



SM INVESTMENTS

President's Report

ANNUAL STOCKHOLDERS' MEETING 2024

Committed to Our Customers

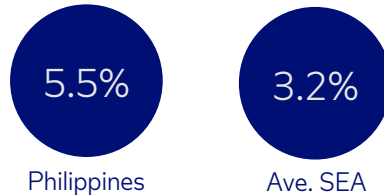


Economic Performance and Financial Performance Snapshots



SM INVESTMENTS

2023 GDP



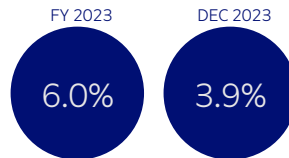
Overseas Filipino Workers Remittances



Unemployment



Inflation



Let me first give a quick overview of the economic situation we faced last year.

[The Philippine economy grew 5.5 percent last year, outpacing major economies in Asia.](#)

A major driver of this growth was strong consumption spending as consumers benefited from record-low unemployment rate of 3.1 percent and steady growth in overseas Filipino workers' remittances of 2.9 percent.

Inflation averaged 6 percent for the year and slowed to 3.9 percent in December amid rising energy and food prices.

Taking this largely into consideration, we ensured our products and services continued to meet our customers' needs and wallet sizes.

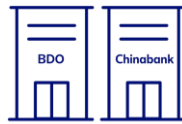
Strong Financial Performance



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Retailing



Banking



Property



Portfolio Investments

Given this strong economic backdrop, SM remained a proxy for the Philippines and its consumer-focused growth in particular. Our strong financial performance last year was driven by all three core businesses—retailing, banking and property--- as well as contributions from our portfolio investments.

Strong Financial Performance



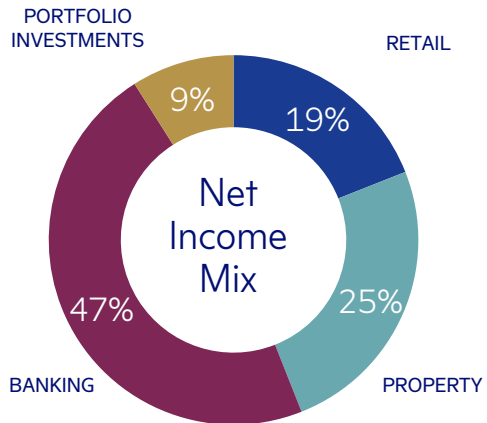
SM INVESTMENTS

Php77.0bn
Net Income

↑25%

Php616.3bn
Revenues

↑11%



Our net income grew 25 percent to 77.0 billion pesos while consolidated revenues increased 11 percent to 616.3 billion pesos.

Our banks delivered the largest portion of our earnings at 47 percent as they benefited from higher margins and broad economic growth.

Meanwhile our malls experienced high foot traffic and strong consumer activity, especially in F&B and entertainment which helped drive property contribution at 25 percent.

Retail pitched in 19 percent to total net earnings as discretionary spending remained vibrant.

Portfolio investments delivered 9 percent as it continues to demonstrate growth especially in logistics, renewable energy, leisure and entertainment and the bakeshop business.

Financial Prudence



SM INVESTMENTS

Php1.6tn
Assets

↑7%

Net Debt to Total Equity

33:67



Our long-term policy of financial prudence ensured that we were not adversely impacted by high interest rates.

Our total assets increased 7 percent to 1.6 trillion pesos. Gearing remained conservative at a ratio of 33 percent net debt to 67 percent total equity.

Our balance sheet remains strong with our banks well capitalized and our businesses able to invest in growth.

Retail

Expanding to Serve



SM INVESTMENTS

Php415.0bn
Revenues

↑10%

Php19.9bn
Net Income

↑11%



Our retail business, which consists of groceries, department and specialty retail stores, reported revenues of 415.0 billion pesos, up 10 percent on consistent growth across key segments. Net income increased 11 percent to 19.9 billion pesos.

Retail

Expanding to Serve



SM INVESTMENTS

Food Group

Revenues

↑7%

Net Income

↑21%



Revenues from SM's Food Group, consisting of SM Markets, WalterMart and Alfamart, grew 7 percent, contributing almost half to total retail revenue growth.

With continuing efficiencies in operations, net income for the food segment increased 21 percent.

Retail

Expanding to Serve



SM INVESTMENTS



The SM Store
Revenues

↑16%

Specialty Retail
Revenues

↑11%



Revenues of The SM Store increased 16 percent while specialty retail revenues grew 11 percent. These were driven by discretionary spending on fashion, footwear, children, pets and health and beauty. Backed by consistent growth, we continued to expand our retail footprint to over 3,800 outlets in 2023.

Retail

Expanding to Serve



SM INVESTMENTS

3,800+

Retail Stores

419

New Stores
In 2023

89%
Outside NCR



Out of this total, we opened 419 new stores last year, with 371 stores or 89 percent located in provincial areas.

Retail

Expanding to Serve



SM INVESTMENTS

400+
Stores

Alfamart to accelerate
store expansion in 2024



Alfamart, our minimart grocery format, intends to accelerate its expansion by at least 400 stores this year. This reflects our strategy to tap into growth opportunities in emerging regions.

↑33%

Php40.0bn
Net Income

↑21%

Php128.1bn
Revenues



Our property business under SM Prime reported consolidated net income grew 33 percent to 40.0 billion pesos. Consolidated revenues increased 21 percent to 128.1 billion pesos.

SM PRIME Malls



SM INVESTMENTS



Php71.9bn
Revenues

↑30%

Php61.3bn
Rental Income

↑24%

The mall business, which accounts for 56 percent of consolidated property revenues, grew 30 percent in revenues to PHP71.9 billion in 2023. Mall rental income increased by 24 percent to 61.3 billion pesos.

SM PRIME

Residential



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Php43.1bn
Revenues

↑8%

Reservation
Sales

Php102.0bn

The residential business, led by SM Development Corporation, reported that revenues grew by 8 percent to 43.1 billion pesos. Reservation sales stood at 102 billion pesos in 2023, translating to more than 21,000 residential units sold.

SM PRIME

Other Businesses



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Php13.1bn
Revenues

↑26%



Other key businesses, consisting of offices, hotels, and convention centers, reported and grew revenues by 26 percent to 13.1 billion pesos.

SM PRIME

3 New Malls



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SM City
Bataan



SM Center
San Pedro



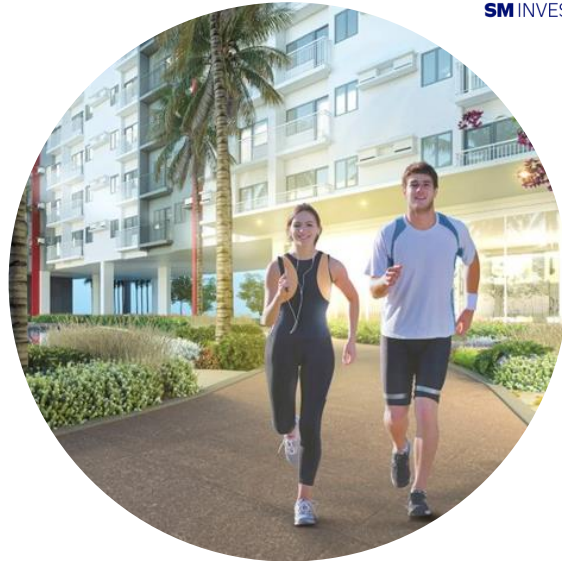
SM City
Sto. Tomas



Last year, SM Prime opened three new malls in growing regions namely, SM City Bataan, SM Center San Pedro in Laguna and SM City Sto. Tomas in Batangas.

Building more
Residential
Communities

20



SMDC is building more residential communities with 20 projects outside Metro Manila namely in Pampanga, Bulacan, Rizal, Cavite, Laguna, Cagayan de Oro, Davao, Iloilo and Bacolod.

It launched three new SMDC developments in 2023 namely Jade Residences in Makati, Turf Residences in Laguna and Parkville in Bacolod.

SM PRIME
Hotels



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Lanson Place
Mall of Asia, Manila



Among hotels and convention centers, SM Prime opened its first Lanson Place property here in Mall of Asia Complex, Pasay City.

BANKING

BDO



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Php73.4bn
Net Income

↑29%

Php186.4bn
Net Interest Income

↑25%



Our banks delivered sustained net income growth from their core businesses.

BDO Unibank reported its net income grew 29 percent to 73.4 billion pesos.

Net interest income grew by 25 percent to 186.4 billion pesos.

BANKING

BDO



SM INVESTMENTS

Gross
Customer
Loans

↑9%

Deposits

↑11%

CASA Ratio

72%

NPL Ratio

1.85%

Coverage
185%



Gross customer loans grew 9 percent to 2.85 trillion pesos with growth across all market segments. Total deposits increased by 11 percent to 3.57 trillion pesos with CASA ratio at 72 percent.

Asset quality continued to improve as non-performing loan ratio declined to 1.85 percent. NPL coverage increased to 185 percent with the bank's conservative provisioning policy.

BANKING

BDO Branch Expansion



SM INVESTMENTS

Total
Branches

1,720

Provincial
Branches

1,100



BDO continued to reach more areas in the Visayas and Mindanao regions through BDO Network Bank. As of last year, BDO had 1,101 branches in the provinces out of its total 1,720 branches.

BANKING

Chinabank



SM INVESTMENTS



Php22.0bn
Net Income

↑15%

Php53.5bn
Net Interest Income

↑17%

Php791.0bn
Gross Customer Loans

↑10%

Meanwhile, China Bank reported higher net income by 15 percent to 22.0 billion pesos, boosted by higher core business revenues. Net interest income increased 17 percent to 53.5 billion pesos as strong growth in loans and investments offset the significantly higher interest expense. Gross loans grew by 10 percent to 791 billion pesos.

BANKING

Chinabank



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Php1.2tn
Deposits

↑11%

CASA Ratio

48%



On the funding side, total deposits were higher by 11 percent to 1.2 trillion pesos with CASA ratio at 48 percent.

BANKING

Chinabank



SM INVESTMENTS



Php1.2bn

Reduced Loan Loss Provisions

NPL Ratio

2.5%

Coverage
104%

With the improving economic conditions, the bank reduced loan loss provisions to 1.2 billion pesos. Asset quality was stable with a 2.5 percent NPL ratio while NPL coverage remained sufficient at 104 percent.

BANKING

Chinabank



SM INVESTMENTS

Total
Branches

648

Provincial
Branches

300



China Bank likewise has a wide footprint in the provinces. Out of its 648 branches, 300 are outside Metro Manila.

Its thrift bank subsidiary China Bank Savings (CBS) has a total of 168 regular branches, of which 92 are outside of Metro Manila. In addition, there are 88 branch lites and lending centers in the provinces.

PORTFOLIO INVESTMENTS

Supporting Local Growth



SM INVESTMENTS



PHILIPPINE GEOTHERMAL



NEO

In addition to the expansion of our core businesses, we aim to develop our presence in new and high growth sectors through active investments.

Our portfolio investments now account for 9 percent of the group's net earnings. We aim to increase this into the mid-teens in the medium term.



SM INVESTMENTS

PORTFOLIO INVESTMENTS

Supporting Local Growth

2GO
Ownership

67.2%



Last year, we increased our stake in 2GO to 67.2 percent. We also acquired two new ships to add to our fleet of 8 ROPAX vessels and one freighter in order to serve more routes and capture opportunities in the growth of the Philippine economy.

PORTFOLIO INVESTMENTS

Supporting Local Growth



SM INVESTMENTS

PGPC
Ownership

100%



We are also investing in support of clean energy sources. Following our acquisition of Philippine Geothermal Production Company in late 2022, we are looking at new steam fields in Northern and Southern Luzon with the aim of doubling our 300 megawatts of steam production from our two existing fields over the medium term.

Inclusive and
Responsible Growth



SM INVESTMENTS



MSMEs

>100K



We celebrated SM's 65th anniversary last year together with our employees, customers, tenants and MSMEs who have grown with us over the years.

Today we continue to operate with our Founder, Henry Sy's fundamental belief that business growth and the good of our stakeholders go hand in hand. As we grow, we work hard to ensure shared value creation.

We continue to champion workplace inclusivity for hundreds of thousands of our people and deepen our support for over 100,000 MSMEs who are among our tenants and suppliers.

Inclusive and
Responsible Growth



SM INVESTMENTS

172

Schools
Donated/Constructed



Through our Foundations, we undertook school building and scholarship programs, constructed healthcare facilities nationwide and supported a number of farmers through training.

Inclusive and
Responsible Growth



SM INVESTMENTS



Notably, our medical missions achieved the milestone of serving over a million Filipinos.

UN Sustainable Development Goals



SM INVESTMENTS



United Nations
Global Compact



In support of



**WOMEN'S
EMPOWERMENT
PRINCIPLES**

Established by UN Women and the
UN Global Compact Office

TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

In our environmental advocacy, we ensured that our businesses have a comprehensive long-term sustainability roadmap to manage their environmental impact. We continue to support the UN Global Compact and 17 Sustainable Development Goals, the UN Women's Empowerment Principles, the Taskforce for Climate-related Financial Disclosures, the Carbon Disclosure Project and the Global Reporting Initiative principles.

Inclusive and
Responsible Growth



SM INVESTMENTS

BDO

Renewable Energy
Projects Funded

59



In addition to our investments in renewable energy, BDO is one of the largest funders of the local renewable energy sector, supporting 59 large-scale projects nationwide.

Recognitions



SM INVESTMENTS



As we closed the year, we are grateful to be recognized by a number of leading local and international award bodies.

Several group companies were recognized in the Philippines Best Customer Service 2023 awards including the SM Store, Toy Kingdom, BDO, SM Markets and SM Cinemas.

Forbes Magazine recognized SM as one of the World's Best Employers.

Sustainalytics, a leading ESG rating company, regarded SM Investments as Top Rated both among diversified financial companies globally and among all companies in Asia Pacific.

In governance, 10 SM companies were recognized by the Institute of Corporate Directors. We also garnered six regional awards from the ASEAN Corporate Governance Scorecard.

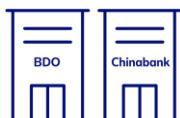
Heading into 2024



SM INVESTMENTS



Retailing



Banking



Property



Portfolio Investments



Given all these, we maintain our cautious optimism for the rest of 2024. We intend to continue investing in the Philippine growth story, committed to being a catalyst for responsible development in the communities that we serve.

We remain positive in the growth of our core businesses while optimizing their synergies with our portfolio investments.

Today, there is still a significant gap in accessing modern retailing, banking services and integrated property developments for many Filipinos.

Our strategy is to continue to expand coverage nationwide to reach and create new markets -- to improve accessibility and inclusivity in these sectors, to help bridge these gaps and provide more opportunities for underserved areas.

Thank You!



SM INVESTMENTS

On behalf of the SM group, I'd like to extend our deepest gratitude to our numerous stakeholders for your unwavering trust and patronage. Your confidence inspires us to continue to grow responsibly to help create a more inclusive and prosperous society for every Filipino. Thank you for your steady support and dedication. Together, let's build a brighter and sustainable future. I wish you all a pleasant day.