MEGAWIDE

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Megawide construction and landport posts P324M net income in FY2020 amid pandemic
Resilient and essential segments unlock opportunities for further growth; new contracts banner strategic infrastructure pivot

Amid the adverse business impact of the pandemic, Megawide Construction Corporation's ("Megawide's" or the "Company's") construction and landport businesses reported a combined net income of P324 million in FY2020. The strong performance of these segments underscores their significance to spur commercial activities across the country and support economic recovery.

The Company reported unaudited consolidated revenues of P12.9 billion as operations were hampered by varying degrees of government mandated community quarantines. To optimize cash and financial position, the Company embarked on strict cost rationalization and expense management across the organization, translating to a 15% reduction in consolidated operating expenses to P1.54 billion.

This resulted in a consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of P2.77 billion. However, non-cash charges, particularly depreciation, amortization, and financing charges largely associated with the airport business, resulted in a net loss attributed to equity holders of the parent at P389 million.

Construction Drives Momentum in Second Half
The construction business contributed P10.8 billion or 84% to total consolidated revenues. The gradual reopening of the economy by mid-May facilitated movement of people and supply chain, sustaining healthy activities. In particular, quarterly revenues steadily rose from the low of P1.1 billion at the height of lockdown in 2Q2020 to P2.6 billion in 3Q2020 and further to P3.4 billion in 4Q2020, despite a reduced number of projects.

As of end 2020, Megawide's order book consisted of 21 live projects compared with 30 at the start of the year, with a number currently undergoing contract negotiations with various clients. This prompted the Company to implement a rightsizing exercise to ensure operational and financial profitability.

"Unfortunately, we also had to reduce and re-deploy our manpower complement on suspended projects. On the bright side, this allowed us to concentrate and monitor progress on our ongoing developments more closely. Our digitization and automation also enabled us complete the tasks previously done manually," added Saavedra.

The combined impact of rightsizing and the conscious effort to manage expenses resulted in improved EBITDA margin for construction to 17% from 15% previously, and matched the previous high recorded in 2018, amidst present day pandemic costs.

Infrastructure Pivot in Record Order Book
New contracts, secured mostly in the fourth quarter of 2020, amounted to P34.8 and brought the Company's order book to P68.4 billion by the end of last year – a new record amid the challenging business environment.

These new projects included the North-South Commuter Railway (NSCR) North Phase 2, or more popularly known as the Malolos-Clark Railway Project (MCRP), the Aglipay Sewage Treatment Plant (STP), Sun City West Side City Project, and the Newport Link. Half of these projects were infrastructure-related, the Aglipay water utility and MCRP commuter rail, which highlights the Company's pivot to the segment in anticipation of weak local private developments in the near term.

"We remain focused and committed on our vision of engineering a First-World Philippines, regardless of the business condition. For instance, we completed the Clark International Airport Terminal 2 and successfully hurdled the Swiss Challenge for the Carbon Modernization Project in November, despite the challenges posed by the pandemic. We believe that our determination and agility ensure that the Company's operating businesses continue to grow to create a positive impact on people's lives and livelihoods, and ultimately, the entire economic ecosystem," added Saavedra.

Landport Services Essential
Meanwhile, the Paranaque Integrated Terminal Exchange (PITX) continued to gain traction last year as revenues reached P902 million, accounting for 7% of the total. A net income of P222 million was reported and reversed the net loss in 2019. These results were achieved despite the temporary shutdown in 2Q2020 and highlights the necessity of such facilities to transport goods and workers.

Since reopening in May 2020, terminal foot traffic steadily increased and almost reached the pre-COVID levels of 60,000 passengers daily, registering an average of 58,000 passengers daily by December. Passenger spending likewise slowly recovered as retail establishments, especially the food and beverage counters, adapted their services to support commuters through push carts in key areas of the terminal, offering a wide variety of items for takeaway or onsite consumption while adhering to strict social distancing and sanitation standards.

"We now see the inevitability of an organized public transport system, housed inside a First-World terminal like PITX and its necessity under any circumstance, including this pandemic. This is the reason why we are aggressively looking for new PITX-like locations, such as what we are currently exploring with the LGU of Baguio City and incorporating into the Carbon Market modernization in Cebu. We aimto provide a safe, secure, and efficient transport system to tourists, workers, and commuters alike," explained Louie Ferrer, the Company's Executive Director for Infrastructure Development.

Airport Sets Sights on Vaccine Roll-out
Airport operations at Mactan Cebu International Airport delivered revenues of P1.11 billion and comprised 9% of total revenues. Total passenger count reached 2.7 million, with the domestic and international segments struggling at 1.9 million and 789,328 passengers, respectively. Total air traffic was likewise confined to 26,544 movements, split into 20,514 domestic and 6,030 international flights.

Meanwhile, the share of commercial revenues to total grew to 44% as of end last year, mostly conducted through cashless purchases and non-contact interaction to prevent virus transmission, from less than 30% five years ago. The level inched closer to the targeted 50% benchmark noted in major international gateways.

Since the reinstatement of local travel in June, 85 new domestic flights were recommissioned by partner airlines to service MCIA's predominantly domestic routes. Average passenger throughput also improved to around 2,000 daily in December from 1,100 daily at the resumption of flights.

While travel and tourism in general have yet to show signs of recovery at the back of worldwide vaccine roll-out, the GMR-Mactan Cebu Airport Corp. Team remains optimistic about the country's own vaccination drive to serve as catalysts for revenge travel, both from the domestic and international fronts.

A Year of Recalibration

Overall, 2020 was characterized by recalibration on the part of Megawide, particularly in the growth opportunities to pursue and the strategic objectives to prioritize.

"We are cognizant of the changes in the operating landscape and the Company's dynamism, coupled with a diverse portfolio, allowed us to navigate and shift more quickly to fresh opportunities, like our pivot to infrastructure and pursuit of more PITX-like locations. We believe these segments are resilient and essential, not just for the Company's long-term sustainable growth, but for the country's First-World development," Saavedra ended.

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