



PHILIPPINE SEVEN CORPORATION

7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City 1550 Philippines
Telephone Nos. (632) 724-44-41 to 53 / 705-52-00
www.7-eleven.com.ph

November 13, 2018

PHILIPPINE STOCK EXCHANGE, INC.

9th Floor, PSE Tower, 28th St. corner 5th Ave.
Bonifacio Global City (BGC)
Taguig City

Attention: JANET A. ENCARNACION
Head, Disclosure Department

Dear Ms. Encarnacion:

Attached is the copy of the Current Report SEC Form 17-C Re: Press Release.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Evelyn S. Enriquez', written over the printed name and title.

ATTY. EVELYN S. ENRIQUEZ
Corporate Secretary

COVER SHEET

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S.E.C Registration Number

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(Company's full Name)

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

Atty. Evelyn S. Enriquez
Corporate Secretary

Contact Person

724-44-41 to 51

Company Telephone Number

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Month Day
Fiscal Year

1	7	-	C	
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FORM TYPE

0	7
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Month
Annual Meeting

3rd Thursday

Day

PRESS RELEASE

Secondary License Type, if Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Date of Report : November 13, 2018
2. SEC Identification Number : 108476
3. BIR Tax Identification No. : 000-390-189-000
4. Exact Name of Issuer as specified in its charter : Philippine Seven Corporation
5. Province, Country or other jurisdiction : PHILIPPINES
6. Industry Classification Code: (SEC Use only)
7. Address of principal office : 7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong
City 1550
8. Issuer's Telephone number, including area code : (632) 724-4441 to 53
9. Former name of former address, if changed since
last report : n / a
10. Securities Registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8

Number of Shares of Common Stock

Shares Outstanding – Common 756,418,283

Units – Warrants 0

11. Indicate the item number reported herein :

Item 9. Other Events

Item 9. Other Events

Please see attached Press Release.

SIGNATURE

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

PHILIPPINE SEVEN CORPORATION

By:


ATTY. EVELYN S. ENRIQUEZ
Corporate Secretary



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November 13, 2018 – Philippine Seven Corporation (PSE:SEVN) – Results for the third quarter and nine-months ended September 30, 2018.

Higher same-store sales continued in Q3 as online investment affected earnings

- Store count by the end of September reached 2,442, up by 270 or 12.4% from 2,172 during same period in 2017. New stores added year-to-date totaled to 182 against 25 closures.
- Broken down per major-island, the number of 7-Eleven stores in Luzon is pegged at 1,898 (912 of which are in Metro Manila), Visayas at 345 and Mindanao with 199.
- Net income in the 3rd quarter was flat and can be partly attributed to the expenses incurred in building the online business, while for the 9-month period ending Sep. 30, net income rose 13.4% from 2017 level. However, income from store operations (excluding G&A expenses) increased 31.6% for the quarter and 31.7% year-to-date.
- Same-store sales growth accelerated from 6.6% in the 2nd, quarter to 7.7% in the 3rd, bringing year-to-date same-store sales growth to +8.1%, our highest in 5 years.
- Retail sales of all stores went up by 21.9% to P33.1 billion from P27.2 billion a year ago. This was driven by the increase in the number of operating stores and better average sales per store.

The following are the financial highlights based from the Company's unaudited financial reports:

Financial Highlights (Amount in Php millions except store count and EPS)	For the 3 rd Quarter Ended September 30,			For the Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Store count				2,442	2,172	12.4
System-wide sales	10,951.8	9,108.8	20.2	33,123.8	27,179.3	21.9
Revenue from merchandise sales	9,368.1	7,749.5	20.9	28,317.2	23,066.7	22.8
Operating income	302.2	304.0	-0.6	1,087.3	962.3	13.0
EBITDA	795.6	715.1	11.3	2,536.9	2,150.6	18.0
Net income	202.2	201.9	0.1	735.3	648.3	13.4
EPS	0.27	0.27	0.1	0.97	0.86	13.4
EBIT % *	3.2%	3.9%		3.8%	4.2%	
EBITDA % *	8.5%	9.2%		9.0%	9.3%	
Net margin *	2.2%	2.6%		2.6%	2.8%	

* % of revenue from merchandise sales

Philippine Seven Corporation (PSC), the local licensee of 7-Eleven Convenience Stores, increased its net income by 13.4% during the first nine months of 2018 owing to higher sales.

Retail sales of all stores (or system-wide sales) totaled to P33.1 billion, up by 21.9% compared with the level set in the same period in 2017. The improvement in sales was driven by the 8.1% increase in same

store sales and higher number of operating stores, which rose by 12.4% or by 270 stores to end the period with 2,442 stores all over the Philippines.

The new TRAIN law which took effect at the start of 2018 favorably affected sales. The lower personal income tax strengthened the purchasing power of the middle class and the excise tax on sugar-sweetened beverages increased selling price but no significant decline in volume occurred. The latter brings to mind the steep increase in tobacco taxes in 2013, which also resulted in increased sales. In our view, this is because excise taxes narrow the relative price difference between premium and mass market products, and we overweight in the former. This was most evident in Q1 '18 with its 12.9% sssg, before inflation dampened spending.

PSC ended the third quarter with a nation-wide store count of 2,442 stores. There were 1,898 7-Eleven stores in Luzon (912 of which are in Metro Manila), 345 in Visayas and 199 in Mindanao. Franchisees control 54% of all stores while the remaining 46% are corporate-owned.

Jose Victor Paterno, President and CEO, said: "Income from store operations remains healthy at ~31% for both the quarter and YTD, due in large part to TRAIN effects on FMCG, which comprises ~75% of sales. We hope to decrease reliance on such tailwinds to grow this segment more steadily and sustainably in the near term. Our digital efforts have led to a more data-driven approach, incorporating incrementality and elasticity to assortment and pricing, respectively. We have spent the last quarter formulating and testing such initiatives, some of which have already entered the scaling phase. We expect them to contribute to sales and income growth next year, as well as to enhance our overall value proposition vis a vis the recent but fast growing minimart format, with its general merchandise focus.

Losses from our digital businesses peaked this quarter, but will be significantly reduced going forward due to efficiency gains in customer acquisition realized in the latter part of the quarter. While the latest indicators point to a business with potential returns superior to the core business (while deriving competitive barriers from it) on track to profitability in a couple of years, we remain cognizant of the inherent uncertainties of the digital space. Should those indicators change, an exit will not materially affect future earnings in the worst case, as digital has virtually zero capex because we utilize existing assets of the core business.

Even as we continue to grow our digital businesses in a controlled and efficient manner, we believe it is time to open up our infrastructure to 3rd party digital companies. We now provide a unique, compelling, and credible (thanks to several months of meaningful in-house ec and wallet transaction volume) value proposition to other digital entities looking to scale. Going forward, we estimate that fees from them for access to the infrastructure that has been built to support our loyalty, wallet, and ec businesses will exceed losses from digital to date. Our track record of accepting customer-presented barcodes as payment at our stores with our own wallet puts us in a favorable position as we open up to other wallets. Though it is the standard for all but informal retailers in China, we are currently the only retailer of scale with such capability locally. Likewise, our track record of customer pickup of our own e-commerce parcels delivered from our DC makes us an attractive logistics partner for other e-commerce companies – a large and profitable business for 7-Eleven Taiwan. We are currently in advanced discussions with leading players in both spaces.

- end -



Philippine Seven Corporation (PSE:SEVN) operates the largest convenience store network in the country. It acquired from Southland Corporation (now Seven Eleven Inc.) of Dallas, Texas the license to operate 7-Eleven stores in the Philippines in December 1982. It was listed in the Philippine Stock Exchange on February 4, 1998.

Signed:



Lawrence M. De Leon
Head of Finance

Philippine Seven Corporation

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