



Lopez Holdings Corporation

Valuation and Fairness Opinion Report

14 December 2020



R.G. Manabat & Co.
9/F The KPMG Center
6787 Ayala Avenue
Makati City 1226, Philippines

Tel +632 8885 7000
Fax +632 8894 1985
Internet www.kpmg.com.ph

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14 December 2020

Lopez Holdings Corporation

16F North Tower, Rockwell Business Center Sheridan,
Sheridan corner United Streets,
Highway Hills, Mandaluyong City

Attention: **Board of Directors of Lopez Holdings Corporation**

Gentlemen:

We are pleased to submit herewith this final valuation and fairness opinion report (the "Report") covering Lopez Holdings Corporation ("LHC" or the "Company").

This Report is submitted in accordance with the engagement letter of R.G. Manabat & Co. ("RGM&Co.") dated and signed on 2 December 2020 (the "Engagement Letter"). This Report supersedes all previous oral, and draft or interim reports and presentations, and that no reliance will be placed by you on any such previous oral, and draft or interim reports or presentations other than at your own risk.

This Report is based on the corporate and financial information and documents compiled and submitted by the Company and additional information obtained by RGM&Co. from public sources (e.g. Philippine Stock Exchange ("PSE") Edge, Philippine Dealing Systems ("PDS") Group, ThomsonOne, the International Monetary Fund ("IMF"), and company-specific websites, etc.) (collectively referred to as the "Information").

This Report is for the benefit and information only of the addressee and the Authorized Recipients indicated in the Engagement Letter and as defined in the Important Notice section on page 3 and should not be quoted or referred to, in whole or in part, without our prior written consent, except as specifically provided in the Engagement Letter or in the terms of engagement provided herein. The terms of reference for this Report have been accepted by the Company and we will not accept responsibility or liability to any other party to whom the Report may be shown or who may acquire a copy of the same.

Yours faithfully,
R.G. Manabat & Co.

Michael Arcatomy H. Guarin
*Partner and Head
Deal Advisory, Advisory Services*
CPA No. 99914
TIN 906 344 182 000



Important Notice (1/3)

Terms of engagement

- R.G. Manabat & Co. ("RGM&Co.") was engaged by Lopez Holdings Corporation ("LHC" or the "Company") to provide valuation services in relation to the voluntary delisting of the Company from the Philippine Stock Exchange (the "PSE"), which may result as a consequence of the successful tender offer by First Philippine Holdings Corporation ("FPH") for the shares of LHC (the "Transaction"). Pursuant to this advisory engagement, we are issuing this final valuation and fairness opinion report ("Report") for purposes of informing the board of directors ("BOD") of LHC on the results of valuation.
- This Report sets out the factual information and assumptions that are to form the basis of the valuation. The valuation was prepared in accordance with the engagement letter dated and signed on 2 December 2020 (the "Engagement Letter"). The valuation was performed based on the agreed cut-off date of 30 September 2020 (the "Cut-off Date").
- The scope of RGM&Co.'s work, and consequently, any implied opinion does not include any statement or opinion as to the strategic, operational or commercial merits of the Transaction.
- In our valuation exercise, RGM&Co. considered three (3) generally accepted valuation approaches: (1) the Income Approach involving the dividend discount model ("DDM") and the discounted cash flow ("DCF") methods, (2) the Market Approach specifically the volume weighted average price ("VWAP") method; and (3) the Cost Approach or Net Asset Value ("NAV"). In selecting the appropriate set of valuation methodologies to be used in this Report, RGM&Co. considered a set of criteria provided on page 7 of this Report.
- We based the valuation of the Company on the following: (i) audited financial statements ("AFS") of LHC as of/for the periods ended 31 December 2015, 2016, 2017, 2018 and 2019; (ii) unaudited financial statements ("FS") of LHC as of/for the periods ended 30 September 2019 and 30 September 2020; and (iii) other financial information such as the historical trading stock prices and volume of LHC and its subsidiaries (collectively referred to as "Information").
- This Report is prepared on the basis of sources of Information obtained from the Company and from reliable public sources during the course of the advisory engagement. It should be noted that RGM&Co. did not conduct an audit on the Information provided by the Company and obtained from reliable public sources. RGM&Co. assumed that all Information gathered were complete, accurate, and reflective of the good faith of the management of LHC ("Management") to describe the Company's historical status as of the Cut-off Date from a financial point of view.

Important Notice (2/3)

Terms of engagement (cont.)

- As part of the engagement, we relied upon publicly available data from recognized sources of financial information such as the PSE Edge, PDS Group, ThomsonOne, the IMF, and company-specific websites. Accordingly, we do not accept responsibility for the accuracy and adequacy of such information. We have satisfied ourselves, so far as possible, that the information presented in our Report are consistent with other information which were made available to us in the course of our work in accordance with the terms of our Engagement Letter. We have not, however, sought to establish the reliability of the sources by reference to other evidence.
- Except as otherwise provided in the Engagement Letter, in no circumstances should any report, advice or other information provided by us be relied upon by any third-party for any purpose and we expressly disclaim any liability to any third-party in this respect. Any projections set out within our report are speculative in nature and distinct from historical information; we do not accept responsibility for the realization of such projections. We must emphasize that the realization of any projections is dependent on the continuing validity of the assumptions on which it is based. The assumptions will need to be reviewed and revised to reflect any such changes in the direction of the business as they emerge. Actual results are likely to be different from those shown in the projections because events and circumstances frequently do not occur as expected, and the differences may be material.
- Other than identified in the Engagement Letter, no reference to or statement of reliance upon our Report can be released externally without the prior written consent of RGM&Co. as to the form and context of such release.
- As stated in the Engagement Letter, this Report shall be submitted to the Board of Directors, relevant senior management, and shareholders of the Company (the "Authorized Recipients"). Other than the submission to the Authorized Recipients, the Report shall not be quoted or referred to, in whole or in part, by any other entities, without prior written consent.
- We understand that should the Transaction proceed, this report will be made available to the Securities and Exchange Commission ("SEC"), the PSE, and investors of LHC. The Report may also be published in LHC's website upon the earliest of the filing of the delisting petition with the PSE, the disclosure of the receipt of the Report, or the launch of the tender offer. However, we do not assume responsibility for loss or liability to any party whatsoever, however arising, out of the use of the Report contrary to the purpose of this engagement.
- Other than the submission to the Authorized Recipients and its disclosure to FPH and any other persons or entities as allowed under the Engagement Letter, the Report may not be quoted or referred to, in whole or in part, by any other entities without our prior written consent. Should LHC desire to release copies of the Report to a third party other than the Authorized Recipients, FPH, or to any other persons or entities as allowed under the Engagement Letter, or request us to provide copies to third parties other than the Authorized Recipients, FPH, or to any other persons or entities as allowed under the Engagement Letter, we will first ask LHC to provide us a letter stating that LHC will indemnify us for any claims that may subsequently arise out of or relating to such release of the Report.

Important Notice (3/3)

Statement of compliance with SEC requirements

- As a requisite in providing valuation and fairness opinion services to LHC, we have complied with the requirements of the SEC as stated in the SEC Memorandum Circular No. 13 (Series of 2013), “Guidelines on the Conduct of Valuation and Issuance of a Fairness Opinion.” In compliance with the requirements of the SEC Memorandum Circular No. 13 (Series of 2013), we provide the following information:
 - All material assumptions as well as the justification of the choice of methodologies and description of the methods used are discussed in the Report.
 - The Report was discussed with and approved by the Executive Committee of RGM&Co., which is comprised of RGM&Co.’s top management and division heads. The Report was also approved and concurred with by an Engagement Quality Control Reviewer, specifically tasked to act as a sounding board and provide counsel from contemplation through conclusion of the Engagement.
 - The opinion herein does not express an opinion about the fairness of the compensation in the Transaction to any of LHC’s directors, officers or employees relative to the compensation to LHC’s shareholders.
 - RGM&Co. did not act as a financial advisor to any party to the Transaction, and did not receive compensation and/or other significant payments that is contingent on the successful completion of the Transaction, for rendering the fairness opinion.
 - There were no material relationships during the prior two (2) years or those contemplated between RGM&Co. and any party to the Transaction in which any compensation was received or intended to be received. Furthermore, RGM&Co. has obtained Confirmation of Independence from the PSE on 4 December 2020 with respect to the Firm’s issuance of valuation and fairness opinion in relation to the Transaction.
 - RGM&Co. is compliant with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants in the Philippines.
 - Please refer to Appendices 2 and 3 for the brief description of RGM&Co., and the education and professional qualifications of its representatives who conducted the valuation.

Glossary

Relevant parties

LHC or the Company Lopez Holdings Corporation

RGM&Co. R.G. Manabat & Co.

Other terms

9M2020, 3Q2020, or Cut-off Date 30 September 2020

ABS-CBN ABS-CBN Corporation

AFS Audited financial statements

BOD Board of directors

CAC Compound annual change

CAGR Compound annual growth rate

CAPM Capital Asset Pricing Model

DCF Discounted cash flow

DDM Dividend discount model

DPS Dividend per share

EBITDA Earnings before Interest, Taxes, Depreciation and Amortization

FCF Free cash flow

FPH First Philippine Holdings Corporation

FS Financial statements

Other terms (cont.)

GDP Gross domestic product

IMF International Monetary Fund

Ke Cost of equity

NAV Net asset value

PHP Philippine peso

PPE Property, Plant and Equipment

PSE Philippine Stock Exchange

Report Final valuation and fairness opinion report

ROE Return on equity

SEC Securities and Exchange Commission

VWAP Volume weighted average price



Executive Summary

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Valuation approaches and methodologies

Valuation approaches and methodologies

- LHC is involved in investment holdings of subsidiaries and associates. The operating segments of LHC are involved in power generation, property development, construction, and manufacturing of electrical and electronic components.
- To estimate the fair range of LHC's value as of the Cut-off Date, the Company's historical financials, and value drivers were taken into consideration. In view of the foregoing, RGM&Co. considered three (3) generally accepted valuation approaches: (1) the Income Approach, (2) the Market Approach, and (3) the Cost Approach. In selecting the appropriate set of valuation approaches, RGM&Co. considered the following criteria:
 - Consistency of the methodology given the availability and quality of the data;
 - Appropriateness of the methodology with the characteristics of the company being valued; and,
 - Applicability of the methodology with the purpose of the valuation.
- In using the above criteria, RGM&Co. considered the information provided by the Client and obtained from public sources on and before 11 December 2020.

Income Approach

- RGM&Co. used the Income Approach, specifically the DDM and DCF methods.
- In the DDM method, the equity value of LHC was based on the projected dividend payment of the Company. In using the DDM method, RGM&Co. specifically used the H Model. The detailed discussion of this method is provided on pages 20 to 21.

Valuation approaches and methodologies (cont.)

Income Approach (cont.)

- RGM&Co. also used the DCF method. In the DCF method, cash flows from dividends and cash distributions to be declared by LHC's subsidiaries and affiliates as well as cash general and administrative expenses were projected from 2021 to 2025 (the "Forecast Period") and discounted back to the Cut-off Date using an acceptable discount rate. In addition to the five-year free cash flow ("FCF"), the value of cash flows beyond the five-year period was likewise derived using the terminal value. The details are presented on pages 22 to 23.

Market Approach

- RGM&Co. computed the equity value of LHC using the 30-day, 60-day, 90-day, and 1-year VWAP with reference to the Company's trading volume and closing prices over a 90-day period ending 30 September 2020. RGM&Co. noted that 2.0 billion shares or 43.3% of LHC's total issued and outstanding common shares were owned by the public as of 30 September 2020.
- In addition to VWAP, RGM&Co. also referred to LHC's highest closing price within six (6) months prior to the Cut-off Date.
- The details of our analysis are presented on page 24.

Cost Approach

- The NAV method may be used in valuing holding firms, investment companies, and real estate firms where the underlying assets are valued using the Income or Market approaches. RGM&Co. determined the fair market value of LHC's Investment in PDRs and Investment in FPH. These two (2) investment accounts were considered as the Company's value drivers.
- In addition, RGM&Co. also applied a holding company discount to LHC's adjusted NAV. This is to take into account the historical discount applied by the market on the shares of LHC. The detailed discussion of this approach is provided on pages 25 to 26.

Valuation results and fairness opinion (1/2)

Valuation results

- Based on the detailed discussions in the succeeding sections, RGM&Co. computed the fair range of LHC’s equity value as of the Cut-off Date, as presented in the table below:

Valuation summary		
	Equity value (in PHP million)	Value per share (in PHP)
Income approach		
DDM method		
Scenario 1	15,815	3.48
Scenario 2	17,795	3.92
DCF method		
Scenario 1	15,164	3.34
Scenario 2	17,063	3.76
Market approach		
VWAP method		
30-day VWAP	10,640	2.34
60-day VWAP	11,275	2.48
90-day VWAP	11,321	2.49
1-year VWAP	13,777	3.03
Highest closing price in 6 months	13,445	2.96
Market approach		
NAV method		
Scenario 1	15,429	3.40
Scenario 2	16,566	3.65

Note: (a) RGM&Co. used LHC’s total issued and outstanding shares of 4,542,298,911 based on the Company’s 9M2020 Public ownership report

Source: RGM&Co. analysis

Fairness opinion

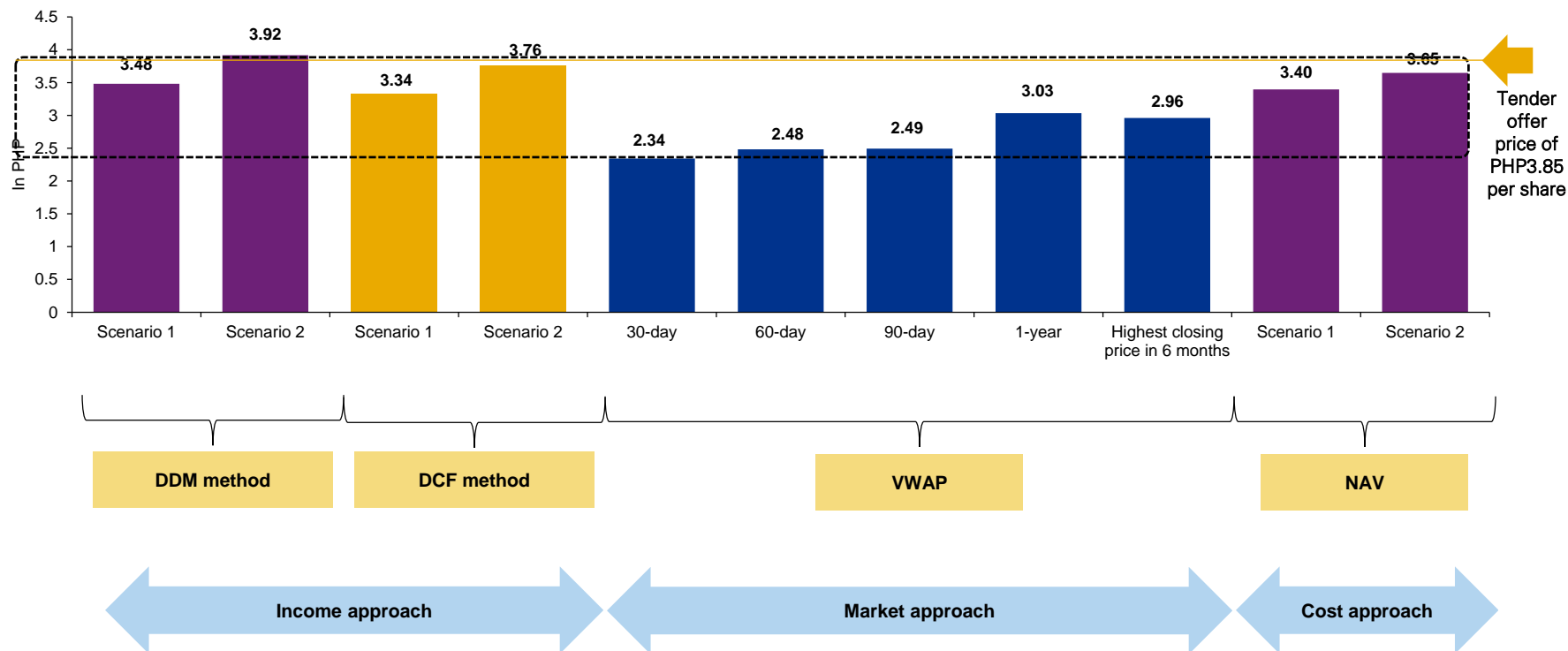
- Based on our independent valuation analysis, we are of the opinion that the fair value of the listed LHC common shares ranges from PHP2.34 to PHP3.92 per share as of the Cut-off Date.
- On the basis of the foregoing, the tender offer price of PHP3.85 per share (“Tender Offer Price”) is within the computed range of LHC’s equity value per share. Thus, RGM&Co. deemed the Tender Offer Price fair and reasonable from a financial point of view, as of the Cut-off Date.

Valuation results and fairness opinion (2/2)

Valuation bar

- In summary, the valuation results are as follows:

LHC - Range of values



Source: RGM&Co. analysis



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Factual Memorandum

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Company overview (1/2)

Company overview

- LHC was incorporated in the Philippines and registered with the SEC on 8 June 1993. The Company is involved in the investment holdings of subsidiaries and associates. The Company’s subsidiaries are involved in power generation, property development, construction, and manufacturing of electrical and electronic components.
- On the other hand, the Company’s associates are mainly involved in the business of broadcasting and entertainment.
- The Company’s registered business and principal office address is 16th floor North Tower, Rockwell Business Center Sheridan, Sheridan corner United Streets, Mandaluyong City.
- LHC’s authorized capital is 5.5 billion common shares with par value of PHP1.0. As of 30 September 2020, 4.6 billion common shares have been issued while 4.5 billion common shares are outstanding. The table below presents the details of LHC’s common shares as of 30 September 2020:

LHC - Common shares		
	Volume	Ratio
No. of non-public common shares	2,574,678,518	56.7%
No. of shares owned by the public	1,967,620,393	43.3%
Total outstanding shares	4,542,298,911	100.0%
Add: Treasury shares	87,233,700	
Total Issued shares	4,629,532,611	

Source: LHC 3Q2020 Quarterly report; LHC Public ownership report as of 30 September 2020

Company overview (cont.)

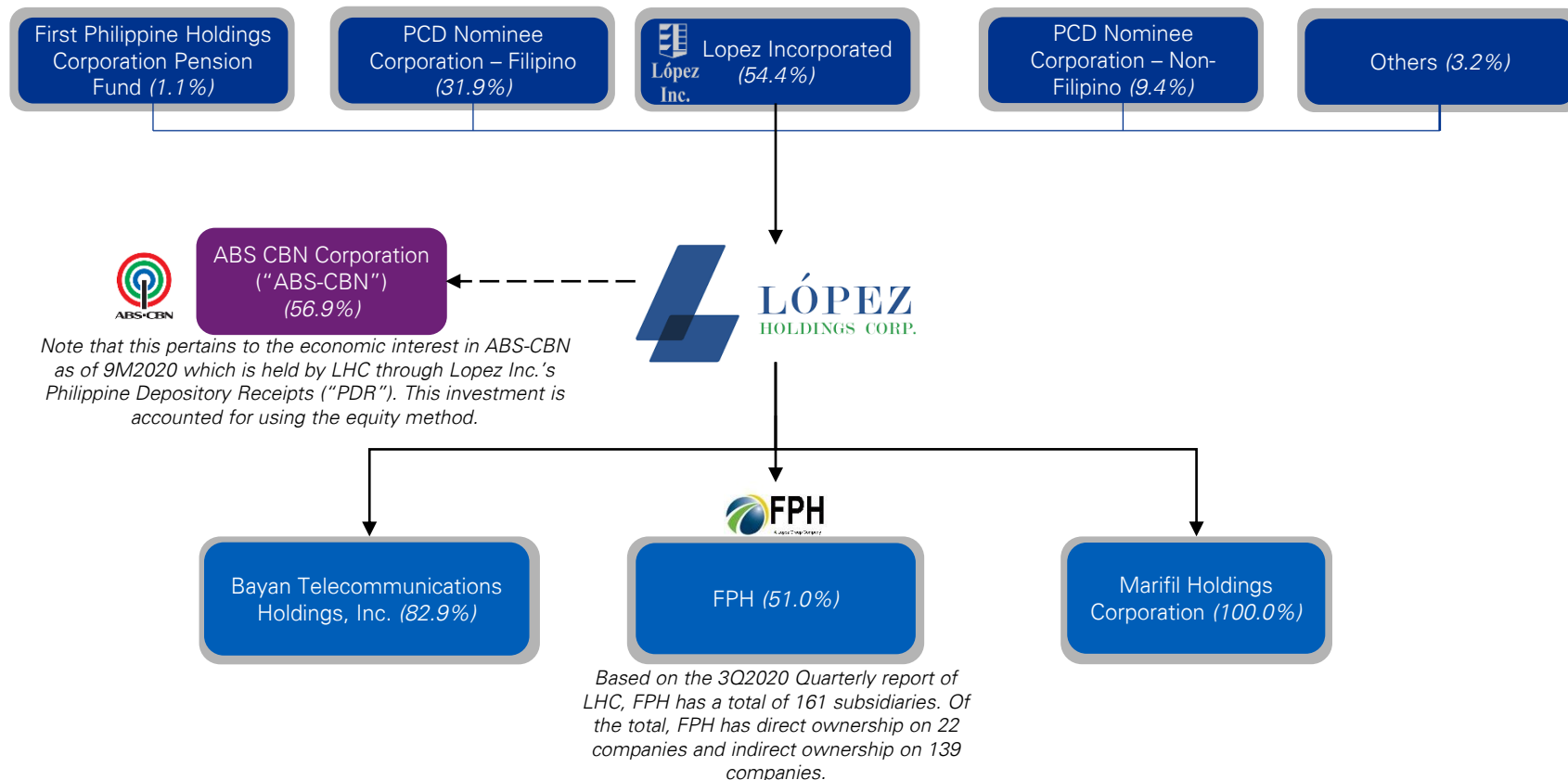
- The table below presents the BOD and key officers of LHC based on SEC Form 17-C dated 2 October 2020:

LHC’s BOD and key officers		
Name	Board position	Management position
Manuel M. Lopez	Chairman Emeritus	N/A
Federico R. Lopez	Chairman	CEO
Martin L. Lopez	Vice Chairman	N/A
Salvador G. Tirona	Director	President, COO and CFO
Monico V. Jacob	Independent Director	N/A
Cesar E. A. Virata	Independent Director	N/A
Lilia R. Bautista	Independent Director	N/A
Miguel L. Lopez	N/A	Executive VP for Corporate affairs and Treasurer
Enrique I. Quiason	N/A	Corporate Secretary
María Amina O. Amado	N/A	Compliance Officer, VP, Legal and Assistant Secretary
Marifi H. Hernandez	N/A	Head of Internal Audit
María Carla Paras-Sison	N/A	Head of Risk Management

Source: SEC Form 17-C; LHC website

Company overview (2/2)

- Presented below is the corporate structure of LHC:



Source: LHC Top 100 Shareholders as at 30 September 2020; LHC 3Q2020 Quarterly report; LHC Public ownership report as of 30 September 2020; FPH 3Q2020 Quarterly report

Historical financials (1/6)

Statement of financial performance

LHC's Consolidated statement of financial performance					
In PHP million	2017	2018	2019	9M2019	9M2020
Revenues	104,890	125,389	133,594	99,767	79,023
Costs of sales	(67,317)	(81,095)	(85,819)	(63,371)	(49,080)
Total gross income	37,573	44,294	47,775	36,396	29,943
General and administrative expenses	(13,411)	(15,443)	(17,378)	(12,474)	(11,023)
Total operating income	24,162	28,851	30,397	23,922	18,920
Other income (charges)	(5,584)	(2,149)	(1,917)	(804)	(5,574)
Income before income tax	18,578	26,702	28,480	23,118	13,346
Total provision for (benefit from) income tax	(4,040)	(5,499)	(4,886)	(3,829)	(3,045)
Net income	14,538	21,203	23,594	19,289	10,301
Net income attributable to:					
Equity holders of the parent	4,225	5,893	5,322	6,061	(491)
Non-controlling interests	10,313	15,310	18,272	13,228	10,792
Reported EBITDA					
Net interest expense	7,624	5,096	5,173	4,001	3,705
Income tax expense	4,040	5,499	4,886	3,829	3,045
Depreciation and amortization	12,446	13,148	13,487	9,783	9,789
EBITDA	38,648	44,946	47,140	36,902	26,840
Key performance indicators					
Gross income margin ^a	35.8%	35.3%	35.8%	36.5%	37.9%
Operating income margin ^b	23.0%	23.0%	22.8%	24.0%	23.9%
Net income margin ^c	13.9%	16.9%	17.7%	19.3%	13.0%
EBITDA margin ^d	36.8%	35.8%	35.3%	37.0%	34.0%
Return on equity ^e	8.4%	11.3%	12.2%	9.9%	5.1%
Return on assets ^f	3.9%	5.4%	6.0%	4.9%	2.6%

Note: (a) Gross income margin = Gross income ÷ Revenues
 (b) Operating income margin = Operating income ÷ Revenues
 (c) Net income margin = Net income ÷ Revenues
 (d) EBITDA margin = EBITDA ÷ Revenues
 (e) Return on equity ("ROE") = Net income ÷ Average Total equity
 (f) Return on assets = Net income ÷ Average Total assets

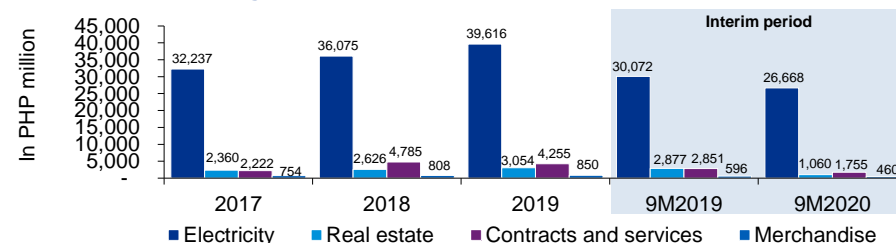
Sources: LHC 2017, 2018 and 2019 Annual Reports; LHC 3Q2019 and 3Q2020 Quarterly Report



Statement of financial performance (cont.)

- The table on the left presents the consolidated financial performance of the Company and its subsidiaries.
- LHC's consolidated net income increased from PHP14.5 billion in 2017 to PHP23.6 billion in 2019, at a compound annual growth rate ("CAGR") of 27.4%. During this period, Revenues increased at a CAGR of 12.9%, equivalent to PHP28.7 billion, while cost of sales and general and administrative expenses increased at a CAGR of 13.1%, equivalent to PHP22.5 billion. Other income, pertaining mainly to proceeds from insurance claims of Energy Development Corporation and FGP Corp., also increased by PHP4.0 billion. These factors caused the increase in LHC's consolidated net income. Accordingly, LHC's net income margin improved from 13.9% in 2017 to 17.7% in 2019. Reported earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") also grew at a CAGR of 10.4% from PHP38.6 billion in 2017 to PHP47.1 billion in 2019.
- Based on the 3Q2020 FS of LHC, the Company recorded PHP491.0 million in net loss attributable to equity holders of the Parent for the first nine (9) months of 2020, or a 108.1% decrease from the PHP6.1 billion in net income attributable to equity holders of the Parent reported for the same period in 2019. This decline was mainly due to LHC's share in the net loss recorded by one of its investees, ABS-CBN, following the termination of its broadcast operations, as well as the lower revenues from all business units under FPH. Presented below is the gross income of LHC's business segments:

Gross income per segment



Historical financials (2/6)

Statement of financial position

LHC's Consolidated statement of financial position (1/2)					
In PHP million	2017	2018	2019	9M2019	9M2020
Assets					
Current assets					
Cash and cash equivalents	42,172	36,983	39,002	41,762	56,155
Short-term investments	5,634	3,847	5,438	3,818	10,746
Trade and other receivables	33,393	24,599	28,203	24,705	24,584
Current portion of contract assets	-	12,101	13,625	12,461	11,141
Inventories	17,265	19,450	20,917	21,555	22,675
Prepayments and other current assets	14,617	12,836	12,381	11,847	12,465
Total current assets	113,081	109,816	119,566	116,148	137,766
Noncurrent assets					
Property, plant and equipment	141,545	139,935	135,517	136,014	128,853
Goodwill and intangible assets	51,720	51,228	50,684	50,802	50,189
Investments accounted for at equity method	22,293	24,107	21,611	25,396	16,465
Investment properties	19,591	20,147	22,455	19,079	22,627
Financial assets at fair value through other comprehensive income (FVOCI)	-	17,715	14,930	18,037	12,895
Other non current assets	39,820	27,682	27,821	27,316	26,230
Total noncurrent assets	274,969	280,814	273,018	276,644	257,259
Total assets	388,050	390,630	392,584	392,792	395,025

Source: LHC 2018 and 2019 Annual Report; LHC 3Q2019 and 3Q2020 Quarterly Report

Statement of financial position (cont.)

Assets

- The Company's assets primarily consisted of Property, plant and equipment, Cash and cash equivalents, and Goodwill and intangible assets. These accounted for 32.6%, 14.2%, and 12.7% of the Company's Total assets as of 9M2020

Property, plant and equipment ("PPE")

- As of 2019, PPE was mainly comprised of Power plants, buildings, other structures and leasehold improvements. This accounted for 42.7% of Total PPE.
- As of 2019, LHC's aggregate costs for its fully depreciated property and equipment that are still in use amounted to PHP1.1 billion as of 31 December 2019.

Cash and cash equivalents

- Cash on hand and in banks accounted for 28.5% of Total Cash and cash equivalents as of 31 December 2019. Cash in banks earns interest at the prevailing bank deposit rates.
- Cash equivalents consists of short-term placements, which are made for varying periods of up to three (3) months depending on the immediate cash requirements of LHC and earn interest at the prevailing short-term placements rates. As of 2019, Cash equivalents comprised 71.5% of Cash and Cash equivalents.

Goodwill and intangible assets

- Goodwill and intangible assets are composed of Goodwill, Concession rights for contracts acquired, Water rights, Pipeline rights, Right to use transmission line, and Other intangible assets.
- As of 31 December 2019, Goodwill contributed the largest to the Total Goodwill and intangible assets account, accounting for 95.4% of the Total.

Historical financials (3/6)

Statement of financial position (cont.)

LHC's Consolidated statement of financial position (2/2)					
In PHP million	2017	2018	2019	9M2019	9M2020
Liabilities and equity					
Current liabilities					
Trade payables and other current liabilities	33,025	38,367	45,185	38,426	35,037
Loans payable	190	403	993	892	31,068
Current portion of long-term debts	19,618	18,909	23,747	23,717	2,076
Income tax payable	493	532	548	1,427	850
Total current liabilities	53,326	58,211	70,473	64,462	69,031
Noncurrent liabilities					
Long-term debts - net of current portion	137,381	131,398	107,527	112,204	106,884
Other noncurrent liabilities	10,084	12,861	15,527	15,808	17,165
Total noncurrent liabilities	147,465	144,259	123,054	128,012	124,049
Total liabilities	200,791	202,470	193,527	192,474	193,080
Equity					
Common stock	4,630	4,630	4,630	4,630	4,630
Capital in excess of par value	248	248	248	248	248
Treasury stock	-	(75)	(289)	(179)	(354)
Accumulated unrealized fair value gains on financial assets at FVOCI	-	4,091	2,687	3,859	1,546
Accumulated unrealized fair value gains on AFS financial assets	2,974	-	-	-	-
Cumulative translation adjustments	(2,668)	(3,325)	(3,127)	(3,765)	(4,290)
Equity reserve	(3,746)	(2,937)	(2,937)	(2,862)	(2,937)
Retained earnings	59,103	64,700	68,779	70,013	68,288
Equity attributable to equity holders of the parent	60,541	67,332	69,991	71,944	67,131
Non-controlling interests	126,718	120,828	129,066	128,374	134,814
Total equity	187,259	188,160	199,057	200,318	201,945
Total liabilities and equity	388,050	390,630	392,584	392,792	395,025

Source: LHC 2018 and 2019 Annual Report; LHC 3Q2019 and 3Q2020 Quarterly Report



Statement of financial position (cont.)

Liabilities

- As of 9M2020, LHC's Liabilities primarily pertain to Long-term debts and Trade payables and other current liabilities accounting for 71.4% and 18.1% of Total liabilities, respectively.

Long-term debts

- Based on LHC's 2019 AFS, Long-term debts are categorized into FPH, Power generation, Manufacturing, Real estate development, and Construction and other services. LHC's consolidated long-term debts decreased by PHP25.7 billion or at a CAC of 8.6% from PHP157.0 billion in 2017 to PHP131.3 billion in 2019.

Trade payables and other current liabilities

- LHC's consolidated Trade payables and other current liabilities increased by PHP12.2 billion or at a CAGR of 17.0% from PHP33.0 billion in 2017 to PHP45.2 billion in 2019. The Trade payables subaccount, which increased by PHP5.7 billion, contributed the largest increase in the Total amount from PHP14.3 billion in 2017 to PHP20.0 billion in 2019.

Equity

Retained earnings

- LHC's consolidated Retained earnings include undistributed net earnings of subsidiaries, associates/Philippine Deposit Receipts, and joint ventures.
- Another component of Retained earnings is the "Excess of carrying value of obligations over buy-back or settlement amount of obligations" amounting to PHP2.2 billion from 2011 to 2016. This was brought about by the buy-back or settlement of obligations by LHC at less than carrying value, which is not surplus profit and which did not add any tangible cash or other asset which can be used to declare dividends.

Historical financials (4/6)

Standalone statement of financial performance

- The table below presents the standalone financial performance of LHC. The earnings of LHC is driven by dividend income and other cash distributions from the Company's investments.

LHC's statement of income (standalone)			
In PHP million	2017	2018	2019
Revenues			
Dividend income and cash distributions	1,042	987	804
Gain on sale of property and equipment	10	-	-
Total revenues	1,052	987	804
Income (Expenses)			
General and administrative expenses	(186)	(188)	(178)
Mark-market gain (loss) on financial assets at FVPL - net	67	(13)	43
Interest income	15	26	39
Foreign exchange gain (loss) - net	(12)	4	(3)
Interest expense on lease liability	(7)	-	(2)
Other income	-	3	-
Excess of the carrying amount of obligation over the buy-back price	-	-	-
Income (Expenses)	(123)	(168)	(101)
Income before income tax	929	819	703
Provision for (benefit from) income tax	14	(4)	11
Net income	915	823	692
Interest income	(15)	(26)	(39)
Interest expense on lease liability	7	-	2
Taxes	14	(4)	11
EBITDA	921	793	666

Source: LHC 2018 and 2019 Parent AFS

Standalone statement of financial position

- The table below presents the standalone financial position of LHC. It can be noted that the Company's main asset is its Investments in and advances to subsidiaries and Philippine Deposit Receipts.

LHC's statement of financial position (standalone)			
In PHP million	2017	2018	2019
Assets			
Current assets			
Cash and cash equivalents	671	911	854
Fair value through profit of loss (FVPL) investments	49	101	159
Other current assets	20	27	30
Total current assets	740	1,039	1,043
Noncurrent assets			
Investments in and advances to subsidiaries and Philippine Deposit Receipts	9,746	9,746	9,746
Property and equipment	12	27	26
Right-of-use asset	-	-	10
Pension assets	39	56	54
Other noncurrent financial assets	1,206	1,138	1,187
Total noncurrent assets	11,003	10,967	11,023
Total assets	11,743	12,006	12,066
Liabilities and equity			
Liabilities			
Accounts payable and other current liabilities	211	205	204
Deferred tax liabilities	66	68	79
Lease liability	-	-	11
Interest-bearing loans and borrowings	-	-	-
Total liabilities	277	273	294
Equity			
Total equity	11,466	11,733	11,772
Total liabilities and equity	11,743	12,006	12,066

Source: LHC 2018 and 2019 Parent AFS

Historical financials (5/6)

Dividend and cash distributions received by LHC

- LHC receives dividends and cash distributions from its investments. The table below provides a detailed breakdown of the dividends and cash distributions received by LHC since 2011:

Dividends and cash distributions received by LHC										
In PHP million	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
FPH	508	508	763	508	511	515	515	515	515	515
ABS-CBN (common)	938	357	178	289	289	361	501	443	265	-
ABS-CBN (preferred)	-	-	-	4	4	4	4	4	4	-
First Gen	-	6	12	12	12	12	12	12	12	12
Rockwell	-	-	-	-	-	1	1	1	2	1
SMC2A	-	-	-	1	1	-	-	-	-	-
SMC2C	-	2	4	4	4	4	4	4	4	4
SMC2E	-	-	-	-	-	1	1	1	1	1
SMC2F	-	-	-	-	1	3	3	3	3	3
Total dividends and cash distributions received by LHC	1,447	872	956	818	822	902	1,042	984	806	537

Source: LHC Management

- It can be noted that the amount of dividends received by LHC from FPH has consistently been at PHP515 million from 2016 to 2020. Dividends from FPH was the main contributor to the income earned by LHC since 2011.
- A similar consistent behavior can be observed for LHC's other investments from 2016 onwards, except for cash distributions arising from dividends declared by ABS-CBN which were not declared in 2020. This is attributable to the nonrenewal of ABS-CBN's congressional franchise.

Historical financials (6/6)

Dividend distribution

- The table below presents the historical cash dividend declared by LHC from 2011 to 2020:

Declaration date	Dividend per share ("DPS")	Total dividend paid
7 Sep 2011	0.100	PHP458 million
3 May 2012	0.100	PHP463 million
30 May 2013	0.125	PHP578 million
28 May 2014	0.100	PHP463 million
28 May 2015	0.100	PHP463 million
30 May 2016	0.200	PHP924 million
18 May 2017	0.100	PHP463 million
17 May 2018	0.100	PHP463 million
11 Jun 2019	0.100	PHP459 million
2 Oct 2020	0.100	PHP454 million

Sources: LHC 2019 Annual Report; SEC form 17-C Cash dividend disclosures



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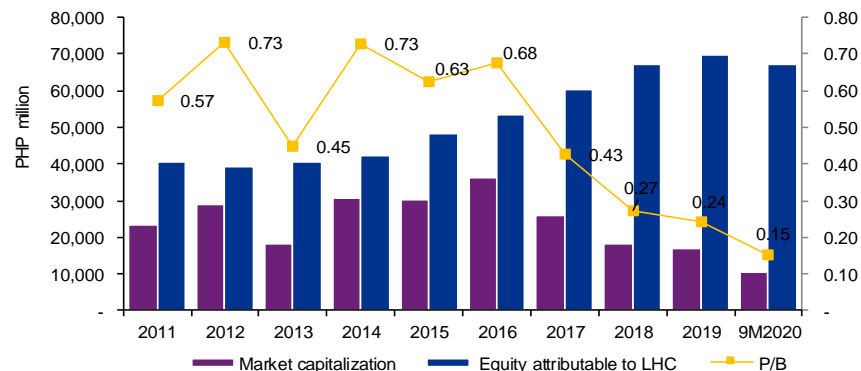
Dividend distribution (cont.)

- LHC has been distributing cash dividends every year since 7 September 2011. RGM&Co. also noted that from September 2011 to October 2020, the Company consistently declared and paid a DPS of PHP0.100, except for two (2) instances - PHP0.125 in year 2013 and PHP0.200 per share in year 2016.
- RGM&Co. also noted that despite the impact and implications of the COVID-19 pandemic, the Company was still able to declare and pay dividends in 2020.

Market performance

- The chart below presents the historical market capitalization, equity attributable to LHC, and price-to-book ("P/B") ratios of LHC from 2011 to 9M2020:

LHC's historical market capitalization vs. Equity attributable to LHC



Sources: LHC 2012 to 2019 Annual reports; LHC 3Q2020 Quarterly Report; RGM&Co. analysis

- From 2011 to 9M2020, it can be noted that the P/B ratio of LHC has consistently been below 0.75. Furthermore, since 2016, LHC's P/B has been on a declining trend, decreasing at a CAC of 32.6% from 0.68 as of 2016 to 0.15 as of 9M2020. These factors imply that the market, since 2011, has never valued LHC at or more than its book value and would support the application of a holding company or "Holdco" discount.



Valuation Memorandum

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Valuation methodology - Income approach (1/4)

Income approach

DDM method

- The DDM method assumes that the value of a stock is the present value of expected dividends on it. This is based on the premise that the only cash flow that an investor would receive from a publicly listed company is the dividend. The Company consistently declared and paid dividends to its stockholders since 2011. The most recent dividend declaration of the Company was on 02 October 2020 at PHP0.100 per share.
- There are two (2) basic components of the DDM – the discount rate and projected dividends.

Discount rate

- Determining an appropriate discount rate, which is reflective of both the general and specific risks of LHC’s future income stream, is an important element of the DDM method.
- Under the DDM method, the discount rate usually pertains to the Cost of equity (“Ke”). LHC’s Ke was computed using the Capital Asset Pricing Model (“CAPM”), which states that the Ke is based on the return generated from risk-free investments (risk-free rate) plus a premium for the risks associated with the business (equity risk premium). The CAPM formula is presented below:

$$Ke = rf + (Rpm * Beta\ factor)$$

- The table below summarizes the different variables used in calculating LHC’s Ke:

Cost of equity (Ke) components		
Component	Rate	Description/ source
Risk-free rate (rf)	2.73%	BVAL rate for 5-year Philippine treasury securities as of 30 September 2020
Market risk premium (Rpm)	6.75%	Recommended equity risk premium of KPMG International as of 30 September 2020
Beta factor	0.71	LHC’s beta factor

Income approach (cont.)

DDM method (cont.)

Discount rate (cont.)

- The table below presents the computation of LHC’s Ke:

LHC’s Cost of equity (Ke)		
Components	Formula	Variables
Risk-free rate	a	2.73%
Market risk premium	b	6.75%
Beta factor	c	0.71
Ke	d = a + (b * c)	7.55%

Source: PDS Group website; KPMG Equity Market Risk Premium Research as of 30 September 2020; ThomsonOne; RGM&Co. analysis

Projected dividends and equity value

- Under the DDM method, RGM&Co. used the H Model to estimate LHC’s future dividends. The H Model allows for two stages of growth - an initial phase where the growth rate declines linearly over time and a subsequent stable phase where the growth rate is stable and is expected to remain so for the long term. To estimate a fair range of values using the H Model, RGM&Co. used two (2) scenarios which will be discussed in the succeeding page.

Valuation methodology - Income approach (2/4)

Income approach

DDM method

Projected dividends and equity value - Scenario 1

- In Scenario 1, DPS was initially projected using a 4.8% growth rate based on the Company's 2015 to 2019 average standalone ROE and retention ratio of 11.5% and 41.8%, respectively. The initial growth rate of 4.8% was then set to decrease annually by 8.1 basis point to reach the stable growth rate of 4.4% after 2025. The stable growth rate was based on the average annual growth rate of the Philippines' gross domestic product ("GDP") from 2019 to 2025. The Philippine GDP forecast was based on the IMF's October 2020 world economic outlook database.

DDM method - H Model (Scenario 1)				
Year	Growth rate	DPS	Discount factor	Present value
Discount rate			7.55%	
DPS ₀		0.100		
2021	4.8%	0.105	0.96	0.10
2022	4.8%	0.110	0.89	0.10
2023	4.7%	0.115	0.83	0.09
2024	4.6%	0.120	0.77	0.09
2025	4.5%	0.126	0.71	0.09
Initial phase				0.47
Stable phase	4.4%	4.211	0.71	3.01
Price per share				3.48
Equity value (in PHP million)				15,815

Source: LHC's 2015 to 2019 AFS; LHC's 2 October 2020 disclosure; RGM&Co. analysis

- Below are the variables used in the computation of the stable phase DPS:

Stable phase (Scenario 1)				
Year	Growth rate	DPS	Capitalization rate	Stable phase DPS
Stable phase	4.4%	0.131	3.1%	4.211

Source: RGM&Co. analysis



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Income approach (cont.)

DDM method (cont.)

Projected dividends and equity value - Scenario 2

- In Scenario 2, the initial growth rate of 9.2% was based on LHC's 2015 to 2019 consolidated ROE and retention ratio of 10.2% and 90.2%. RGM&Co. used the same assumption in Scenario 1 for the stable phase growth rate under Scenario 2. Thus, the initial growth rate was then set to decline by 94.9 basis points annually to reach the stable phase growth rate of 4.4% after 2025.

DDM method - H Model (Scenario 2)				
Year	Growth rate	DPS	Discount factor	Present value
Discount rate			7.55%	
DPS ₀		0.100		
2021	9.2%	0.109	0.96	0.10
2022	8.2%	0.118	0.89	0.10
2023	7.3%	0.127	0.83	0.10
2024	6.3%	0.135	0.77	0.10
2025	5.4%	0.142	0.71	0.10
Initial phase				0.52
Stable phase	4.4%	4.759	0.71	3.40
Price per share				3.92
Equity value (in PHP million)				17,795

Source: LHC's AFS; RGM&Co. analysis

- Below are the variables used in the computation of the stable phase DPS:

Stable phase (Scenario 2)				
Year	Growth rate	DPS	Capitalization rate	Stable phase DPS
Stable phase	4.4%	0.148	3.1%	4.759

Source: RGM&Co. analysis

- Under the DDM method, LHC's equity value ranges from PHP15.8 billion to PHP17.8 billion, equivalent to PHP3.48 to PHP3.92 per share as of the Cut-off Date.

Valuation methodology - Income approach (3/4)

Income approach

DCF method

- In the valuation of the Company using the DCF method of the Income Approach, three (3) variables were considered in determining the value of LHC. These were: (a) the projected FCF, (b) the appropriate discount rate, and (c) the terminal value.

Projected FCF

- In computing for the value of LHC using the Income Approach, the financial projection of LHC's future cash flows is required. Being an investment holding company, LHC's income is primarily driven by the amount of dividends that the Company receives from its investments.
- The forecast for LHC assumes that the Company will be able to grow its income from dividends and cash distributions. LHC's receipt of dividends and cash dividends this year, despite the impact and implications of the COVID-19 pandemic on its investments, may be able to support the growth assumptions for income from dividends and cash distributions during the Forecast Period. The growth assumptions are consistent with the annual growth discussed under the DDM method on page 21. Thus, there are also two (2) scenarios for projected income from dividends and cash distributions:

Projected income from dividends and cash distribution (Scenario 1)					
In PHP million	2021	2022	2023	2024	2025
Dividends and cash distribution in the previous year	537	563	590	617	646
Annual growth	4.8%	4.8%	4.7%	4.6%	4.5%
Projected income from dividends and cash distribution	563	590	617	646	675

Source: LHC Management; RGM&Co. analysis

Projected income from dividends and cash distribution (Scenario 2)					
In PHP million	2021	2022	2023	2024	2025
Dividends and cash distribution in the previous year	537	586	635	681	724
Annual growth	9.2%	8.2%	7.3%	6.3%	5.4%
Projected income from dividends and cash distribution	586	635	681	724	763

Source: LHC Management; RGM&Co. analysis



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Income approach (cont.)

DCF method (cont.)

Projected cash flows (cont.)

- It was also assumed that the level of the Company's cash general and administrative expenses will be at 18.9%, based on the Company's average 2017 to 2019 cash general and administrative expenses as % of Revenues. These are expenses mainly for Personnel costs, Contracted services, and Representation and travel.
- RGM&Co. met with Management on 9 December 2020 to discuss the assumptions underlying the forecasted financial information used in this Report.
- Please note, however, that in using this method, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Hence, while RGM&Co. exercised best judgment in evaluating the assumptions, RGM&Co. would like to highlight that it cannot provide assurance on the realization of the financial projections.

Discount rate

- The Ke has been discussed on page 20. The same Ke in the DDM method was applied in the DCF method.

Terminal value

- In theory, the value of LHC's business should reflect its projected cash flows beyond the Forecast Period. However, cash flows can no longer be forecasted with reasonable certainty. As such, a single value representing the discounted value of all subsequent cash flows is computed. This single value is referred to as the terminal value.
- To estimate the terminal value, RGM&Co. applied a 4.4% growth rate after 2025. This is consistent with the stable growth rate assumed under the DDM method. The terminal growth rate was based on the average annual growth rate of the Philippine GDP from 2019 to 2025.

Valuation methodology - Income approach (4/4)

Income approach

DCF method (cont.)

Terminal value

- The tables below present the computation of terminal value under Scenario 1 and Scenario 2:

Terminal Value (Scenario 1)				
In PHP million (except for percentages)				
Year	Free cash flow	Discount rate (a)	Growth rate (b)	Capitalization rate (a-b)
2025	547	7.55%	4.43%	3.1%
Terminal Value				18,339

Source: RGM&Co. analysis; IMF

Terminal Value (Scenario 2)				
In PHP million (except for percentages)				
Year	Free cash flow	Discount rate (a)	Growth rate (b)	Capitalization rate (a-b)
2025	619	7.55%	4.43%	3.1%
Terminal Value				20,728

Source: RGM&Co. analysis; IMF

Income approach (cont.)

DCF method (cont.)

Equity value

- Using the assumptions discussed in the previous sections, the tables below present the computed equity value for LHC under the 2 scenarios of the DCF method:

Equity value (Scenario 1)						
In PHP million (except for discount factor)	2021	2022	2023	2024	2025	Terminal value
Projected income from dividends and cash distribution	563	590	617	646	675	
Cash general and administrative expenses	(106)	(111)	(117)	(122)	(128)	
FCF	457	478	501	524	547	18,339
Discount factor	0.96	0.89	0.83	0.77	0.71	0.71
Present value of FCF	436	425	414	402	391	13,096
Equity value						15,164
Value per share (in PHP)						3.34

Source: RGM&Co. analysis

Equity value (Scenario 2)						
In PHP million (except for discount factor)	2021	2022	2023	2024	2025	Terminal value
Projected income from dividends and cash distribution	586	635	681	724	763	
Cash general and administrative expenses	(111)	(120)	(129)	(137)	(144)	
FCF	476	515	552	587	619	20,728
Discount factor	0.96	0.89	0.83	0.77	0.71	0.71
Present value of FCF	454	457	456	451	442	14,802
Equity value						17,063
Value per share (in PHP)						3.76

Source: RGM&Co. analysis

- Under the DCF method, LHC's equity value ranges from PHP15.2 billion to PHP17.1 billion, equivalent to PHP3.34 to PHP3.76 per share as of the Cut-off Date.

Valuation methodology – Market approach

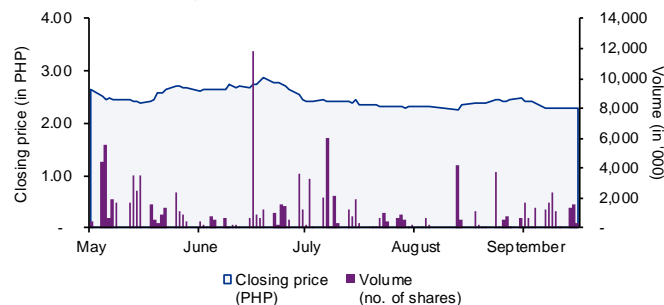
Market approach – VWAP method

- The VWAP is a volume weighted average of every market price at which a stock is traded over a given period. The formula is illustrated below:

$$\text{VWAP} = \frac{\sum(\text{Closing price} \times \text{Volume of stocks traded})}{\sum \text{Volume of stocks traded}}$$

- RGM&Co. made reference to the trading volume, closing price, and VWAP of LHC over a 90-day period ending 30 September 2020. RGM&Co. noted that 2.0 billion shares or 43.3% of LHC’s total issued and outstanding common shares were owned by the public as of 30 September 2020. In addition, the daily average trading volume over the 90-day period was at 1.3 million shares.
- In the analysis of the 90-day trading performance of the Company ending 30 September 2020, it was noted that:
 - Trading volume peaked on 30 June 2020 at 11.8 million shares while the closing price was highest on 3 July 2020 at PHP2.87 per share; and
 - Lowest recorded trading volume of the Company was on 3 August 2020 at 25.0 thousand shares. Closing price, on the other hand, reached its lowest level on 27 August 2020 at PHP2.3 per share.

LHC - 90-day trading performance



Source: ThomsonOne



Market approach – VWAP method (cont.)

- Presented below are the 30-day, 60-day and 90-day VWAP for LHC as of the Cut-off Date. Also presented in the table are the information on the Company’s closing price as of the Cut-off Date and the highest closing price within six (6) months prior to the Cut-off Date.

LHC - VWAP summary as of the Cut-off Date			
	Value per share	Outstanding shares	Total equity value
Closing price as of the Cut-off Date	2.28	4,542,298,911	10,356
Highest closing price in 6 months	2.96	4,542,298,911	13,445
30-Day VWAP	2.34	4,542,298,911	10,640
60-Day VWAP	2.48	4,542,298,911	11,275
90-Day VWAP	2.49	4,542,298,911	11,321

Source: ThomsonOne; RGM&Co. analysis

- It can be noted from the table above that the VWAP of LHC’s shares was on a declining trend. The decline may be attributed to various factors such as the 9M2020 financial performance of LHC’s subsidiaries and associates. To minimize the impact of these factors, we’ve extended the VWAP analysis to include a one-year period beginning 1 October 2019. The resulting VWAP is presented in the table below:

LHC - One-year VWAP as of the Cut-off Date			
	Value per share	Outstanding shares	Total equity value
One-year VWAP	3.03	4,542,298,911	13,777

Source: ThomsonOne; RGM&Co. analysis

- Using the VWAP method, LHC’s equity value ranges from PHP10.6 billion to PHP13.8 billion, equivalent to value per share range of PHP2.34 to PHP3.03 as of the Cut-off Date.
- Please note that LHC’s highest closing price in six (6) months of PHP2.96 was also included in determining LHC’s range of values.

Valuation methodology – Cost approach (1/2)

Cost approach – NAV method

- LHC is a holding company and its assets are primarily composed of its investments in PDRs and in subsidiaries. These assets are also considered as LHC’s value drivers. Hence, the fair market values of these assets should be reflected in the valuation of LHC. Presented below is the condensed breakdown of LHC’s unadjusted NAV as of 9M2020 at the standalone level:

LHC - Unadjusted NAV as of 9M2020	
In PHP million	9M2020
Current assets	1,183
Investment in PDRs	5,779
Investment in FPH	3,967
Other noncurrent assets	1,249
Total assets	12,178
Total liabilities	(301)
Unadjusted NAV	11,877

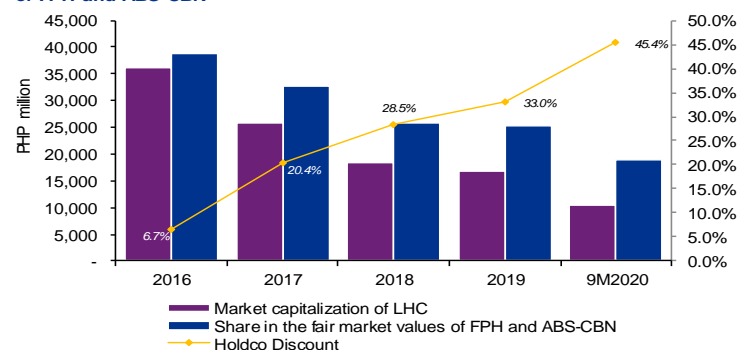
Source: LHC 9M2020 Parent AFS

- It can be noted that Investment in PDRs and Investment in FPH comprised 80.0% of LHC’s total assets at the standalone level.
- RGM&Co. computed for the Company’s adjusted NAV to determine LHC’s value as of the Cut-off Date. Adjustment were made in LHC’s Investment in PDRs (i.e. economic interest in ABS-CBN), and Investment in FPH accounts to reflect the fair market values of LHC’s value drivers.
- It can be noted that ABS-CBN and FPH are publicly-listed companies and their stocks are traded at the PSE. Thus, in determining the fair values of these entities, RGM&Co. referred to the entities’ stock price data on and before the Cut-off Date. These information were deemed to be the basis of the entities’ fair market values.
- The generally accepted definition of “fair market value” is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market, where both have access to all relevant information.

Cost approach – NAV method (cont.)

- To determine a range of values using this approach, RGM&Co. applied the following scenarios:
 - Scenario 1 – to determine the fair market values of ABS-CBN and FPH, RGM&Co. applied the closing stock price of the entities as of the Cut-off Date.
 - Scenario 2 – RGM&Co. applied the entities’ 90-day VWAP ending 30 September 2020 to determine the fair market values of ABS-CBN and FPH.
- In addition to the discussion on page 18, RGM&Co. also noted that LHC’s historical market capitalization has been below its share in the fair market values of FPH and ABS-CBN. Presented below is a comparison of LHC’s market capitalization and its share in the fair market values of FPH and ABS-CBN. The illustration also presents the gap between the two (2) set of values which is referred to as the holding company or “Holdco” discount.

Market capitalization of LHC vs. Share in the fair market values of FPH and ABS-CBN



Note: The fair market values of FPH and ABS-CBN were determined by multiplying their period-end closing price with the number of their outstanding common stocks as of the same period. The fair market values were then multiplied by the percentage of LHC’s shareholdings during that period.

Source: PSE Edge; RGM&Co. analysis

- RGM&Co. deemed it reasonable to apply a Holdco discount of 26.8% based on the average Holdco discount from 2016 to 9M2020.

Valuation methodology – Cost approach (2/2)

Cost approach – NAV method (cont.)

- Further to the discussion in the previous page, presented in the tables below are the detailed computation of LHC's adjusted NAV under Scenario 1 and Scenario 2 of the NAV method:

NAV - Scenario 1						
In PHP million (except for no. of shares and percentages)	Price per share (9M2020 closing price) (a)	No. of outstanding shares as of 9M2020 (b)	Market capitalization (c = a x b)	LHC's equity/economic interest (d)	LHC's share in the value of FPH and ABS-CBN (e = c x d)	
FPH	61.0	505,425,994	30,831	51.0%	15,709	
ABS-CBN	6.6	857,516,968	5,694	56.9%	3,238	
Fair value of LHC's investment in FPH and ABS-CBN					18,948	
Value of LHC's other assets, net of liabilities					2,131	
LHC - Adjusted net asset value					21,079	
Holdco discount (26.8% of adjusted net asset value)					(5,650)	
LHC - Adjusted net asset value, net of holdco discount					15,429	
Value per share (in PHP)					3.40	

Source: ThomsonOne; PSE Edge; LHC 9M2020 Parent AFS; RGM&Co. analysis

NAV - Scenario 2						
In PHP million (except for no. of shares and percentages)	Price per share (90-day VWAP) (a)	No. of outstanding shares as of 9M2020 (b)	Market capitalization (c = a x b)	LHC's equity/economic interest (d)	LHC's share in the value of FPH and ABS-CBN (e = c x d)	
FPH	59.8	505,425,994	30,226	51.0%	15,401	
ABS-CBN	10.5	857,516,968	8,968	56.9%	5,100	
Value of LHC					20,501	
Value of LHC's other assets, net of liabilities					2,131	
LHC - Adjusted net asset value					22,632	
Holdco discount (26.8% of adjusted net asset value)					(6,066)	
LHC - Adjusted net asset value, net of holdco discount					16,566	
Value per share (in PHP)					3.65	

Source: ThomsonOne; PSE Edge; LHC 9M2020 Parent AFS; RGM&Co. analysis

- Using the NAV method, LHC's equity value ranges from PHP15.4 billion to PHP16.6 billion, equivalent to value per share range of PHP3.40 to PHP3.65 as of the Cut-off Date.

Valuation results and fairness opinion (1/2)

Valuation results

- Based on the detailed discussions in the preceding sections, RGM&Co. computed the fair range of LHC’s equity value as of the Cut-off Date, as presented in the table below:

Valuation summary		
	Equity value (in PHP million)	Value per share (in PHP)
Income approach		
DDM method		
Scenario 1	15,815	3.48
Scenario 2	17,795	3.92
DCF method		
Scenario 1	15,164	3.34
Scenario 2	17,063	3.76
Market approach		
VWAP method		
30-day VWAP	10,640	2.34
60-day VWAP	11,275	2.48
90-day VWAP	11,321	2.49
1-year VWAP	13,777	3.03
Highest closing price in 6 months	13,445	2.96
Market approach		
NAV method		
Scenario 1	15,429	3.40
Scenario 2	16,566	3.65

Note: (a) RGM&Co. used LHC’s total issued and outstanding shares of 4,542,298,911 based on the Company’s 9M2020 Public ownership report

Source: RGM&Co. analysis

Fairness opinion

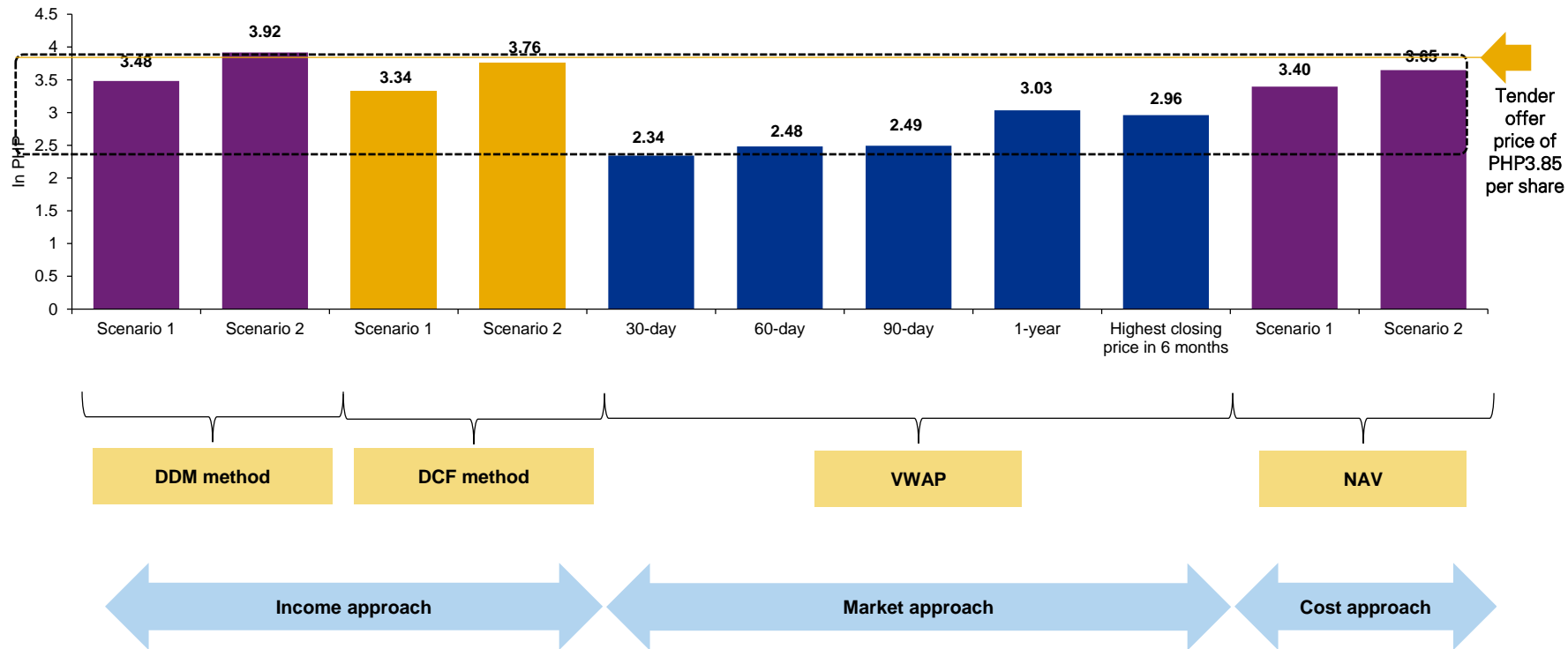
- Based on our independent valuation analysis, we are of the opinion that the fair value of the listed LHC common shares ranges from PHP2.34 to PHP3.92 per share as of the Cut-off Date.
- On the basis of the foregoing, the Tender Offer Price is within the computed range of LHC’s equity value per share. Thus, RGM&Co. deemed the Tender Offer Price fair and reasonable from a financial point of view, as of the Cut-off Date.

Valuation results and fairness opinion (2/2)

Valuation bar

- In summary, the valuation results are as follows:

LHC - Range of values



Source: RGM&Co. analysis



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One-year trading information (1/5)

LHC - One year trading performance				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
1	30-Sep-20	2.28	347,000.00	791,160
2	29-Sep-20	2.29	1,553,000	3,556,370
3	28-Sep-20	2.30	1,309,000	3,010,700
4	25-Sep-20	2.30	58,000	133,400
5	24-Sep-20	2.29	1,091,000	2,498,390
6	23-Sep-20	2.29	2,410,000	5,518,900
7	22-Sep-20	2.29	1,657,000	3,794,530
8	21-Sep-20	2.30	1,203,000	2,766,900
9	18-Sep-20	2.38	1,312,000	3,122,560
10	17-Sep-20	2.42	75,000	181,500
11	16-Sep-20	2.42	669,000	1,618,980
12	15-Sep-20	2.41	1,678,000	4,043,980
13	14-Sep-20	2.47	645,000	1,593,150
14	11-Sep-20	2.45	44,000	107,800
15	10-Sep-20	2.41	832,000	2,005,120
16	9-Sep-20	2.42	585,000	1,415,700
17	8-Sep-20	2.46	100,000	246,000
18	7-Sep-20	2.45	3,709,000	9,087,050
19	4-Sep-20	2.38	91,000	216,580
20	3-Sep-20	2.38	75,000	178,500
21	2-Sep-20	2.37	250,000	592,500
22	1-Sep-20	2.37	1,128,000	2,673,360
23	28-Aug-20	2.36	562,000	1,326,320
24	27-Aug-20	2.26	4,151,000	9,381,260
25	19-Aug-20	2.31	168,000	388,080

Sources: ThomsonOne; RGM&Co. analysis

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
26	18-Aug-20	2.33	643,000	1,498,190
27	17-Aug-20	2.32	125,000	290,000
28	14-Aug-20	2.32	214,000	496,480
29	13-Aug-20	2.31	48,000	110,880
30	12-Aug-20	2.30	611,000	1,405,300
31	11-Aug-20	2.31	852,000	1,968,120
32	10-Aug-20	2.33	629,000	1,465,570
33	7-Aug-20	2.33	432,000	1,006,560
34	6-Aug-20	2.33	1,002,000	2,334,660
35	5-Aug-20	2.33	659,000	1,535,470
36	4-Aug-20	2.34	37,000	86,580
37	3-Aug-20	2.34	25,000	58,500
38	30-Jul-20	2.35	381,000	895,350
39	29-Jul-20	2.45	1,872,000	4,586,400
40	28-Jul-20	2.39	748,000	1,787,720
41	27-Jul-20	2.41	1,193,000	2,875,130
42	24-Jul-20	2.41	376,000	906,160
43	23-Jul-20	2.41	2,165,000	5,217,650
44	22-Jul-20	2.43	138,000	335,340
45	21-Jul-20	2.43	5,982,000	14,536,260
46	20-Jul-20	2.46	2,086,000	5,131,560
47	17-Jul-20	2.43	122,000	296,460
48	16-Jul-20	2.43	3,304,000	8,028,720
49	15-Jul-20	2.43	165,000	400,950
50	14-Jul-20	2.45	1,266,000	3,101,700

Sources: ThomsonOne; RGM&Co. analysis

One-year trading information (2/5)

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
51	13-Jul-20	2.56	3,673,000	9,402,880
52	10-Jul-20	2.66	575,000	1,529,500
53	9-Jul-20	2.71	1,444,000	3,913,240
54	8-Jul-20	2.73	1,545,000	4,217,850
55	7-Jul-20	2.79	200,000	558,000
56	6-Jul-20	2.77	1,011,000	2,800,470
57	3-Jul-20	2.87	1,186,000	3,403,820
58	2-Jul-20	2.81	718,000	2,017,580
59	1-Jul-20	2.74	919,000	2,518,060
60	30-Jun-20	2.74	11,817,000	32,378,580
61	29-Jun-20	2.69	664,000	1,786,160
62	26-Jun-20	2.72	122,000	331,840
63	25-Jun-20	2.67	251,000	670,170
64	24-Jun-20	2.70	225,000	607,500
65	23-Jun-20	2.73	159,000	434,070
66	22-Jun-20	2.65	682,000	1,807,300
67	19-Jun-20	2.64	519,000	1,370,160
68	18-Jun-20	2.63	774,000	2,035,620
69	17-Jun-20	2.63	78,000	205,140
70	16-Jun-20	2.63	203,000	533,890
71	15-Jun-20	2.61	473,000	1,234,530
72	11-Jun-20	2.69	479,000	1,288,510
73	10-Jun-20	2.68	943,000	2,527,240
74	9-Jun-20	2.71	1,174,000	3,181,540
75	8-Jun-20	2.70	2,367,000	6,390,900

Sources: ThomsonOne; RGM&Co. analysis

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
76	5-Jun-20	2.63	1,408,000	3,703,040
77	4-Jun-20	2.58	914,000	2,358,120
78	3-Jun-20	2.58	347,000	895,260
79	2-Jun-20	2.45	568,000	1,391,600
80	1-Jun-20	2.43	1,609,000	3,909,870
81	29-May-20	2.40	3,502,000	8,404,800
82	28-May-20	2.41	2,523,000	6,080,430
83	27-May-20	2.43	3,562,000	8,655,660
84	26-May-20	2.45	1,702,000	4,169,900
85	22-May-20	2.45	1,651,000	4,044,950
86	21-May-20	2.46	1,878,000	4,619,880
87	20-May-20	2.48	679,000	1,683,920
88	19-May-20	2.45	5,596,000	13,710,200
89	18-May-20	2.50	4,411,000	11,027,500
90	15-May-20	2.63	405,000	1,065,150
91	14-May-20	2.69	3,877,000	10,429,130
92	13-May-20	2.57	1,752,000	4,502,640
93	12-May-20	2.62	2,828,000	7,409,360
94	11-May-20	2.71	3,133,000	8,490,430
95	8-May-20	2.76	4,935,000	13,620,600
96	7-May-20	2.68	12,102,000	32,433,360
97	6-May-20	2.45	10,674,000	26,151,300
98	5-May-20	2.55	5,512,000	14,055,600
99	4-May-20	2.57	5,840,000	15,008,800
100	30-Apr-20	2.62	4,070,000	10,663,400

Sources: ThomsonOne; RGM&Co. analysis

One-year trading information (3/5)

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
101	29-Apr-20	2.67	350,000	934,500
102	28-Apr-20	2.68	1,181,000	3,165,080
103	27-Apr-20	2.63	338,000	888,940
104	24-Apr-20	2.69	809,000	2,176,210
105	23-Apr-20	2.73	619,000	1,689,870
106	22-Apr-20	2.74	651,000	1,783,740
107	21-Apr-20	2.77	490,000	1,357,300
108	20-Apr-20	2.78	1,903,000	5,290,340
109	17-Apr-20	2.79	2,729,000	7,613,910
110	16-Apr-20	2.88	1,577,000	4,541,760
111	15-Apr-20	2.89	449,000	1,297,610
112	14-Apr-20	2.85	1,188,000	3,385,800
113	13-Apr-20	2.82	389,000	1,096,980
114	8-Apr-20	2.87	1,107,000	3,177,090
115	7-Apr-20	2.96	664,000	1,965,440
116	6-Apr-20	2.85	353,000	1,006,050
117	3-Apr-20	2.81	316,000	887,960
118	2-Apr-20	2.79	239,000	666,810
119	1-Apr-20	2.86	34,000	97,240
120	31-Mar-20	2.79	1,085,000	3,027,150
121	30-Mar-20	2.83	244,000	690,520
122	27-Mar-20	2.98	112,000	333,760
123	26-Mar-20	3.00	337,000	1,011,000
124	25-Mar-20	2.83	294,000	832,020
125	24-Mar-20	2.83	98,000	277,340

Sources: ThomsonOne; RGM&Co. analysis

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
126	23-Mar-20	2.79	633,000	1,766,070
127	20-Mar-20	2.90	1,071,000	3,105,900
128	19-Mar-20	2.90	1,791,000	5,193,900
129	16-Mar-20	3.40	82,000	278,800
130	13-Mar-20	3.66	794,000	2,906,040
131	12-Mar-20	3.68	5,071,000	18,661,280
132	11-Mar-20	3.71	61,000	226,310
133	10-Mar-20	3.71	650,000	2,411,500
134	9-Mar-20	3.69	1,515,000	5,590,350
135	6-Mar-20	3.70	64,000	236,800
136	5-Mar-20	3.70	1,220,000	4,514,000
137	4-Mar-20	3.70	427,000	1,579,900
138	3-Mar-20	3.71	1,130,000	4,192,300
139	2-Mar-20	3.71	372,000	1,380,120
140	28-Feb-20	3.70	806,000	2,982,200
141	27-Feb-20	3.98	331,000	1,317,380
142	26-Feb-20	3.99	188,000	750,120
143	24-Feb-20	3.96	476,000	1,884,960
144	21-Feb-20	3.88	452,000	1,753,760
145	20-Feb-20	4.00	1,120,000	4,480,000
146	19-Feb-20	3.75	509,000	1,908,750
147	18-Feb-20	3.77	138,000	520,260
148	17-Feb-20	3.81	5,385,000	20,516,850
149	14-Feb-20	3.80	1,324,000	5,031,200
150	13-Feb-20	3.77	1,792,000	6,755,840

Sources: ThomsonOne; RGM&Co. analysis

One-year trading information (4/5)

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
151	12-Feb-20	3.77	441,000	1,662,570
152	11-Feb-20	3.77	295,000	1,112,150
153	10-Feb-20	3.75	7,365,000	27,618,750
154	7-Feb-20	3.78	32,000	120,960
155	6-Feb-20	3.72	18,000	66,960
156	5-Feb-20	3.71	2,309,000	8,566,390
157	4-Feb-20	3.70	371,000	1,372,700
158	3-Feb-20	3.69	2,770,000	10,221,300
159	31-Jan-20	3.72	1,118,000	4,158,960
160	30-Jan-20	3.72	224,000	833,280
161	29-Jan-20	3.73	2,279,000	8,500,670
162	28-Jan-20	3.78	429,000	1,621,620
163	27-Jan-20	3.74	404,000	1,510,960
164	24-Jan-20	3.71	632,000	2,344,720
165	23-Jan-20	3.71	7,000	25,970
166	22-Jan-20	3.71	176,000	652,960
167	21-Jan-20	3.69	272,000	1,003,680
168	20-Jan-20	3.71	121,000	448,910
169	17-Jan-20	3.71	641,000	2,378,110
170	16-Jan-20	3.71	350,000	1,298,500
171	15-Jan-20	3.72	71,000	264,120
172	14-Jan-20	3.76	532,000	2,000,320
173	10-Jan-20	3.83	1,097,000	4,201,510
174	9-Jan-20	3.84	636,000	2,442,240
175	8-Jan-20	3.85	668,000	2,571,800

Sources: ThomsonOne; RGM&Co. analysis

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
176	7-Jan-20	3.88	718,000	2,785,840
177	6-Jan-20	3.82	333,000	1,272,060
178	3-Jan-20	3.72	105,000	390,600
179	2-Jan-20	3.70	717,000	2,652,900
180	27-Dec-19	3.71	163,000	604,730
181	26-Dec-19	3.75	164,000	615,000
182	23-Dec-19	3.70	478,000	1,768,600
183	20-Dec-19	3.73	316,000	1,178,680
184	19-Dec-19	3.72	173,000	643,560
185	18-Dec-19	3.74	135,000	504,900
186	17-Dec-19	3.75	168,000	630,000
187	16-Dec-19	3.78	1,679,000	6,346,620
188	13-Dec-19	3.78	57,000	215,460
189	12-Dec-19	3.78	75,000	283,500
190	11-Dec-19	3.76	291,000	1,094,160
191	10-Dec-19	3.76	125,000	470,000
192	9-Dec-19	3.76	398,000	1,496,480
193	6-Dec-19	3.75	1,128,000	4,230,000
194	5-Dec-19	3.88	377,000	1,462,760
195	4-Dec-19	3.90	1,583,000	6,173,700
196	3-Dec-19	4.04	2,327,000	9,401,080
197	2-Dec-19	4.04	167,000	674,680
198	29-Nov-19	4.04	477,000	1,927,080
199	28-Nov-19	4.06	107,000	434,420
200	27-Nov-19	4.06	87,000	353,220

Sources: ThomsonOne; RGM&Co. analysis

One-year trading information (5/5)

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
201	26-Nov-19	4.03	118,000	475,540
202	25-Nov-19	4.01	61,000	244,610
203	22-Nov-19	4.00	16,882,000	67,528,000
204	21-Nov-19	4.04	35,000	141,400
205	20-Nov-19	3.99	71,000	283,290
206	19-Nov-19	3.97	2,410,000	9,567,700
207	18-Nov-19	4.16	368,000	1,530,880
208	15-Nov-19	4.15	162,000	672,300
209	14-Nov-19	4.15	96,000	398,400
210	13-Nov-19	4.16	451,000	1,876,160
211	12-Nov-19	4.16	696,000	2,895,360
212	11-Nov-19	4.15	1,507,000	6,254,050
213	8-Nov-19	4.26	353,000	1,503,780
214	7-Nov-19	4.30	83,000	356,900
215	6-Nov-19	4.32	281,000	1,213,920
216	5-Nov-19	4.37	6,308,000	27,565,960
217	4-Nov-19	4.37	455,000	1,988,350
218	31-Oct-19	4.31	945,000	4,072,950
219	30-Oct-19	4.31	816,000	3,516,960
220	29-Oct-19	4.31	282,000	1,215,420
221	28-Oct-19	4.29	205,000	879,450
222	25-Oct-19	4.30	815,000	3,504,500
223	24-Oct-19	4.31	45,000	193,950
224	23-Oct-19	4.30	66,000	283,800
225	22-Oct-19	4.31	218,000	939,580

Sources: ThomsonOne; RGM&Co. analysis

LHC - One year trading performance (cont.)				
Days	Date	Closing price (PHP)	Volume (no. of shares)	Traded value (PHP)
226	21-Oct-19	4.32	394,000	1,702,080
227	18-Oct-19	4.36	330,000	1,438,800
228	17-Oct-19	4.36	344,000	1,499,840
229	16-Oct-19	4.30	80,000	344,000
230	15-Oct-19	4.31	1,037,000	4,469,470
231	14-Oct-19	4.40	175,000	770,000
232	11-Oct-19	4.38	282,000	1,235,160
233	10-Oct-19	4.34	494,000	2,143,960
234	9-Oct-19	4.35	878,000	3,819,300
235	8-Oct-19	4.35	317,000	1,378,950
236	7-Oct-19	4.38	34,000	148,920
237	4-Oct-19	4.35	50,000	217,500
238	3-Oct-19	4.34	163,000	707,420
239	2-Oct-19	4.37	1,063,000	4,645,310
240	1-Oct-19	4.38	814,000	3,565,320

Sources: ThomsonOne; RGM&Co. analysis



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Valuation team



Name	Michael Arcatomy H. Guarin
Position	Partner and Head, Deal Advisory, KPMG in the Philippines
Education and qualifications	<ul style="list-style-type: none"> ■ Attended Executive Masters in Business Administration, Asian Institute of Management (Dean's List) ■ Certified Public Accountant; Member, Philippine Institute of Certified Public Accountants ■ Bachelor of Science in Business Administration and Accountancy (Cum Laude), University of the Philippines-Diliman ■ KPMG-accredited valuation specialist
Experience	<ul style="list-style-type: none"> ■ Mike has more than 20 years of extensive experience in financial advisory and audit. Mike has provided valuation, financial model build and review, financial due diligence, commercial due diligence, sell-side assistance, and strategy support services across different industries, such as energy, infrastructure, industrials, financial services, retail, technology, media, and healthcare.



Name	Ma. Cynthia C. Hernandez
Position	Principal, Deal Advisory, KPMG in the Philippines
Education and qualifications	<ul style="list-style-type: none"> ■ Masters in Development Economics, UP School of Economics, University of the Philippines-Diliman ■ Licensed Professional Metallurgical Engineer ■ Bachelor of Science in Metallurgical Engineering (Oblation Scholar), University of the Philippines-Diliman ■ KPMG-accredited valuation specialist
Experience	<ul style="list-style-type: none"> ■ Cynthia has extensive experience in providing financial advisory services across different industries with specialization in energy, power and utilities, infrastructure and PPPs, and mining. She has led engagements assisting clients in conducting valuations, financial model build, model review, financial and commercial due diligence, strategy support services, among others.



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