

Press Release
July 7, 2019

Increased share of construction to boost Megawide net income to shareholders

Philippines - Engineering and infrastructure conglomerate Megawide's (the Company's) net income attributable to shareholders is expected to improve in 2019, as construction rebounds and increases its share to net income.

Higher construction share

Last year, the wholly-owned construction business contributed 45% to consolidated net income with 55% coming from the combined airport operations and merchandising segments. With an expected recovery this year coming from the cyclical downturn in 2018, coupled with the full-year impact of amortization and depreciation charges and interest expenses on airport operations, construction's share to consolidated net income is seen to rise to more than 50% and boost net income attributable to Megawide shareholders.

As of June 2019, the Company has signed and received Notices to Proceed (NTPs) for seven (7) new projects worth Php9.8 billion, and is on track to meet the Php20 billion target new contracts, mostly from residential, office, and commercial projects. This will further beef up the Company's order book and provide revenues down the line as project completion progresses.

Sustained airport performance

Airport operations are forecast to sustain a strong performance, benefiting from the country's tourism story, particularly in Southern Philippines, where the Mactan-Cebu International Airport (MCIA) plays a central role. As a result, earnings before interest, taxes, depreciation and amortization (EBITDA), which provides a more accurate measure of value creation, is expected to post healthy growth and margins.

Based on Mactan-Cebu International Airport Authority (MCIAA) data, total passenger volume at the MCIA grew 14% in the first four months of 2019, with the domestic segment up 14% and the international segment higher by 10%. This despite the re-opening of Boracay late last year.

However, depreciation and amortization charges, associated with the opening of Terminal 2 at MCIA, and interest expenses, which were capitalized during completion, are expected to double from 2018's P980 million.

Landport operations to deliver income in 2020

Meanwhile, the Parañaque Integrated Transport Exchange (PITX) will provide the third leg in the Company's business portfolio. With the four office towers and some retail spaces opening this year, landport operations will start to contribute this year, albeit minimally. Next year, however, leasing revenues from total commercial spaces will have a full year impact and boost the Company's earnings.

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