1H 2019
Analyst Briefing

1 August 2019

D.M. WENCESLAO
AND ASSOCIATES, INCORPORATED

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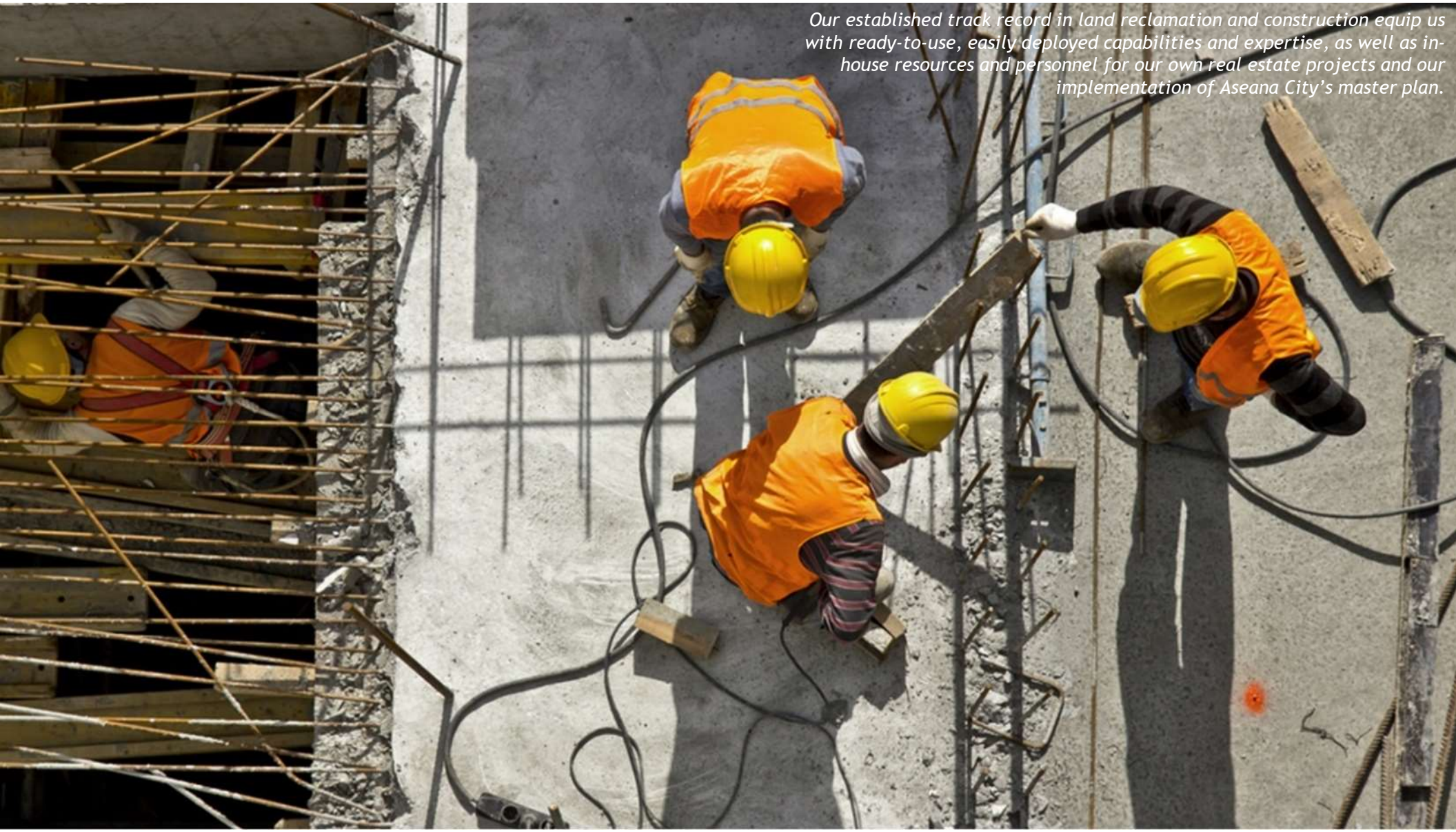


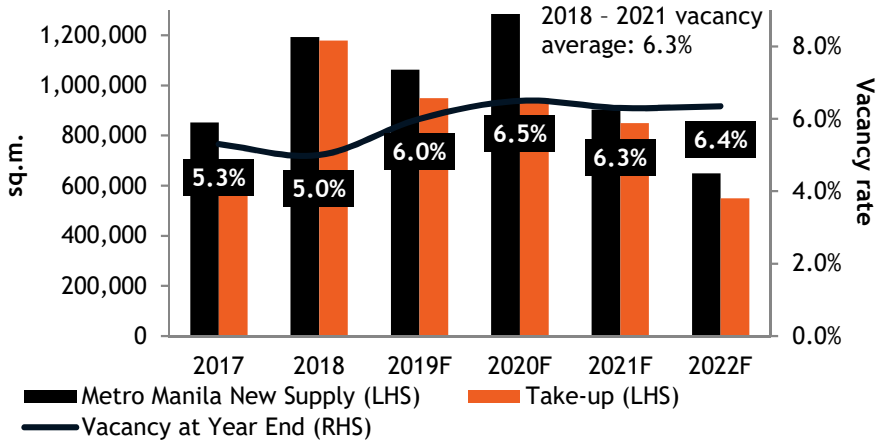
Our established track record in land reclamation and construction equip us with ready-to-use, easily deployed capabilities and expertise, as well as in-house resources and personnel for our own real estate projects and our implementation of Aseana City's master plan.

2 Market Overview
5 Operating and Financial Highlights
13 Summary

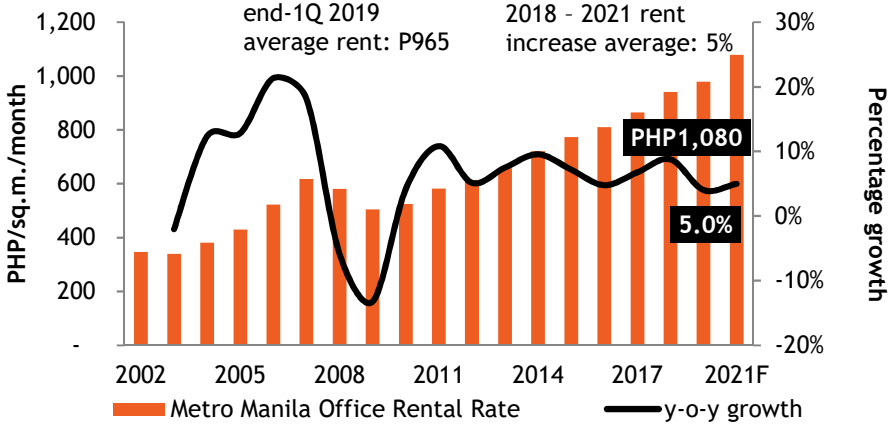
D.M. WENCESLAO AND ASSOCIATES, INCORPORATED

Stable economic growth sustains office demand

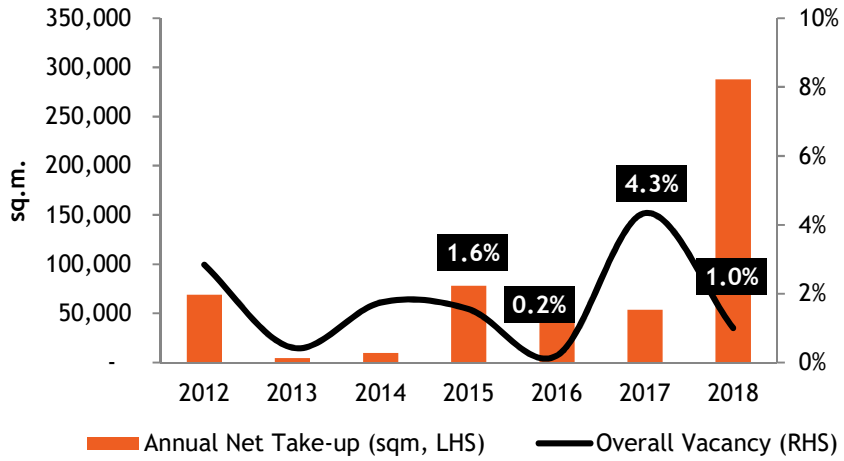
Sustained Demand to Absorb New Office Deliveries…



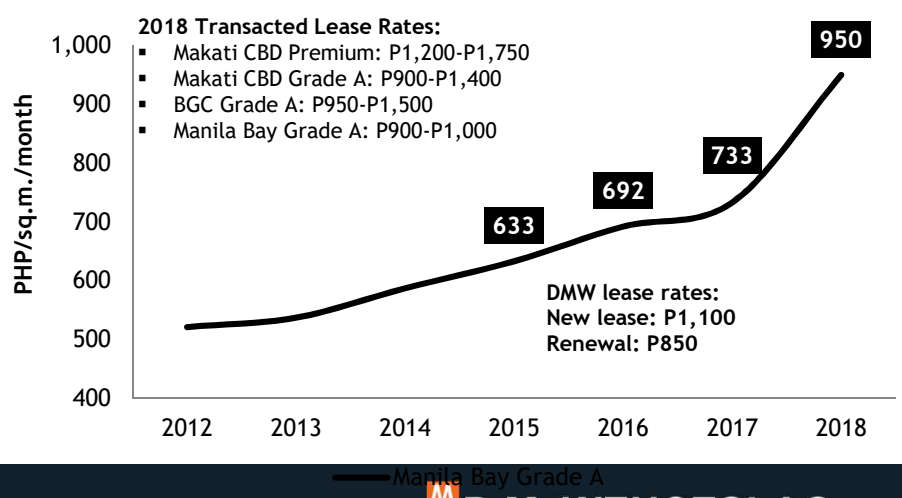
…And to Result in Rising Average Office Rental Rates



Strong Manila Bay Office Net Take-up and Low Vacancy Rates…



…To Support Continued Growth in Manila Bay Office Lease Rates



Source: Colliers Industry Market Report
Note:
1. In terms of gross leasable area

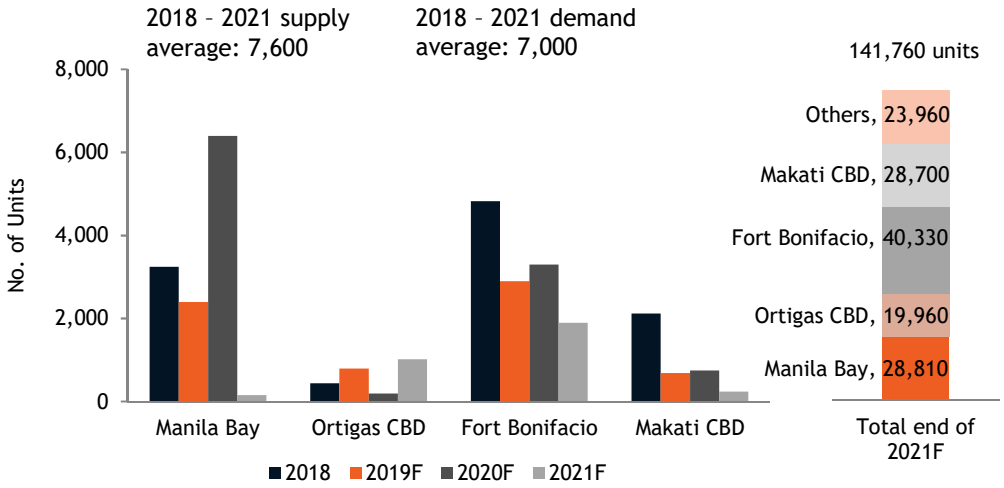
Source: (1) Colliers as of 1Q 2019, (2) Santos Knight Frank as of 2Q 2019, (3) Santos Knight Frank as of 1Q 2019

Continued growth in business districts boost residential sales

Metro Manila Residential Supply Forecast, end 2019 and 2021 (1)

Location	end of 2018	end of 2019	end of 2021	% change (2021/ 2018)
Alabang	4,230	4,430	4,430	4.7%
Araneta Center	4,550	4,550	4,550	-
Eastwood City	8,540	8,540	9,170	7.4%
Fort Bonifacio	32,230	35,140	40,330	25.1%
Makati CBD	27,020	27,700	28,700	6.2%
Bay Area	19,850	22,260	28,810	45.1%
Ortigas Center	17,940	18,730	19,960	11.3%
Rockwell Center	4,510	5,270	5,810	28.8%
Total	**118,870**	**126,620**	**141,760**	**19.3%**

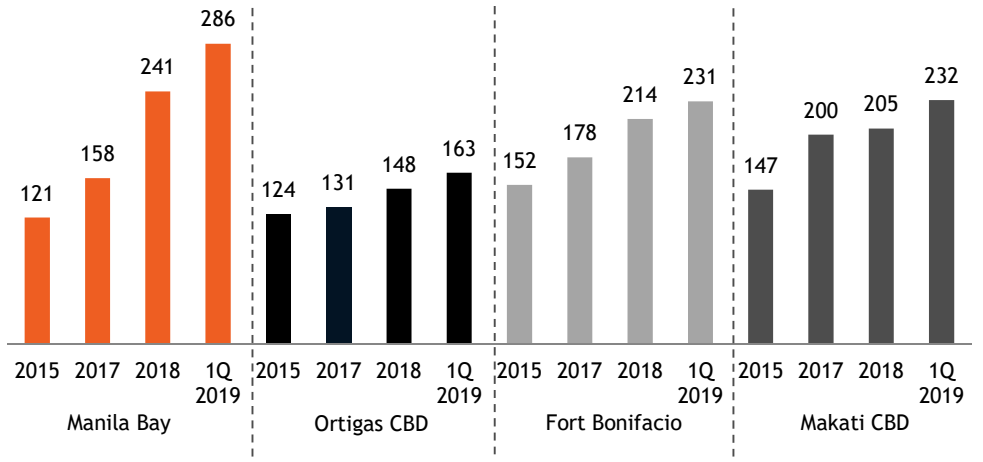
Future Supply Concentrated in Manila Bay and Fort Bonifacio (1)



Average Monthly Take-up Highest in Manila Bay (in units) (2)

	Bay Area	Makati	Fort Bonifacio	Ortigas	Alabang CBD
Luxury	-	6	6	5	-
High-end	18	14	10	15	13
Mid-end	38	32	18	33	10
Affordable	-	5	-	-	39
Average (2Q 2019)	33	20	11	25	16
Average (1Q 2019)	36	23	12	31	18
Units sold	97%	98%	97%	97%	98%

Strong Growth in Average Residential Condominium Prices (PHP '000/sq.m.) (3)



Source: (1) Colliers as of 1Q 2019, (2) Santos Knight Frank as of 2Q 2019, (3) Santos Knight Frank as of 1Q 2019

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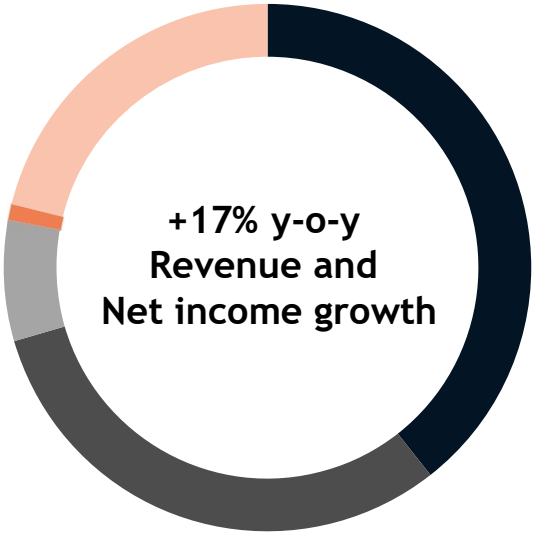
Office renewal and residential completion lift revenues



Total revenues, P1,262.2 million
Recurring income from rentals, 78%
- Land, 39%
- Building, 31%
- Other revenues, 7%

- Sale of condominium units, 21%
- Construction contracts, 1%

PHP	1H 2019	1H 2018	Change (%)
Rentals			
Land	P 497,444,984	P 482,192,981	3%
Building	392,489,115	351,900,929	12%
Other revenues	93,439,186	85,900,927	9%
	983,373,285	919,994,837	7%
Construction contracts	12,130,599	114,517,783	-89%
Sale of condominium units	266,741,449	44,360,821	501%
Land sales	-	1,252,800	-100%
Total Revenues	1,262,245,333	1,080,126,241	17%
Gross profit	982,427,599	890,741,590	10%
Operating expenses - net	225,652,601	184,035,180	21%
Operating profit	756,774,998	706,706,410	7%
Other income (charges)	710,837,929	576,629,646	23%
Profit before tax	1,467,612,927	1,283,336,056	14%
Net profit attributable to equity holders of the parent	P 1,122,199,226	P 958,039,177	17%

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 starting Jan 2018. A total of non-refundable portion amounting to P600 million was received during 1H 2019.

In focus: Higher office lease renewal rates signify strong market

MANILA BAY AREA [1]

LEASE RATE

Indicative Asking Lease Rate:
PHP650 to PHP1,600 per sq.m./mo.

Transacted Lease Rate:
PHP700 to PHP1,500 per sq.m./mo.

SUPPLY (GLA)

Current Stock: 729,721.61 sq.m.
▲ 38.0 % y-o-y

Available Space: 436.28 sq.m.

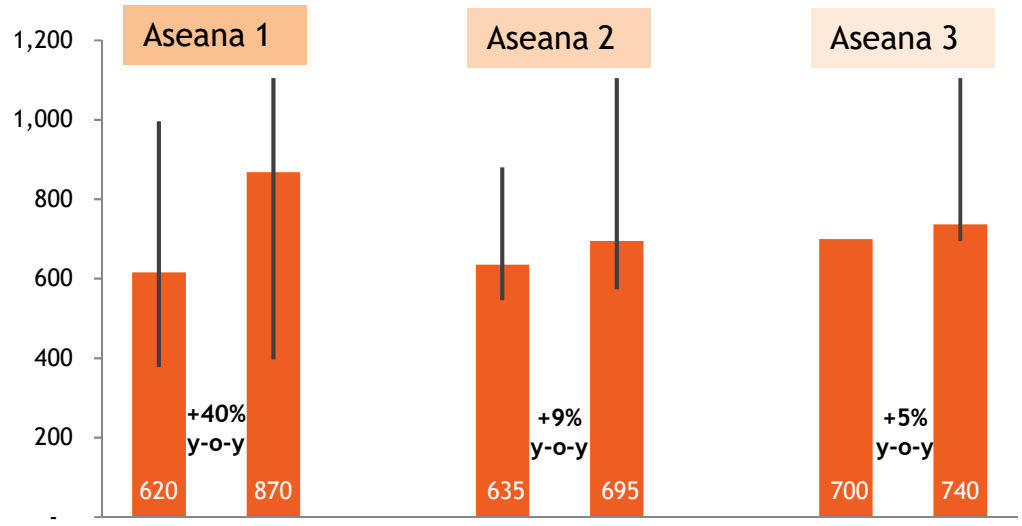
DEMAND

Vacancy Rate: 0.06 %

Occupied Space: 729,285.33 sq.m.

Net Absorption: 52,962.57 sq.m.

Comparative lease rates



	2018	2019	2018	2019	2018	2019
Average [2]	620	870	635	695	700	740
Maximum	990	1,100	875	1,100	700	1,100
Minimum	380	400	550	580	700	700

Notes:
1. *Santos Knight Frank as of 2Q 2019*
2. *Derived by dividing office leasing revenues by total area. Our revenue recognition policy recognizes income on leases on a straight-line basis over the lease term based on the provision of the relevant lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties*

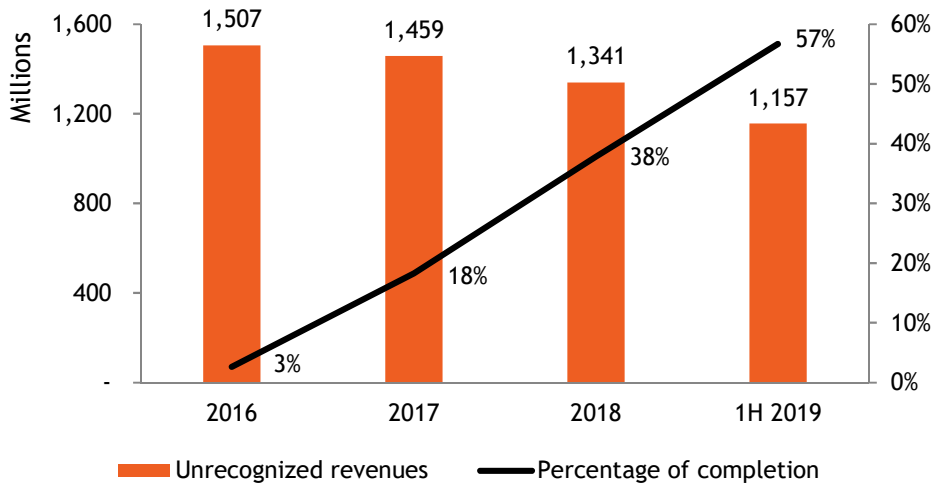
In focus: Growth in residential pre-sales affirm asset attractiveness

REVENUE RECOGNITION POLICY
20% collection of the contract price

PAYMENT TERMS
Pixel Residences
- 20%-80%
- 20% installment payment is paid during the construction phase, 80% outstanding balance is paid upon turnover
- Total collection as of 30 June: P444.6M

MidPark Towers
- 10%-10%-80%
- 10% down payment, 10% installment payment is paid during the construction phase, 80% outstanding balance is paid upon turnover
- Total collection as of 30 June: P668.3M

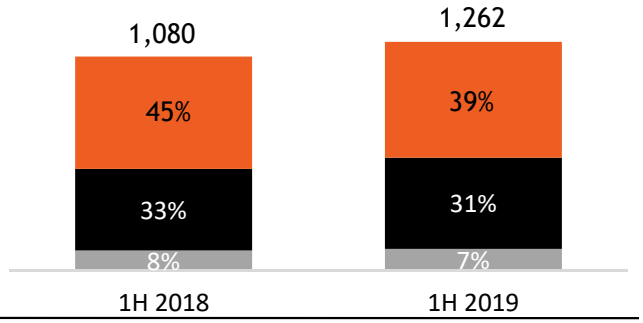
Pixel Residences



Revenues (PHP mm)	4Q 2016	2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018	1Q 2019	2Q 2019	Jun 2019
Pixel Residences	0.7	0.7	4.6	1.6	6.4	34.6	47.1	11.8	32.6	30.6	43.7	118.6	93.6	90.4	183.9
MidPark Towers	-	-	-	-	-	-	-	-	-	-	1.1	1.1	6.5	76.3	82.8
Total	0.7	0.7	4.6	1.6	6.4	34.6	47.1	11.8	32.6	30.6	44.7	119.7	100.0	166.7	266.7

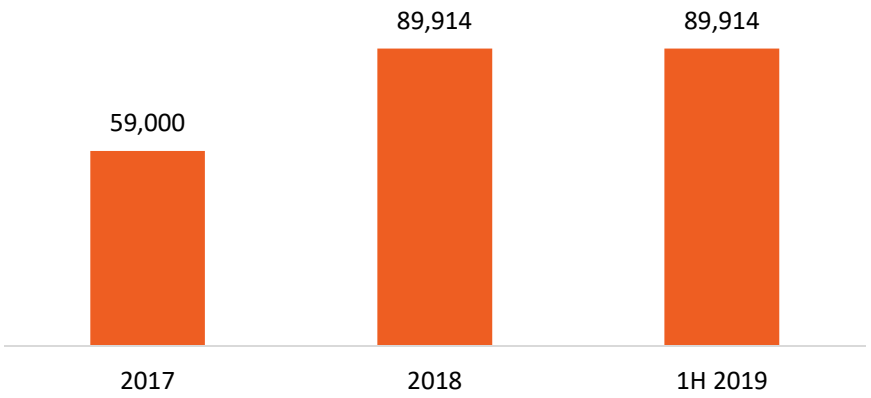
Robust leasing activity

Recurring Income Contribution[1] (%)

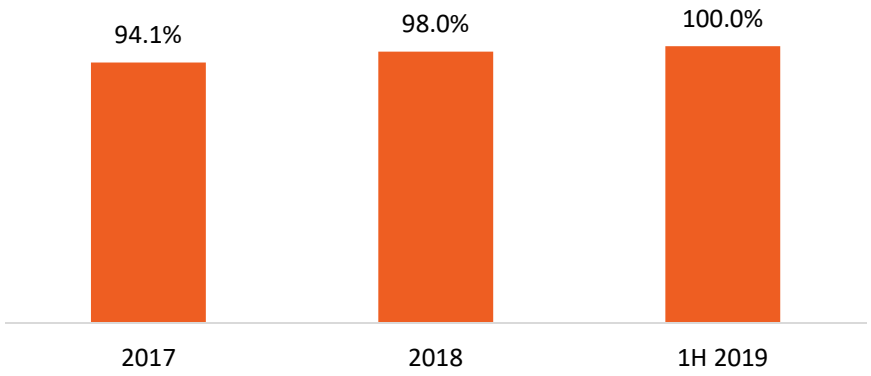


	1H 2018	1H 2019
% to Total Revenues	85%	78%
Land (PHP mm)	482	497
Building	352	392
Other Revenues	86	93

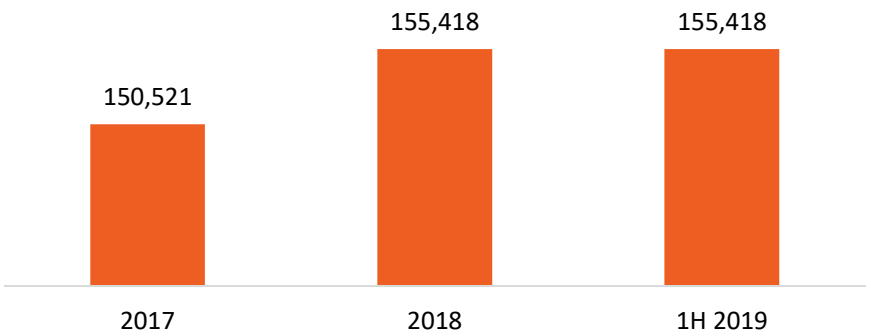
Total Leasable Floor Area[2] (sq.m.)



Period Ending Occupancy (%)



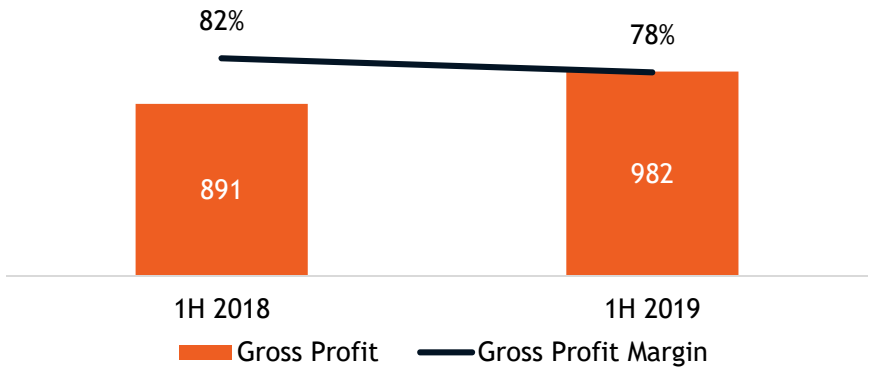
Total Leased Land Area (sq.m.)



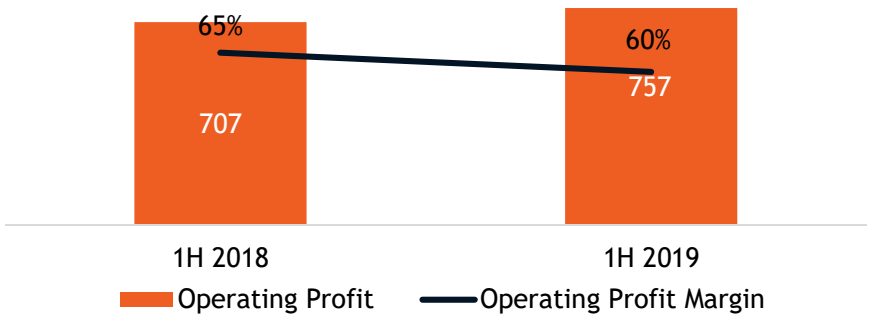
Notes:
All data as at December 31 of each year except for 1H 2019 (June 30, 2019)
1. *Recurring income is derived by dividing revenue from rentals by total revenue. Rentals comprise land, building and other revenues. Sum of the parts may not equal 100% due to rounding.*
2. *Calculated based on the ratio of total leased floor area to total leasable floor area made available*

Superior profitability scorecard

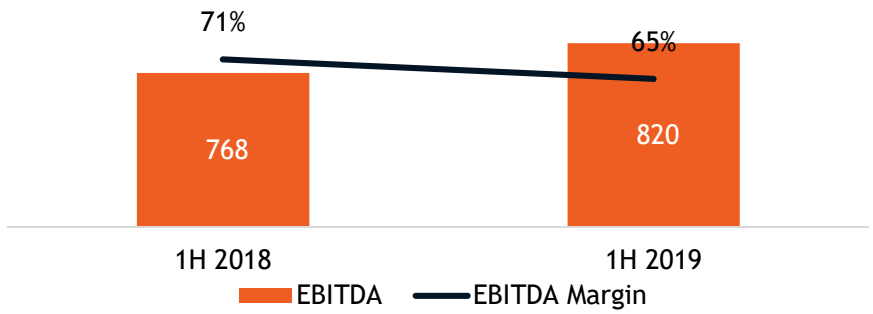
Gross Profit (PHP mm)



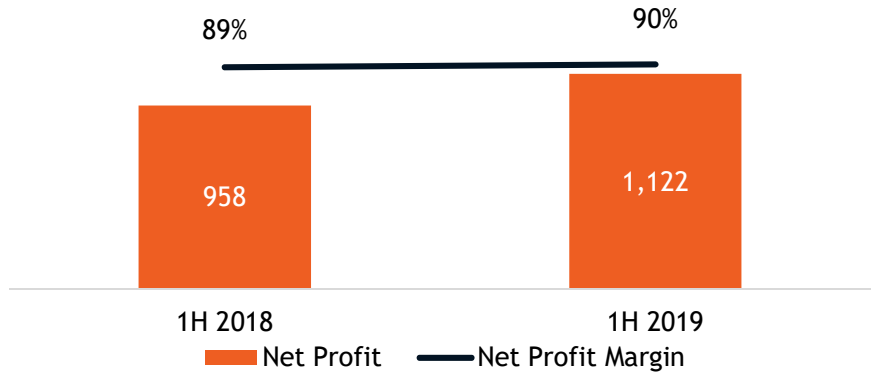
Operating Profit (PHP mm)



EBITDA[1] (PHP mm)



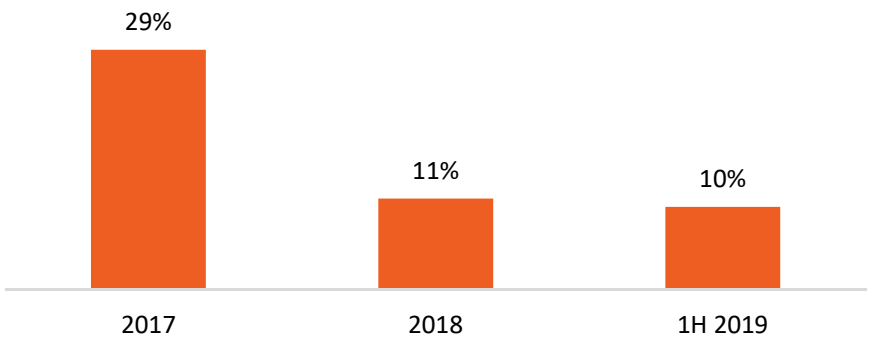
Net Profit Attributable to Equity Holders of the Parent (PHP mm)



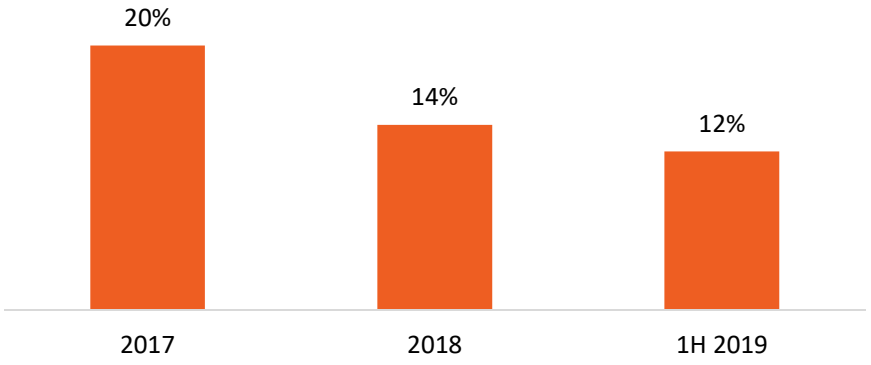
Note:
1. EBITDA = operating profit + depreciation and amortization

Low leverage, high financial liquidity

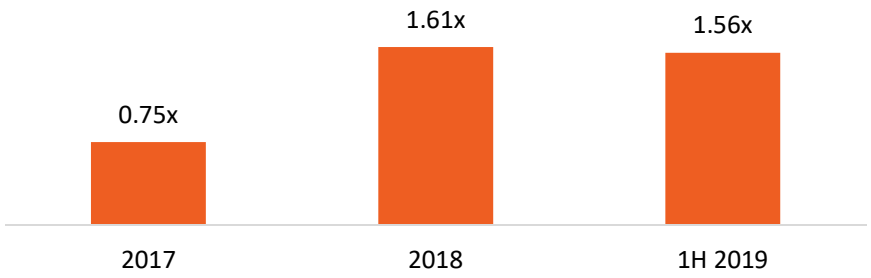
Debt To Equity[1] (%)



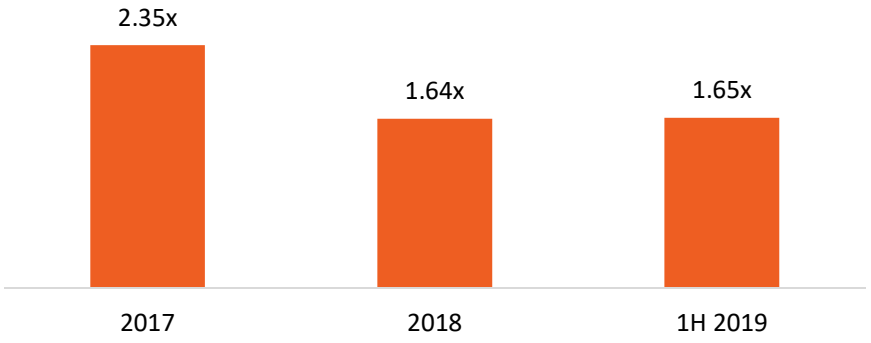
Return on Equity[2] (%)



Current Ratio[3] (x)



Assets to Equity[4] (x)



Notes:
All data as at December 31 of each year except for 1H 2019 (June 30, 2019)

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

	Allocation of Offering Proceeds	Application as of 31 Mar 2019	Application for the quarter ended 30 Jun 2019	Balance of the Offering Proceeds as of 30 Jun 2019
Pipeline project development	₱ 3,731,213,878	₱ 602,046,691	₱ 381,318,168	₱ 2,747,849,019
Land assets	2,880,101,954	-	-	2,880,101,954
Infrastructure development within Aseana City	524,345,738	96,356,788	35,440,009	392,548,941
General corporate purposes	463,552,030	53,588,200	-	409,963,830
	₱ 7,599,213,600	₱ 751,991,679	₱ 416,758,177	₱ 6,430,463,744

Pixel Residences I P26.1M

8912 Asean Ave. I P267.4M

Parqal I P77.2M

MidPark Towers I P10.7M

applied offering proceeds as of 30 Jun 2019

D.M. WENCESLAO AND ASSOCIATES, INCORPORATED

Aseana City is 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

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Summary: 1H 2019 Highlights

1H 2019 Summary

- Recurring income from leasing grew 7% to P983.4 million or 78% of total revenues
- Residential sales rose six times to P266.7 million on increased percentage of project completion and ongoing pre-selling activities
- On-track development activities with P1,168.7 million or 15% of net proceeds from the initial public offering primarily deployed primarily for pipeline project development

2019 Outlook

- Residential
  - Unbooked revenues of P1.1 billion from Pixel Residences for recognition
  - MidPark Towers pre-sales of P4.8 billion as of July 31, 2019
- Land sale of approximately 2,000 sq.m. to 3,000 sq.m.

SECURITY

WALKABILITY

SUSTAINABILITY

ACCESSIBILITY

Q&A

www.dmwai.com
www.aseanacity.com

iro@dmwai.com

Appendix: Consolidated Statements of Profit or Loss

PHP	1H 2019	1H 2018	Change (%)
Rentals			
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Building	392,489,115	351,900,929	12%
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Profit before tax	1,467,612,927	1,283,336,056	14%
Net profit attributable to equity holders of the parent	P 1,122,199,226	P 958,039,177	17%

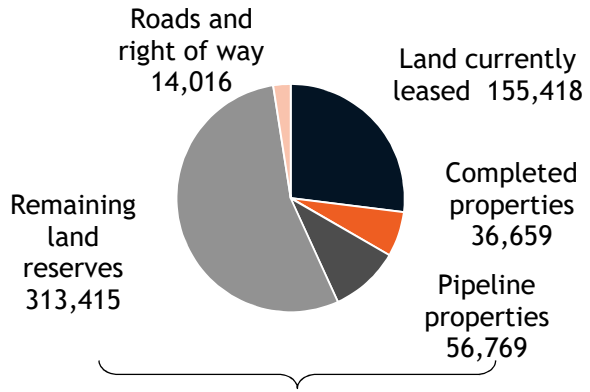
Appendix: Consolidated Statements of Financial Position

PHP	30 Jun 2019	31 Dec 2018
Current Assets	15,303,551,144	14,766,421,688
Non-current Assets	16,161,533,734	14,895,230,939
Investment in Shares of Stock Held for termination	127,062,953	127,062,953
Total Assets	P 31,592,147,831	P 29,788,715,580
Current Liabilities	9,810,058,180	9,157,507,402
Non-current Liabilities	1,905,282,045	1,765,229,799
Total Liabilities	11,715,340,225	10,922,737,201
Total Equity	19,876,807,606	18,865,978,379
Total Liabilities and Equity	P 31,592,147,831	P 29,788,715,580

Capital Structure		
Short-term debt	P 1,434,820,000	P 1,417,170,000
Long-term debt	474,250,000	511,750,000
Total bank debts	P 1,909,070,000	P 1,928,920,000
Cash and cash equivalents	9,112,383,149	7,549,219,648
Net debt/ (net cash)	P (7,203,313,149)	P (5,620,299,648)
Common equity	19,199,664,480	18,197,464,904

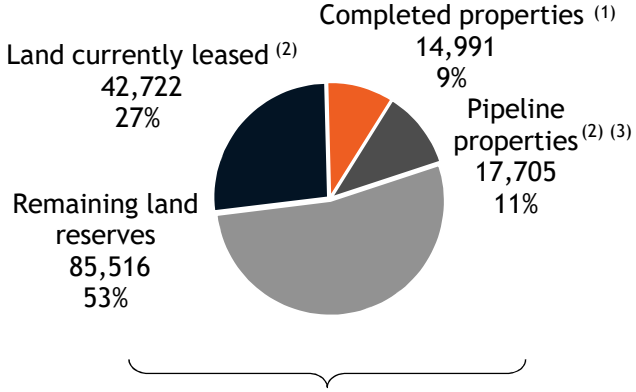
In focus: Peer trading performance summary

Land area (sq.m.)



Total: 576,276 sq.m.

Valuation by Colliers (PHP mm)



Total: PHP160,934 mm

Share prices	@P270,000/ sq.m. land valuation	Analysts' Consensus	Average
@ 70% discount	PHP 14.00	PHP 10.17	PHP 12.08
@ 65% discount	PHP 16.50	PHP 11.86	PHP 14.18
@ 60% discount	PHP 19.00	PHP 13.56	PHP 16.28
@ 55% discount	PHP 21.50	PHP 15.25	PHP 18.38
@ 50% discount	PHP 24.00	PHP 16.95	PHP 20.47

	2018 Revenues (PHP '000)	2018 EPS (PHP)	Market Capitalization (PHP mm)	Share Price PHP	Target Price PHP	Upside vs. Last Close	Return on Equity	NAV/ share PHP	Discount to NAV %	P/E at Target Price
D.M. Wenceslao	2,261,851	0.62	37,490	11.04	12.50	12%	10.8	33.90	63%	20.5
SM Prime	104,080,565	1.12	1,082,971	37.50	39.42	5%	12.7	45.12	13%	31.0
Ayala Land	166,245,771	1.98	752,957	51.10	55.21	7%	17.0	63.74	13%	23.9
Megaworld	53,819,888	0.47	203,109	6.30	6.60	5%	10.1	9.53	31%	12.2
Robinsons Land	29,545,314	1.62	142,830	27.50	27.84	1%	9.2	37.07	25%	16.0
Vista Land	40,261,405	0.80	98,156	7.73	7.23	-7%	12.4	10.25	29%	7.9
Filinvest Land	20,012,459	0.24	47,287	1.95	2.03	4%	9.8	4.02	50%	7.3
Maximum							17.0	63.74	63%	31.0
Minimum							9.2	4.02	13%	7.3
Average							11.7	29.09	32%	17.0

Source: Bloomberg; NAV estimates from broker reports; Share prices as of 30 July 2019
Colliers' 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 BAHI through Fabricom, Inc. as of December 31, 2018.*
3. *As is, where is basis*

New Independent Director: Mr. Oscar S. Reyes

Present Directorships
Other Listed Companies

- Manila Water Company, Inc.
- Pepsi-Cola Products Philippines Inc.
- Basic Energy Corporation
- Cosco Capital, Inc.

Other Principal Commitments

• PLDT Inc.	Advisory Board
• Bank of the Philippine Islands	Advisory Council

Business experience

- Manila Electric Company

President and CEO	May 2012 – May 2019
Senior EVP and COO	Jul 2010 – May 2012

- Pilipinas Shell Petroleum Corporation and Shell companies in the Philippines

Country Chairman	May 1997 – Dec 2011
President and CEO	May 1997 – Dec 2011
Various executive and directorship positions	Jan 1986 – Dec 2004

Master of Business Administration
Ateneo Graduate Business School

Bachelor of Arts, Major in Economics (Cum Laude)
Ateneo de Manila University

Mr. Reyes also attended the Japan Productivity Center/Asian Productivity Organization, Business Management Consultants and Trainers' Program, the Waterloo Lutheran University International Management Development Program in Canada, the Harvard Business School Program for Management Development in the United States, and the Lensbury Centre Commercial Management Study Program in the United Kingdom.