

March 9, 2018

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

via PSE EDGE

PHILIPPINE STOCK EXCHANGE, INC.

9th Floor, PSE Tower, Bonifacio Global City
28th Street, cor. 5th Avenue, BGC, Taguig City

ATTENTION : **MR. JOSE VALERIANO B. ZUÑO III**
OIC - Head, Disclosure Department

via electronic mail

PHILIPPINE DEALING & EXCHANGE CORP.

Market Regulatory Services Group
37/F, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City

ATTENTION : **MS. ERIKA GRACE C. ALULOD**
Head - Issuer Compliance and Disclosures Department

Gentlemen:

Please see attached the SEC Form 17-C (Current Report) of Aboitiz Equity Ventures, Inc. filed in compliance with the Securities Regulation Code, its 2015 Implementing Rules and Regulations, the Revised Disclosure Rules of the Philippine Stock Exchange (PSE), and the Issuer Disclosure Operating Guidelines of the Philippine Dealing Exchange Corp. (PDEX).

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

ABOITIZ EQUITY VENTURES, INC.

By:



MANUEL ALBERTO R. COLAYCO
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S , I N C .

(Company's Full Name)

3 2 N D S T R E E T , B O N I F A C I O G L O B A L

C I T Y , T A G U I G C I T Y , M E T R O M A N I L A

P H I L I P P I N E S

(Business Address: No. Street City / Town / Province)

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 886-2338

Company Telephone Number

1 2 3 1

Month Day Fiscal Year

1 7 - C

FORM TYPE

3rd Monday of 0 5 2 1

Month Day Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier


STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17.2(c) THEREUNDER

1. March 9, 2018
Date of Report (Date of earliest event reported)
2. SEC Identification Number CEO2536 3. BIR TIN 003-828-269-V
4. ABOITIZ EQUITY VENTURES, INC.
Exact name of registrant as specified in its charter
5. Philippines 6. 
Province, country or other jurisdiction of incorporation Industry Classification Code
7. 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines 1634
Address of principal office Postal Code
8. (02) 886-2800
Registrant's telephone number, including area code
9. N.A.
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|--|--|
| <u>Common Stock ₱1 Par Value</u> | <u>5,633,792,557</u> |
| <u>Amount of Debt Outstanding (September 30, 2017)</u> | <u>₱272,128,645,062.00</u> |
11. Indicate the item numbers reported herein: 9

Item 9: Other Matters

Aboitiz Equity Ventures, Inc. ("AEV" or the "Company") recorded a consolidated net income for the fourth quarter of 2017 of ₱5.7 billion (bn), 6% higher than the ₱5.4 bn recorded for the same period last year. The Company recognized non-recurring losses of ₱1.1 bn, versus last year's non-recurring loss of P330 million (mn), primarily due to an asset impairment cost which, in turn, was partially offset by a one-off recognition of lower interest expense from an acquired loan and by foreign exchange gains recognized on the restatement of dollar-denominated debt. Without these one-off losses, the Company's core net income for the quarter was 19% higher year-on-year (YoY), increasing from ₱5.7 bn to ₱6.8 bn. AEV also recorded an increase of 31% YoY in its

consolidated earnings before interest, tax, depreciation and amortization (EBITDA), which rose from ₱11.9 bn to ₱15.6 bn.

On a full-year basis, AEV's net income for 2017 was ₱21.6 bn, 4% lower than last year's ₱22.5 bn. The Company recognized non-recurring losses of ₱2.3 bn (versus last year's figure of ₱347 mn), primarily due to asset impairment and debt prepayment costs, which were partially reduced by a one-off recognition of lower interest expense from an acquired loan. Stripping out these one-off charges, AEV's core net income in 2017 was 5% higher YoY, rising ₱22.8 bn to ₱23.9 bn. AEV also recorded an 18% YoY increase in consolidated EBITDA, which rose from ₱48.1 bn to ₱57.0 bn.

Out of the total income contributions from the Company's Strategic Business Units (SBU) for the year, Power accounted for 69% while the income contribution of the Financial Services, Food, Real Estate, and Infrastructure SBUs were at 18%, 7%, 3%, and 3%, respectively.

Strategic Business Units (Full Year)

Power

Aboitiz Power Corporation's ("AboitizPower") income contribution to AEV increased by 2% YoY, rising from ₱15.4 bn to ₱15.7 bn.

On a stand-alone basis, AboitizPower recorded a 13% YoY increase in core net income for 2017, which moved up from ₱20.6 bn to ₱23.3 bn. It recognized non-recurring losses of ₱2.9 bn (versus last year's losses of ₱611 mn), primarily due to impairment costs related to its Aseagas Corporation (Aseagas) investment and refinancing costs of its subsidiary, GNPowder Mariveles Coal Plant Ltd. Co. (GNPower-Mariveles), which were partially offset by a one-off recognition of lower interest expense from an acquired loan. Despite these one-off losses, AboitizPower's net income for 2017 of ₱20.4 bn was 2% higher YoY.

The generation business contributed 80% of the income from AboitizPower's business segments, recording an income share of ₱17.1 bn for 2017, 8% higher compared to the same period last year. When adjusted for non-recurring items, the generation business registered a 19% YoY increase in its core net income, from ₱17.0 bn to ₱20.2 bn. Its consolidated EBITDA was also higher by 27% at ₱38.8 bn, primarily attributable to the strong performance of its hydro units and the full-year contribution of GNPowder-Mariveles.

For the year, AboitizPower's capacity sold increased by 41% YoY, rising from 2,223 megawatts (MW) to 3,124 MW. This was primarily driven by the addition of GNPowder-Mariveles, the higher generation of its hydro units, and more capacities contracted.

The power distribution group's income share for 2017 increased by 16% YoY, to ₱4.3 bn, and this contributed 20% to AboitizPower's income. The power distribution group's attributable sales for this period totaled 5,288 gigawatt-hours, a 4% increase from 2016. The group's gross margin on a per kWh basis for 2017 increased to ₱1.73, compared to ₱1.59 during 2016. The improved margin resulted from adequate power supply, better supply mix, and recoveries on purchased power costs.

Banking & Financial Services

Union Bank of the Philippines' ("UnionBank" or the "Bank") income contribution to AEV decreased by 16% YoY, from ₱4.9 bn to ₱4.1 bn.

On a stand-alone basis, UnionBank and its subsidiaries posted a net income of ₱8.4 bn for 2017, 17% lower compared to the ₱10.1 bn earned during 2016. This was because UnionBank's net income in 2016 included a ₱3.8 bn one-off trading gain booked in the third quarter of that year. Excluding this securities trading gain from its 2016 results, UnionBank's core income in 2017 surged 31% YoY, increasing to ₱8.2 bn from ₱6.2 bn.

Overall, the earnings performance of UnionBank in 2017 translated to a Return on Equity (ROE) and Return on Assets (ROA) of 14.3% and 1.5%, respectively. UnionBank also continues to be one of the most cost-effective banks in the industry with cost-to-income ratio in 2017 of 53.9%.

As of end-December 2017, UnionBank's total resources rose by 19% to ₱615.1 bn, compared to ₱515.8 bn at end-December 2016. Total loans and receivables grew by 19% YoY to ₱281.0 bn. UnionBank's loan portfolio remains well-diversified, with consumer loans accounting for more than one-third of total loans. Deposit liabilities likewise registered a 19% increase in 2017 to ₱447.6 bn.

The Bank's capitalization remains healthy, with a total capital adequacy ratio of 14.40% and Common Equity Tier 1 ratio of 12.08% as of December 31, 2017.

Food

AEV's non-listed food subsidiaries (Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and Pilmico International Pte. Ltd.) reported a net income of ₱1.70 bn, 2% lower than 2016's ₱1.73 bn.

Feeds Philippines and Flour reported a drop in net income contributions during 2017, which was largely driven by the higher cost of raw materials and a rise in operating expenses. Feeds Philippines' bottomline weakened by 26% in 2017 to ₱716 mn due to these higher raw materials costs, as well as a change in sales mix dragged by low-margin lines. Flour's full year net income declined 65% YoY to ₱197 mn due to higher wheat costs, which was further aggravated by the weakening of Peso during 2017.

On the other hand, Farms division net income grew 3x higher in 2017 to ₱666 mn due to the higher-than-expected rise in live hogs' selling prices. The bullish improvement in Farms' selling price per kilo from ₱106 to ₱128 during 2017 resulted from the low inventory of hogs in the market during the year caused by the rampant occurrence of disease in backyard farms. Meanwhile, Pilmico International's income surged 15x in 2017 from ₱7 mn to ₱98 mn due to the aggressive growth of commercial and export product lines and some foreign exchange gain.

Real Estate

AEV's real estate segment ("AboitizLand"), which comprises 100%-owned AboitizLand, other 100% and majority-owned subsidiaries, and a joint venture, reported a net income of ₱744.2 mn - an increase of 295% from 2016. The significant increase was due to exceptional business performance and recognized fair valuation gains on investment properties.

With a Net Operating Profit of ₱554 mn for 2017, up 125% from the previous year, AboitizLand's stellar performance was attributable primarily to the industrial business unit, which recognized more than twice as many industrial lot sales in 2017 compared to 2016. In addition, strides in construction progress from the residential business unit and healthy occupancy levels from the commercial business unit also contributed to AboitizLand's performance for 2017.

Of AboitizLand's 2017 revenue, the residential business unit contributed 45% (₱1.7 bn), the industrial business unit 51% (₱1.9 bn), and the commercial business unit and others 4% (₱157 mn). For 2017, residential sales totaled ₱2.9 bn – an increase of 51% from the previous year – driven primarily by the contribution during the year of new projects such as Seafront Residences. In addition, sales from existing projects, such as Amoa and The Persimmon Studios, continued to contribute and demonstrate firm take-up levels during 2017.

Infrastructure

From the infrastructure group, Republic Cement and Building Materials, Inc.'s income contribution to AEV decreased 57% YoY from ₱1.6 bn in 2016 to ₱671 mn in 2017. Cement demand grew modestly in 2017, but this was offset by lower prices as well as increased fuel and power costs.

Financial Condition

As of December 31, 2017, the Company's consolidated assets amounted to ₱492.5 bn, reflecting a 6% increase as compared to the year-end 2016 level. Cash and cash equivalents was at ₱64.9 bn, 2% higher than the year-end 2016 level of ₱63.9 bn. Consolidated liabilities amounted to ₱299.7 bn while Equity Attributable to Equity Holders of the Parent increased by 11% to ₱155.4 bn. The Company's current ratio as of December 31, 2017 stood at 1.6x, while the net debt-to-equity ratio was at 1.0x (compared to year-end 2016's 1.1x).

SIGNATURE (S)

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ABOITIZ EQUITY VENTURES, INC.

By:



Manuel Alberto R. Colayco
Corporate Secretary

Date: March 9, 2018