



# THE WEALTH VAULT

A Product of Wealth Securities, Inc.

## Company Update

### Company Snapshot

Price (P)	3.38
Price Target (P)	4.14
Shares O/S (million)	24,593
Market Cap (P million)	83,123
52-week High (P)	4.44
Low (P)	2.48
12-mo Avg. Value T/O (P'm)	95.7
BV per share (P)	2.55
Price-to-book	1.3x
EV/EBITDA	4.7x
Target discount	30%

### Financial Highlights

in P'million	2010A	2011E	2012E
Revenues	18,564	21,362	24,063
EBITDA	11,600	13,432	13,432
Net income	2,871	4,796	6,173
Core income	3,856	5,304	6,173

EPS (P)

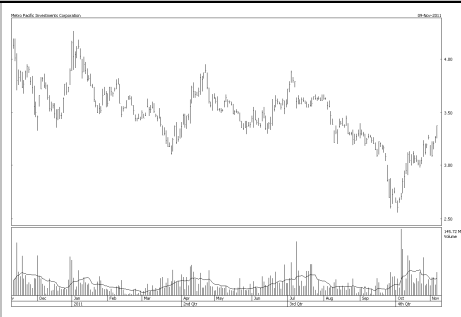
PER (x)

A = Actual calendar/fiscal year results; C = Bloomberg consensus; I = Annualized interim results; E = Wealth Securities estimates

### Price Performance

	1m	6m	12m
MPI	+17.0%	-6.1%	-13.1%
PSEi	+7.6%	+1.0%	+3.5%

### 1-Year Price Chart



Source: Technistock

### Corporate Announcement

Bernard C. Aviñante

T: 634.5038 local 8121

E: bernardavinante@wealthsec.com

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## METRO PACIFIC INVESTMENTS (MPI)

**MAINTAIN BUY**

10 November 2011

### On to a strong finish

- Strong 3Q.** MPI reported a net income of P3.4 billion during the Jan-Sep period, equivalent to an increase of 33% YoY. Its profit accelerated faster and growth was more pronounced in the last three months as it registered P1.48 billion, a growth of 76% YoY. Similar with the trend during past quarters, notable performances were noted across all its units. The significant drop in interest expenses (at Maynilad) helped buoy profitability. All in all, the results came slightly ahead of our P4.7 billion full year expectation.
- Delivering results.** MPI's business units delivered strong bottomline numbers for the quarter. Maynilad was able to lower funding cost by 200bps, saving roughly \$140m on interest expense. Meralco upped guidance on strong profits albeit flat volumes (See 04 November Meralco report: *Defying Gravity*). MP Tollways's profits managed to edge higher in spite the income tax holiday expiry. The hospital group, although relatively small, continues to grow as it consolidates recent acquisitions.

### Snapshot of MPI's Business Units

Amounts in P'm	3Q11	YoY chg	4Q11 Outlook
Maynilad	1,537	+45%	FY volume growth may soften to ~8-9% YoY
Meralco	3,861	+22%	Contribution will increase given the equity stake increase to 22.7%
MP Tollways	445	+55%	Awaiting approval on SCTEX
Healthcare	224	+37%	Added boost from Asian Hospital purchase

Source: Companies, Wealth Securities

- More flexibility.** Fresh capital via the equity offering (P8.6 billion) last July and the call on convertible bonds (P6.6 billion) last April gave the company more balance sheet flexibility in preparation for future growth. The tollroad and healthcare divisions will still need seed funding on their respective acquisition plans. Meanwhile, the two larger operating units, Maynilad and Meralco, can fund own expansion requirements and are consistently up-streaming cash dividends to MPI.

### Healthy gearing levels

	Net Debt / (Cash) P'bn	Net D/E	Comments
Parent level	(4.48)	-	Balance sheet can take on more debt to fund growth prospects
Maynilad	18.2	1.7x	Recent refinancing brought down interest cost by ~200bps
Meralco	(15.4)	-	Strong cash position will support drive to re-enter power generation
MP Tollways	8.4	1.0x	An equity capital infusion from parent or public should improve gearing
Healthcare	0.5	0.1x	Parent is providing support on acquisition

Source: Companies, Wealth Securities

- **Higher discount but still a Buy.** MPI is already up +11% since our 25 October update: *Underperforming outperformers*. While a share price pullback may be reasonable at this point, we remain confident on the company's growth prospects. MPI is on a stronger footing as it pursues its growth aspiration. Nevertheless, we remain sound on our price targeting given the risks attached to it. Our P4.14 fair value estimate factors a higher discount to our NAV estimate of P5.94. We reiterate our buy call on MPI.

<b>MPI's NAV</b>				
	<b>Stake</b>	<b>Valuation</b>	<b>MPI's claim</b>	<b>NAV %</b>
<b>Listed Investments</b>				
Meralco via Beacon Electric	22.7%	281,750	63,890	44%
Metro Pacific Tollways	99.9%	39,828	39,769	27%
			<u>103,658</u>	<u>71%</u>
<b>Non-Listed Investments</b>				
Water services	58.0%	60,799	35,283	24%
Healthcare unit	37.6%	7,044	2,647	2%
			<u>37,930</u>	<u>26%</u>
<b>Enterprise value</b>			<b>141,588</b>	
Less: Parent net debt / (cash)			<u>(4,480)</u>	
<b>Net Asset Value</b>			<b>146,068</b>	
Fully diluted shares			24,593	
<b>Value per share</b>			<b>5.94</b>	
Premium / (discount) to market			(43.1%)	

Source: Company, Bloomberg, Wealth Securities estimates

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