

LRWC 2018 Q1 PRESS STATEMENT

Leisure and Resorts World Corporation

LRWC Announces Earnings of **Php82M** for **Q1 2018**

Leisure & Resorts World Corporation (LRWC) announced its 2018 Q1 Financial Performance reporting a **2018 Q1 Consolidated Net Income** of **Php82M**. Gross revenues for Q1 2018 totaled **Php3.86B** versus Php3.94B for the same period last year. After deducting direct costs of Php2.98B, LRWC had gross profit of Php878M in Q1 2018. After deducting operating expenses operating income came in at Php98M in 2018 Q1. A detailed discussion of these numbers is presented below.

LRWC's four main business divisions reported the following results:

1. **CASINO DIVISION. Php106M** net income contribution. This includes:
 - a. Blue Chip Gaming and Leisure Corporation (**BCGLC**) – 100% owned. BCGLC leases to Philippine Amusement and Gaming Corporation (PAGCOR) slot machines, gaming equipment and other facilities in connection with PAGCOR VIP Slot Arcades. As of December 2017, Blue Chip had 877 machines in 5 venues.
 - b. Prime Investment Korean Inc. (**PIKI**) – 100% owned. PIKI was granted authority by PAGCOR to conduct junket operations and provide supplementary services at PAGCOR's Casino Filipino at Midas Hotel.
 - c. Hotel Enterprises Philippines Inc. (**HEPI**) – 51% owned. HEPI owns the property and operates the Midas Hotel. Aside from leasing the Casino Filipino area in the Midas Hotel to PAGCOR, HEPI also provides facilities and marketing services in connection with the casino.

The CASINO division's 2018 Q1 contribution was **Php106M** vs 2017 Q1 of **Php78M**. Blue Chips slot arcade business produced **Php49M**, up slightly from 2017 Q1 of Php38M. PIKI's Q1 contribution was **Php14M**. HEPI brought in an impressive **Php43M** for the Q1 2018 compared to **Php15M** in 2017 or a rise of **176%**.

Blue Chip's number continue to do well. GGR in Q1 2017 was Php322M and increased slightly to **Php323M** in **Q1 2018**. Although the win-rate dropped slightly from 6.5% in 2017 to 6.2% in 2018, the turnover improved from Php5.0B to **Php5.4B** in 2018 representing an increase of 8%.

2. ONLINE DIVISION. 2018 income of **Php30M**. This includes:

- a. First Cagayan Leisure and Resorts Corp (First Cagayan) - 69.68% owned. FCLRC is registered with the Cagayan Economic Zone Authority (CEZA) as a Cagayan Special Economic Zone and Freeport (CSEZFP) Enterprise, pursuant to Republic Act No. 7922, otherwise known as the Cagayan Special Economic Zone Act of 1995. FCLRC has a Master License Agreement with CEZA in connection with online gaming operations in the Cagayan Freeport and Special Economic Zone.
- b. First Cagayan Converge Data Center Inc. (FCCDCI)/LR Data Converge Services, Inc. (LRDCSI or LR Data) – FCCDCI and LR Data are 57.81% and 80% owned by LRWC, respectively, to provide bandwidth, co-location, telecommunication and other IT managed services and infrastructure support to online gaming operators. FCCDCI and LR Data are collectively referred to as the LR Data Group.

For the ONLINE division, as was disclosed previously, First Cagayan's revenues declined because of PAGCOR's POGO licensing model. **First Cagayan's** net income **Php24M** in Q1 2018. LR Data Group contributed **Php5M** to LRWC's total net income. **LR Data** Group will continue to do well and management expects its business model to continue to be robust. The drop in the net income contribution is attributable to a mandated pricing scheme that brought revenues lower for LR Data Group. However, the services and number of client base have expanded to include other value-added services.

Going forward, First Cagayan's revenues will continue to be affected by PAGCOR's adoption of the Rules and Regulations for Philippine Offshore Gaming Operations (POGO) last September 2016. Over the long-term, First Cagayan is promoting the zone for investors and locators and has attracted a few licensees to locate their business in the Cagayan ecozone.

3. RETAIL DIVISION. The retail division's net income in Q1 2018 was up **51%** to **Php69M**. This includes the following subsidiaries:

- a. AB Leisure Exponent, Inc. (ABLE) – 100% owned. ABLE was issued Gaming License/s by PAGCOR to conduct and operate all kinds of bingo games, including traditional bingo, electronic bingo, rapid bingo and pull tabs or break-open cards, pursuant to PD No. 1869, as amended by Republic Act No. ("RA") 9487, otherwise known as the PAGCOR Charter.
- b. Total Game Zone Xtreme (TGXI) – 100% owned. TGXI was issued Gaming License/s by PAGCOR to conduct and operate all kinds of electronic games, pursuant to PD No. 1869, as amended by Republic Act RA No. 9487, otherwise known as the PAGCOR Charter.

The 2018 Q1 net income of the RETAIL division was up significantly to **Php69M** from Php46M in 2017. **ABLE's** bingo operations grew by **15%** to **Php55M** from Php48M in Q1 2017. **TGXI's** eCasino outlets gained an impressive Php16M to **Php14M** reversing a loss in Q1 2017. This was achieved by identifying and closing down losing sites while expanding on profitable existing sites and opening new sites.

ABLE and TGXI's performance was affected by regulations put forth by the PAGCOR as well as the smoking ban under E.O. 26. However, as can be seen, ABLE and TGXI have adopted to all these challenges and have lead the contribution to LRWC's 2018 Q1 performance.

Year-on-year, ABLE's EBG GGR for Q1 2018 was at Php1.47B, an increase from 2017's Php1.39B. TGXI's GGR increased from Php178M in 2017 to Php197M in Q1 2018 (excluding MSW). Turnover in Q1 2018 was at Php5.248B representing a 3.8% win rate.

ABLE's electronic bingo games (EBG) machines continued to drive the growth in its earnings. ABLE has over **10,200** EBG machines installed all over the country while TGXI has in excess of **1,100** eCasino terminals installed. The division has taken steps to mitigate the effects of the regulatory environment and is confident that 2018 will be a banner year for this division.

4. PROPERTY & INVESTMENTS DIVISION.

- a. AB Leisure Global Inc. – 100% owned. AB Leisure Global is the holding company for a planned resort development in Boracay.
- b. Last October 2017, LRWC signed an Omnibus Loan and Security Agreement with (OLSA) with for Two Billion Five Hundred Million Pesos (Php2,500,000,000.00) BDO Unibank, Inc. – Trust and Investment Group as Security Trustee and the Company, LRWC as Surety. As disclosed, this OLSA was executed to partially fund the acquisition of parcels of land for the planned resort development in Boracay. Under ABLGI, had expenses related to the project for Q1 2018 amounting Php20M. 2017 Q1 figure of Php173M is not comparable as this was the last payment related to the net lease payment and share of gaming revenue from the City of Dreams – Manila project.
- c. LR Land Developers, Inc. (LRLDI) - 100% owned. Leases land and a Cyberpark building to online gaming operators in Sta. Ana, Cagayan.
- d. LRWC has a 50% equity in TechZone Philippines, Inc., (TPI) the joint venture company with Total Consolidated Asset and Management, Inc. TPI's equity share contribution was **Php17M** for Q1 2018. This is up by Php7M from Q1 2017.

LRWC believes it has hurdled its most challenging year yet in 2017. LRWC's 2018 Consolidated Q1 income of **Php82M** shows the positive results of the turnaround situation that LRWC has achieved in the past year. This will reflect positively for 2018 and the coming years.

On a year-to-year comparison, 2018 Q1 is down from the same period last year in 2017. However, removing the non-recurring event in Q1 of 2017 with regard to the City of Dreams divestment, the 2018 Q1 pro-forma net income earnings would represent an eight (8%) percent growth from the same adjusted period in 2017. The Company believes that the coming quarters and the following year will show increasingly positive income growth in all its divisions.

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About LRWC:

Leisure and Resorts World Corporation was incorporated in 10 October 1957. As part of the corporate restructuring of the Company in 1996, the Company's primary purpose was amended in October 1999 to engage in realty development focusing on leisure business. The Company approved Agreements with the shareholders of AB Leisure Exponents (ABLE) to acquire the entire outstanding capital stock and ABLE became a wholly-owned subsidiary of the Company. LRWC functions as a holding company and the Group's primary purpose is to engage in the leisure business which includes general amusement and recreation, bingo parlors, hotel and gaming facilities.

Today the Company is involved in managing bingo parlors as well as an operator of eGames outlets, slot arcades, junket operations, hotel, real estate and other gaming facilities. Its First Cagayan subsidiary works with the Cagayan Economic Zone Authority to provide a jurisdiction for online gaming.