September 21, 2023

Maybank Securities

Philippines Utilities

Slow but steady winners; NEUTRAL

NEUTRAL [Unchanged]

Utilities

Philippines

2H23 earnings growth trajectory; Top Pick is MER

The consolidated 1H23 net income of PHP81.9b rose by 19% YoY, prompting us to raise our FY23 earnings growth forecast to 17% YoY from 10%. This implies 2H23 YoY earnings growth of 14% YoY, of which 4.6ppt is accounted for by power generators), which we expect to post 2H23 earnings growth of 7% YoY on lower fuel and manpower/consulting opex. This translates to a consolidated 2H23 EBITDA of PHP132.8b, which is 24% YoY higher than in 2H22 which should enable AP, MER, and SCC to distribute dividends over Mar 2024-Apr 2024, realizing our FY24E dividend yield forecasts. Given the negative impact of lower FY24E spot prices and coal prices in FY24E, as well as the long gestation period of company's RE pipelines, we reiterate our NEUTRAL view on the sector. MER remains our Top Pick. We transfer coverage of the power/utilities sector to Rachelleen Rodriguez.

Supply outlook for FY24 remains tight

We expect 1,647MW/6,268MW of new installed capacity in FY23/FY24E, 73% from solar/wind/hydro/geothermal RE plants. This raises installed capacity by 21% YoY to 36,213MW by YE24E, but we forecast generation output to increase only 6.7% YoY to 126,721GWh given lower capacity factors of solar/wind plants (15-30%), just matching peak electricity demand growth forecast of 6.5% YoY, based on an energy elasticity rate of 1.0x. With 50% of the installed capacity still from coal and natgas, we expect a reserve margin of 25% in FY24. and the electricity spot price to fall but remain elevated at PHP6.0/kwh (FY23E: PHP7.0/kwh).

Utilities sector updates

We expect MER's rate rebasing to be set by Apr 2024, which aligns with ERC's own target. MER has already filed its annual revenue requirement and performance incentive scheme for the 5th RP in Mar 2022 and is only awaiting the schedule for the public hearing, which is pending conclusion of public hearings with the ERC. MWC has set its capex budget at PHP105b for FY23-27E. Given it already fixed its tariff hikes for the next five years, MWC's earnings growth is sustainable at a FY23-27E CAGR of 17%. For MPI, our FY24E toll road hikes of 9-17% have been implemented as expected.

MER remains top pick

We prefer utilities over power generators in FY23 amid relatively higher earnings growth of 32% and stable dividend yields. MER remains our Top Pick with FY24E yield of 5.9%, which is included in its implied FY23E total return of 13%. Besides the positive impact of the implementation of its 5th RP tariff reset, which would lift regulatory overhang on the stock, MER also benefits from the organic 4% electricity sales growth.

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Acronyms used:
COD- Commercial operating date
DOE- Department of Energy
ERC -Energy Regulatory Commission
GBPC- Global Business Power (970MW coal and oil, Not listed)
KWH- Kilowatt hour
MT- Metric ton
MTPA- Metric tons per annum
PLP- PacificLight Power (800MW; natural gas)
PPA/PSA- Power purchase agreement/ power supply agreement
RE- Renewable energy
RES- Retail Electricity Suppliers
RP- Regulatory period

Stocks mentioned:
San Miguel Corp. (SMC PM, CP: PHP105.90, Not Rated)

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x) 23E	P/E (x) 24E	P/B (x) 23E	P/B (x) 24E	Div yld (%) 23E	Div yld (%) 24E
Manila Electric	MER PM	7,190	Buy	362.40	387.00	12	11.3	12.9	3.3	3.1	5.4	5.9
Aboitiz Power	AP PM	3,983	Buy	30.75	47.60	62	6.8	7.0	1.2	1.1	6.1	7.7
AC Energy Phils	ACEN PM	3,283	Buy	4.70	8.00	71	21.9	15.3	1.3	1.2	0.9	1.1
Semirara Mining	SCC PM	2,637	Buy	35.25	39.60	23	4.3	5.4	1.8	1.5	9.9	9.0
Metro Pacific	MPI PM	2,581	Buy	5.11	6.80	36	7.5	6.9	0.7	0.6	2.5	2.5
First Gen	FGEN PM	1,101	Buy	17.58	31.00	79	3.4	3.1	0.4	0.4	2.3	2.8
Manila Water	MWC PM	863	Buy	17.00	27.00	64	5.6	5.0	0.6	0.6	3.6	5.4

SEE PAGE 15 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

1. 1H23 earnings grew 20% YoY; ahead of our estimate

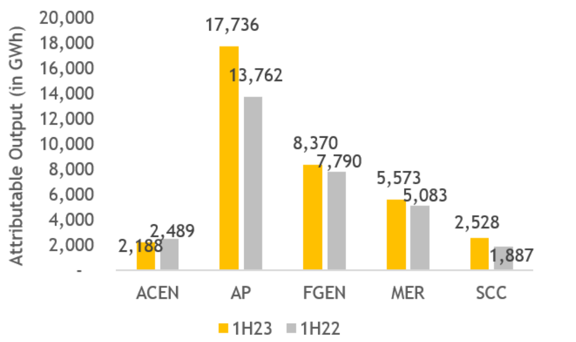
The consolidated 1H23 earnings of the power/utilities companies under our coverage rose by 20% YoY, ahead of our previous 10% YoY FY23E earnings growth forecast. At our revised FY23 earnings growth forecast of 17% for the sector, 4.6ppt is accounted for by the power generators (ACEN, AP, FGEN, SCC), which we expect to grow by c. 8% YoY in FY23E, while the remaining 9.5ppt is from MER, MPI and MER.

Fig 1: Summary of Philippines utilities' 1H23 earnings (as of 20 Sep 2023)

	1H22A	1H23A	YoY % ch	FY23E old	% of MIBG	FY23E new	YoY change	Results	Remarks
ACEN	2,183	4,231	93.8	7,796	54.3	8,512	9.2	Above	*See Growth trajectory intact report.*
AP	11,385	16,432	44.3	31,461	52.2	33,412	6.2	Above	*See Continues to perform report.*
FGEN	6,670	9,209	38.1	19,184	47.0	18,110	-5.6	Below	*See Fuel supply risk managed report.*
MER	13,121	17,853	36.1	32,559	54.8	36,212	11.2	Above	*See Yield Play report.*
MPI	7,460	9,902	32.7	18,010	55.0	19,559	8.6	Above	*See Had a good run report.*
MWC	2,919	5,048	72.9	8,444	59.8	8,829	4.6	Above	*See Growth secured report.*
SCC	24,911	19,479	-22.9	33,339	58.8	34,930	4.8	Above	*See Dividend yields of 10-11% report.*
Total	**68,650**	**82,154**	**19.3**	150,793	**54.4**	159,565	5.8	**Above**	

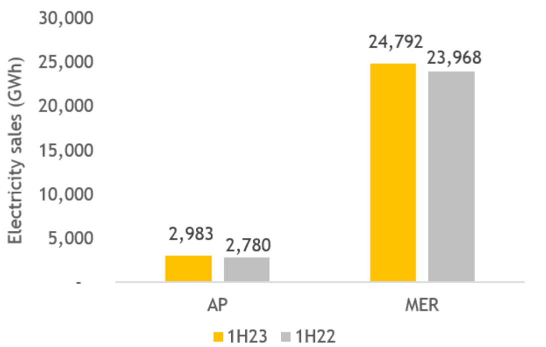
Source: Company, Maybank IBG Research

Fig 2: Attributable power output (GWh)



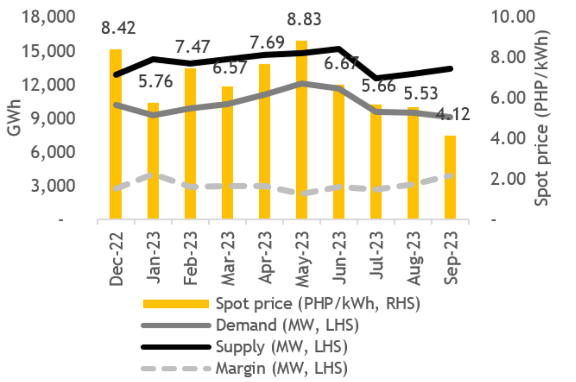
Source: Company

Fig 3: Attributable electricity sales- distribution (GWh)



Source: Company

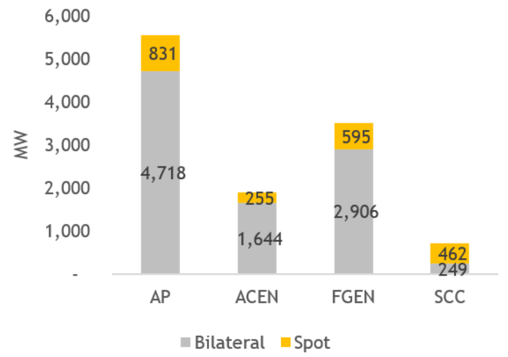
Fig 4: Luzon-Visayas grid margin and spot price



Source: IEMOP

Note: Sep 2023 data until 10 Sep 2023

Fig 5: 1H23 spot market exposure (% of total MWs)



Source: Company

Note: Spot exposure is for Philippines-located power plants only.

The sector's 1H23 earnings were above expectations largely due to better-than-expected earnings from the power generation side:

- ACEN's earnings in 1H23 were better than expected due to higher-than-anticipated capacity factor at its Vietnam wind projects (see *Growth trajectory intact* report);

- AP's generation output and RES sales in 1H23 reached 8,606GWh and 3,783GWh, or 54% and 66% of our FY23 estimates (See *Continues to perform* report);

- MER delivered higher-than-expected EBIT margin in 1H23, which in turn was due to lower-than-expected fuel/O&M costs incurred by GBPC (See *Yield Play* report);

SCC's mining-driven earnings performance was also ahead of our FY23 estimates due to favourable fixed-priced contracts, which still covered c.33% of 2Q23 4.5m MT sales, which we didn't have in our forecast (*See Dividend yields of 10-11%* report). MWC's earnings also outperformed our forecasts due to higher-than-expected cross-border billing revenues and higher-than-expected equity earnings from its Vietnam-based Thu Duc/Kenh Dong bulk water ventures (See *Growth secured* report).

The impact of these largely offset the lower-than-expected earnings of FGEN due the higher-than-anticipated minority earnings from the non-FGEN shareholders of EDC (see *Fuel supply risk managed report*).

2. Sustained growth trajectory in 2H23

The 1H23 earnings outperformance of the sector triggered us to raise our earnings forecast by 5.8%, translating to FY23E earnings growth of 17% YoY. This implies consolidated 2H23E earnings growth of 14% YoY, of which 4.6ppt is accounted for by the power generators (ACEN, AP, FGEN, SCC), which we expect to post 2H23 earnings growth of 7% YoY on the back of generally higher EBITm amid lower fuel and manpower/consulting opex.

Fig 6: Per stock impact on FY23E earnings uplift (%)

Source: Company, Maybank IBG Research

Fig 7: Summary of forecast changes (FY23)

In PHPm	2H22E	2H22A	YoY (%)	FY23E (old)	FY23E (new)	YoY (%)	% ch YoY	Comments
ACEN	4,281	2,684	*59.5*	8,512	7,796	*9.2*	*74.9*	*Reflects higher FY23E wind capacity factor of 35% (from 31%) from Vietnam equity investments and lower opex assumptions for consulting and license fees. See ACEN | Growth trajectory intact report.*
AP	16,980	17,148	*-1.0*	33,412	31,461	*6.2*	*17.1*	*Reflects higher FY23 sales to the RES segment amid higher MWs allocation of 1.4GW (from 873MW) and higher plant availability of AP. See AP | Continues to perform report.*
FGEN	8,902	7,790	*14.3*	18,110	19,184	*-5.6*	*25.2*	*Raise FY23 minorities' share in FGEN's net income by 29% to factor in EDC's FY23E margin improvement. See FGEN | Fuel supply risk managed report.*
MER	18,359	15,310	*19.9*	36,212	32,559	*11.2*	*27.4*	*Reflects higher FY23 EBIT margin of coal/oil GBPC power plants. See MER | Yield Play report.*
MPI	9,657	7,041	*37.2*	19,559	18,010	*8.6*	*34.9*	*Higher FY23 earnings contribution from MER. See MPI | Had a good run report.*
MWC	3,782	3,004	*25.9*	8,829	8,444	*4.6*	*49.1*	*Higher FY23 cross-border revenues and reduced water treatment and contractual services operating expenses amid continued cost cutting. See MWC | Growth secured report.*
SCC	15,452	15,116	*2.2*	34,930	33,339	*4.8*	*-12.7*	*Reflects higher FY23 coal prices and longer implementation of favourable fixed price contact for 33% of our FY23E coal sales volume forecast. See SCC | Dividend yields of 10-11% report.*

Source: Company, Maybank IBG Research

This translates to a consolidated 2H23 EBITDA of PHP132.8b, which is 24% YoY higher than in 2H22. This should enable AP, MER, and SCC to distribute dividends in Mar 2024, Apr 2024, and Apr 2024, respectively, realizing our FY24E dividend yield forecasts of 7.7%, 5.9%, and 9.0%, respectively. Given the negative earnings impact of lower spot prices and coal prices in FY24E, as well as the long gestation period of company's RE pipelines, we reiterate our NEUTRAL call on the sector.

Fig 8: Summary of Maybank IBG forecast changes

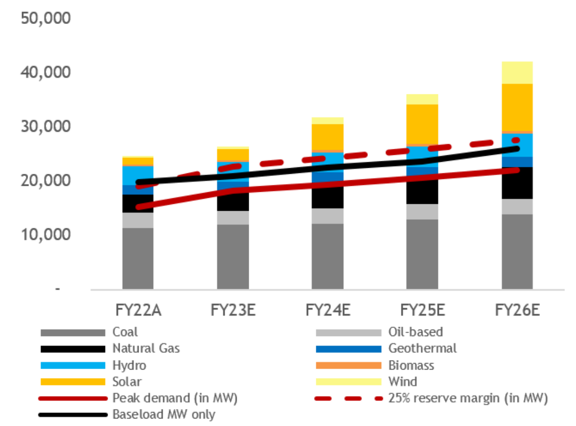
	OCF (PHPm)			FCF/sh (PHP)			DPS (PHP)			Dividend yield (%)		
	FY22A	FY23E	FY24E	FY22A	FY23E	FY24E	FY22A	FY23E	FY24E	FY22A	FY23E	FY24E
ACEN	2,296	3,956	9,324	-0.47	-0.31	-0.14	0.06	0.04	0.05	1.3%	0.9%	1.1%
AP	34,213	45,533	43,833	2.89	5.37	5.14	1.45	1.87	2.36	4.7%	6.1%	7.7%
FGEN	34,538	44,352	47,261	5.93	-6.27	8.99	0.37	0.40	0.47	2.2%	2.3%	2.8%
MER	27,141	50,362	48,485	-7.52	-18.11	33.13	16.03	19.55	21.41	4.4%	5.4%	5.9%
MPI	20,552	27,992	32,353	-0.71	-0.02	-0.51	0.11	0.13	0.13	2.2%	2.5%	2.5%
MWC	13,150	18,583	22,030	-2.83	-7.86	-4.34	0.38	0.62	0.92	2.2%	3.6%	5.4%
SCC	40,775	34,966	37,106	8.58	6.79	7.55	5.00	3.50	3.19	14.2%	9.9%	9.0%

Source: Bloomberg, Maybank IBG Research

3. Supply improving but still tight in FY24E

With 50% (18,118MW) of the installed capacity still accounted for by coal and natgas, we expect the reserve margin to be at 25% in FY24. The FY24E peak Luzon/Philippines demand, plus the 25% reserve margin, would just be slightly higher than the installed FY24E baseload capacity of 18,118GW. Given this, we expect the electricity spot price to fall but remain elevated at PHP6.0/kwh (FY23E: PHP7.0/kwh).

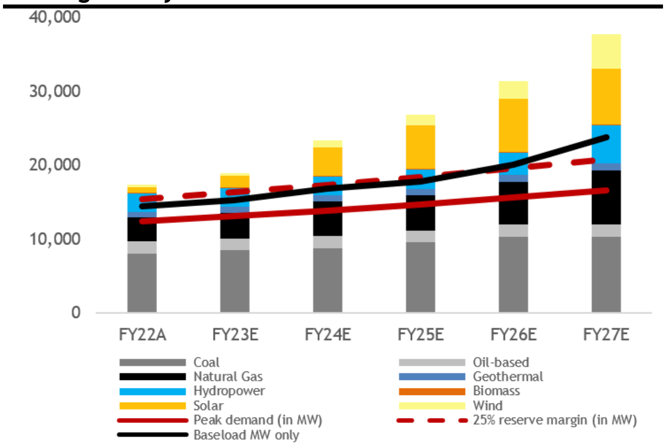
Fig 9: Dependable capacity vs supply forecast (MW) - Philippines



Source: DOE, NGCP, Maybank IBG Research

Capacity factors: Coal-88%; Natural gas- 71%; Geothermal-68%; Solar-19%; Wind-30%; Hydro-29%

Fig 10: Dependable capacity vs supply forecast (MW)- Luzon grid only



Source: DOE, NGCP, Maybank IBG Research

Capacity factors: Coal-88%; Natural gas- 71%; Geothermal-68%; Solar-19%; Wind-30%; Hydro-29%

Supply

We forecast 6,268MW of new installed capacity in FY24 such that total installed capacity will reach 36,213MW in YE24E:

- 1,815MW of new conventional baseload capacity to come in, of which 300MW will be coal plants, 1,313MW will be natgas plants, 203MW will be oil-based plants;
- The top 3 biggest additions will be from SMC's new 1,312.50MW Combined Cycle gas plant and its 150x4MW Mariveles coal plant;
- 4,453MW new RE plants will come on stream, of which 3,579MW will be solar plants;
- 5,087MW (or 81%) will be installed in Luzon; and
- 50% of these new capacity will be installed by 3Q24.

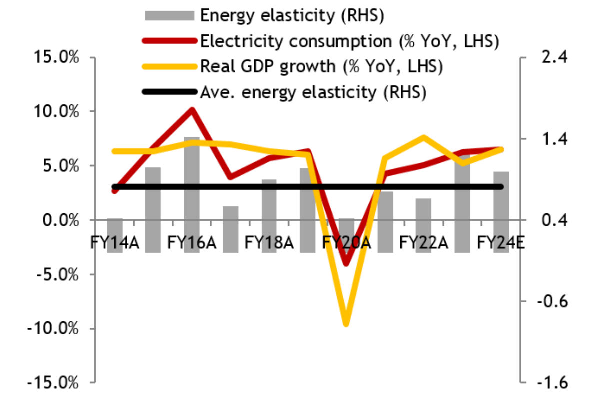
In terms of generation output, these new capacities translate to 7,912GWh of incremental capacity in FY24E, or 126,207GWh of peak capacity, 6.7% higher than FY23E's 118,295GWh.

Demand

We forecast demand to grow by 6.5% YoY in FY24. This is based on the following:

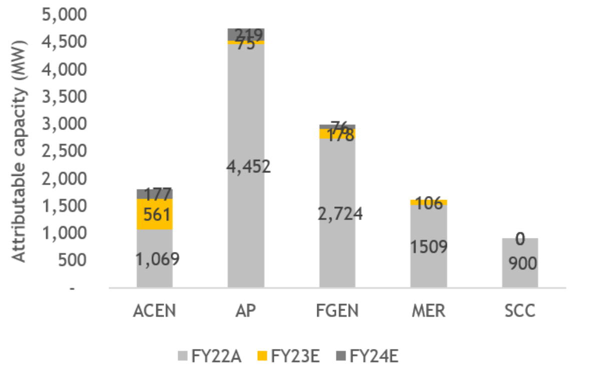
- An energy elasticity rate of 1.0x, which is based on the actual FY18-19 energy elasticity during the FY18-19 years with El Nino, whereas the El Nino in the Philippines may intensify later in 2H23.

Fig 11: Electricity consumption and economic growth



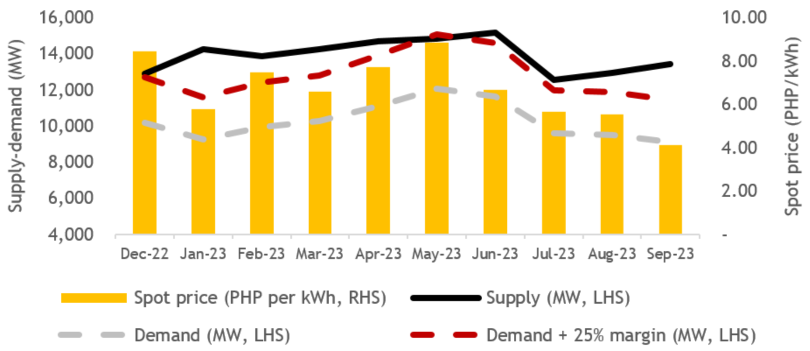
Source: DOE, NGCP, Maybank IBG Research

Fig 12: Attrib. MW additions in Philippines



Source: Company, Maybank IBG Research

Fig 13: Monthly Luzon-Visayas supply-demand versus spot prices



Source: IEMOP

Luzon-Visayas spot prices averaged PHP7.2 per kWh in 1H23 amid hot weather which momentarily pushed demand (including 25% supply margin) over supply in May 2023.

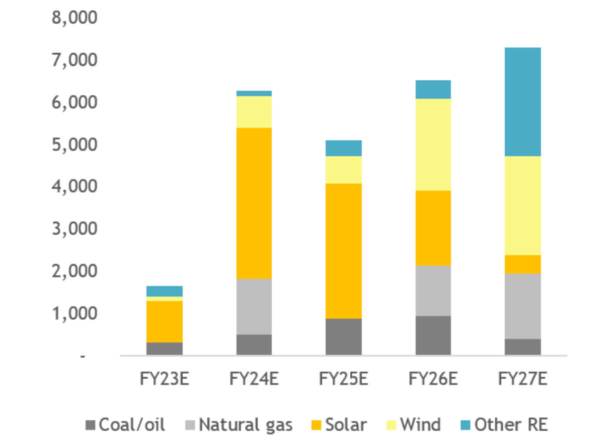
Although solar/wind FIT has not been reopened since 2016, new regulations are stimulating long-term demand for RE in the Philippines:

- the Renewable Portfolio Standard (RPS), which mandates electricity distributors/ cooperatives to incrementally add 2.52% of RE to their procured power supply; and
- (ii) the Green Energy Auction Program (GEAP), which annually facilitates an electronically-administered bidding process for RE capacities, wherein winners of the bid may secure a 20-year fixed rate "green energy tariff" upon COD of the RE plant.

These are complemented by the ongoing moratorium on new coal plants, as well as retention of fiscal incentives under the older Renewable Energy Act of 2008, which includes a 7-year income tax holiday (ITH), preferential corporate tax rate of 10% post the ITH (instead of the default 25%), and value-added tax exemption on power purchased from RE sources, among others.

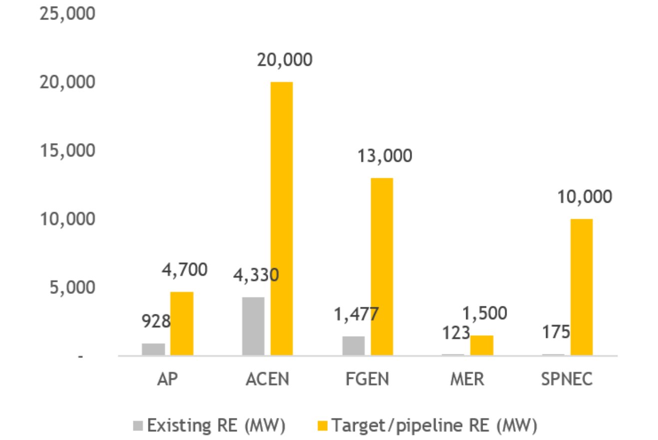
The 2.52% RPS increment is already being implemented this year, with MER and AP electricity distribution utilities being compliant until at least YE24E, while the GEAP has already successfully generated 2.0GW/3.4GW of committed RE capacity in the FY22 and FY23 Green Energy Auctions.

Fig 14: RE comprises most of new MWs over FY23-27E



Source: DOE, NGCP, Maybank IBG Research

Fig 15: Renewable energy targets of local power companies



Source: Company, Maybank IBG Research

4. Utilities sector updates

Aside from the ongoing tender offer of MPI shares, which will eventually lead to its privatization, other updates in the utilities space include:

5th RP rate rebasing of MER

- As of Sep 2023, there is still no resolution to the 5th RP electricity distribution tariff reset of MER due to delays by ERC;
- MER has already submitted its filing of its annual revenue requirement and performance incentive scheme for 5th RP already in Mar 2022 and is only awaiting the resolution of public hearings pending availability of ERC officials;
- We expect MER's new tariff to be set by Apr 2023. As such, we expect the implementation of MER's PHP1.3522/kwh tariff until Mar 2024 and revise our FY23/24E distribution tariff assumption to PHP1.3522/PHP1.2817 per kwh, from PHP1.3021/PHP1.2911 per kwh starting Apr 2024.

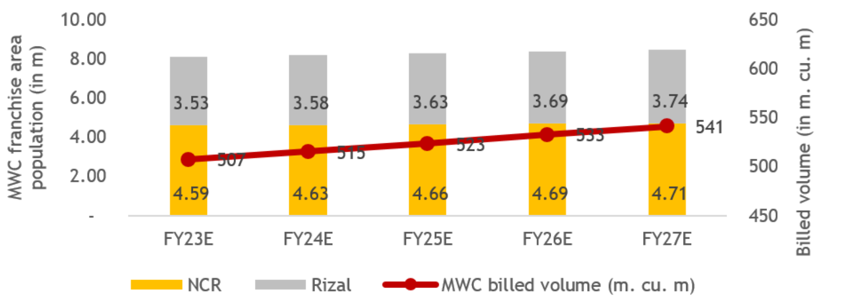
Capex of MWC

- MWC has already disbursed PHP6.8b in capex in 1H23 for construction of new water and wastewater treatment plants. With the continued growth of its customer base and the risk that El Nino may intensify between 4Q23-1Q24, MWC continues to lead the development of interim water sources totaling 868MLD. Of these, 180MLD from Cardona and Calawis water sources are already augmenting MWC's existing allocation from Angat Dam.
- Given MWC's continued capex rollout and fulfilment of other service targets such as 24/7 water availability and acceptable non-revenue water ratio of below 15% (1H23A: 13.9% NRW), we see no immediate regulatory risk on the horizon for MWC, which should allow it to continue applying the basic rate increase approved by the MWSS in Nov 2022.

Fig 16: Status of East Zone investments

Source: Company

Fig 17: Projected population growth in MWC's franchise area



Source: MWSS, PSA, MWC 2023 Business Plan

We forecast MWC's billed water volume to increase at a CAGR of 1.5% between FY23-27E, in tandem with the projected increase in the population of the Metro Manila East Zone by 1.6% CAGR over FY23-27E.

Delisting of MPI

- As of 7 Sep, 96.9% of all outstanding shares of MPI, including excluded/non-public shares, have participated in the tender offer. This 96.9% already passes the PSE's 95.0% threshold needed for voluntary delisting — a prerequisite set by the Mitsui-led consortium before it would accept the tender offer— making it likely MPI will be delisted soon.
- The tendered shares will be crossed and have their settlement dates on 26 Sep and 28 Sep, respectively, and effectively delisted by 9 Oct.

Fig 18: Summary of ownership impact of tender offer (As of latest disclosure on 7 Sep)

Ownership	Before delisting- As of 9 Aug	Before delisting- as of 7 Sep*	Post-delisting	*ppts change post delisting (since 7 Sep)*
First Pacific (Metro Pacific Holdings)	46.1%	46.1%	48.9%	*2.8%*
GT Capital	17.1%	17.1%	19.1%	*2.0%*
MPI management	0.1%	0.0%	0.0%	*0.0%*
GSIS*	3.3%	12.0%	12.0%	*0.0%*
Free float (ex-GSIS)	33.4%	24.8%	0.0%	*-24.8%*
MIG	0.0%	0.1%	7.2%	*7.1%*
MPIH JV (Mitsui 50.01%, JOIN 50%-1)	0.0%	0.0%	13.0%	*13.0%*
	100.0%	**100.0%**	**100.0%**	
	Before delisting- As of 9 Aug	**Before delisting- as of 7 Sep**	**Post-delisting**	***ch. in shares post delisting (since 7 Sep)***
First Pacific (Metro Pacific Holdings)	13,223	13,223	14,018	*795*
GT Capital	4,900	4,900	5,469	*569*
MPI management	32	-	-	*0*
GSIS	948	3,439	3,439	*0*
Free float*	9,593	7,134	-	*-7,134*
MIG	-	32	2,061	*2,030*
MPIH JV (Mitsui 50.01%, JOIN 50%-1)	-	-	3,740	*3,740*
Mitsui	-	-	1,870	*1,870*
JOIN	-	-	1,870	*1,870*

Source: Company, Maybank IBG Research

Note: Change between 9 Aug to 7 Sep reflects reclassification of GSIS shares to non-public. Computation assumes all outstanding minority shareholders participate in TO and allocation of TO shares to bidders reflecting the breakdown stipulated in the amended tender offer report (First Pacific- 11.15%; GTCAP- 7.98%; MIG-28.45%; MPIH- 52.42%).

5. MER is Top Pick

Between power and utilities, we prefer utilities as these provide stable FY24E dividend yield supported by FY23E earnings growth of 32% which is relatively higher vis-à-vis the 8% FY23E earnings growth of power generators, including SCC which is in turn dragged by lower FY23E coal prices.

Within the utilities sector, we prefer MER as it offers a sustainable long-term dividend yield of 5.9% for FY24E, higher than the 2.5%/5.3% of MPI and MWC, respectively. The company's organic FY23/24E electricity sales growth of 4%/4%, driven by continued economic growth of its franchise area which contains the country's largest economic hub, should drive the robust c.PHP48-50b cashflow from operations, which should enable its dividend payout.

The implementation of its 5th RP tariff reset by Apr 2024 would also be a positive event that would lift a lot of the regulatory overhang on the stock. The stock also trades at 11.2x PER, below its 5-year average PER of 14.3x.

Our least preferred in the sector is SCC, given its declining earnings trajectory due to lower coal prices

Fig 19: AP's TP calculation table

In PHPm	Old TP	New TP	% ch	Notes
Coal/LNG	172,914	190,516	10%	*Using dynamic WACC of 6.8-7.2%; Factors in higher energy sales; no new coal plants after GNPD and COD of LNG plant by 2030.*
Geothermal	22,851	23,737	4%	
Hydro/Solar	133,556	94,364	-29%	*Using dynamic WACC of 7.1-8.0%; lower capacity utilisation of hydro amid lower water inflow due to hotter weather; COD of 3.7GW new RE between FY24-30E.*
Oil	16,028	15,609	-3%	
Distribution	44,121	79,904	81%	*Improving gross margin per kWh trend.*
Gross asset value	389,469	404,131	4%	
Net debt/cash	-53,505	-53,505	0%	
Net asset value	**335,964**	**350,626**	**4%**	
NAV/sh (PHP)	**46.00**	**47.60**	**3%**	

Source: Maybank IBG Research

Our revised DCF-based TP of PHP47.60 factors in our higher forecasts for AP's energy sales, better gross margin trend of distribution, and after rolling forward AP's DCF valuation base to 1H24.

The stock's valuation continues to be largely based on AP's power-generation assets with over 92% of NAV coming from these.

Fig 20: ACEN's TP calculation table

In PHP m	Ave. Stake	Old TP	New TP	Change	Value per share (PHP/sh)	Notes
MER baseload PSA	100%	12,982	13,434	3%	0.3	
Oil	82%	7,562	7,847	4%	0.2	
Solar	94%	65,813	68,464	4%	1.7	*Factor earnings adjustments and rolling forward of valuation base to 1H24E.*
Wind	93%	31,325	32,611	4%	0.8	
Geothermal/BESS	50%	2,469	2,506	1%	0.1	
ENEX Energy Corp. (ENEX PM)	80%	1,712	1,146	-33%	0.0	*Updated market capitalization.*
New Solar/Wind Onshore (FY23-24E)	100%	6,791	7,199	6%	0.2	*Factor earnings adjustments and rolling forward of valuation base to 1H24E*
Philippines		**128,654**	**133,206**	**4%**	**3.4**	
Australia	100%	84,356	80,576	-4%	2.0	*Factor earnings adjustments and rolling forward of valuation base to 1H24E.*
India	80%	230	948	312%	0.0	*Factor earnings adjustments and rolling forward of valuation base to 1H24E.*
Indonesia	36%	6,950	7,144	3%	0.2	*Factor earnings adjustments and rolling forward of valuation base to 1H24E.*
Vietnam	64%	52,501	62,494	19%	1.6	*Higher ave. FY23/24E Vietnam wind capacity factor of 35% (from 31%), incorporate FY23/24E carbon credit earnings of PHP319m/PHP413m.*
New Solar/Wind Onshore (FY23-24E)	50%	4,576	4,823	5%	0.1	
International	**100%**	**148,613**	**155,985**	**5%**	**3.9**	
RE project reinvestments post-2024	100%	92,896	94,356	2%	2.4	*Using IRR approach to value 15GW pipeline between FY25-30E and using dynamic WACC of 5.6-6.3%.*
Gross asset value		**370,163**	**383,547**	**4%**	**9.7**	
Less: Preferred shares	100%	-25,000	-25,000	0%	-0.6	
Less: Net debt	100%	-7,198	-7,906	10%	-0.2	*Reflects FY23E.*
Less: Notes payable	100%	-32,093	-32,093	0%	-0.8	*Reflects FY23E.*
Net asset value		**305,872**	**318,547**	**4%**	**8.0**	

Source: Maybank IBG Research

Fig 21: FGEN's TP calculation table

PHPm	Old TP	New TP	% ch	Notes
Sta Rita	72,422	75,382	4%	
San Lorenzo	20,223	20,749	3%	
San Gabriel	27,129	26,832	-1%	
Avion	10,502	10,678	2%	
Gas	130,275	133,641	3%	*Roll forward DCF to 1H24; Using dynamic WACC of 7.5-8.3%; Factors in 2.0GW natural gas fired capacity.*
Geothermal/ Wind/Solar	60,193	59,472	-1%	*Roll forward DCF to 1H24; Using dynamic WACC of 8.5-9.6%; Factors in 1,347MW installed capacity and c.200MW new RE for FY23-24E COD.*
Hydro	8,516	8,686	2%	*Roll forward DCF to 1H24*
Gross asset value	198,985	201,800	1%	
Net debt/cash	-94,742	-89,770	-5%	
Net asset value	**104,243**	**112,030**	**7%**	
NAV/sh (PHP)	**29.30**	**31.00**	**6%**	

Source: Maybank IBG Research

Our TP adjustments factor in rolling forward of our DCF valuation base to 1H24 and factors in FGEN's existing portfolio as well as EDC's disclosed pipeline of c.200MW geothermal and hydro.

Fig 22: SCC's TP calculation table

PHPm	Old TP	New TP	% ch	Notes
Mining	50,826	58,253	15%	*Impact of higher average FY23/24E coal selling price.*
Power	87,045	86,420	-1%	
Net debt	23,193	23,868	3%	*Higher net cash level.*
NAV	**161,064**	**168,541**	**5%**	
NAV/sh (PHP)	**38.00**	**39.60**	**4%**	

Source: Maybank IBG Research

We raise our TP to PHP39.60 from PHP38.0 after revising up our FY23/24 earnings forecasts and rolling forward our valuation base to FY24E.

Fig 23: MER's TP calculation table

	Old TP	New TP	% ch	Notes
Distribution Utility				
MERALCO	321,047	315,554	-2%	*Impact of lowered FY24/25E distribution tariff, roll-forward of DCF to mid-year.*
Power Generation				
MGen	146,578	157,722	8%	*Roll-forward of DCF, gross margin improvement.*
Digital infrastructure				
MIDC	2,632	2,632	0%	
Other investments	37,369	36,435	-2%	
Gross asset value	507,625	512,343	1%	
Net (debt)/cash	-78,400	-75,928	-3%	*Higher FY23E cash*
Net asset value	**429,226**	**436,415**	**2%**	
NAV/sh (PHP)	**381.0**	**387.0**	**2%**	

Source: Maybank IBG Research

We roll-forward our DCF based valuations for MER's segments which results in our higher TP of PHP387.0.

Fig 24: MPI's TP calculation table

Segment	Stake	Sh. OS (m)	Current price (PHP/sh)	Att. NAV (PHPm)	Valuation method	TP (PHP/sh)	Att. NAV (PHPm)	TP (PHP/sh)	Att. NAV (PHPm)	% ch	Notes
MER PM	47.5%	1,127.1	362.40	193,855	DCF	381.00	203,805	387.00	207,014	2%	*See Yield play report.*
MPTC	99.9%			113,690	DCF		107,741		113,690	6%	*Roll forward DCF base to 1H24.*
Water	52.9%			21,204	DCF		19,855		21,204	7%	*Roll forward DCF base to 1H24.*
Health	20.0%			3,429	Carrying value		3,429		3,429	0%	
Others	Various			12,318	Book value		12,318		12,318	0%	
Asset Value				344,497			347,147		357,656	3%	
Net debt				(75,800)			(77,388)		(77,388)	0	
NAV				268,697			269,759		280,267	4%	
NAV/sh				9.36			9.40		9.77	4%	
Conglo discount				*45%*			*30%*		*30%*		
TP							**6.60**		**6.80**	**4%**	

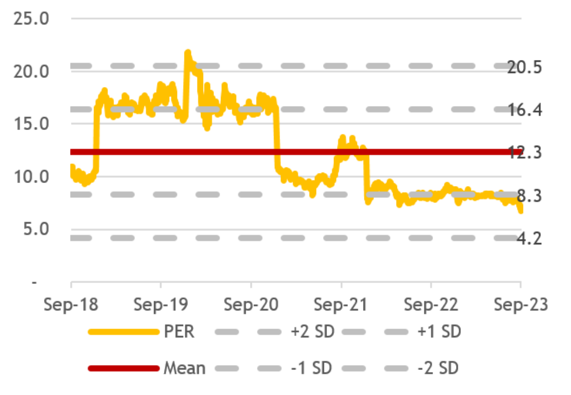
Source: Company, Maybank IBG Research

Fig 25: Peer comparison (as of 20 Sep 2023)

Company	Ticker	CP (PHP)	TP (PHP)	Total return (%)	Rec.	EPSg (%)		PER (x)		ROE (%)		Div Yld (%)
						FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY24E
Median						*33.6*	*8.6*	*6.8*	*6.9*	*12.2*	*12.1*	*5.4*
AC Energy Corp.	ACEN PM	4.70	8.00	71.4	BUY	73.5	43.0	21.9	15.3	6.9	9.2	1.1
Aboitiz Power Corp.	AP PM	30.75	47.60	62.5	BUY	17.1	(2.8)	6.8	7.0	18.1	15.7	7.7
First Gen Corp.	FGEN PM	17.58	31.00	79.2	BUY	26.7	11.0	3.5	3.1	12.2	12.1	2.8
Manila Electric Co.	MER PM	362.40	387.00	12.7	BUY	33.6	(12.7)	11.3	12.9	29.2	24.1	5.9
Manila Water	MWC PM	17.00	27.00	64.2	BUY	49.1	10.2	5.6	5.0	11.6	11.9	5.4
Metro Pacific	MPI PM	5.11	6.80	35.5	BUY	39.1	8.6	7.5	6.9	9.2	9.1	2.5
Semirara Mining	SCC PM	35.25	39.60	21.4	BUY	(12.7)	(19.9)	4.3	5.4	41.2	28.4	9.0

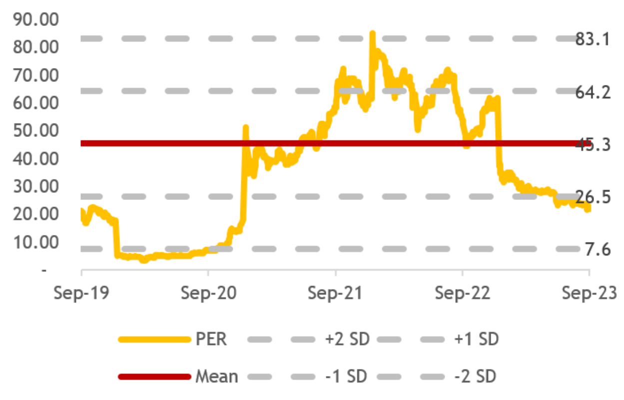
Source: Company, Maybank IBG Research

Fig 26: AP's 5-year PER band



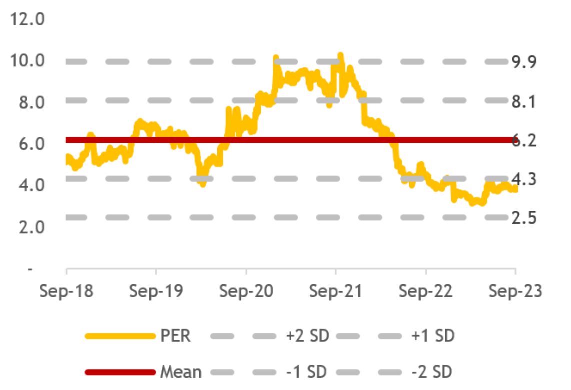
Source: Bloomberg, Maybank IBG Research

Fig 27: ACEN's 5-year PER band



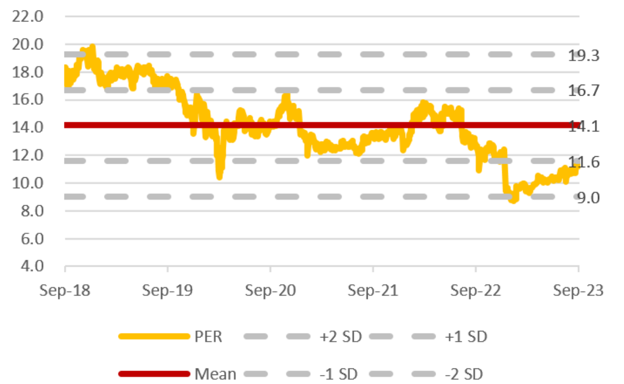
Source: Bloomberg, Maybank IBG Research

Fig 28: FGEN's 5-year PER band



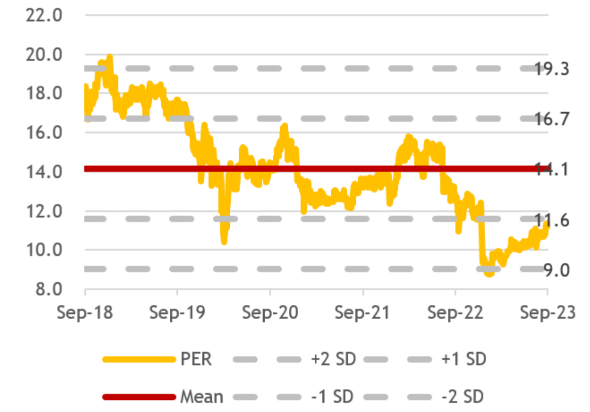
Source: Bloomberg, Maybank IBG Research

Fig 29: SCC's 5-year PER band



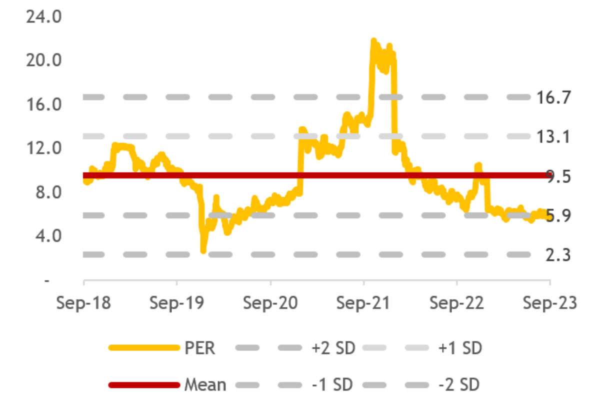
Source: Bloomberg, Maybank IBG Research

Fig 30: MER's 5-year PER band



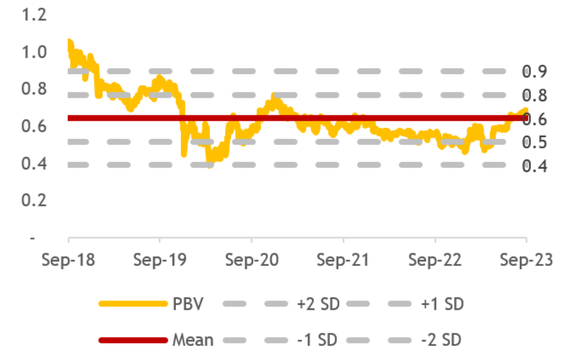
Source: Bloomberg, Maybank IBG Research

Fig 31: MWC's 5-year PER band



Source: Bloomberg, Maybank IBG Research

Fig 32: MPI's 5-year PBV band



Source: Bloomberg, Maybank IBG Research

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