

# JG Summit Holdings (JGS PM)

## Building earnings momentum

### CEB recovery boosts JGS's earnings trajectory

Our BUY on CEB is premised on its sustainable FY23-25E earnings CAGR of 23%, which is driven by the anticipated recovery in flights/passenger volume as travel demand rises (see *Back in Black* report). While our FY23 earnings forecast for JGS is largely unchanged, our FY24/25E earnings forecasts are higher by 11%/28% as we factor in a higher average annual passenger growth (of 8% from 6% previously) and higher average fares (+3%/10% in FY24/25E), which is reflective of the recovery in CEB's longer-haul, international routes. This boosts JGS's FY23-25E earnings CAGR to 11%, from 2% previously.

### Raising TP to PHP58 from PHP57

We raise our discounted NAV-based TP for JGS to PHP58 from PHP57, as we factor in our new TP for CEB of PHP55 (see *Back in Black* report). JGS is trading at a 32% discount to its real-time NAV, which is wider than its 5-year average of 14%, reinforcing our BUY call.

### Earnings sensitivity to fuel and oil prices

Fuel and oil account for c.16% of JGS's consolidated cost base, while oil-sensitive raw materials and people costs account for another c.46%. Although we expect crude oil prices to be lower in FY23/24 vs FY22 averages, futures prices in Oct-Dec 2023 and FY24 have climbed by 24% and 18%, respectively, from May 2023, and could potentially impinge JGS's margins. Based on our estimates, for every USD10/bbl increase in oil prices, JGS' FY24 earnings could decline by 14%, assuming zero hedging.

### Subsidiaries offer more defensive positioning

While JGS is undervalued, the uptrend in oil prices could dampen sentiment on the stock despite its sustainable earnings performance. We believe URC, MER and TEL offer more defensive plays to this group as these stocks not only have manageable exposure to oil and fuel, but MER and TEL offer FY24 dividend yields of 6% and 9%, respectively.

FYE Dec (PHP m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	218,727	288,550	318,017	347,700	365,160
EBITDA	14,114	19,426	45,931	51,017	64,232
Core net profit	5,108	(2,549)	19,900	20,446	27,580
Core EPS (PHP)	0.68	(0.34)	2.65	2.72	3.67
Core EPS growth (%)	nm	nm	nm	2.7	34.9
Net DPS (PHP)	0.38	0.40	0.40	0.40	0.40
Core P/E (x)	78.0	nm	14.2	13.9	10.3
P/BV (x)	1.2	1.2	0.8	0.8	0.7
Net dividend yield (%)	0.7	0.8	1.1	1.1	1.1
ROAE (%)	1.6	0.2	6.1	5.9	7.5
ROAA (%)	0.5	(0.2)	1.8	1.8	2.3
EV/EBITDA (x)	57.0	32.5	13.3	12.3	10.0
Net gearing (%) (incl perps)	66.9	33.9	44.7	42.5	37.6
Consensus net profit	-	-	25,480	26,835	26,440
MIBG vs. Consensus (%)	-	-	(21.9)	(23.8)	4.3

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# BUY

Share Price	PHP 37.70
12m Price Target	PHP 58.00 (+55%)
Previous Price Target	PHP 57.00

### Company Description

JG Summit is a holding company, which engages in the manufacture and distribution of agro-industrial products, real estate and management services.

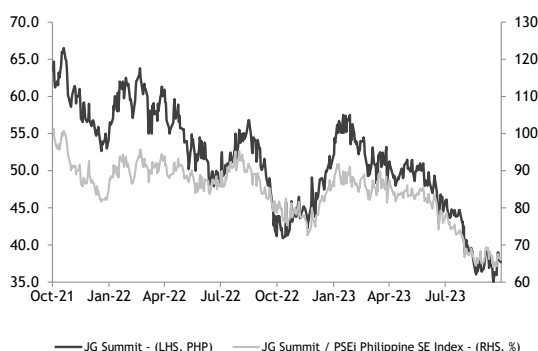
### Statistics

52w high/low (PHP)	57.50/35.05
3m avg turnover (USDm)	1.1
Free float (%)	39.9
Issued shares (m)	7,163
Market capitalisation	PHP270.0B USD4.8B

### Major shareholders:

Gokongwei family	56.5%
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### Price Performance



	-1M	-3M	-12M
Absolute (%)	4	(15)	(10)
Relative to index (%)	2	(13)	(18)

Source: FactSet

### Stocks mentioned:

Bank of the Philippine Island (BPI PM, CP: PHP112, BUY, TP: PHP128)

Cebu Air (CEB PM, CP: PHP34, BUY, TP: PHP55)

Manila Electric Company (MER PM, CP: PHP368, BUY, TP: PHP387)

PLDT (TEL PM, CP: PHP1,176, BUY, TP: PHP1,978)

Robinsons Land (RLC PM, CP: PHP15, Under review)

Universal Robina Corp (URC PM, CP: PHP119, BUY, TP: PHP170)

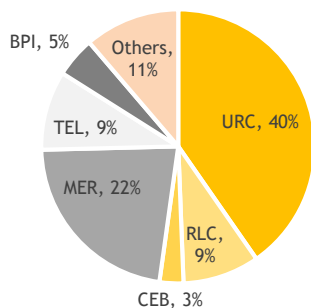
ESG@MAYBANK IBG

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## Value Proposition

- JGS is the holding company of the Gokongwei family’s stakes in URC (the largest snackfood company in the Philippines), RLC, CEB (the country’s leading low-cost carrier), TEL (oldest telco), MER (largest power distribution company in the country) and UIC.
- This is the only Philippine conglomerate with sizeable ASEAN exposure via URC, CEB and UIC.
- About 90% of JGS’s NAV is listed and are directly accessible.

### JGS’s NAV composition

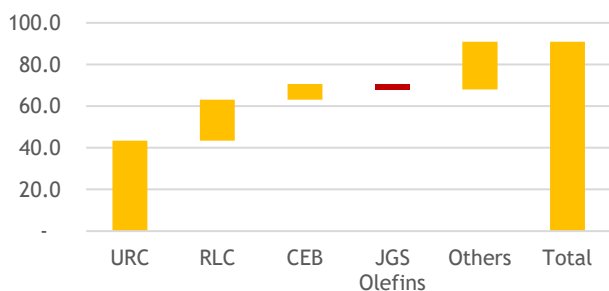


Source: Maybank IBG Research

## Financial Metrics

- Much of JGS’ positive earnings trajectory in 1Q23 is attributable to the earlier-than-expected recovery of CEB, which benefited from improving domestic and international mobility and the downtrend in oil prices starting 4Q22. We expect CEB to post earnings by YE23 as it further expands its international routes.
- The imposition of safeguard duties on polyethylene imports should improve prospects for JGS Olefins but given its lack of pricing power, we expect it to continue to incur gross losses in FY23/24.
- Anticipated losses from JGS Olefins will keep the group’s net gearing level high. Nevertheless, JGS’s debt-servicing coverage ratio should remain manageable at above 1.0x.

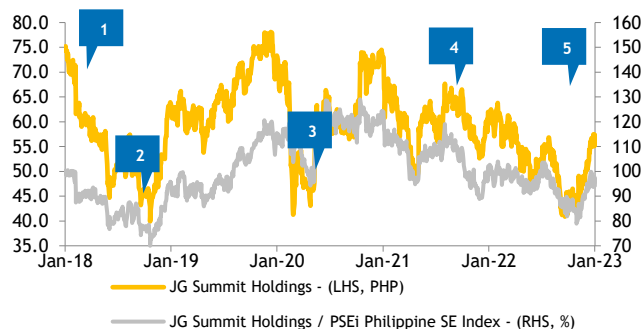
### JGS’s consolidated gross profit breakdown (FY23E)



Source: Maybank IBG Research

## Price Drivers

### Historical share price trend



Source: Company, Maybank IBG Research

- Feb 2018: JGS, in a consortium with Ayala Corp, Alliance Global, Filinvest Development Corp and Metro Pacific, submitted a proposal to redevelop the NAIA airport.
- Inflation in the Philippines averaged at 6.7% in 2018, exposing URC and CEB to margin pressures.
- Lockdown in Mar 2020 due to the pandemic, halting domestic and international travel.
- Partial reopening measures allowed domestic travel, increasing CEB’s domestic routes.
- Sep 2022: JGS and RRHI announced that they have signed an agreement to swap their stake at Robinsons Bank for 6% of BPI common shares.

## Swing Factors

### Upside

- Cash-positive M&A or divestments.

### Downside

- Weak PHP, rising raw material costs (including jet fuel).
- Increased mobility restrictions on domestic and international air travel.
- The market undervaluing JGS’s subsidiaries.

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<b>Risk Rating &amp; Score<sup>1</sup></b>	48.2 (Severe Risk)
<b>Score Momentum<sup>2</sup></b>	-1.3
<b>Last Updated</b>	18 Mar 20212
<b>Controversy Score<sup>3</sup></b> (Updated: 21 Sep 2022)	1 (Low)

## Business Model & Industry Issues

- In 2019, JGS released its inaugural sustainability report, which was the product of the collaboration of its subsidiaries' CEOs, highlighting its five core sustainability principles: (1) climate action; (2) shared success across JGS' different stakeholders; (3) resource efficiency and circularity; (4) employee engagement and development; and (5) innovative and accessible products and services that will improve Filipinos' quality of life. By 2020, the group's sustainability report followed the template prescribed by the local Securities and Exchange Commission but its contents remained consistent with the original principles identified in 2019.
- At the conglomerate level, JGS is most exposed to governance risk due to: (i) related-party transactions (RPT) arising from its highly synergistic portfolio; and (ii) the high level of family participation on the board. The group is aggressively professionalising and these governance risk exposures are partially mitigated by the presence of independently-chaired RTP and audit committees.
- JGS' business ethics and corporate governance initiatives are at par with its peers but it garnered a low Sustainalytics risk rating of 49.5 (Severe) mainly due to subsidiary-level exposures to carbon, product governance, resource use and emissions, effluents and waste risks, which the group has been actively addressing since 2019. JGS' increasingly committed stance on sustainability is showing more concretely on its score momentum of -3.3.

### Material E issues

- JGS actively monitors its energy and water consumption metrics and has active targets to increase utilization from renewable energy sources or decrease overall consumption. In 2020, the group consumed 2,753,757 GJ of electricity, 7% of which were from renewable and clean (LNG) sources. This is 68% lower than total consumption in FY19 and largely due to the limited operations of URC and RLC during the lockdowns.
- Similarly jet fuel consumption (by CEB) is lower at 7,784,171.11 GJ, from 19,664,479.90 GJ in 2019.
- The group consumed 8,947,163 cubic metres of water in 2020, of which 240,754 cubic metres were recycled. URC has active programmes (under its LEAN initiative) to reduce water consumption and the group is also exploring incorporating other technologies, such as rainwater harvesting, water catchment, and impounding, into its other operations.
- Less than 1% of the group's material inputs are renewable materials but URC was able to recycle 6% of total materials used.

### Material S issues

- JGS has 22,508 employees, only 40% of which are female.
- The average training hours per employee was 19 or a total of 415,883 hours in 2020.
- 33% of employees are covered by a collective bargaining agreement, most of which are workers in the factories of URC and the properties of RLC.

### Key G metrics and issues

- In 2020, JGS's board of directors (BOD) had 10 members, six of which are family members and only three are independent directors.
- There are two women on the BOD, and both are family members.
- The six Gokongwei family members (related to the founder, John Gokongwei) on the BOD are: James Go (brother), Lily NgoChua (sister), Lance Gokongwei (son), Patrick Henry Go (nephew), Johnson Robert Go (nephew) and Robina Gokongwei Pe (daughter). There is also one family member on the executive team: Lisa Gokongwei Cheng (daughter). No limit has been formally set as to the number of family members that can be present on the board or in the executive team.
- This high level of family participation is mitigated by the presence of the RPT, corporate governance, board risk oversight and audit committees, all of which have independent directors.
- In 2020, the CEO and the four most highly compensated executive directors received PHP126.4m, 10% lower relative to the total compensation in 2019 (PHP139.7m), and accounted for less than 1% of consolidated revenue.
- Sycip Gorres Velayo and Co., the local partner of Ernst & Young, is the auditor of JGS.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 61)						
	Particulars	Unit	2019	2020	2021	SM (2021)
E	Scope 1 GHG emissions	m tCO2e	2.50	1.35	1.48	0.29
	Scope 2 GHG emissions	m tCO2e	0.48	0.31	0.29	1.36
	<b>Total</b>	<b>m tCO2e</b>	<b>2.98</b>	<b>1.66</b>	<b>1.77</b>	<b>1.65</b>
	Scope 3 GHG emissions	m tCO2e	NA	NA	NA	0.44
	<b>Total</b>	<b>m tCO2e</b>	<b>2.98</b>	<b>1.66</b>	<b>1.77</b>	<b>2.09</b>
	GHG intensity (Scope 1+2)	CO2e/PHPm	9.09	7.43	7.64	0.18
	Green energy share of capacity	%	1%	3%	39%	23%
	Water recycled as % of capacity	%	0.6%	2.7%	5.6%	81%
	Electricity intensity/equity capital	GJ/PHPm	112.0	77.2	78.2	N/A
	% of recycled material used	%	5.8%	6.2%	6.0%	N/A
	% of debt from green instruments	%	0	0	0	0
	NOx (excluding N2O)	Tons	9,662.0	470.8	464.7	N/A
	Sox	Tons	869.0	125.4	216.8	N/A
	SPM/Particulate matter (PM10)	Tons	76.0	26.7	28.6	N/A
S	% of women in workforce	%	42%	40%	40%	63%
	% of women in management roles	%	NA	26.0%	NA	58%
	Average training hours	hours	31.7	18.8	20.9	17
	Lost time injury frequency (LTIF) rate	number	54	27	55	0
G	MD/CEO salary as % of reported net profit	%	0.4%	31.8%	1.3%	0.3%
	Board salary as % of reported net profit	%	1.1%	77.9%	3.9%	1.1%
	Independent directors on the Board	%	30%	30%	44.4%	37.5%
	Female directors on the Board	%	20%	20%	11.1%	25.0%

Qualitative Parameters (Score: 33)	
a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?	<i>Yes, there is an ESG policy in place and yes there is a Corporate Governance and Sustainability Committee.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>No.</i>
c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?	<i>No, JGS has begun to integrate sustainability risk into its Integrated Risk Management (ERM), which should serve as the foundation for the adoption of TCFD reporting.</i>
e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?	<i>JGS is still in the process of structuring Scope 3 tracking.</i>
f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>In RLC, the company replaced 6 Chillers in 4 malls in 2021 leading to energy savings, roll out of digital platform in banking operations has led to 13.5MT paper saving, recyclable material usage in carrier bags and reprocessing material for jerry cans. Project Jaguar has led to reduction in energy use ratio by 6% in 2021 vs 2018. Recycling of water has helped improve water usage ratio by 49% in 2021 vs 2018</i>
g) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<i>Targets are still under development but they are not closed off to the idea.</i>

Target (Score: 0)		
Particulars	Target	Achieved
Define climate action targets	By YE22	Not disclosed
Define Scope 1/2/3 reduction targets	By YE30	Not disclosed
Net zero GHG	By YE50	Not disclosed
<b>Impact</b>		
NA		
<b>Overall Score: 39</b>		
As per our ESG matrix, JG Summit (JGS PM) has an overall score of 39.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	61	31
Qualitative	25%	33	8
Target	25%	0	0
<b>Total</b>			<b>39</b>

As per our ESG assessment, JGS' Sustainability journey is at its early stages although we recognise various ESG initiatives at the subsidiary level (URC and CEB, in particular). JGS further needs to define tangible mid/long-term targets, measurement metrics and reporting procedures. JGS' overall ESG score falls below average, at 39 (average ESG rating = 50), but it shows strong upward trajectory over the short-term.

Fig 1: Summary of changes to FY23/24E earnings forecasts

PHPm	FY23 Old	FY23 New	YoY	FY24 Old	FY24 New	YoY	FY25 Old	FY25 New	YoY	Notes
Revenue	320,860	318,017	-0.9%	351,439	347,700	-1.1%	358,606	365,160	1.8%	
Foods	159,509	159,509	0.0%	168,300	168,300	0.0%	175,840	175,840	0.0%	No change
Air transportation	87,263	84,420	-3.3%	101,219	97,480	-3.7%	101,182	107,736	6.5%	See Back in Black report
Real estate/ hotels	39,799	39,799	0.0%	41,735	41,735	0.0%	43,864	43,864	0.0%	No change
Petrochemicals	28,802	28,802	0.0%	40,185	40,185	0.0%	37,720	37,720	0.0%	No change
Others	5,488	5,488	0.0%	-	-	-	-	-	-	-
Cost of sales and services	-235,630	-233,711	-0.8%	-264,039	-257,052	-2.6%	-264,122	-260,459	-1.4%	No change
<b>Gross profit</b>	<b>85,230</b>	<b>84,307</b>	<b>-1.1%</b>	<b>87,401</b>	<b>90,648</b>	<b>3.7%</b>	<b>94,483</b>	<b>104,701</b>	<b>10.8%</b>	
GPM	26.6%	26.5%	-0.2%	24.9%	26.1%	4.8%	26.3%	28.7%	8.8%	
General and administrative expenses	-54,227	-53,637	-1.1%	-55,876	-56,524	1.2%	-57,443	-58,263	1.4%	
<b>EBIT</b>	<b>31,003</b>	<b>30,670</b>	<b>-1.1%</b>	<b>31,525</b>	<b>34,124</b>	<b>8.2%</b>	<b>37,041</b>	<b>46,438</b>	<b>25.4%</b>	
EBITM	9.7%	9.6%	-0.2%	9.0%	9.8%	9.4%	10.3%	12.7%	23.1%	
Interest Expense	-12,433	-12,422	-0.1%	-13,207	-13,100	-0.8%	-12,968	-12,687	-2.2%	
Interest Income	2,055	2,046	-0.5%	2,257	2,215	-1.8%	2,375	2,325	-2.1%	
Equity in net earnings of assocs and JVs	17,095	17,095	0.0%	16,463	16,463	0.0%	15,495	15,495	0.0%	
Other Income	-	-	-	-	-	-	-	-	-	
<b>Net income before taxes</b>	<b>37,720</b>	<b>37,389</b>	<b>-0.9%</b>	<b>37,038</b>	<b>39,703</b>	<b>7.2%</b>	<b>41,943</b>	<b>51,571</b>	<b>23.0%</b>	
Income tax (-)	-3,256	-3,208	-1.5%	-3,256	-3,505	7.7%	-5,382	-6,539	21.5%	
Effective tax rate	8.6%	8.6%	-0.6%	8.8%	8.8%	0.4%	12.8%	12.7%	-1.2%	
<b>Net income</b>	<b>34,465</b>	<b>34,181</b>	<b>-0.8%</b>	<b>33,782</b>	<b>36,198</b>	<b>7.2%</b>	<b>36,561</b>	<b>45,032</b>	<b>23.2%</b>	
Less: Minority share	-14,373	-14,281	-0.6%	-15,237	-15,752	3.4%	-15,066	-17,452	15.8%	
<b>Net income to shareholders</b>	<b>20,092</b>	<b>19,900</b>	<b>-1.0%</b>	<b>18,545</b>	<b>20,446</b>	<b>10.2%</b>	<b>21,494</b>	<b>27,580</b>	<b>28.3%</b>	

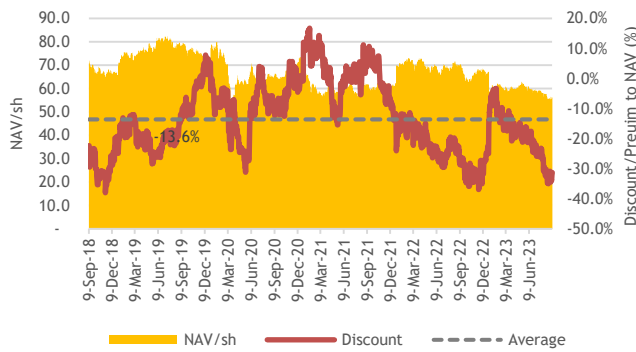
Source: Maybank IBG Research

Fig 2: Target price computation for JGS

PHPm	Stake	RNAV			Old TP			New TP			Remarks
		Shares (m)	CP (PHP)	Attrib. val'n	Val'n method	TP (PHP)	Attrib. value	TP (PHP)	Attrib. value	% Change	
URC	55.3%	2,204	118.9	144,796	DCF	170	207,026	170	207,026	0%	
RLC	61.0%	5,194	15.2	48,070	MV		46,487		48,070	3%	
CEB	67.8%	610	34	14,050	DCF	35	14,464	55	22,728	57%	See Back in Black report
MER	26.4%	1,127	368.0	109,356	DCF	387	115,002	387	115,002	0%	
TEL	11.2%	216	1,176	28,533	DCF	1,978	47,992	1,978	47,992	0%	
BPI	3.9%	4,919	112	21,431	PBV	128	24,492	128	24,492	0%	
Others				93,625			93,625		93,625	0%	
<b>Asset Value</b>				<b>459,862</b>			<b>549,088</b>		<b>558,937</b>	<b>2%</b>	
Net Debt				-50,400			-35,795		-35,795	0%	
NAV				409,462			513,293		523,142	2%	
NAV/sh				57			72		73	2%	
Discount				-32%			-20%		-20%	0%	
<b>TP</b>							<b>57.0</b>		<b>58.0</b>	<b>2%</b>	

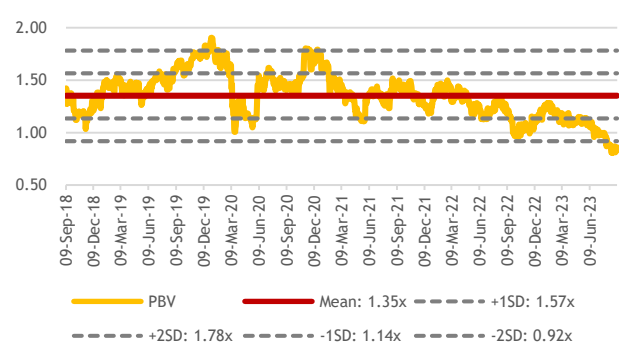
Source: Maybank IBG Research

**Fig 3: Discount to NAV**



Source: Maybank IBG Research

**Fig 4: PBV band**



Source: Maybank IBG Research

**Fig 5: Peer comparison**

	Mkt Cap USDb	CP (PHP)	TP (PHP)	Upside (%)	Rec	EPSg		PER (x)		PBV (x)		Div yield (x)		ROE	
						FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
SM	18.7	843.5	1,290	52.9%	BUY	25.6%	14.0%	13.2	11.6	1.8	1.6	0.7%	0.7%	13.7%	13.6%
AC	6.5	624.0	990	58.7%	BUY	38.8%	17.6%	10.2	8.6	1.0	0.9	1.1%	1.1%	10.5%	11.1%
JGS	5.1	38.1	58.0	52.4%	BUY	NA	-7.7%	14.2	15.4	0.8	0.8	1.1%	1.1%	6.0%	5.3%
MPI	2.6	5.2	6.8	31.3%	BUY	39.1%	8.6%	7.6	7.0	0.7	0.6	2.4%	2.4%	9.2%	9.1%
DMC	2.3	10.4	12.1	16.1%	BUY	-2.5%	-10.0%	4.6	5.1	1.1	1.0	6.9%	6.7%	24.4%	19.2%
GTCAP	2.1	570.0	1,020	78.9%	BUY	66.9%	18.6%	5.0	4.3	0.5	0.5	1.0%	1.0%	11.3%	11.9%

Source: Maybank IBG Research



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Metrics</b>					
P/E (reported) (x)	89.9	nm	14.2	13.9	10.3
Core P/E (x)	78.0	nm	14.2	13.9	10.3
P/BV (x)	1.2	1.2	0.8	0.8	0.7
P/NTA (x)	0.4	0.4	0.2	0.2	0.2
Net dividend yield (%)	0.7	0.8	1.1	1.1	1.1
FCF yield (%)	10.7	nm	1.2	7.7	11.9
EV/EBITDA (x)	57.0	32.5	13.3	12.3	10.0
EV/EBIT (x)	nm	nm	19.9	18.5	13.8
<b>INCOME STATEMENT (PHP m)</b>					
Revenue	218,727.2	288,549.8	318,017.3	347,700.2	365,159.9
EBITDA	14,113.7	19,426.3	45,930.7	51,016.5	64,231.6
Depreciation	(14,523.3)	(14,520.8)	(15,260.7)	(16,892.3)	(17,793.7)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(409.6)	4,905.5	30,670.0	34,124.2	46,437.9
Net interest income / (exp)	(8,016.5)	(9,427.6)	(10,375.9)	(10,884.2)	(10,361.9)
Associates & JV	11,696.4	14,921.5	17,095.0	16,463.0	15,495.5
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	7,697.3	392.3	0.0	0.0	0.0
Pretax profit	10,967.6	10,791.7	37,389.0	39,703.0	51,571.4
Income tax	(362.4)	(2,750.3)	(3,207.6)	(3,505.1)	(6,539.4)
Minorities	(5,497.1)	(7,390.8)	(14,281.1)	(15,751.6)	(17,451.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	5,108.2	650.6	19,900.3	20,446.2	27,580.4
Core net profit	5,108.2	(2,549.4)	19,900.3	20,446.2	27,580.4
Preferred Dividends	(15.2)	(15.2)	(15.2)	(15.2)	(15.2)
Distributable Income	5,093.0	(2,564.6)	19,885.1	20,431.0	27,565.2
<b>BALANCE SHEET (PHP m)</b>					
Cash & Short Term Investments	82,890.1	79,071.7	85,638.9	93,131.4	94,258.6
Accounts receivable	72,223.7	41,427.3	44,441.3	48,902.2	51,033.7
Inventory	81,611.9	92,052.1	121,368.3	134,957.9	144,733.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	146,034.1	143,294.9	146,476.3	149,688.8	152,595.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	75,487.5	6,594.2	6,594.2	6,594.2	6,594.2
Other assets	565,287.4	710,761.5	741,161.5	748,611.5	756,061.5
<b>Total assets</b>	<b>1,023,534.7</b>	<b>1,073,201.8</b>	<b>1,145,680.6</b>	<b>1,181,886.1</b>	<b>1,205,276.8</b>
ST interest bearing debt	179,069.0	70,279.4	73,568.8	78,042.7	80,263.7
Accounts payable	65,995.6	91,917.5	61,627.1	76,784.6	81,283.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	200,830.5	153,779.9	217,092.0	224,001.1	214,800.0
Other liabilities	134,009.0	329,860.0	334,872.0	311,365.0	295,231.0
<b>Total Liabilities</b>	<b>579,903.7</b>	<b>645,837.1</b>	<b>687,160.2</b>	<b>690,193.6</b>	<b>671,578.0</b>
Shareholders Equity	335,308.9	319,932.0	336,807.9	354,229.8	378,785.8
Minority Interest	108,322.1	107,432.7	121,712.4	137,462.7	154,913.0
<b>Total shareholder equity</b>	<b>443,631.0</b>	<b>427,364.7</b>	<b>458,520.4</b>	<b>491,692.5</b>	<b>533,698.8</b>
<b>Total liabilities and equity</b>	<b>1,023,534.7</b>	<b>1,073,201.8</b>	<b>1,145,680.6</b>	<b>1,181,886.1</b>	<b>1,205,276.8</b>
<b>CASH FLOW (PHP m)</b>					
Pretax profit	10,967.6	10,791.7	37,389.0	39,703.0	51,571.4
Depreciation & amortisation	14,523.3	14,520.8	15,260.7	16,892.3	17,793.7
Adj net interest (income)/exp	23,825.3	22,638.9	24,260.5	26,253.2	26,551.0
Change in working capital	19,394.7	(44,760.9)	(29,040.9)	(13,576.6)	(9,686.2)
Cash taxes paid	(561.8)	(2,460.4)	(3,207.6)	(3,505.1)	(6,539.4)
Other operating cash flow	(3,323.1)	(85.0)	0.0	0.0	0.0
Cash flow from operations	62,814.9	(2,424.4)	41,994.3	62,520.6	76,329.3
Capex	(19,966.8)	(33,717.4)	(38,645.3)	(40,811.3)	(42,532.8)
Free cash flow	42,848.2	(36,141.8)	3,349.0	21,709.3	33,796.5
Dividends paid	(7,293.6)	(3,025.7)	(3,025.7)	(3,025.7)	(3,025.7)
Equity raised / (purchased)	32,209.3	(21,281.9)	0.0	0.0	0.0
Change in Debt	(30,432.2)	29,830.0	38,033.8	(1,440.6)	(20,836.5)
Other invest/financing cash flow	(35,932.7)	26,801.1	(31,789.8)	(9,750.5)	(8,807.0)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,398.9	(3,818.4)	6,567.2	7,492.5	1,127.2

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	3.2	31.9	10.2	9.3	5.0
EBITDA growth	(14.5)	37.6	136.4	11.1	25.9
EBIT growth	nm	nm	525.2	11.3	36.1
Pretax growth	236.3	(1.6)	246.5	6.2	29.9
Reported net profit growth	nm	(87.3)	2,958.7	2.7	34.9
Core net profit growth	nm	nm	nm	2.7	34.9
<b>Profitability ratios (%)</b>					
EBITDA margin	6.5	6.7	14.4	14.7	17.6
EBIT margin	nm	1.7	9.6	9.8	12.7
Pretax profit margin	5.0	3.7	11.8	11.4	14.1
Payout ratio	56.2	nm	15.2	14.8	11.0
<b>DuPont analysis</b>					
Net profit margin (%)	2.3	0.2	6.3	5.9	7.6
Revenue/Assets (x)	0.2	0.3	0.3	0.3	0.3
Assets/Equity (x)	3.1	3.4	3.4	3.3	3.2
ROAE (%)	1.6	0.2	6.1	5.9	7.5
ROAA (%)	0.5	(0.2)	1.8	1.8	2.3
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	166.7	83.1	94.7	130.9	133.3
Days receivable outstanding	115.7	70.9	48.6	48.3	49.3
Days inventory outstanding	170.8	134.4	164.4	179.5	193.3
Days payables outstanding	119.8	122.2	118.3	96.9	109.2
Dividend cover (x)	1.8	0.2	6.6	6.8	9.1
Current ratio (x)	1.0	1.0	1.2	1.3	1.3
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.8	1.7	1.7	1.7	1.8
Net gearing (%) (incl perps)	66.9	33.9	44.7	42.5	37.6
Net gearing (%) (excl. perps)	66.9	33.9	44.7	42.5	37.6
Net interest cover (x)	na	0.5	3.0	3.1	4.5
Debt/EBITDA (x)	nm	11.5	6.3	5.9	4.6
Capex/revenue (%)	9.1	11.7	12.2	11.7	11.6
Net debt/ (net cash)	297,009.4	144,987.6	205,021.9	208,912.4	200,805.1

Source: Company; Maybank IBG Research



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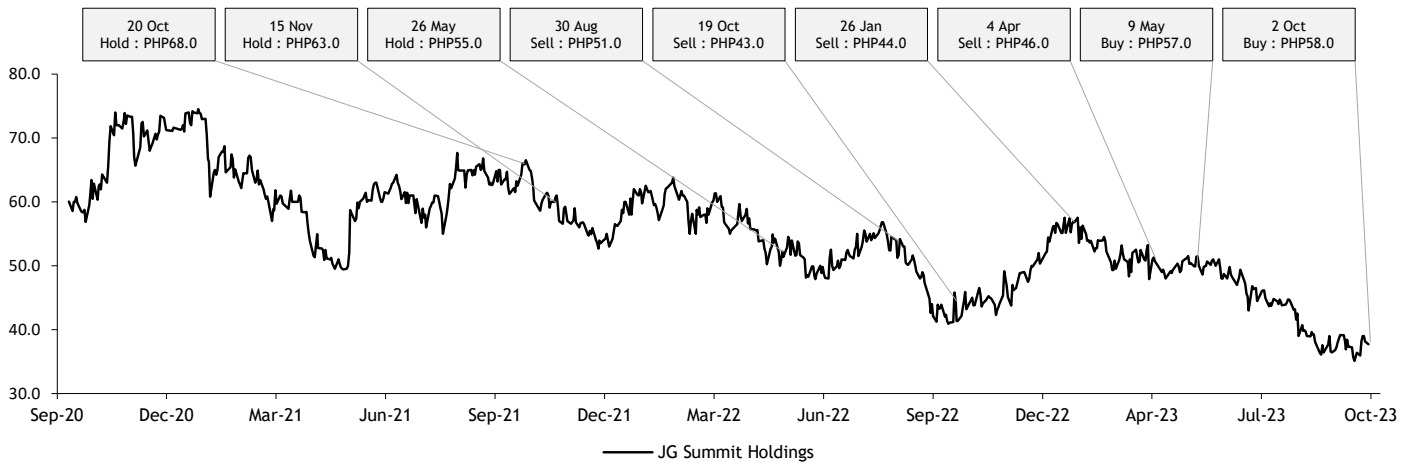
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**Historical recommendations and target price: JG Summit Holdings (JGS PM)**



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