

**COMPANY UPDATES**



**MPI**

MPI released its first quarter earnings last week. The company's core income rose by 44% to P1.1B. Maynilad's share in the income still comprised close to half of the total while Meralco's share improved. MPI is actively looking into infrastructure opportunities, particularly road connections, airport, and railways.

Meralco, in which MPI has investments through Beacon, saw a significant rise in its distribution and other revenues during the first quarter of 2011. The volume of electricity sold was flat, but distribution rates were much higher compared to a year ago. A 25% jump in first quarter revenues (P12.33 billion) translated to a 64% increase in the core net income (P3.25 billion) of Meralco. With temperatures soaring during the second quarter, electricity consumption is expected to increase as the year progresses. Expect to see a higher contribution from Meralco for the full year of 2011.

MPI's water business (Maynilad) enjoyed a 45% increase in its core income in 2010 due to tariff adjustments. This growth was sustained during the first quarter of 2011 as Maynilad saw its core net income rise by 19% to P1.40 billion. Billed volume likewise increased by 10%. The next challenges faced by Maynilad include further reducing its NRW from 50% as of end of Q1 2011, covering an additional 300,000 customers within its concession area in 2011, and meeting certain performance objectives such as 24-hour water availability and strong water pressure.

MPTC posted a 12% increase in revenues despite the flat growth in average daily vehicle entries as tariffs increased in Q1 2011. Its core income, however, was lower due to the expiration of the company's tax holiday. MPTC has several projects in the pipeline. SCTEX is scheduled to be turned over within the year. The company also plans to bid for other road projects this year.

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MPI's first quarter 2011 core income is in line with our expectations. We forecast an EPS of 0.22 for 2011 or a 57% increase over last year's figure. The company's growth drivers include an increase in water connections, tariff increase in tollways and a potential approval of favorable terms for the 3<sup>rd</sup> regulatory period of Meralco. MPI has room to acquire more funding to sustain its investments in water, power and tollways as the company has a debt to equity ratio of 0.55. Based on a mix of fundamentals and technicals, our target price for MPI is P4.40. It is currently trading at 16x PE based on a share price of P3.51 as of close May 18.