



Ayala's first semester core net profits reach near pre-pandemic level

1H21 vs 1H20 Highlights

- Ayala Corporation reported a net income of ₱10.4 billion in the first semester, expanding 31 percent from the low base of the previous year when the metropolis was under a higher quarantine status. The improved results of its business units supported Ayala's earnings:
 - Ayala Land registered a net income growth of 34 percent to ₱6 billion showing significant improvements in performance compared to the first half of 2020 during the onset of the pandemic.
 - BPI's net income went up one percent to ₱11.8 billion due to lower loan loss provisions.
 - Globe recorded a net income growth of 13 percent to ₱13 billion on higher gross service revenues as well as the positive impact of the CREATE law.
 - AC Energy Corporation (ACEN) posted a net income growth of five percent to ₱2.7 billion as power demand returned to pre-pandemic levels and additional renewables capacity were added. This was partially tempered by high spot electricity purchases during a thermal outage and the absence of non-recurring gains during the period.
 - Manila Water's net income improved 10 percent to ₱2.7 billion, mainly due to the absence of provisions and adjustments made in the same period last year.
 - In accordance with accounting standards, Ayala's investment in Manila Water was reclassified from a subsidiary to an Investment in Associates beginning June 3, 2021, following loss of control. This reflects Ayala's reduced economic interest in the company from 51.4 percent to 38.6 percent following the completion of Trident Water's acquisition of a majority stake in Manila Water.
 - AC Industrials narrowed its net losses from ₱1.8 billion in the previous year to ₱592 million due to better results across its subsidiaries, including IMI and AC Motors.

- Meanwhile, Ayala's core net income, which isolates the effect of various provisions, remeasurement losses, the CREATE law as well as divestment gains booked in 2019, decreased eight percent to ₱13.3 billion in the first half of the year compared to the same period last year. This is equivalent to 90 percent of Ayala's pre-pandemic level.
- On a topline basis, Ayala's diversified portfolio supported its performance in the first semester. Its revenues grew 24 percent to ₱122 billion from the same period last year. Ayala Land, Globe, and AC Industrials exhibited topline improvement amid the current business climate:
 - Ayala Land's revenues were up 19 percent to ₱49 billion propelled by continued construction progress and higher bookings from property development while commercial leasing operations were weighed down by renewed restrictions.
 - Globe's topline increased four percent to ₱75.5 billion on the back of continued demand for mobile and home broadband data amid the pandemic.
 - AC Energy Corporation's revenues expanded 35 percent to ₱13.4 billion as power demand returned to pre-pandemic levels and additional renewables capacity were added.
 - AC Industrials' revenues soared 32 percent to ₱40.7 billion as manufacturing plants in IMI ramped up alongside loosening quarantine restrictions from the height of the health crisis in last year as well as demand recovery across its various businesses.
 - Meanwhile, BPI continued to navigate through the challenges of the pandemic as its revenues declined seven percent to ₱48.1 billion from muted loan demand which was tempered by the strength of BPI's diversified businesses.

"Our first semester results show recovery in the business environment compared to last year. However, increasing infections from the Delta variant present new challenges", Ayala President and CEO Fernando Zobel de Ayala said. "As a business group operating in diversified industries, we will continue to do our part in helping revitalize the economy through continued investments and supporting the country's pandemic response and vaccination program," Mr. Zobel added.

2Q21 vs 1Q21 Highlights

- Ayala's core net income declined 15 percent to ₱6.1 billion in the second quarter from the first quarter of the year as the better performance of Ayala Land and Globe were outweighed by weaker results of BPI and AC Energy and higher losses of AC Industrials and AC Ventures.
- Meanwhile, Ayala's reported net income decreased seven percent to ₱5 billion.

Real Estate

- Ayala Land's consolidated revenues and net income increased 19 percent to ₱49 billion and 34 percent to ₱6 billion, respectively in the first half of 2021 compared to the same period last year, showing significant improvements in performance compared to the same period last year during the onset of the pandemic.
- Property development revenues saw a growth of 37 percent to ₱34.1 billion on the back of continued construction progress and higher bookings.
 - Residential revenues surged 47 percent to ₱30.1 billion.
 - Office for sale revenues jumped 43 percent to ₱2.1 billion.
 - Commercial and industrial lots declined 32 percent to ₱2 billion.
- Residential sales reservations grew 26 percent to ₱48.2 billion as local demand remained strong throughout the period.
 - Second quarter sales reservations improved 45 percent to ₱19.7 billion from the same period last year despite the reimposition of an enhanced community quarantine at the end of March until April.
- Commercial leasing revenues dipped 26 percent to ₱9.5 billion as operations of malls, hotels, and resorts were weighed down by renewed restrictions.
 - Shopping center leasing revenues went down 43 percent to ₱3.4 billion.
 - Office leasing income slightly improved to ₱4.8 billion with host of BPO and HQ tenants providing support to office leasing operations.
 - Hotels and resorts rental revenues dropped 42 percent to ₱1.2 billion.
- Capital expenditures reached ₱32.1 billion in the first half of the year.
- Ayala Land launched eight projects worth ₱25.3 billion in the second quarter alone, bringing the total projects launched in the first half to 14 at ₱44.3 billion. These include: Ayala Land Premier's Anvaya Cove S3 in Morong, Bataan; ALVEO's Bayview Heights in Cagayan de Oro, Misamis Oriental; Avida's Averdean Estates Phase 1 and Southdale Settings both in Nuvali, Laguna, Makati Southpoint Tower 2, and Astrea Tower 2 in Quezon City; and Amaia's Steps The Junction Place Clara and Skies Cubao Tower 2 both in Quezon City. The company has budgeted ₱100 billion-worth of launches in 2021.

Banking

- BPI posted a net income of ₱11.8 billion in the first half of 2021, one percent higher in the same period last year due to lower loan loss provisions recognized.
 - The bank's second quarter net income was its highest since the start of the pandemic, reaching ₱6.8 billion in the period, up 29 percent year-on-year and up 36 percent quarter-on-quarter.

- Total revenues decreased seven percent to ₱48.1 billion due to lower net interest income and non-interest income.
 - Net interest income dipped seven percent to ₱33.9 billion because of a 24-basis point contraction in net interest margin, which ended at 3.32 percent.
 - Non-interest income likewise declined seven percent to ₱14.3 billion due to lower trading income despite fees and commissions showing a 37 percent growth.
- Total loans declined four percent to ₱1.4 trillion because of softer demand in corporate, SME, and auto loans.
- Total deposits decreased four percent to ₱1.7 trillion as CASA grew 11 percent, which offset a 43 percent decrease in time deposits.
 - CASA ratio stood at 83.2 percent.
 - Loan-to-deposit ratio was 80.8 percent.
- The bank recognized ₱6.5 billion in provisions in the first half, 56 percent lower than the same period last year. NPL ratio stood at 2.94 percent and NPL coverage ratio reached 120.3 percent.
- BPI affirmed its strategic imperatives which focus on five key initiatives underpinned by its passion for its customers:
 - It aims to be the undisputed leader in digital banking as it leverages its early investments in digitalizing its systems to deliver products and services that will enhance customer experience and deepen their relationship with the Bank.
 - As clients adopt digitalization, the bank will rationalize its branches through re-location, consolidation or co-location. The remaining branches will undergo physical transformation and will be segmented depending on the client preferences in the area.
 - BPI aims funding leadership by becoming the main operating bank of its corporate clients, capitalizing on its robust transaction platforms and optimizing funding cost.
 - The bank will continue to reposition its loan book by increasing exposure to SME and consumer loans.
 - As part of its thrust for Sustainable Banking, BPI launched its Sustainability Agenda and made significant commitments: become the most financially inclusive bank through BPI Direct BanKo, no additional commitments to finance greenfield coal power generation projects and support the Task Force on Climate-related Financial Disclosures.

Telco

- Globe's net income increased 13 percent to ₱13 billion in the first half as the decline in non-operating charges and upside from the implementation of the CREATE law fully covered for the increase in depreciation expenses.

- Excluding the impact of non-recurring charges, foreign exchange, and mark-to-market charges, Globe's core net income grew 19 percent to ₱13.2 billion.
- Total service revenues grew four percent to ₱75.5 billion driven by data revenues led by home broadband. Total data revenues accounted for 79 percent of total service revenues, a growth of 300 basis points from the same period last year.
- Growth in data was present in all segments, most evident in the upward momentum of Globe's mobile data and home broadband categories.
 - Mobile data revenues increased seven percent to ₱38.6 billion.
 - Mobile data traffic grew 59 percent to 1,761 petabytes.
 - Home broadband revenues soared 16 percent to an all-time high of ₱14.5 billion.
 - Home broadband subscriber base grew 47 percent to over 4.2 million customers.
 - Corporate data expanded eight percent to ₱6.3 billion.
- EBITDA dipped three percent to ₱37.4 billion due to higher costs and expenses attributed to more spending to support its aggressive network expansion and improve customer digital lifestyle experience.
 - Operating expenses including subsidy grew 12 percent to ₱38.1 billion.
 - EBITDA margin consequently contracted by 300 basis points to 50 percent.
- Capital expenditures more than doubled to ₱43.3 billion, representing 57 percent of gross service revenues and 116 percent of EBITDA. Moreover, 88 percent of the investment went to data-related requirements for network expansion and network modernization from 3G to 4G LTE/5G as well as fiber technology.
- As a result of continuous modernization of its network to make 5G and fiber technology available to more customers nationwide, Globe has made strides in improving its overall network data infrastructure:
 - New cell towers ramped up to 641, an improvement of 71 percent
 - Upgraded mobile sites reached 8,175 or a 47 percent growth
 - On the fixed line front, it has surpassed the 600,000 FTTH lines delivered in 2020

Power

- AC Energy Corporation posted a net income growth of five percent to ₱2.7 billion. Revenue expanded by 35 percent to ₱13.4 billion as power demand returned to pre-pandemic levels and additional renewables capacity were added. However, the strong revenue growth was partially offset by high spot electricity purchases during a thermal outage. The absence of non-recurring gains during the period also tempered income growth.

- Meanwhile, AC Energy group's legacy coal plants (GN Power Kauswagan and AA Thermal, both of which are outside of ACEN) registered a 28 percent decline in equity in earnings to ₱1.9 billion in the first half of 2021, mainly due to a loss on derivative (related to project loan) and higher business taxes.
- Given the reduced ownership in ACEN and decline in legacy coal plant earnings, AC Energy group registered a net income decline of 21 percent to ₱3.5 billion in the first half of 2021.
- ACEN commenced the operations of two solar plants in the Philippines and two solar plants in India in the second quarter. Philippines: 63MW Gigasol Palauig in Zambales (April) and 120MW Gigasol Alaminos in Laguna (June). India: 70MWdc Paryapt Solar in Gujarat (April) and 140MWdc Sitara Solar in Rajasthan (May).
- In May, ACEN completed the listing of 1.58 billion primary shares from its follow-on offering, which raised ₱10.3 billion. Regulators then approved the company's increase in authorized capital stock, which enabled the infusion of parent ACEIC's international platform into ACEN via an asset-for-share swap. These strategic initiatives, alongside the recently concluded ₱5.4-billion stock rights offering in January, and the ₱11.9-billion private placement to Arran in March, enable ACEN's transformation as Ayala's main energy platform. With the infusion of international assets, the power company now has more than 2,500 MW in attributable capacity, of which 2,070 MW, or 80 percent, comes from renewable sources. AC Energy intends to achieve 5,000 MW of renewable capacity by 2025, toward its vision to become the largest listed renewables platform in Southeast Asia.

Industrial Technologies

- AC Industrials narrowed its net loss to ₱592 million in the first semester from ₱1.8 billion a year ago as IMI benefited from better utilization and recovering markets, while AC Motors saw stronger demand following looser quarantine measures.
- From a net loss in same period last year, IMI recorded a net income of US\$915,000 (₱46.1 million) amid the continuing global chip shortage and challenged supply chains.
- Meanwhile, AC Motors' revenues grew 42 percent to ₱8.1 billion in the first semester as the Philippine automotive market continues to recover. Both automotive and motorcycle businesses grew, buoyed by new models launched across the portfolio.

Balance Sheet Highlights

- Parent level cash stood at ₱16.9 billion.
- Parent net debt stood at ₱119.1 billion.

- Parent net debt-to-equity ratio stood at 94 percent.
- Consolidated net debt-to-equity stood at 66 percent.
- Loan-to-value ratio, the ratio of its parent net debt (excluding the fixed-for-life perpetuals which have no maturity) to the total value of its assets, was at 9.8 percent.
- In May, Ayala Corporation completed the first tranche of its ₱30 billion Debt Securities Program with an aggregate principal amount of ₱10 billion consisting of a base offer of ₱6 billion and an oversubscription option of an additional ₱4 billion. The first tranche consists of 3.0260% Series A Bonds due 2024 and 3.7874% Series B Bonds due 2026. The bonds were issued and listed at the Philippine Dealing & Exchange Corporation on May 28, 2021.
- Ayala is taking advantage of attractive levels in the equities market to invest in value-accretive opportunities such as its exercise of a share buyback and block purchase of Ayala Land shares.
 - Ayala purchased a sizeable block of its own shares in May valued at ₱5.8 billion. Combined with its past buyback exercises, Ayala has accumulated shares equivalent to 1.7 percent of its total outstanding shares at an average purchase price of ₱691 per share.
 - Ayala recently purchased blocks of Ayala Land shares at an average price of ₱36.34 per share. These transactions increased Ayala's stake in Ayala Land from 44.5 percent to 46.4 percent as of July 2021.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021 (With Comparative Audited Figures as at December 31, 2020)

(Amounts in Thousands)

	June 2021 Unaudited	December 2020 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	P 90,451,407	P 88,653,956
Short-term investments	1,114,279	822,410
Accounts and notes receivable	142,851,149	137,094,187
Inventories	164,047,715	160,871,941
Other current assets	83,150,136	74,314,892
Assets under PFRS 5	61,282,625	196,136,570
Total Current Assets	542,897,311	657,893,956
Noncurrent Assets		
Noncurrent accounts and notes receivable	63,976,775	57,382,232
Investments in associates and joint ventures	279,624,545	255,007,963
Investment properties	227,976,022	226,456,967
Property, plant and equipment	96,775,855	94,537,980
Right-of-use assets	20,279,788	19,812,516
Service concession assets	1,514,310	1,556,241
Intangible assets	21,340,598	19,624,573
Deferred tax assets - net	15,139,393	14,634,045
Other noncurrent assets	61,653,652	58,851,529
Total Noncurrent Assets	788,280,938	747,864,036
Total Assets	P 1,331,178,249	P 1,405,757,992
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	P 36,263,268	P 32,439,507
Accounts payable and accrued expenses	175,915,567	177,315,357
Income tax payable	1,109,818	1,907,146
Current portion of:		
Long-term debt	51,697,093	36,514,381
Lease liabilities	1,547,689	1,445,492
Service concession obligation	19,880	19,880
Other current liabilities	24,355,008	26,596,440
Liabilities under PFRS 5	28,006,309	124,291,482
Total Current Liabilities	318,914,632	400,529,685
Noncurrent Liabilities		
Long-term debt - net of current portion	365,907,059	372,800,369
Lease liabilities - net of current portion	24,333,847	22,672,228
Service concession obligation - net of current portion	66,338	66,338
Deferred tax liabilities - net	9,650,334	9,398,205
Pension liabilities	4,737,717	5,093,406
Other noncurrent liabilities	58,721,143	52,775,650
Total Noncurrent Liabilities	463,416,438	462,806,196
Total Liabilities	782,331,070	863,335,881
Equity		
Equity attributable to owners of the parent company		
Paid-in capital	85,891,585	85,613,944
Share-based payments	51,409	102,619
Remeasurement losses on defined benefit plans	(6,110,393)	(6,351,002)
Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI)	(1,431,055)	40,792
Cumulative translation adjustments	988,402	(1,635,505)
Equity reserve	34,076,030	30,741,420
Retained earnings	247,759,096	238,072,873
Treasury stock	(12,382,517)	(6,605,153)
Reserves under PFRS 5	(283,227)	(800,218)
	348,559,330	339,179,770
Non-controlling interests	200,287,849	203,242,341
Total Equity	548,847,179	542,422,111
Total Liabilities and Equity	P 1,331,178,249	P 1,405,757,992

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	For the Periods Ended June 30	
	2021	2020
CONTINUING OPERATIONS		
REVENUE		
Sale of goods and rendering of services	P 106,534,878	P 84,632,471
Share in net profits of associates and joint ventures	11,776,589	9,806,067
Interest income from real estate	3,599,239	4,227,283
Dividend income	65,624	57,753
	121,976,330	98,723,574
COSTS AND EXPENSES		
Costs of sales and services	81,797,491	61,364,518
General and administrative expenses	13,249,282	14,536,730
	95,046,773	75,901,248
OTHER INCOME (CHARGES) - Net		
Interest income	2,101,266	1,582,732
Other income	1,461,041	3,047,203
Interest and other financing charges	(13,867,919)	(13,468,757)
	(10,305,612)	(8,838,822)
INCOME BEFORE INCOME TAX	16,623,945	13,983,504
PROVISION FOR INCOME TAX		
Current	2,654,917	2,565,302
Deferred	(317,829)	329,846
	2,337,088	2,895,148
NET INCOME AFTER INCOME TAX	14,286,858	11,088,356
OPERATIONS OF SEGMENT UNDER PFRS 5		
Net income after tax	(1,268,015)	715,188
NET INCOME	P 13,018,843	P 11,803,544
Net Income Attributable to:		
Owners of the Parent Company	P 10,397,362	P 7,943,901
Non-controlling interests	2,621,481	3,859,643
	P 13,018,843	P 11,803,544