Pilipinas Shell net income up 11%

Pilipinas Shell Petroleum Corporation ("Pilipinas Shell" or the "Company") ended 2019 with net income of Php 5.6 billion, up by 11% from previous year due to strong marketing delivery and refinery cost savings. This helped temper the suppressed regional refining margins and higher excise taxes that affected the oil industry.

Pilipinas Shell's robust marketing agility, technological capability and adaptability, integrated value chain, and financial discipline played to its advantage as it remains to show a positive performance amid a volatile business environment. In 2019, it spent PHP6 billion to expand the retail network, support refinery growth projects, and enhance supply and distribution capabilities. The Company's gearing remained low at 26%.

"We will remain focused on strengthening our core businesses while being mindful of the evolving energy landscape. We will use our foundation of values and strong corporate governance as we continue to deliver on our strategy to make Pilipinas Shell a world-class investment case," says President and CEO Cesar Romero.

RETAIL

Pilipinas Shell grew its retail volumes by 1.2% despite higher excise taxes. "This growth was driven by targeted marketing activities coupled with loyalty programs and further expansion of our network," says Randy del Valle, VP for Retail. Premium fuel penetration remains high at 27% bringing more differentiated offers to address the evolving customer needs.

Pilipinas Shell's retail network of 1,126 sites in key locations is still the most efficient in the country. The Company delivered its retail expansion commitment with 53 new stations in key areas across the country while adding more integrated offers, sustainability elements, and operational efficiency.

Non-fuel retail business grew double-digit as it posted 15% earnings growth versus prior year. In response to Shell's global effort to further increase network efficiency and bring more offers to customers, the Company put up the first global pilot site in Cebu to further maximize real estate space in-stations (clip-ins, other non-fuel opportunities).

COMMERCIAL SEGMENT

Lubricants, bitumen, aviation and commercial fuels all posted volume increases, contributing to the overall commercial volume growth of 9%. Pilipinas Shell has the country's only Bitumen Production Facility. This positions the Company to efficiently support the government's "Build, Build, Build" program. This enabled the bitumen business to more than double its operating profits in 2019, increase nationwide footprint, and export to five countries.

MANUFACTURING AND SUPPLY CHAIN

The Company continues to operate an integrated and highly efficient supply chain network. Pilipinas Shell delivered close to Php 700 million in structural cost savings from its refinery at the end of 2019 to counter the depressed regional refining margins. Further, as a response to the International Maritime Organization 2020 implementation, the refinery developed the flexibility to produce Low Sulfur Fuel Oil (LSFO) since December last year. LSFO yields higher margins versus High Sulfur Fuel Oil.

The refinery will continue to identify growth projects and synergies to make it more competitive. The Company started setting up its Integrated Hydrogen Manufacturing Facility which will provide flexibility for the refinery to process more crude oil varieties into more quality fuels, while its Integrated Energy System will harness solar energy, natural gas and battery storage to create a more sustainable energy footprint.

COVID-19 RESPONSE

As the spread of COVID-19 continues to affect people and markets nationwide, Pilipinas Shell puts top priority on the health and safety of its people, customers and the community, along with the safe operations of all its businesses. The Company would like to assure its customers of the continued operations of Shell stations nationwide and the stable supply of fuel amid the community quarantine in Luzon and other parts of the country.

At this challenging time, Pilipinas Shell acts to reinforce its financial resilience to position the Company for the eventual economic recovery and to protect the long-term interests of our shareholders. This includes a number of measures to conserve cash and shore up working capital, including revisiting the timing of its planned capital expenditure and further reducing operating expenses.

Pilipinas Shell aims to maintain its strong balance sheet to manage uncertainties amid the COVID 19 crisis and crude oil price volatility. This will enable the company to have the flexibility to seize opportunities once the Philippines recovers from COVID 19.

"We are pleased with Pilipinas Shell's business delivery for 2019, particularly in the light of last year's business environment. Our company remains fundamentally robust and resilient. The marked volume growth across our business segments last year was not by chance; it is the result of consistent strategy and clear-cut focus on our objectives," Romero says. "However, we are cognizant of the tremendous impact the COVID-19 pandemic is having on people and business. We continue to look for ways to appropriately support our key stakeholders and business partners, and commit to make the right sustainable decisions for the company in this time of challenges and uncertainties."

Pilipinas Shell is an integrated fuel refining and marketing (R&M) company in the Philippines. We represent the Downstream operations of the Shell companies in the Philippines (SciP), a network of companies involved in oil and gas exploration, refining, distribution, marketing and business services. SciP is part of Royal Dutch Shell plc (Shell), a global group of energy and petrochemicals companies operating in over 70 countries.

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