



# D.M. Wenceslao & Associates, Incorporated

FY 2018 Analyst Briefing

18 February 2019



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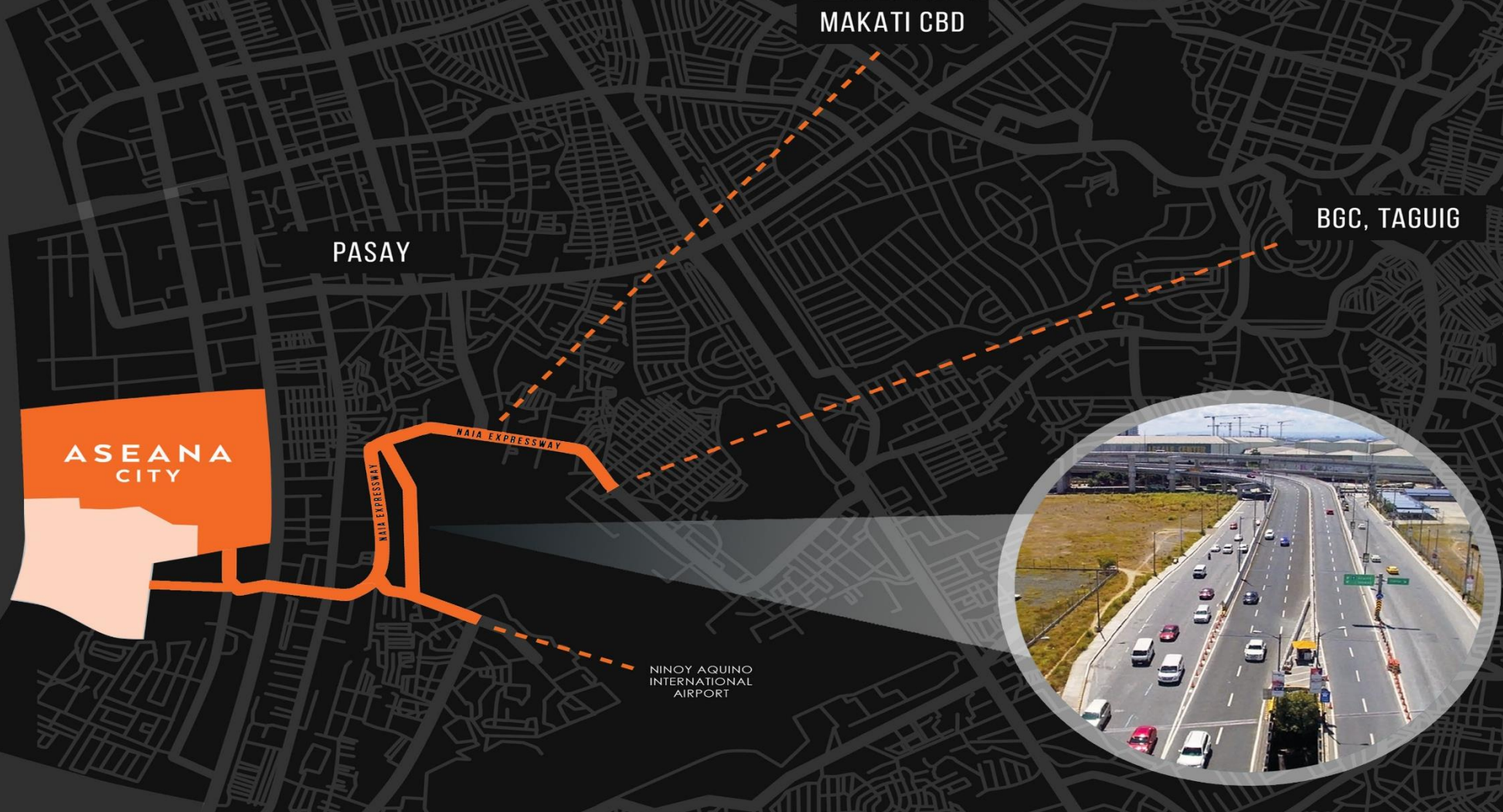
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Aseana City, our development project with total land area of 107.5 hectares located along the coastal waters of Manila Bay bordering the City of Pasay and the City of Parañaque

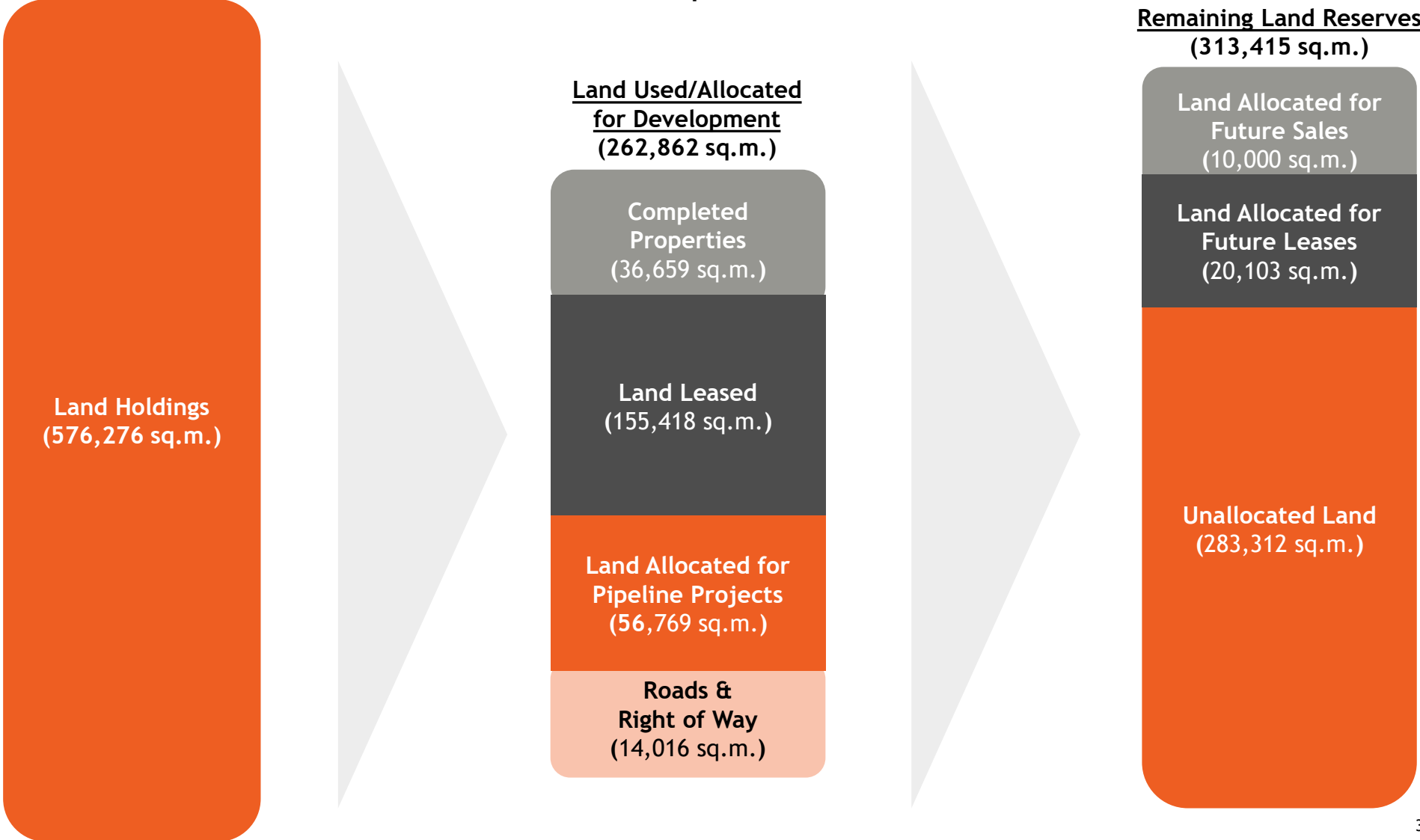


## 6 Points of Focus

- 11 Development Pipeline
- 16 Operating and Financial Highlights
- 23 Summary

# Summary of Land Holdings in Aseana City

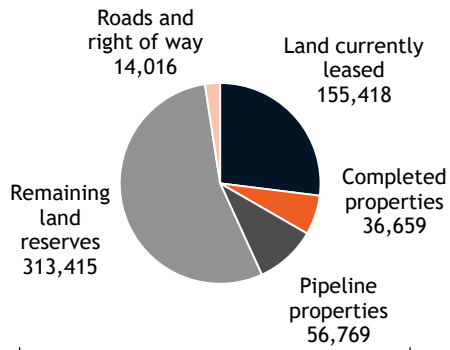
Positioned as the next major mixed-use CBD in Metro Manila anchored by tourism, recreational developments and retail malls



# Value of Properties Rises 21% YoY to P161B

## Owned Land Holdings

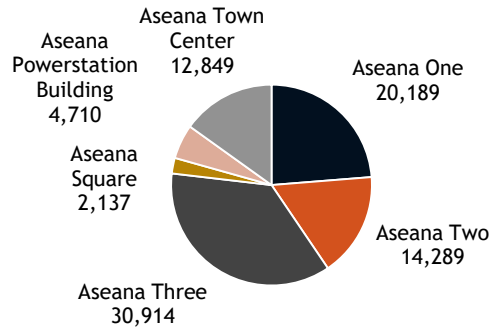
Land area (sq.m.)



Total: 576,276 sq.m.

## Completed Properties<sup>(1)</sup>

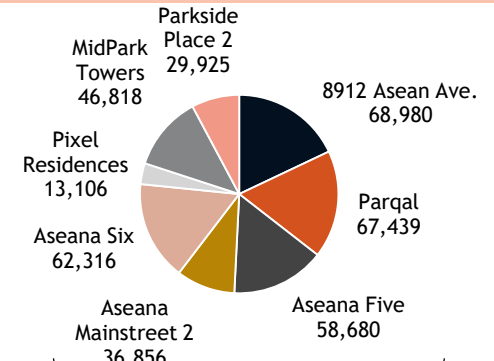
Total leasable floor area (sq.m.)



Total: 85,087 sq.m.

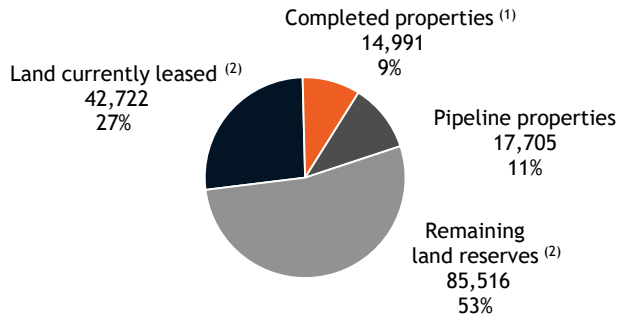
## Pipeline Properties

Leasable/saleable floor area (sq.m.)



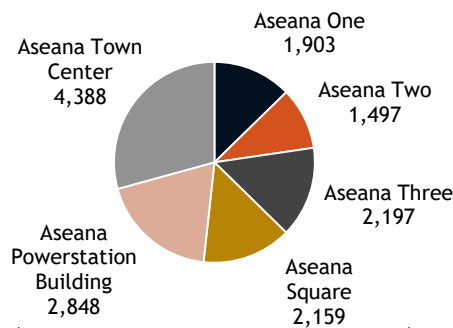
Total: 384,000 sq.m.

Valuation (PHP mm)



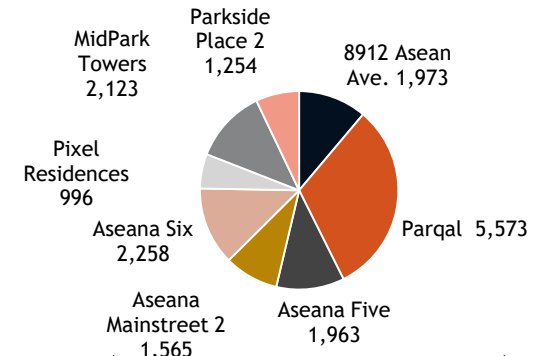
Total: PHP160,934 mm

Valuation (PHP mm)



Total: PHP14,991 mm

Valuation (PHP mm)<sup>(3)</sup>



Total: PHP17,705 mm

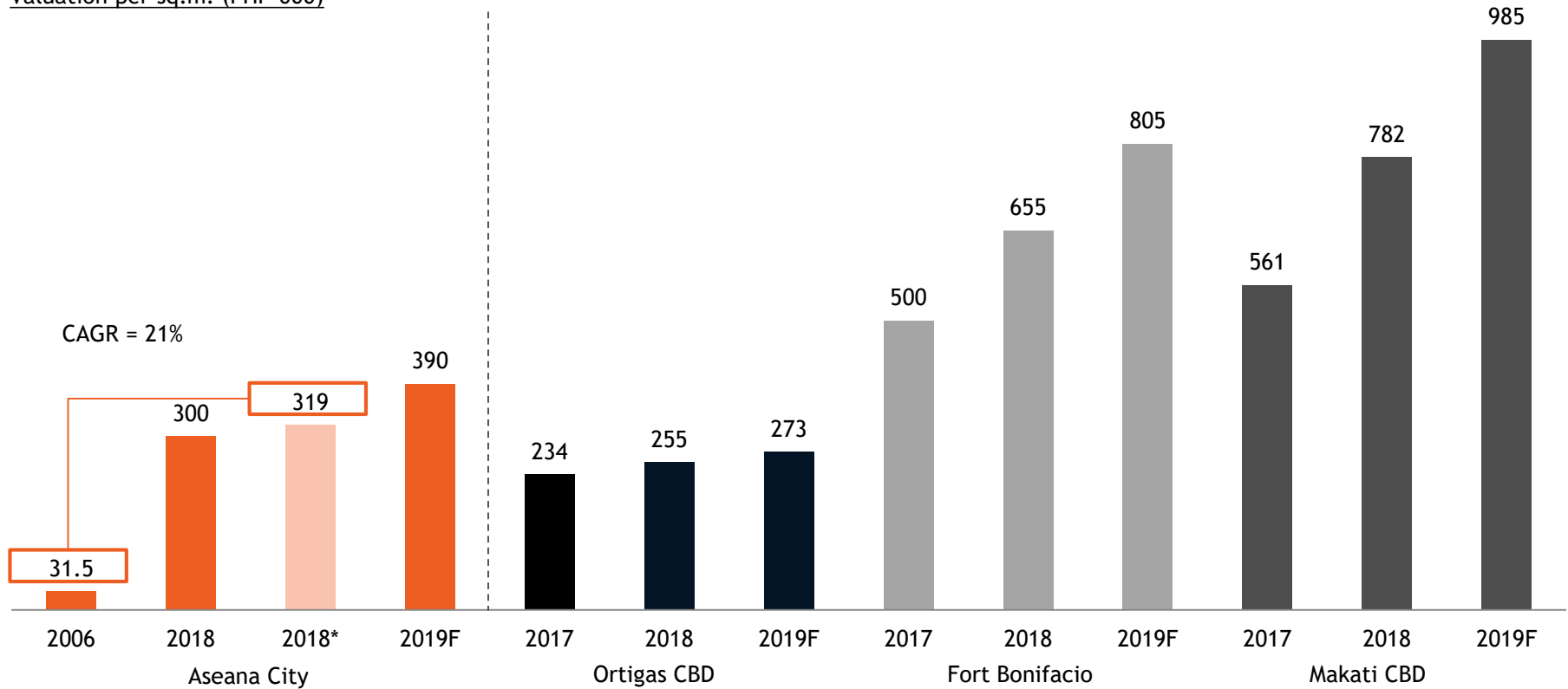
Notes:

Inspection date is at November 23, 2018

1. Excluding S&R Building
2. DMW holds a 60% shareholding interest in Bay Area Holdings, Inc. or BAH through Fabricom, Inc. as of December 31, 2018.
3. As is, where is basis

# Rapidly Appreciating Land Holdings Secured at Low Cost

Valuation per sq.m. (PHP'000)



Source: Colliers 4Q2018 Property Market Overview

\*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/3/7/1/5/2/3/7521453/tor\\_aseana\\_6e\\_new.pdf](http://www.afjprsb.com/uploads/3/7/1/5/2/3/7521453/tor_aseana_6e_new.pdf)

# Stable Economic Growth Fuels Office Demand

## Key Factors

### 1 Firm Macro Environment

- Steady development of the Philippine economy with a healthy start to 2019 buoyed by sustained economic growth, slowing inflation, improving job market and manageable cost of capital

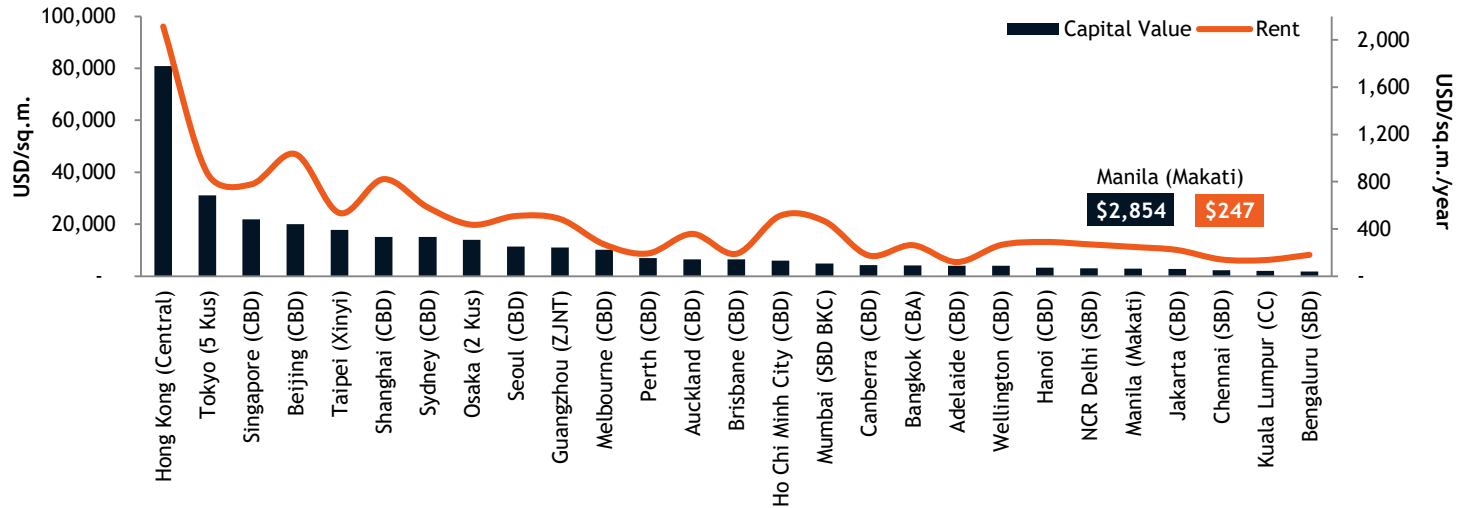
### 2 Bright Prospects for Manila

- Manila ranks 12th most rapidly growing city in the world based on socio-economic and real estate momentum indicators <sup>(1)</sup>
- Manila (Makati) office has 5th lowest capital value and 9th cheapest rental rates across 27 cities in Asia Pacific <sup>(1)</sup>
- College graduates grew 5% annually from 2010 to 2018 indicating adequate supply for future employment demands <sup>(2)</sup>

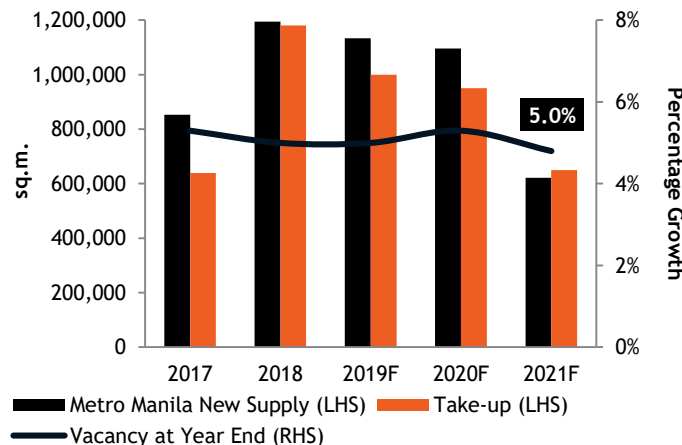
### 3 & Multiple Growth Engines

- IT-BPM labor workforce in Metro Manila is expected to reach 1.3 million FTEs by 2022 which translates to about 3 million sq.m. of office space <sup>(3)</sup>
- Offshore gaming and flexible workspaces have ramped up over the last two years and are poised for continued growth

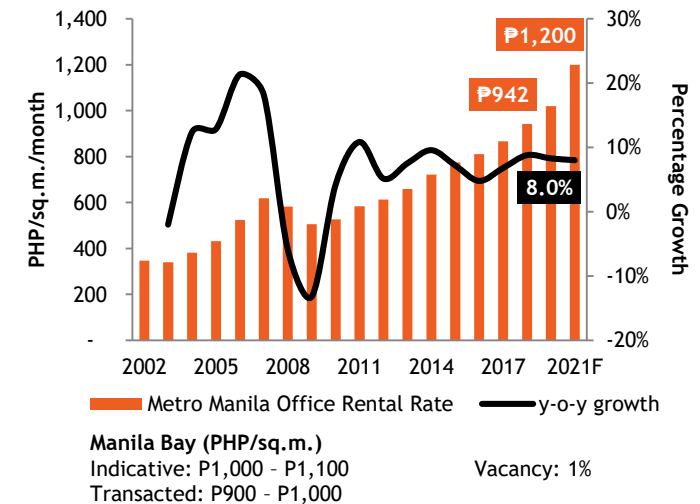
Competitive Grade A Office Capital Values and Rent <sup>(1)</sup>



Sustained Demand to Absorb New Office Deliveries <sup>(4)</sup>



Rising Average Office Rental Rates <sup>(4)</sup>



Source: (1) Jones Lang LaSalle, (2) Commission on Higher Education, (3) IT-BPM, (4) Colliers

# Differentiation To Keep Brisk Residential Sales

## Key Trends

Vertical developments such as condominiums have become a popular choice among local and foreign homeowners and investors. The total number of condo units built in the past seven years (2011 to 2017) was almost double the total supply in the previous two decades (1992 to 2010).

Mortgage market remains competitive, where borrowing costs continue to be low when considered in a long-term historical context.

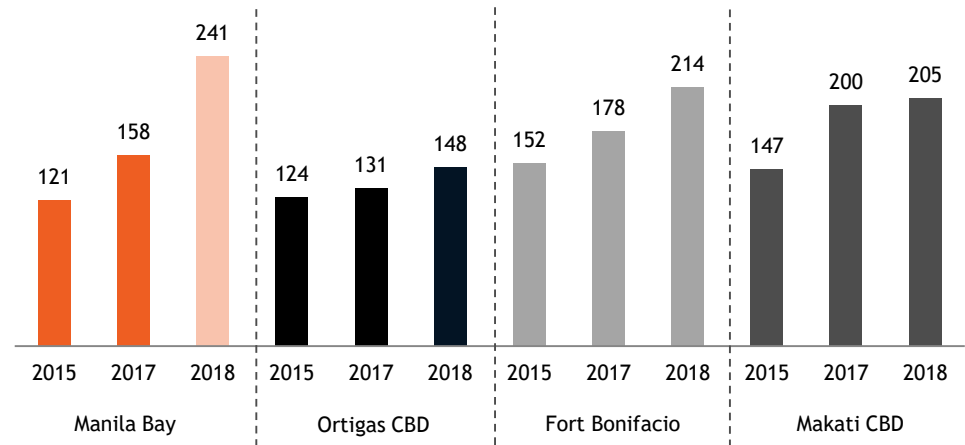
Offshore gaming industry is creating new opportunities for the residential segment. Typical monthly salary of a BPO employee is P25,000 vs. POGO employee at P60,000. <sup>(1)</sup>

## Strong Average Monthly Take-up (in units) <sup>(2)</sup>

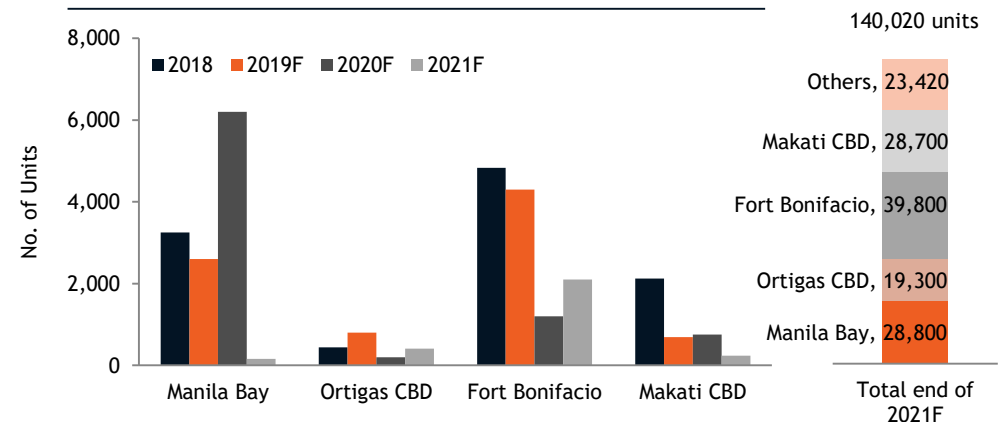
	Bay Area	Makati	Fort Bonifacio	Ortigas	Alabang CBD
Luxury	-	7	4	7	-
High-end	26	14	8	13	45
Mid-end	43	62	25	32	11
Affordable	-	5	-	-	9
Average (3Q 2018)	40	33	12	24	16
Average (4Q 2018)	50	44	13	48	12
Units sold (end-2018)	96%	97%	97%	94%	96%

Source: (1) Leechiu, (2) Santos Knight Frank, (3) Colliers  
(3) Mid-income, Upscale and Luxury residential condominium units only

## Average Residential Condominium Prices (PHP '000/sq.m.)



## New Supply Concentrated in Manila Bay and Fort Bonifacio <sup>(3)</sup>





*MidPark Towers, our second residential development with total saleable floor area of approximately 42,000 sq.m. and leasable floor area of 2,000 sq.m.*



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# Office and Retail Updates: 8912 Asean Ave. and Parqal

8912 Asean Ave.



**April 2018**  
groundbreaking

**68,000+**  
sq.m. leasable GFA

**15**  
floors with highly flexible  
specifications

**40,000+**  
sq.m. offers received  
in 2H 2018

**Dec 2020**  
target turnover

**95%**  
from traditional  
companies

Parqal



**Office & Retail**  
use

**67,000+**  
sq.m. leasable GFA

**4/9**  
number of floors/  
buildings

**26,000**  
sq.m. public space area



# Residential Updates: MidPark Towers



**4** towers

**669** units

**36–108**  
sq.m. unit sizes

**10–11**  
residential floors

**P9 billion**  
estimated project value

**≈42,000**  
sq.m. saleable floor area



**2** towers  
launched

**309** units  
launched

**Nov 20**  
launch date

**P200,000**  
base price per sq.m.

Pixel Residences



**2016**  
year launched

**170** units

**<20**  
units sold in three months  
since launch

**P125,000**  
per sq.m. base price

**<12**  
months pre-selling

**P1.7 billion**  
project value  
*P1.3 billion unrecognized revenues*

MidPark Towers



**2018**  
year launched

**309**  
units launched

**>160**  
units sold in one month  
since launch

**P200,000**  
base price per sq.m.

**50%**  
project take-up  
*as of 31 Dec 2018*

**62%**  
project take-up  
*as of 15 Feb 2019*

**P2.8 billion**  
*as of 15 Feb 2019*

Base price, exclusive of 12% value-added tax (VAT)





SOON AT  
LRT LINE 1  
CAVITE EXTENSION

# ASEANA STATION

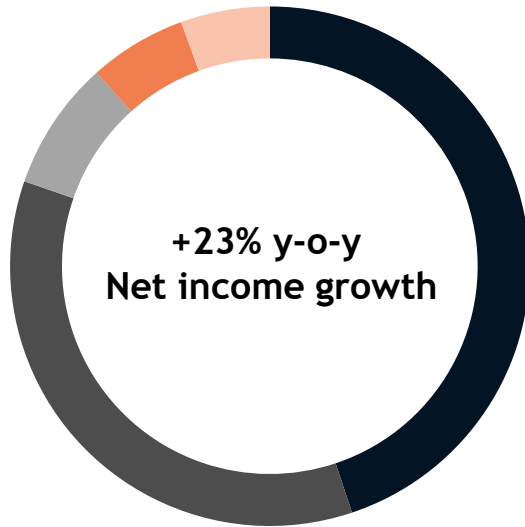


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**M D W** D.M. WENCESLAO  
AND ASSOCIATES, INCORPORATED



# Focus on Recurring Income Over Land Sales



Total revenues, P2,152.3 million  
 Recurring income from rentals, 88%  
 ■ Land, 45%  
 ■ Building, 35%  
 ■ Other revenues, 8%  
 ■ Construction contracts, 6%  
 ■ Sale of condominium units, 6%

PHP	2018	2017	Change (%)
Rentals			
Land	P 965,248,664	P 919,417,814	5%
Building	762,108,933	429,701,872	77%
Other revenues	173,841,016	91,687,180	90%
	1,901,198,613	1,440,806,866	32%
Construction contracts	130,524,057	202,132,945	-35%
Sale of condominium units	119,351,066	47,116,581	153%
Land sales	1,252,800	1,088,290,000	-100%
<b>Total Revenues</b>	<b>2,152,326,536</b>	<b>2,778,346,392</b>	<b>-23%</b>
<b>Gross profit</b>	<b>1,805,540,716</b>	<b>2,338,509,796</b>	<b>-23%</b>
<b>Operating expenses</b>	<b>540,813,947</b>	<b>472,545,936</b>	<b>14%</b>
<b>Operating profit</b>	<b>1,264,726,769</b>	<b>1,865,963,860</b>	<b>-32%</b>
<b>Other income (charges)<sup>(1)</sup></b>	<b>1,313,588,432</b>	<b>226,545,491</b>	<b>480%</b>
<b>Profit before tax</b>	<b>2,578,315,201</b>	<b>2,092,509,351</b>	<b>23%</b>
<b>Net profit attributable to equity holders of the parent</b>	<b>P 1,911,245,490</b>	<b>P 1,558,462,597</b>	<b>23%</b>

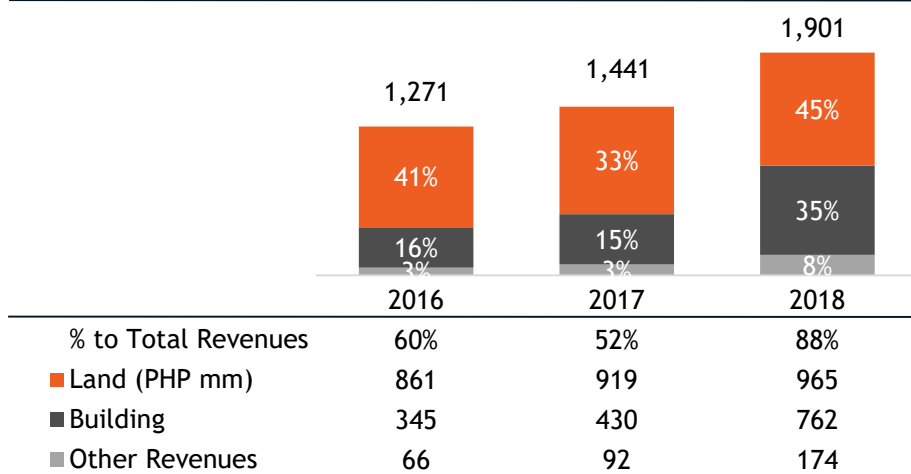
**Notes:**

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

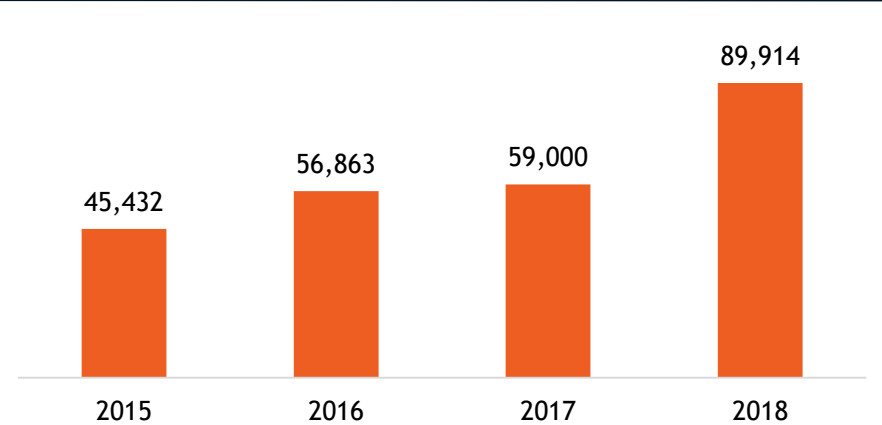
1. With reference to the settlement agreement with Alphaland Development, Inc., DMW is entitled to P2.05 billion over two years

# Robust Leasing Activity

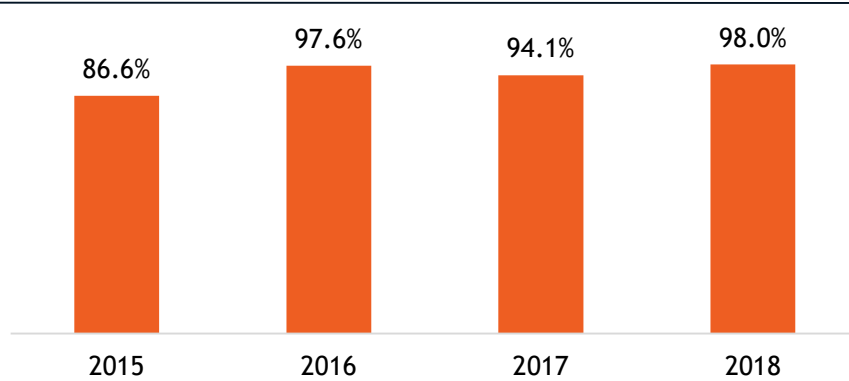
Recurring Income Contribution<sup>(1)</sup> (%)



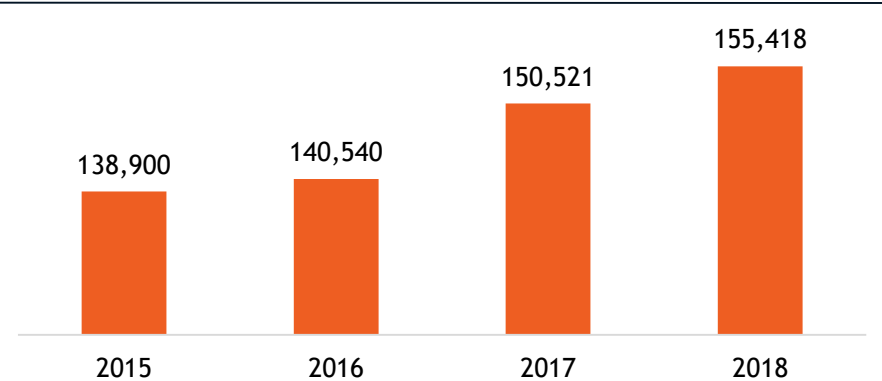
Total Leasable Floor Area<sup>(2)</sup> (sq.m.)



Period Ending Occupancy (%)



Total Leased Land Area (sq.m.)



Notes:

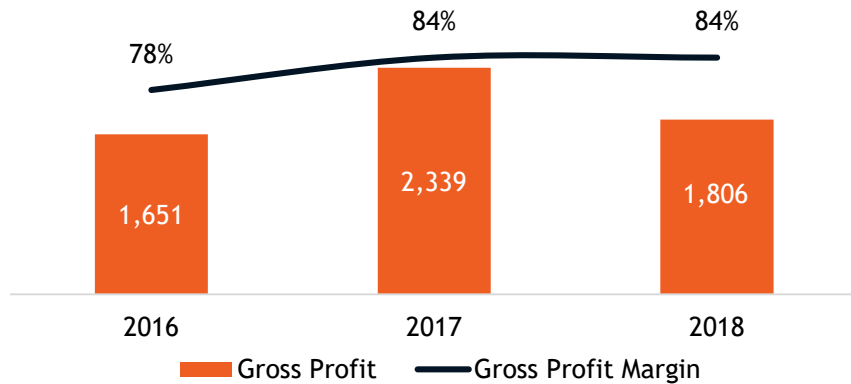
All data as at December 31 of each year

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.

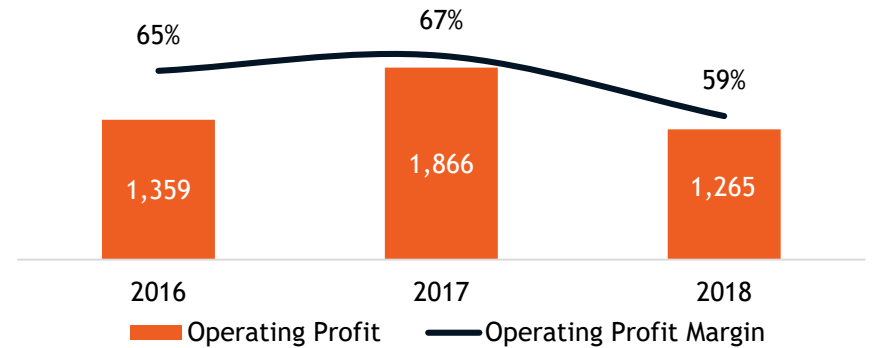
2. Calculated based on the ratio of total leased floor area to total leasable floor area made available

# Superior Profitability Scorecard

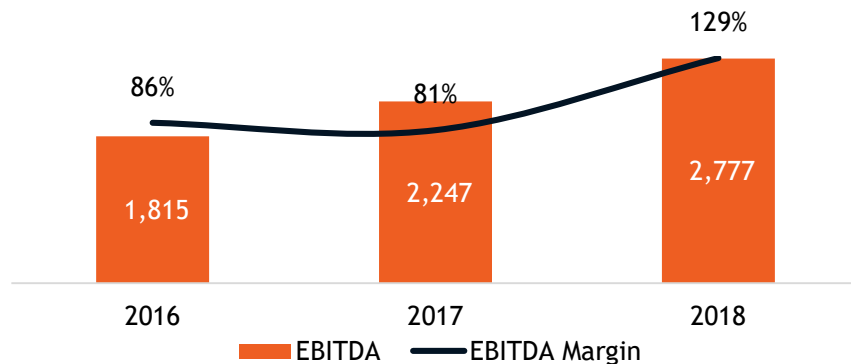
Gross Profit (PHP mm)



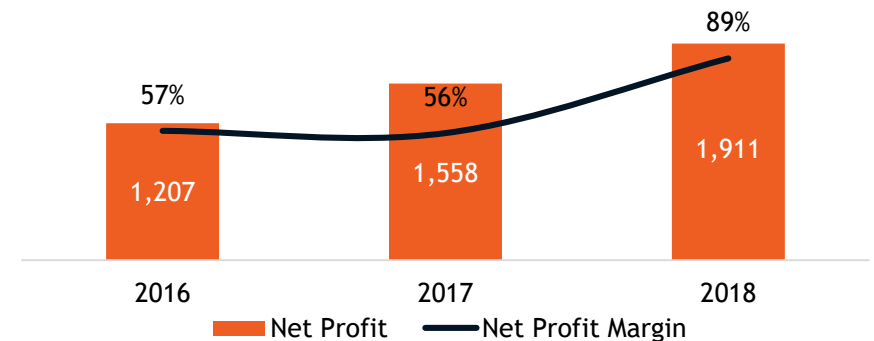
Operating Profit (PHP mm)



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



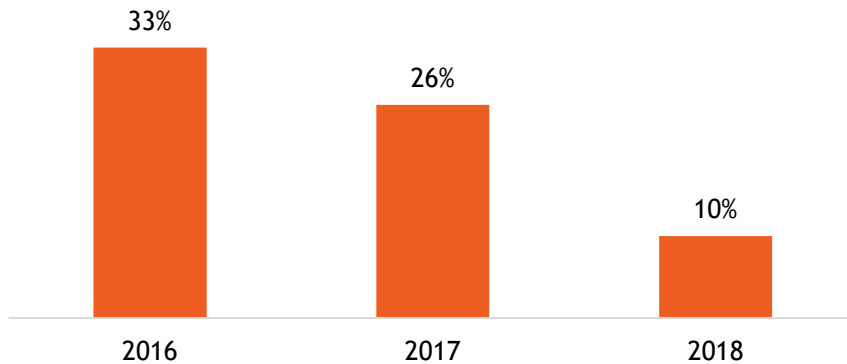
Net Profit Attributable to Equity Holders of the Parent (PHP mm)



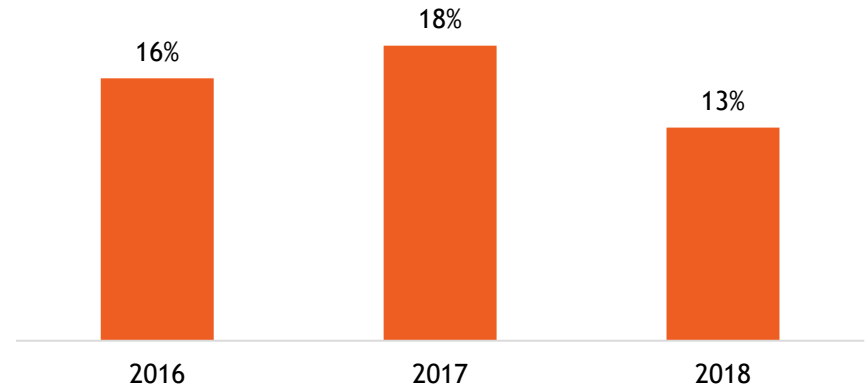
Note:  
1. EBITDA = operating profit + depreciation and amortization

# Low Leverage, High Financial Liquidity

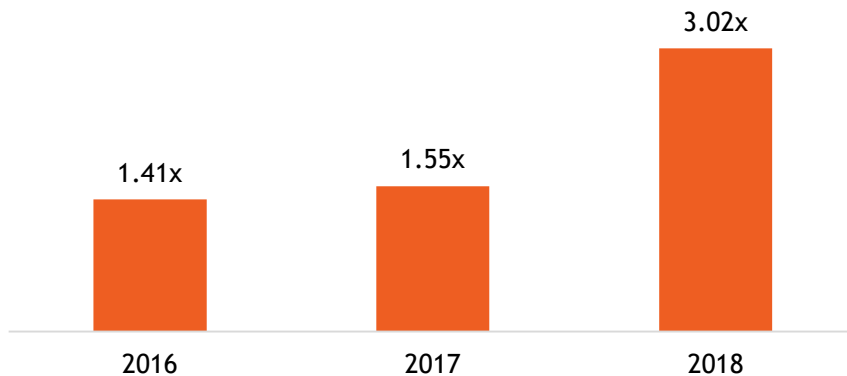
Debt To Equity<sup>(1)</sup> (%)



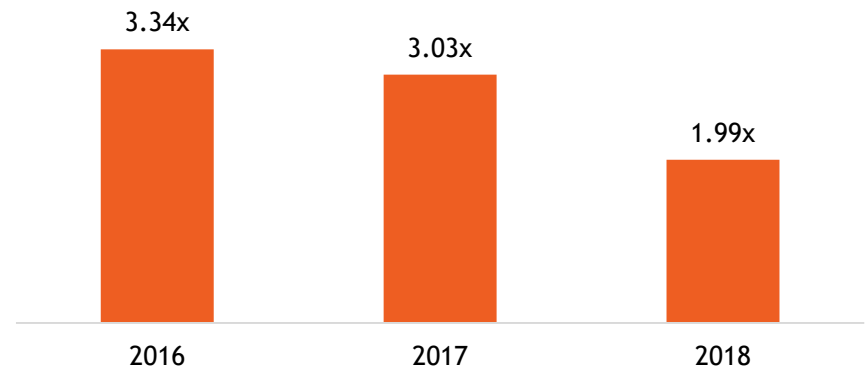
Return on Equity<sup>(2)</sup> (%)



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.

# Use of Proceeds

	<u>Allocation of Offering Proceeds</u>	<u>Application of the Offering Proceeds as of Sep 30, 2018</u>	<u>Application of the Offering Proceeds for the quarter ended Dec 31, 2018</u>	<u>Balance of the Offering Proceeds as of Dec 31, 2018</u>
Pipeline project development	₱ 3,731,213,878	₱ 449,821,429	₱ 41,836,160	₱ 3,239,556,289
Land assets	2,880,101,954	-	-	2,880,101,954
Infrastructure development within Aseana City	524,345,738	-	50,732,032	473,613,706
General corporate purposes	463,552,030	-	34,307,810	429,244,220
	<u>₱ 7,599,213,600</u>	<u>₱ 449,821,429</u>	<u>₱ 126,876,602</u>	<u>₱ 7,022,516,169</u>



Pixel Residences | P11.3M



8912 Asean Ave. | P465.6M




Parqal | P11.9M



MidPark Towers | P2.9M





Parqal, our newest mixed-use development stretching from Diokno Ave. to Macapagal Ave. is set to breathe colorful vibe into Aseana City. Combined office and retail spaces will account for 67,000 sq.m. of leasable GFA.

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## 2018 Summary

- Recurring income from rentals up 32% to P1,901.2 million or 88% of total revenues
  - Completion of Aseana Three raises building rental and other revenues related to leasing such as common use service area fees
  - Commencement of construction for 8912 Asean Ave. (formerly Aseana Four)
- Deliberate control over land sales for potential appreciation
- Special dividend of P120 million or P0.035337 per share payable on March 28, 2019 to shareholders of record on March 4, 2019

## 2019 Outlook

- Residential
  - Unbooked revenues of P1,342 million from Pixel Residences for recognition in 2019
  - MidPark Towers pre-sales of P2,811 million as of 15 Feb 2019
- Planned land sale of approximately 2,000 sq.m. to 4,000 sq.m.
- Planned capex of P4,000 million



SECURITY



WALKABILITY



SUSTAINABILITY



ACCESSIBILITY

## Q&A

[www.dmwai.com](http://www.dmwai.com)

[www.aseanacity.com](http://www.aseanacity.com)

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# Appendix: Consolidated Statements of Profit or Loss

PHP	2018	2017	2016
Rentals			
Land	P 965,248,664	P 919,417,814	P 860,514,881
Building	762,108,933	429,701,872	344,601,606
Other revenues	173,841,016	91,687,180	65,930,007
	1,901,198,613	1,440,806,866	1,271,046,494
Construction contracts	130,524,057	202,132,945	231,163,640
Sale of condominium units	119,351,066	47,116,581	684,636
Land sales	1,252,800	1,088,290,000	600,656,000
Total Revenues	2,152,326,536	2,778,346,392	2,103,550,770
Gross profit	1,805,540,716	2,338,509,796	1,650,689,785
Operating expenses	540,813,947	472,545,936	291,746,186
Operating profit	1,264,726,769	1,865,963,860	1,358,943,599
Other income (charges) <sup>(1)</sup>	1,313,588,432	226,545,491	287,091,640
Profit before tax	2,578,315,201	2,092,509,351	1,646,035,239
Net profit attributable to equity holders of the parent	P 1,911,245,490	P 1,558,462,597	P 1,206,692,948

# Appendix: Consolidated Statements of Financial Position

PHP	2018	2017	2016
Current Assets	16,242,213,188	8,161,705,249	6,762,810,753
Non-current Assets	18,974,163,310	20,823,495,190	20,020,157,345
Investment in Shares of Stock Held for termination	2,866,289,204	-	-
<b>Total Assets</b>	<b>P 38,082,665,702</b>	<b>P 28,985,200,439</b>	<b>P 26,782,968,098</b>
Current Liabilities	5,370,025,234	5,337,196,307	4,832,024,844
Non-current Liabilities	12,932,274,591	13,414,668,141	13,285,513,674
<b>Total Liabilities</b>	<b>18,302,299,825</b>	<b>18,751,864,448</b>	<b>18,117,538,518</b>
<b>Total Equity</b>	<b>19,780,365,877</b>	<b>10,233,335,991</b>	<b>8,665,429,580</b>
<b>Total Liabilities and Equity</b>	<b>P 38,082,665,702</b>	<b>P 28,985,200,439</b>	<b>P 26,782,968,098</b>
<b>Capital Structure</b>			
Short-term debt	P 1,417,170,000	P 1,656,593,434	P 2,148,561,483
Long-term debt	511,750,000	820,309,511	514,847,791
<b>Total bank debts</b>	<b>1,928,920,000</b>	<b>2,476,902,945</b>	<b>2,663,409,274</b>
Cash and cash equivalents	7,549,219,648	1,444,538,812	819,515,765
<b>Net debt/ (net cash)</b>	<b>(5,620,299,648)</b>	<b>1,032,364,133</b>	<b>1,843,893,509</b>
<b>Common equity</b>	<b>19,111,852,402</b>	<b>9,574,373,364</b>	<b>8,005,792,988</b>