

### **Company Overview**

Metro Pacific Investments Corporation (MPIC) is a Philippine-based, publicly listed investment management and holding company with a diverse set of assets held through operating companies. Through acquisitions and strategic partnerships, MPIC seek to create value by upgrading infrastructure, improving operational efficiency, increasing customer coverage and working closely with regulators and other partners in government.

The overarching objective of the company's investment and management strategy is to create value for stakeholders by achieving long-term economic success while contributing to inclusive and sustainable development of our nation. Operating in a number of highly-regulated sectors within a framework of national laws and regulations, including various concession and franchise agreements, the company has uphold its commitments under these agreements. MPIC has built a legacy over the past years of delivering promises to rehabilitate, maintain, strengthen and improve vital services that help to form the backbone of the Philippine economy and society.

Every day, MPIC's operating companies are making a difference to the lives of millions of Filipinos, powering commerce and households, connecting people and places, delivering clean and safe water, and making world-class standards of healthcare available to all.

### **Products & Solutions**

*Power.* MERALCO is the largest electricity distribution company in the Philippines with a franchise area of 9,685 square km encompassing 36 cities and 75 municipalities, including Metro Manila, all of the provinces of Rizal, Cavite and Bulacan, and parts of the provinces of Pampanga, Batangas, Laguna and Quezon. Global Business Power (GBP) is a leading energy company in the Visayas and Mindoro Island. Its power generation portfolio consists of 11 operational power plants with 854 MW aggregate capacity.

*Light Rail.* Light Rail Manila Corporation (LRMC) has a 32-year concession to operate and maintain the 20.7 km LRT 1 in Metro Manila with 20 stations. Construction is planned in 2019 on the 11.7 km Cavite Extension, which will add eight new stations.

*Toll Roads.* Metro Pacific Tollways Corporation (MPTC) operates and maintains 212 km of expressway across three major Philippine toll road systems. In the next five years, there will be additional 84 km of expressway in the Philippines at a cost of approximately 104 billion.

*Water.* Maynilad is the clean water and wastewater services provider for the West Zone of Greater Metro Manila. Concession area covers 540 square km encompassing 17 cities and municipalities. MetroPac Water Investments Corporation (MPW) focuses on water projects outside of Metro Manila with contracted volumes of 393 MLD in the Philippines

*Healthcare.* Metro Pacific Hospital Holdings, Inc. (MPHHI) is the largest hospital operator in the Philippines with a portfolio of 14 hospitals nationwide, including eight hospitals in Metro Manila and six hospitals around the country. It also operates a network of primary care clinics and cancer centers among other investments in allied healthcare services.

### **Growth Drivers**

#### *Deepened participation in the Philippine Power sector*

A 10% increase in contribution from the Power business was driven by Meralco through an increase in effective ownership from 41.2% to 45.5% and 7% growth in energy sales. An increase in effective ownership from 47.8% to 62.4% for Global Business Power Corporation also saw a 21% growth in energy sales.

#### *Robust traffic growth*

Strong traffic growth on all domestic roads drives 12% increase in contribution from the Toll Roads business. This is seen as growth in NLEX and SCTEX was a result of the integration of these two roads and the opening of additional lanes in 2017. Increase in CAVITEX traffic driven by growth in residential communities in Cavite and tourism in Batangas. There is 57% increase in system-wide average daily vehicles entries to 924,364 due mainly to the traffic

contribution of PT Nusantara. An 11% increase in NLEX Closed System toll rate per kilometer implemented in November 2017.

*Regional investments for opportunities in the Southeast Asia*

In Indonesia, MPIC gets 100% control of Indonesian toll road firm PT Nusantara Infrastructure with a P3.44-billion deal to buy out the minority shareholders. MPIC has 29.45% stake in Thailand’s Don Muang Tollway Public Co. Ltd. It still seeks new operations and maintenance projects from Thailand Department of Highways. With 4.9% stake in Vietnam’s CII Bridges and Roads, MPIC capitalizes on Hanoi Highway Expansion (15.7 km) o and addition of 23,000 average daily vehicles

*Volume growth and inflationary increase for water*

The 15% increase in contribution from the Water business was driven by; 3% volume growth, inflationary tariff increase of 1.9% in April 2017, and 2.8% in January 2018. Organic growth potential of 268 millions of liters per day (mld) and investment growth potential of 519 mld.

*Strong growth and continuing hospital expansions*

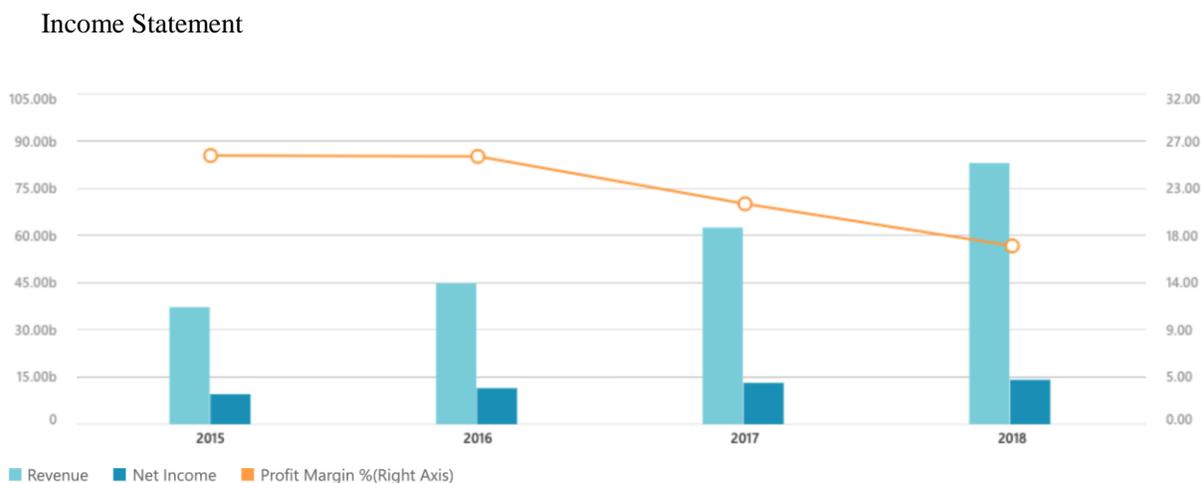
A 10% increase in contribution from the Hospital business was a function of; 15% growth in revenues; 2% is attributable to organic growth driven by increased patient census across all hospitals, 3% is attributable to contribution from new hospital acquisition of St. Elizabeth Hospital.

*Expansion and rehabilitation to cater to fast growing demand for rail, logistics, and others*

Rail business’ 67% growth contribution was driven by 4% growth in average daily ridership, higher advertising income and lower repairs and maintenance expenses. Logistics’ 18% growth in revenues were due to expanded warehousing and freight forwarding business. There is a 12% rise in average warehouse dispatch to over 31.6 million cases. This growth is offset by build-up of fixed cost in head office and support services, higher depreciation from increased truck fleet, and higher financing charges.

**Fundamentals**

*Historical financials – Profitability*



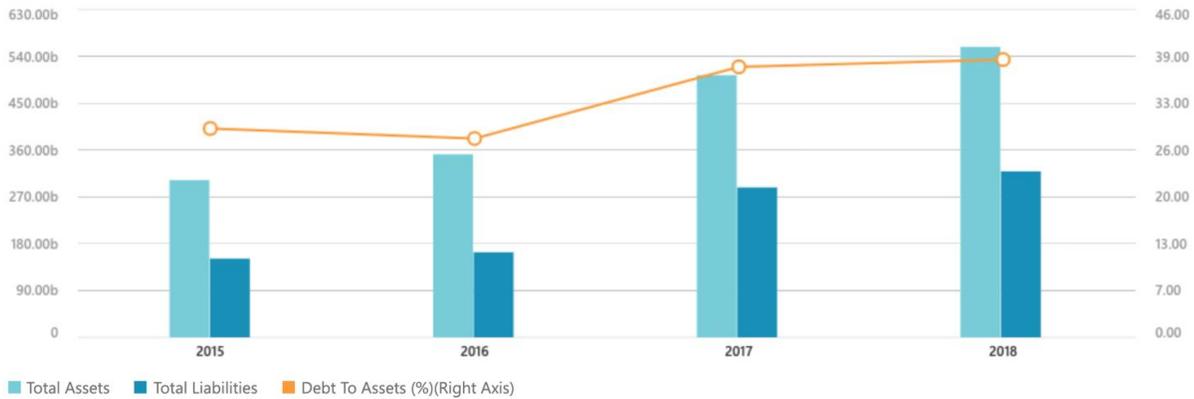
Source: msn.com

Stock growth starts with revenue and income generation. A constant increase in revenues and net income of a company is an initial indicator for a prospective growth in stocks of the company. From the past 5 years, the group’s consolidated revenues and net income grew at an average rate of 32.82% and 7.44%, respectively.

EPS tells us how much each stockholder earns for every stock they own. The higher the EPS is, the more money your shares of stock will be worth because investors are willing to pay more for higher profits. MPI’s

EPS is also on a constant increase since 2011. This means that there is an increase in profit being earned by each stockholder resulting to more investors willing to pay for the stocks at a higher price.

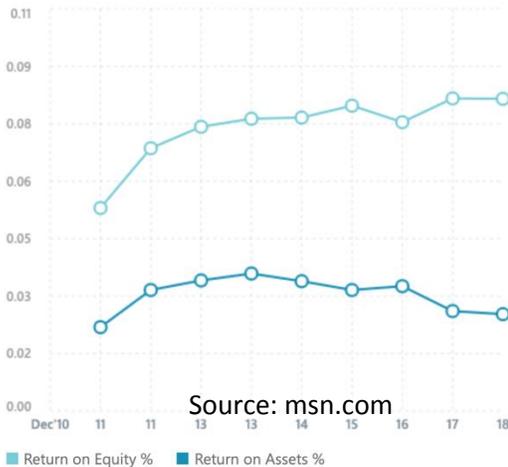
### Balance Sheet



Source: msn.com

Debt/equity ratio evaluates a company's financial leverage. A high debt/equity ratio is often associated with high risk. From 2017, MPI's debt/equity ratio increased 100% from 0.63 in 2016 to 1.25 in 2018. MPI became more aggressive in having their assets grew by debt financing. This was associated with acquisitions of the companies done in 2017 which indicates a potential growth of the company.

The book value per share of the company is the amount that each shareholder will get the company will sell all its assets and pay all its liabilities. MPI's book value per share haven't moved much, which can be translated as MPI's growth over the past years were greatly financed by debt.

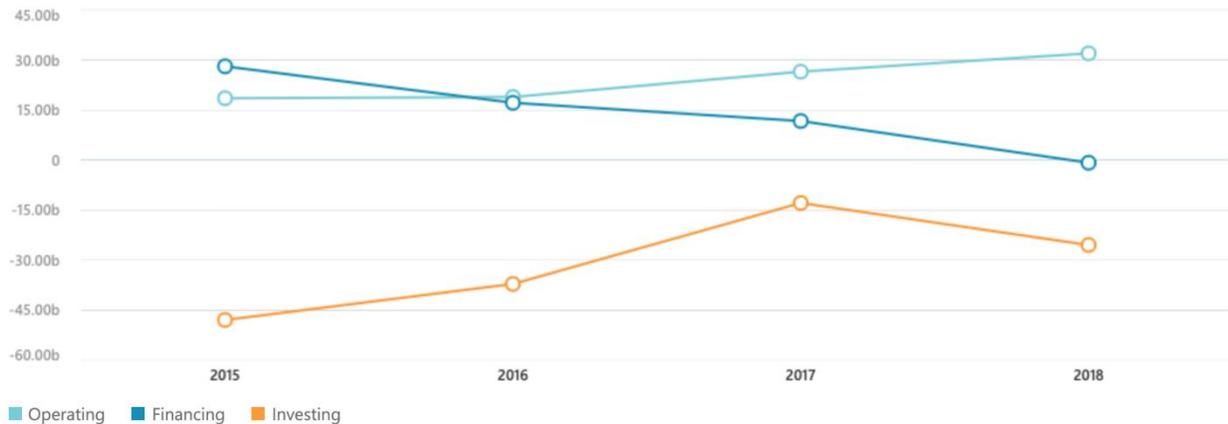


Source: msn.com

Return on equity shows how a company produces a return for the shareholders. It shows how much income you earn for every dollar invested. MPI's return on equity is continuously increasing. It means that the shareholders receive back around 8-9% yearly.

Return on assets indicates how efficiently the company uses its assets to produce an income. MPI's return on assets is still within 2-3% annually. It means that MPI is just producing its net income at almost the same rate since 2010. It doesn't improve its rate of generating income, but it doesn't also diminish.

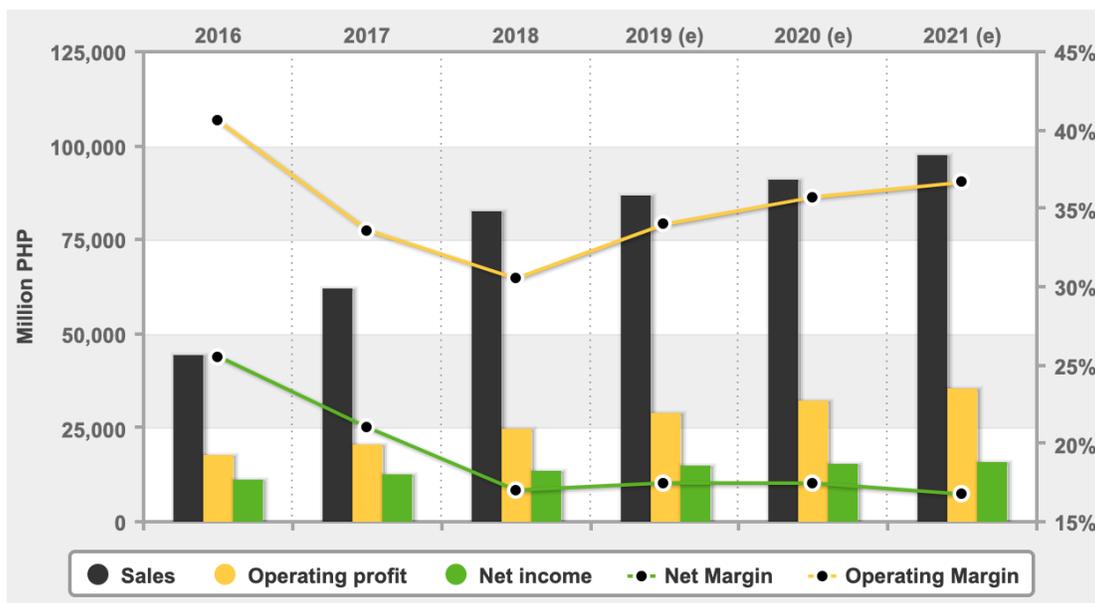
## Cash Flows



Source: msn.com

Cash flows from operating activities reflect the amount of money generated by the company from its main line of activity. Cash flows from financing activities shows the amount invested by the owners as well as financing generated through either short-term or long-term debt of the company. Cash flows from investing activities represents the capital expenditures made by the company throughout the year. As we can see, the money generated by MPI in 2015 from its operations and financing are used for its investing activities. We can see that MPI is financing its investing activities not through the financing activities but through its operations.

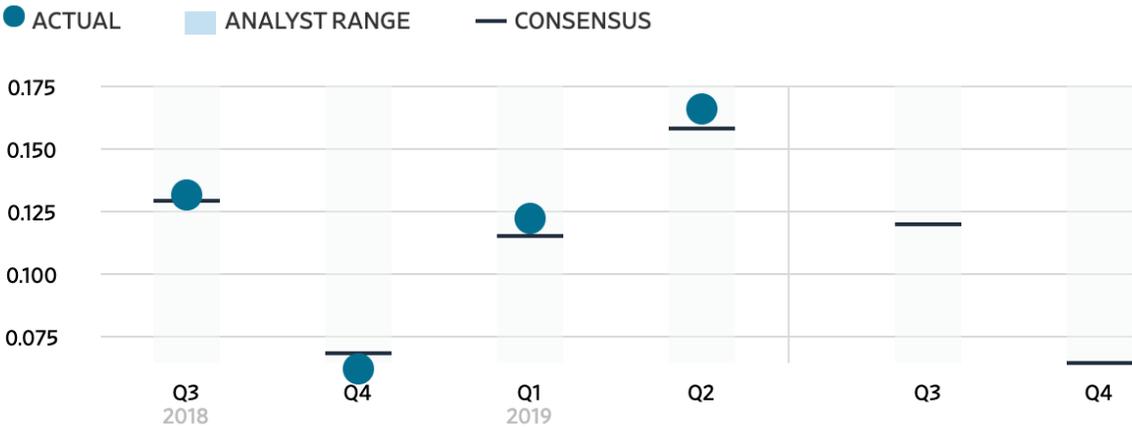
## Forecast and Discounted Cash Flow (DCF) valuation



Source: marketscreener.com

It is forecasted that MPI will continue to have its revenues and net income increase on a year to year basis. Basically, these are due to the company's investments to various sectors that are expected to grow within the next few years.

Other Analyst Recommendations



Source: msn.com

	3 Months Ago	1 Month Ago	Current
Buy	9	9	9
Overweight	1	2	1
Hold	0	0	0
Underweight	0	0	0
Sell	0	0	0
Consensus	BUY	BUY	BUY

Source: msn.com

MPI’s current performance in Q1 and Q2 2019 exceeded the consensus of the analysts on its per-share earnings. Another comments from analysts is the analyst ratings on the company. These two analyses show that the company is actually performing better than expected and therefore, analysts’ consensus is to buy its stocks.