



**Date**  
15 June 2016

**Company**  
Metro Pacific Investments Corp.

**First Look Corporate**  
Adjust TP Higher, Further Upside Risk

**Stock MPI**  
**Price** 6.20

**52wk Range** 4.40-6.67

**Rating** HOLD  
**Target** 6.76, 17x P/E  
**Upside** 9%

**Issued Shares** 27,910mn

**Market Cap** P173,043mn

**Free Float** 47.72%

**PSEi** 2.50%, 14/30  
**MSCI** 2.76%, 13/43

We maintain a **HOLD** on MPI and adjust Target Price higher to **P6.76/sh (from 6.30/sh)**, 17x P/E, indicating a **6% upside**. We also note that MPI's increased interest in power portfolio and recent optimistic tone on government action regarding arbitrations over water and toll roads businesses provide further upside risks to forecasts.

**MPI increased interest in power portfolio by adding a 25% stake (now totaling 75%) in Beacon Electric Asset Holdings for P26.2 billion**

- Beacon is a JV between MPI and PCEV which owns 35% of MER and 56% of GTCAP's power generation company GBPC
- The acquisition increases: MPI's stake in MER from 32.5% to 41.2% (15% direct, 26.2% through 75% indirect stake in Beacon) and MPI's stake in GBPC from 35.5% to 51.1% (42% through Beacon and 9.1% through MER)
- Recall: MPI gained majority control or total 56% of GBPC worth P22.06 billion. For the transaction, MPI issued 3.6 billion new shares at 6.10/share to GTCAP (P21.96 billion) and sold 1.3 billion secondary shares at 6.10/sh to GTCAP (P7.9 billion). GTCAP will then own a total of 15.6% stake in MPI. MPI on the other hand retains majority with 55% interest.

**As reported previously, Finance Secretary Carlos Dominguez said MPI can receive compensation if arbitration claims against government are deemed legitimate.**

- MPI said that for this year, claims for Maynilad Water Services, Inc. are expected to reach P7 billion, for Manila North Tollways Corp. (MNTC) and Cavitex Holdings, Inc. to P4 billion.
- For Maynilad, a decision on arbitration has not been implemented by MWSS.
- Meanwhile, MNTC has filed for arbitration with the United Nations Commission on International Trade Law in Geneva.
- Additionally, MPI is claiming P1.9 billion over the government's failure to deliver additional light rail vehicles pursuant to the LRT Line 1 Cavite Extension contract.

**New projects expected to enhance value over the long term include Cebu-Cordova Bridge, NLEx-SLEx Connector Road, Automated Collection Fare System (ACFS) and LRT 1 Operations.**

	Actual		Forecast		
	2014	2015	2016	2017	2018
<b>Sales</b>	33.83	37.20	41.90	45.64	50.76
		10%	13%	9%	11%
<b>EBITDA</b>	14.60	16.62	21.52	23.90	26.13
		14%	29%	11%	9%
<b>EBIT</b>	13.55	15.55	17.20	18.87	20.40
		15%	11%	10%	8%
<b>Net Income</b>	7.94	9.55	10.73	11.30	12.35
		20%	12%	5%	9%
<b>EPS</b>	0.31	0.35	0.38	0.40	0.43
		13%	9%	5%	7%
<b>BVPS</b>	3.98	4.29	4.59	4.91	5.24
<b>PBV</b>		1.49	1.39	1.30	1.22
<b>ROA%</b>	3.65	3.56	4.38	4.44	4.79
<b>ROE%</b>	8.01	8.54	8.34	8.14	8.42



**Technical Analysis**

- Current** 6.20
- Support** 6.10 (GTCAP's placement price), 5.80, 5.50, 5.26
- Resistance** 6.67 (recent high), 7.10 (all-time high)

- MPI is hovering at 5-year highs, also close to all-time high of 7.10 last seen in June 2009. The stock has remained resilient amid recent market correction. A break above recent high 6.67 and 7.10 can lead to new highs.
- On the other hand, continued weakness and a break below 6.10 can lead to lower supports at 5.80, 5.50, 5.26.
- A fundamentally notable level is GTCAP's acquisition price of 6.10/sh which can act as a psychological base of support

**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.

