



Date
10 May 2016

Company
Metro Pacific Investments Corp.

First Look Corporate
1Q16 Earnings On-Track;
Issues & Opportunities

Stock MPI
Price 5.71

52wk Range 4.20-6.15

Rating HOLD
Target 6.30, 17x P/E
Upside 10%

Issued Shares 27,897mn

Market Cap P159,293mn

Free Float 47.64%

PSEi 2.38%, 14/30
MSCI 2.77%, 13/45

We maintain a HOLD on MPI and adjust Target Price higher to P6.30/sh (from 6.15/sh), 17x P/E, providing a 10% upside.

- 1Q16 Earnings on-track from strong growth in tollroads and higher interest in MERALCO offsetting decline of Maynilad due to the expiry of Income Tax Holiday.
- A new government administration this year opens up possibility of resolution of pending arbitrations for tariff increases in tollroads (NLEx, Cavitex) and for Maynilad,
- For FY16, MPI maintained positive outlook for the year, despite continuing regulatory uncertainties, without providing earnings guidance. The company also sees strong growth potential from the complementing logistics sector seeing strong demand amid being broadly unregulated. FY16 Capex +20% to P70 billion.
- Long-term value enhancement is expected from expansion of various segments - power generation portfolio (to 3,909MW), hospital portfolio (from current 2700 beds to 5000 beds); including regionally for tollroads business.

On-Track: 1Q16 Core Net Income +7% to P2.7 billion; Net Income +8% to P2.6 billion. Non-recurring items amounted to P111 million of charges, substantially comprising project expenses. Revenues +24% to P10.6 billion. Results were driven by strong traffic growth and higher contributions from SCTEX and CII B&R, higher interest in Meralco (from 27.5% to 32.5%), continuing growth in the Hospital group; offsetting Maynilad's 25% decrease in Net Income from the expiration of Income Tax Holiday in December 2015.

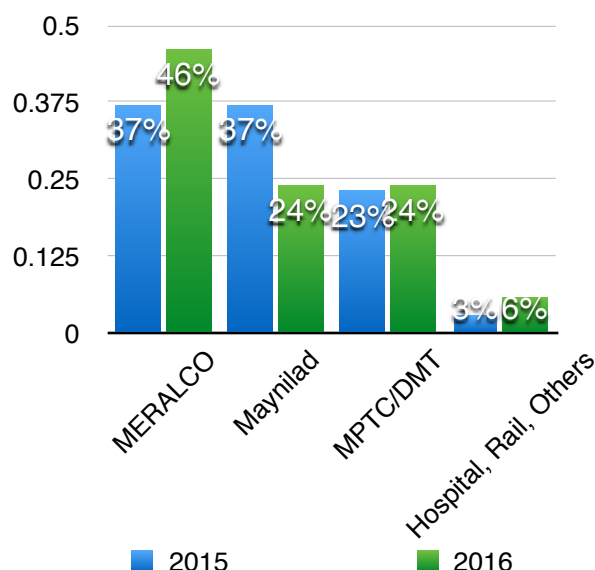
Pending arbitrations on tariff increases remain a drag on earnings and potentially constrain financing; on the other hand, a possible resolution under a new administration, can lead to bottomline recognition. Under arbitration, tariff increase adjusting for inflation for NLEx (+19%) and Cavitex (+23%) and P3.44 billion in claims for failure to implement water rate increase.

MPI acquired Basics Logistics, a mid-sized corporate logistics provider, 76% for P2 billion. The stake will eventually be trimmed to 51% to allow for the entry of a foreign investor. To operate under the flagship name Metro Pacific Movers, Inc., the venture supplements existing infrastructure business and has strong growth potential driven by strong demand while being broadly unregulated. MPI expects to invest P5 billion over a period of 5 years.

Capex increased 20% to P70 billion - MERALCO's power generation projects (P25-26 billion), Connector Road (P18 billion), Maynilad (P14 billion), LRT 1 (P9 billion) and others, including overseas investments (P3 billion).

	Actual		Forecast		
	2014	2015	2016	2017	2018
Sales	33.83	37.24	40.69	44.97	49.70
		10%	9%	11%	11%
EBITDA	14.60	16.62	21.63	24.14	25.83
		14%	30%	12%	7%
EBIT	13.55	15.55	17.01	18.76	19.63
		15%	9%	10%	5%
Net Income	7.94	9.60	10.13	10.35	10.88
		21%	6%	2%	5%
EPS	0.31	0.35	0.37	0.37	0.40
		13%	6%	0%	8%
BVPS	3.98	4.29	4.62	4.9	5.23
PBV		1.33	1.24	1.17	1.09
ROA%	3.65	3.56	4.47	4.52	4.58
ROE%	8.01	8.54	7.93	7.84	7.81

Operating Income Contribution





Technical Analysis

Current 5.71
Support 5.40, 4.85, 4.40, 4
Resistance 5.70, 6.15, 6.28 (all-time high)
Target 6.30

- Charts show trading ranges between 4.40 / 4.86 / 5.40 / 6.28
- Current price indicates 10% upside to Target Price 6.30. Buy Trigger Price 5.48. Coupled with recent market weakness, best to watch how 5.40 and 4.85 hold as supports. Ideal entry would be 4.40 and 4 levels.

REFERENCES MPI, PSE, Bloomberg, Reuters, DA Market Securities, Inc. **DISCLAIMER** This report is provided for informational purposes only and is not intended to solicit buying and selling of securities or to participate in any particular trading strategy. DA Market Securities, Inc. (DMSI) makes reasonable effort to use reliable, comprehensive information, but makes no representation or warranties as to the accuracy, completeness, or timeliness of the data provided. DMSI shall not have liability for any damages of any kind relating to such data. This report may not be reproduced or published for any purpose. DA market officers, directors and employees, including persons involved in the preparation or issuance of this report, may have investments in securities or derivatives of securities of the companies mentioned in this report.

