



13 November 2014
PRESS STATEMENT

AYALA NET INCOME GROWS BY 35% TO P14.1 BILLION

Ayala Corporation's consolidated net income during the first 9 months of the year expanded by 35% to a total of P14.1 billion. Robust growth from core businesses, particularly Ayala Land, Globe Telecom and Manila Water, contributed to the expansion in consolidated net income. The healthy performance across these business units helped counterbalance lower equity earnings from the Bank of the Philippine Islands (BPI), which had generated sizeable gains from securities trading during the prior year. International businesses also helped improve earnings, given the gain from the divestment of Stream Global Services, Inc. and substantial growth in income from Integrated Microelectronics, Inc. (IMI). Total equity earnings for the first 9 months amounted to P18.8 billion, representing a 35% increase from the same period last year. Without the impact of accelerated depreciation from its telecom unit's network transformation initiative during the previous year, Ayala's core net income grew 15%.

Ayala Corporation President and Chief Operating Officer Fernando Zobel de Ayala stated that "The strong economic environment has allowed our operating subsidiaries to show significant growth, particularly in the real estate, telecommunications, manufacturing and water services sectors."

Real estate unit, Ayala Land, expanded net income by 25%

Ayala Land continued to expand, with net income increasing by 25% to reach P10.8 billion. Revenues were up by 20%, due to robust performance across all business segments.

Healthy growth of the property development, commercial leasing and services businesses helped raise real estate revenues by 21% to approximately P66.6 billion. Residential revenues grew by 40% to P40 billion, primarily due to increased bookings and construction progress for ongoing projects. Residential sales take-up and bookings remain solid, with increases of 18% and 15%, respectively. Gross construction services also expanded at a healthy pace of 25% to close to P20 billion.

Growth in commercial leasing of 17% was achieved due to the contribution of new shopping centers and offices, and improved occupancy of all hotels and resorts. Shopping center revenues rose 9% to P8.3 billion, office revenues grew by 19% to P3.1 billion and hotels and resorts were up by 37% to P4 billion.

Margins improved across most product lines, contributing to a wider overall EBIT margin of 31% from 29% a year ago. Capital expenditures for project completion and land acquisition amounted to P59 billion, which is in line with target.

Globe Telecom performed robustly across key services and increased revenues by 8%

Globe Telecom grew across all key services for the first nine months of 2014, generating increased gross service revenues of P72.7 billion and representing a rise of 8% from the prior year. Mobile revenues of P57.6 billion, which rose by 6% on the strength of both postpaid and prepaid subscriber growth, remain strong with Globe's mobile subscriber base now totalling 42.9 million. Revenues from postpaid subscribers went up by 11% while growth for prepaid subscribers was 4%.

For the third quarter of 2014, mobile data revenues also expanded by 30% to P4 billion. In spite of the continued expansion in mobile data revenues, core services have remained resilient. Voice revenues rose by 5% to P8.5 billion whereas SMS revenues also grew by 3% to P7.3 billion.

Broadband and fixed line data services have also sustained their advancement over the first 9 months of 2014, with both businesses increasing revenues by 16% to P9 billion and P4 billion, respectively. Likewise, total EBITDA improved by 5% year-on-year to P29.8 billion, with strong revenue growth offsetting the increase in subsidies and operating expenses, and 3Q14 EBITDA margin widening to 43%. Core NIAT was also up by 22% compared to the previous year to P11.6 billion due to higher EBITDA, lower overall depreciation and non-operating expenses, which offset higher provisions for income taxes.

Manila Water reported solid results, with revenues and income higher by 6%

Manila Water continued to perform well, with consolidated revenues increasing by 6% to P12.2 billion as a result of steady expansion in the East Zone and escalating contribution from subsidiaries. A 4% increase in billed volume boosted East Zone revenues, with the growth of residential customers from the expansion areas of Marikina, Pasig and Rizal, as well as increased business from commercial and industrial customers as key drivers.

Outside of the East Zone, the ramp up of Kenh Dong Water in Vietnam, Laguna Water and growth in domestic concessions also contributed to the growth in billed volume. As a result, earnings contribution from new businesses account for 12% of total net income.

Overall, while consolidated cost of services and operating expenses rose by 15% to P3.8 billion due to higher direct costs and overhead costs, EBITDA improved by 3% from last year to P8.8 billion and yielded a 72% EBITDA margin. Net income also grew by 6% to P4.5 billion.

Banking arm, BPI, generated P12.8B in net income and 15% growth in net interest income

Continued outperformance by Ayala's core businesses helped compensate for BPI's results. BPI reported net income of P12.8 billion or a decline of 19% from net income during the same period last year, which included significant gains from securities trading. Net interest income grew 15% to P25.7 billion due to the bank's strong loan growth and improving deposit mix. Net loans climbed 28% to P702 billion versus the previous year, whereas deposits increased 17% to reach more than P1 trillion. Non-interest income was P14.8 billion, which is 17% lower than that of the previous year largely due to reduction in income related to securities and foreign exchange trading. However, excluding securities and foreign exchange trading, non-interest income was up by 7% to P12.7 billion.

Because of the bank's continued investment in technology and headcount expansion, operating expenses increased by 13%. Cost to income ratio as of 2014 Q3 stands at 53%. Asset quality and capitalization ratios remain robust with a 90-day NPL ratio of 1.8%, Basel III Capital Adequacy Ratio (CAR) of 15.7% and CET 1 ratio of 14.9%.

International and new businesses continue to ramp up

According to Mr. Zobel de Ayala, "Aside from our core businesses, our international and new businesses are gaining momentum. Our international businesses contributed positively to earnings this year, while our investments in the power and transport infrastructure sectors will contribute significantly to group earnings in the next few years."

IMI maintained its positive trajectory with revenues increasing by 19% to P28.8 billion for the first 9 months of 2014 and corresponding net income surging four-fold to P930 million. Strong demand in telecommunications infrastructure, automotive electronics and storage devices contributed to IMI's robust performance. Group-wide margins also increased by 270 basis points to 11.2% as a result of operational savings, direct material procurement and continued shift to high value products. In BPO, the P1.8 billion net gain from the divestment of Stream Global Services, Inc. booked earlier during the year contributed to the improvement in Livelt's earnings.

Ayala's energy unit, AC Energy Holdings, Inc., is moving towards completion of projects. The first phase of its 2x135MW project under its joint venture company with the Phinma group, South Luzon Thermal Energy Corp., is expected to start operations in the first quarter of 2015. It has also recently finished its wind projects in Ilocos. The 19-MW expansion of its wind farm in Bangui, Ilocos Norte, was concluded last October 10 and has been delivering power to the grid. It also completed its 81MW wind farm in Pagudpud, Ilocos Norte last November 11 and has likewise begun operations.

In transport infrastructure, the company, through its wholly-owned subsidiary, AC Infrastructure Holdings, Inc., together with the Metro Pacific Group, recently signed the Concession Agreement for the 35-year LRT Line 1 concession. The consortium expects to complete certain requirements prior to taking over the existing rail line some time the second half of 2015. Ayala also expects to operate by the first quarter of 2015 its first PPP project, the Daang Hari-South Luzon Expressway Link Road Project, a 4-kilometer toll road linking the Daang Hari road to the South Luzon Expressway. To date, Ayala Corporation has committed over US\$ 600 million in equity in both power and transport infrastructure projects.

As of the end of the period, Ayala has P74 billion in consolidated cash with a parent company net debt to equity ratio of 0.44 to 1. On November 5, 2014, the company issued 27 million Preferred Class "B" Series 2 shares amounting to P13.5 billion with an over subscription of P3.5 billion from the base offer. Proceeds of the issue will be utilized to refinance certain peso denominated debt obligations of the parent company.

- end -