
  - Sizable unallocated land bank of 292,035 sq.m. available for further development by end of 2022
- Committed investment program of P2.4 billion in 2018 for new development projects

# Q&A

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