MERALCO

FIRST QUARTER ENDED MARCH 31, 2021

# FINANCIAL AND OPERATING RESULTS

April 26, 2021

# Q1 2021
# FINANCIAL HIGHLIGHTS

# FINANCIAL SUMMARY Q1 2021 vs. Q1 2020

*Amounts in million Pesos*

## NET INCOME & EBITDA

| | Q1 2021 | Q1 2020 |
|---|---|---|
| Core Net Income | **5,113** | 5,724 |
| Reported Net Income | **4,334** | 2,619 |
| Core EBITDA | **12,021** | 8,408 |
| Reported EBITDA | **11,784** | 5,095 |

## REVENUES

| | Q1 2021 | Q1 2020 |
|---|---|---|
| Gross Revenues | **64,712** | 69,466 |
| Distribution Revenues | **14,387** | 15,015 |

*Distribution rate at Php 1.3738 per KWh

| | | |
|---|---|---|
| Generation and other pass-through charges | **48,097** | 52,333 |

## COSTS & EXPENSES, CAPITAL EXPENDITURES

| | Q1 2021 | Q1 2020 |
|---|---|---|
| Purchased Power Cost | **47,482** | 51,823 |
| Operating Expenses | **7,051** | 6,587 |
| Capital Expenditures | **4,242** | 4,152 |

## CASH & BORROWINGS

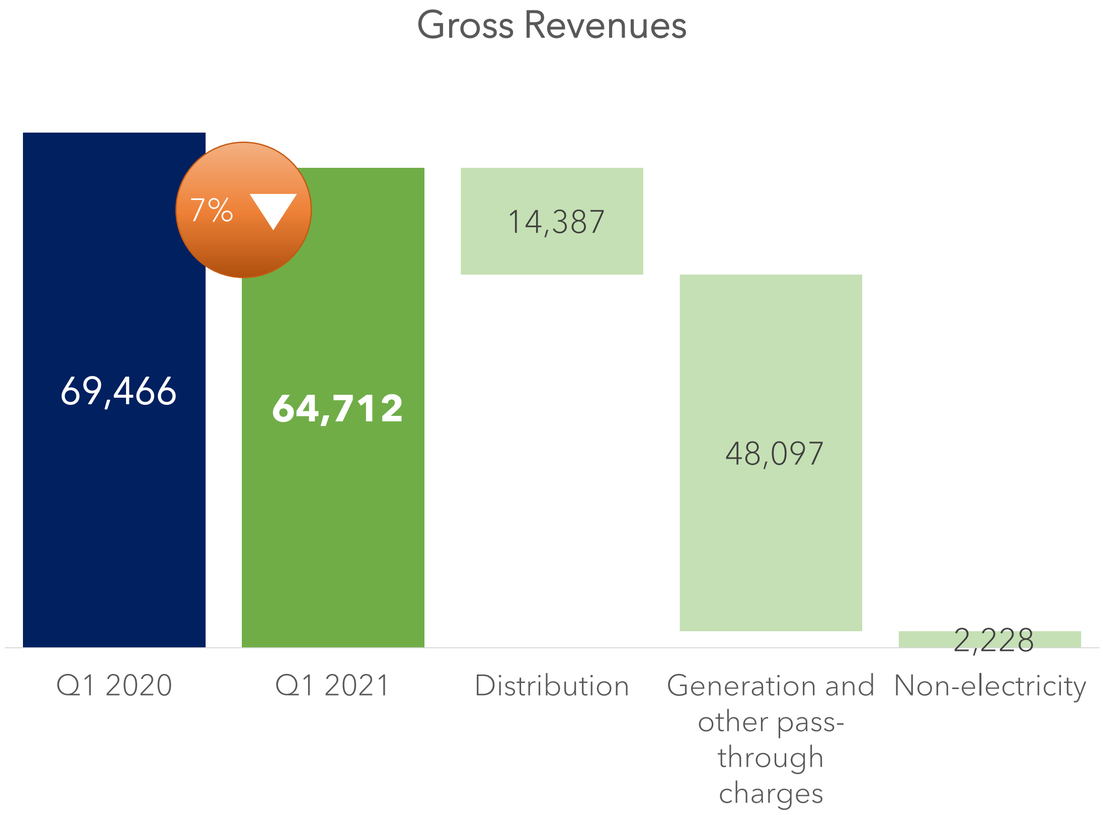
| | Q1 2021 | Q1 2020 |
|---|---|---|
| Cash and Cash Investments | **114,544** | 118,462 |
| Borrowings | **89,172** | 40,812 |

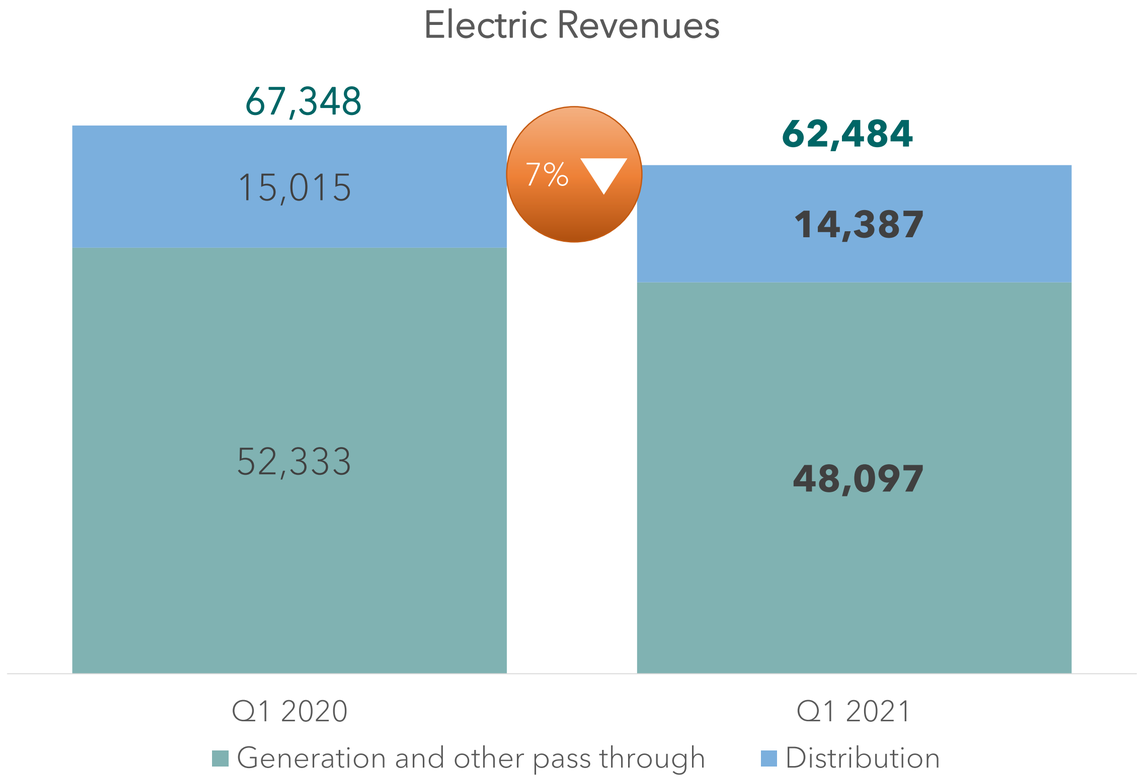
## SUBSIDIARIES

| | | |
|---|---|---|
| CCNI Contribution | **304** | 438 |

# REVENUES Q1 2021

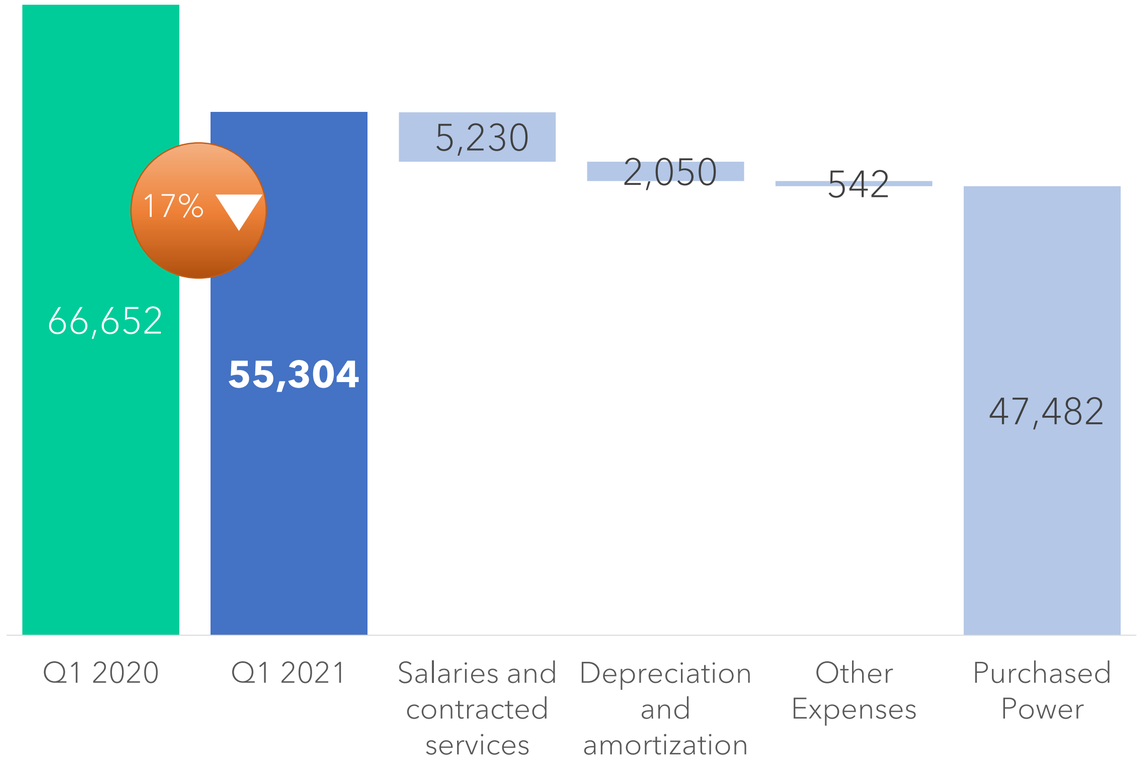
*Amounts in million Pesos, except percentages*

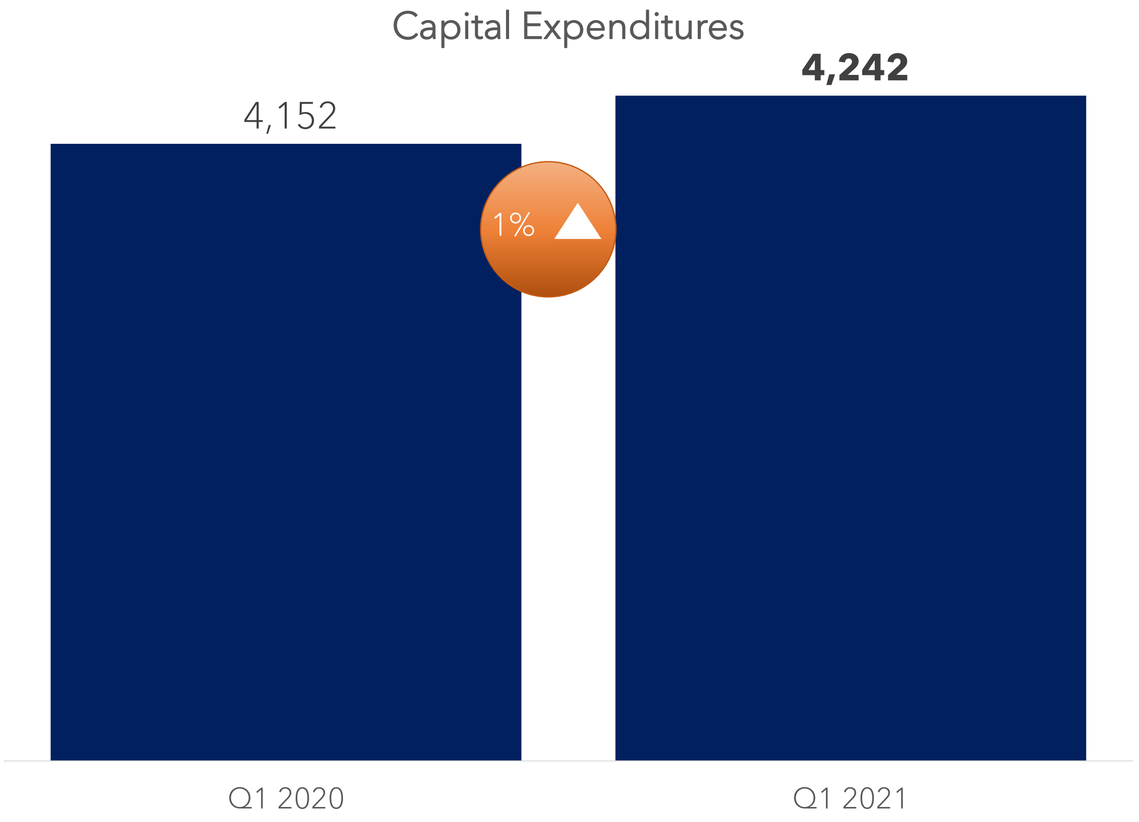


# COSTS & EXPENSES, CAPEX Q1 2021

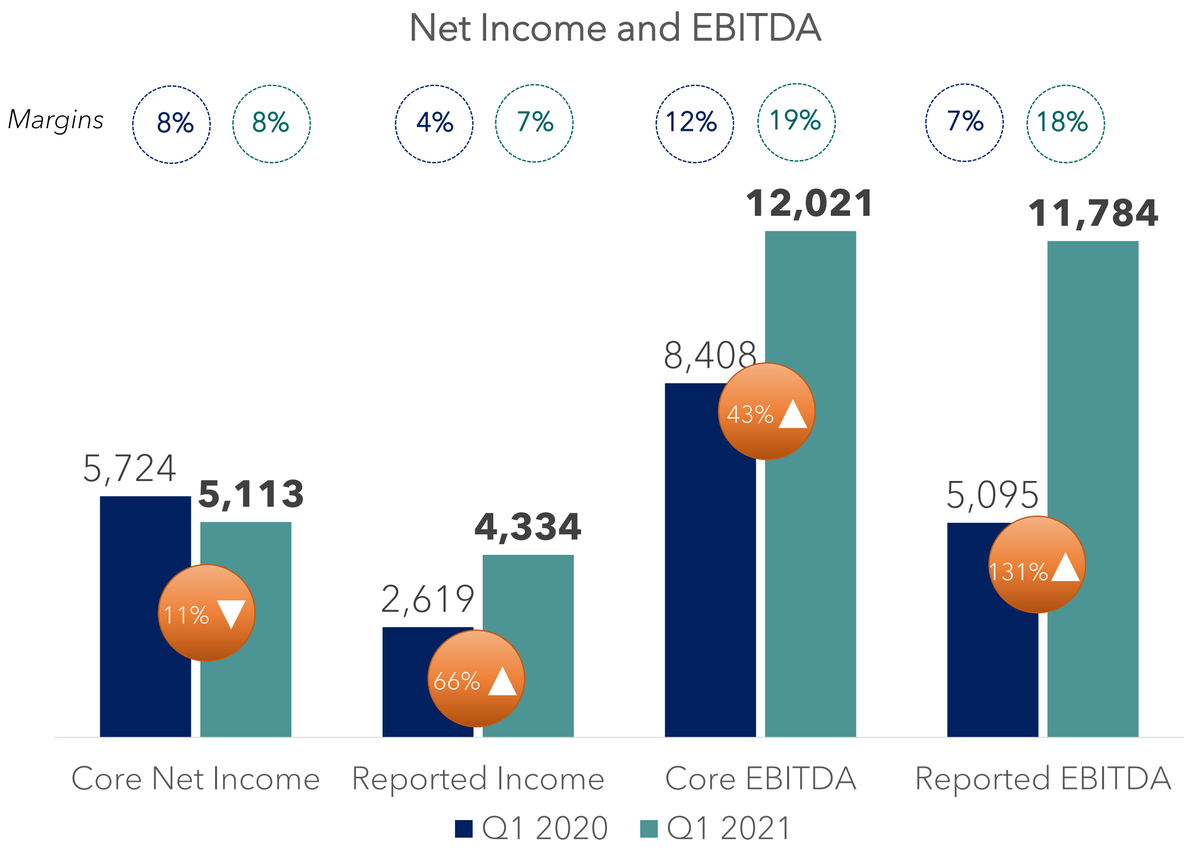
*Amounts in million Pesos, except percentages*

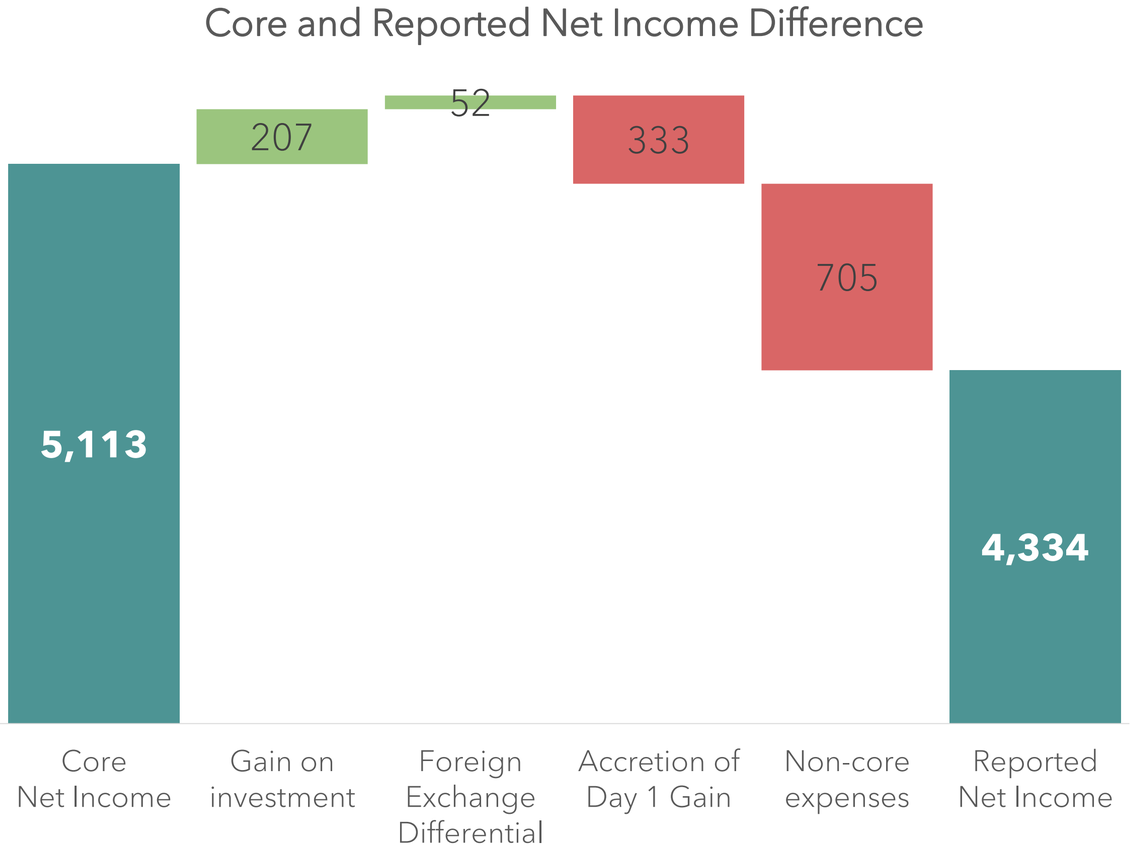


# NET INCOME AND EBITDA Q1 2021

*Amounts in million Pesos, except percentages*



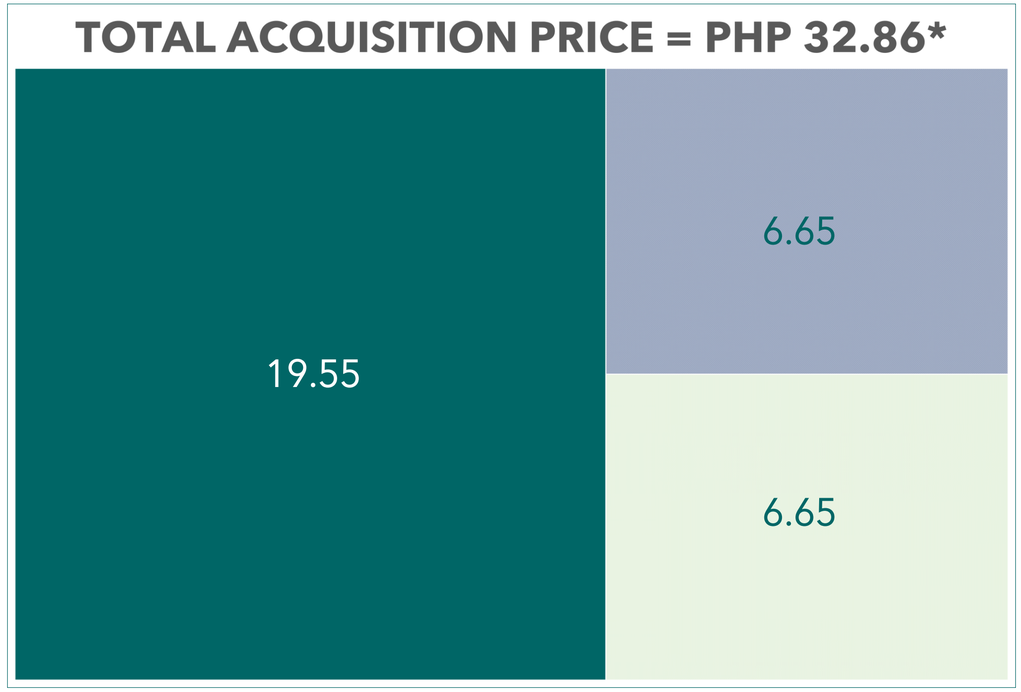
# GBPC ACQUISITION

*Amounts in billion Pesos*

On March 31, 2021, the Share Purchase Agreements for the acquisition of 86% of GBPC was closed. The assets and liabilities of GBPC were consolidated in the books of MGen, including the following:

| | |
|---|---|
| Property Plant and Equipment | 41.9 |
| Intangible Assets | 13.6 |
| Long-term debt | 27.0 |

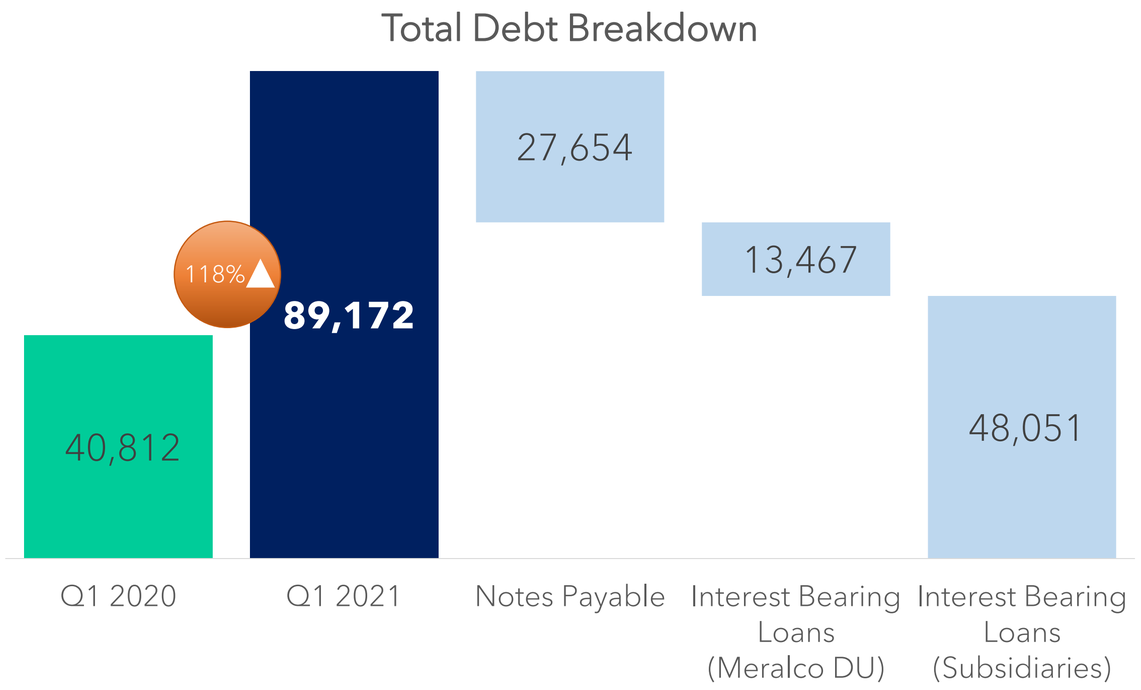
A non-core income of **Php 207 million** was recognized, as a result of the fair value adjustment of the existing 14% equity investment in GBPC

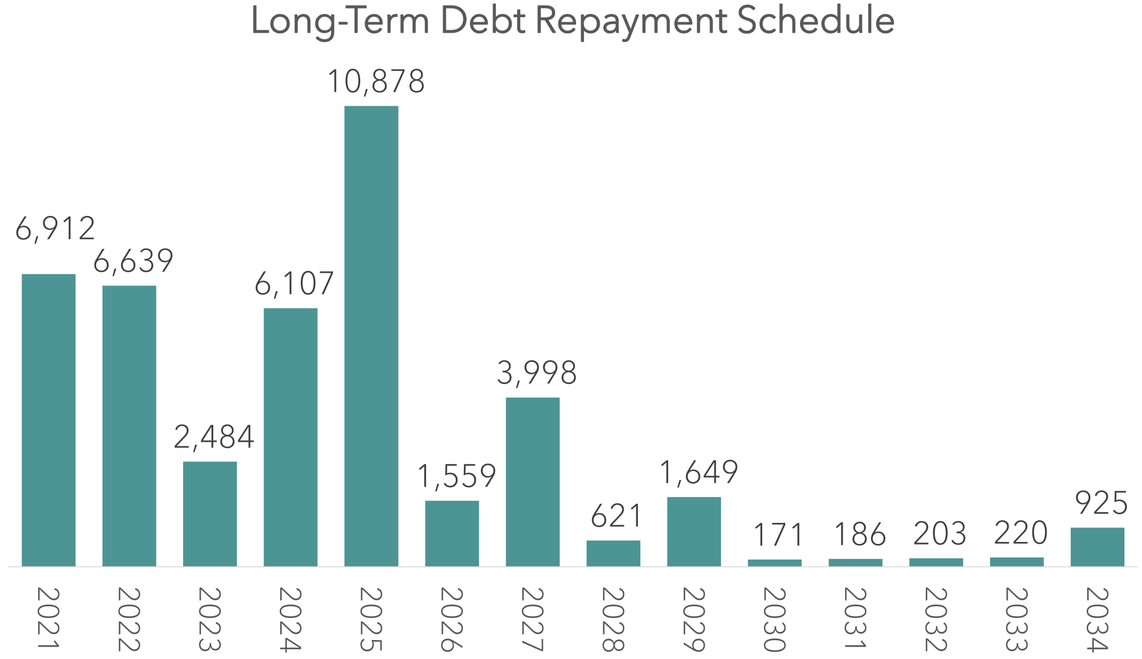



**net of dividends and interest costs*

# DEBT AND CREDIT PROFILE Q1 2021

*Amounts in million Pesos, except percentages*



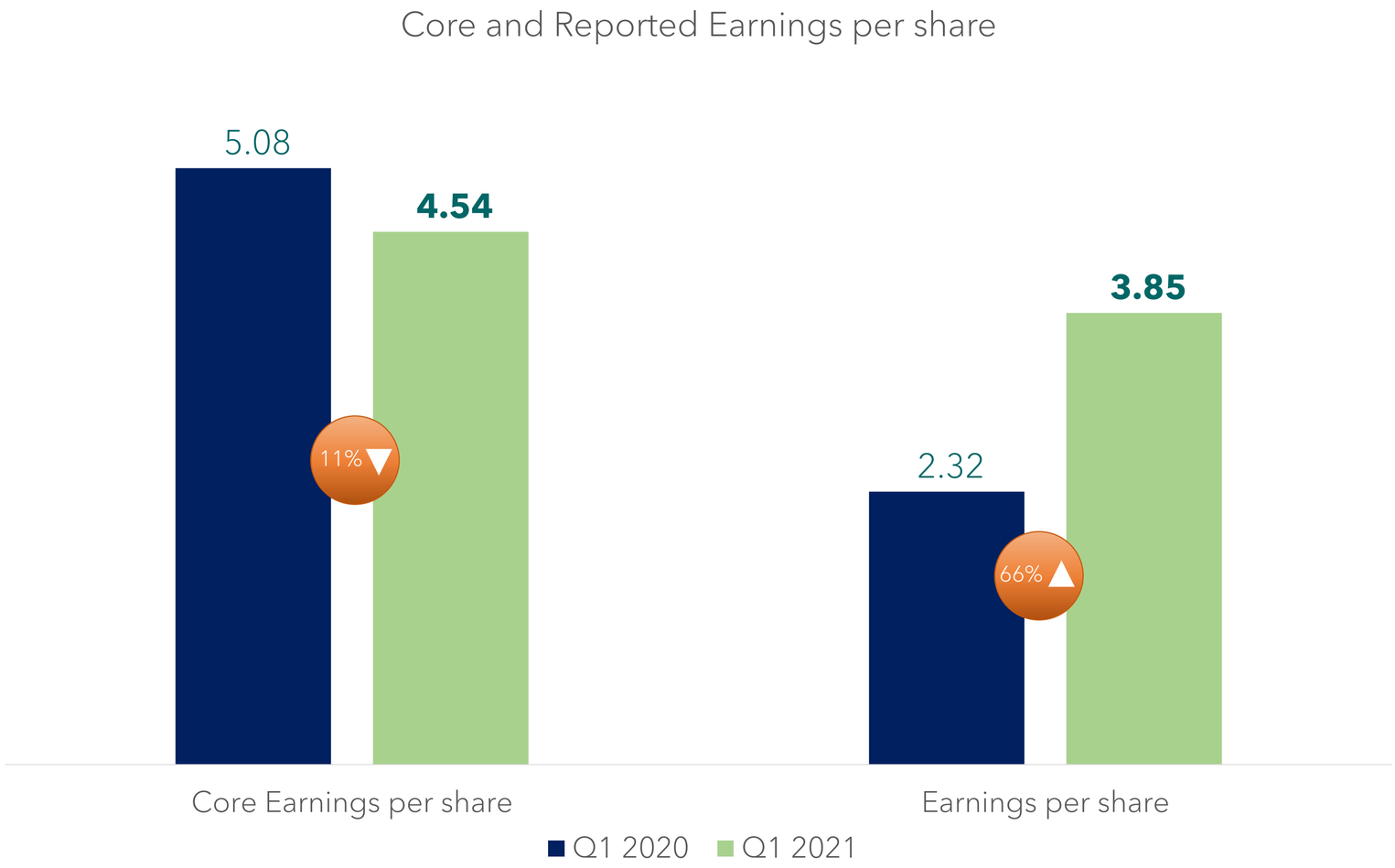




| | Q1 2021 | Q1 2020 |
|---|---|---|
| Cash & Cash Investments | 114,525 | 118,462 |
| Gross Debt | 89,172 | 40,812 |
| Net Debt | 26,161 | (16,687) |
| Gross Debt to EBITDA | 1.89 | 2.00 |

| | Q1 2021 | Q1 2020 |
|---|---|---|
| Net Debt to EBITDA | 0.56 | (0.81) |
| Gearing Ratio | 0.35 | (0.22) |
| Interest Expense | 463 | 412 |
| Interest Income | 481 | 786 |

# EARNINGS PER SHARE

*Amounts in Pesos per share, except percentages*



# Q1 2021
# OPERATIONAL RESULTS

# PERFORMANCE HIGHLIGHTS FIRST QUARTER 2021 VS. 2020

## BUSINESS DRIVERS

**CONSOLIDATED ENERGY SALES**
**10,473 GWh**
▼4% VS. 2020

**CONSOLIDATED CUSTOMER COUNT**
**7.205 M**
▲4%

**NET SYSTEM INPUT**
**10,981 GWh**
▼4%

**MERALCO PEAK DEMAND**
**7,115 MW***
▼7%, YTD
*March 18, 2021

## SERVICE PERFORMANCE

**SYSTEM LOSS**
**6.14%**
▲0.72 %PT, 12-MMA

**SYSTEM AVE. INTERRUPTION FREQUENCY INDEX**
**0.237 times**
▲3%

**SYSTEM AVE. INTERRUPTION DURATION INDEX**
**23.714 minutes**
▼2%

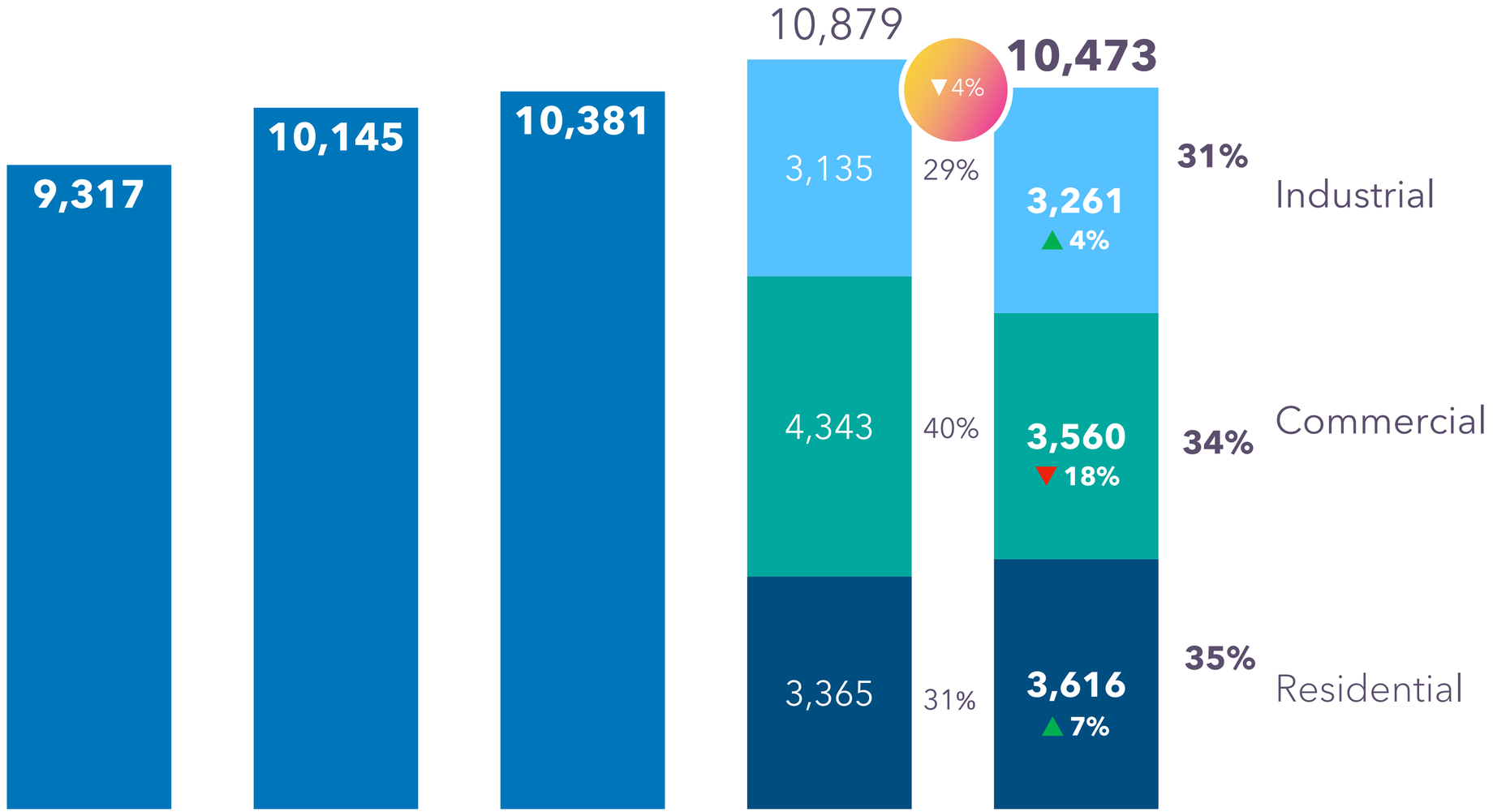
**AVE. TIME TO CONNECT**
**1.81 days**
▲19%

## ELECTRICITY RATE

**AVE. RETAIL RATE**
**7.82 PhP/kWh**
▼3%

# Q1 2021 **CONSOLIDATED ENERGY SALES** (in GWh)

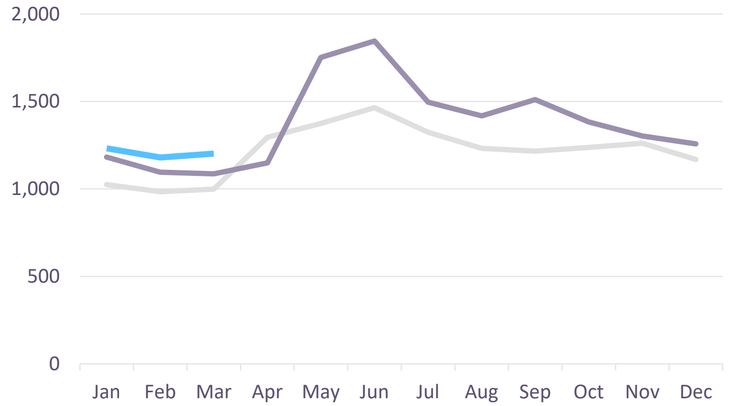
Strong growth from Residential and Industrial, but Commercial still lagging due to impact of pandemic




Sales volume of Parent is 99%, CEDC is 1%
Flat streetlights account for <1 %

# Q1 2021 **DU ENERGY SALES PROFILE AND DRIVERS**

## RESIDENTIAL ▲ 8%, YTD



**Metro Manila**
▲ 3%, YTD

**Laguna**
▲ 12%, YTD

**Cavite**
▲ 15%, YTD

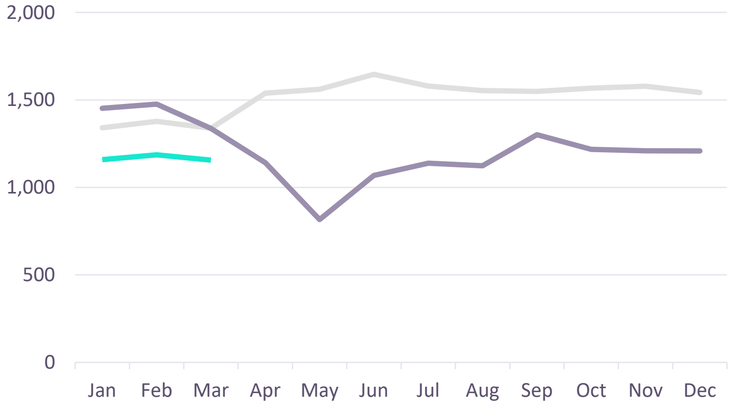
**Rizal**
▲ 14%, YTD

**Bulacan**
▲ 14%, YTD

**Quezon**
▲ 10%, YTD

- Strong growth of 8% coming from full quarter of work-from-home, as well as NCR+ restrictions and ECQ reimposition in mid-March
- Continuous energization and ramp-up of consumption from mass housing projects in Bulacan, Laguna, Cavite, and Rizal energized in Q4 2020

## COMMERCIAL ▼18%, YTD



**Real Estate**
▼ 21%, YTD

**Restaurants**
▼ 27%, YTD

**Retail**
▼ 15%, YTD

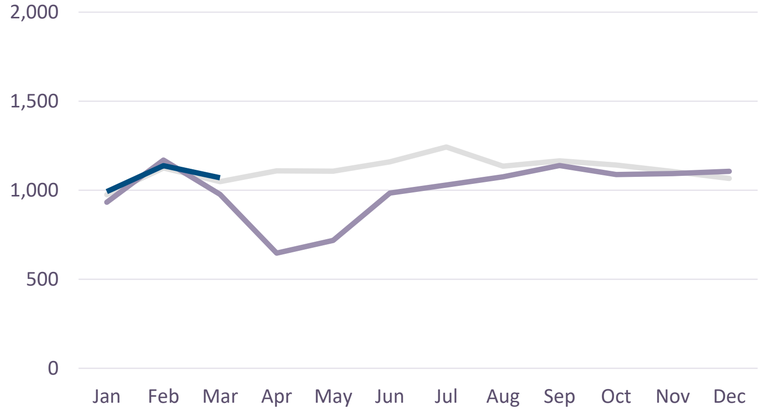
**Hotels**
▼ 21%, YTD

**Education**
▼ 59%, YTD

**Transport**
▼ 16%, YTD

- Down by 18%, but slight improvement from 20% decline in FY2020
- Mobility played key role as public transport and protocols were more relaxed compared with 2020 ECQ
- Customers that reduced load and terminated services in 2020 due to pandemic affected sales (~215GWh loss per month)
- Hotels and Education still lagging with minimal signs of recovery

## INDUSTRIAL ▲ 4%, YTD

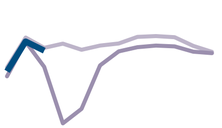


**Semicon**
▲ 7%, YTD

**Food & Beverage**
▼ 3%, YTD

**Steel**
▲ 13%, YTD

**Cement**
▲ 9%, YTD



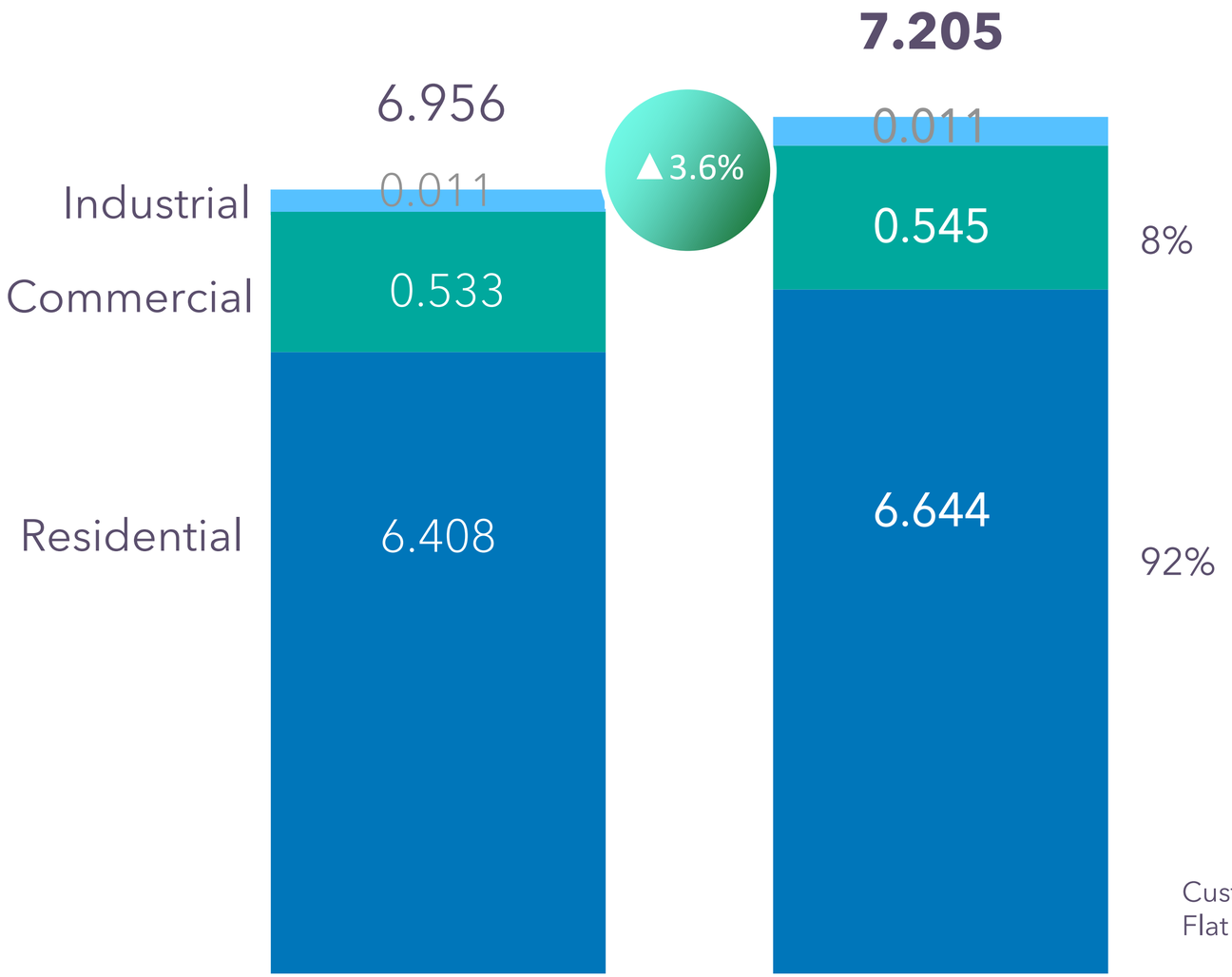
**Plastic Products**
▲ 7%, YTD

**Electricity, Gas & Water**
▲ 4%, YTD

- Bounced back with 4% growth (vs. FY2020 drop of 11%)
- Steel and cement producers in full operations
- Semicon continued to deliver, driven by production demand for gadgets used in distance learning and telecommuting
- Manufacturing plants, especially for essential goods such as food and beverage, operated at higher capacity compared with previous year

# Q1 2021 **CONSOLIDATED CUSTOMER COUNT** (in M)

Increased customer count driven by service applications and energization returning to pre-ECQ levels



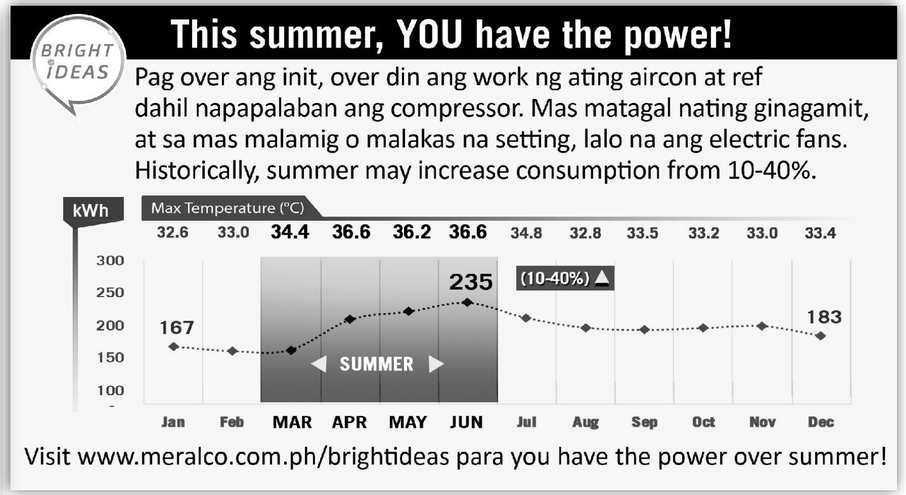

Customer count of Parent is 99.9%, CEDC is 0.1%
Flat streetlights account <1%

# OTHER CUSTOMER UPDATES: **SUMMER CAMPAIGN**

## PRIMING 1

**February 27 - March 27 (5 weeks)**
via PR, FB, IG, HOA Viber Groups, Meralco Advisory, Bill Ads, BC Pullup Banners

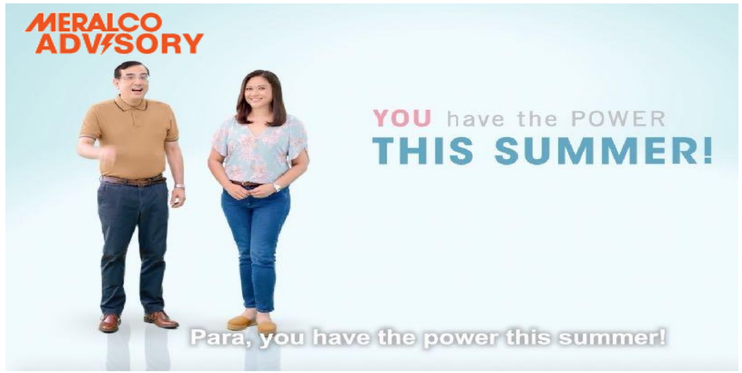
*Facebook Art Cards*

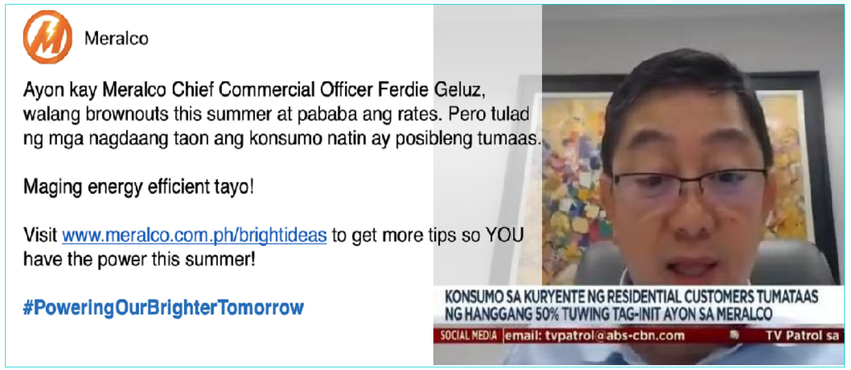



*March Default Residential Bill Ad*

## AWARENESS 2

**March 28 - June 5 (9 weeks)**
via FB, IG, YouTube, Website Articles, HOA Viber Groups, Meralco Advisory, EDM (for MO customers)




## ENGAGEMENT 3

**May 2 to July 3 (9 weeks)**
via FB, IG, YouTube, Tiktok, Online Communities

YouTube

*Webinars and Online Communities*

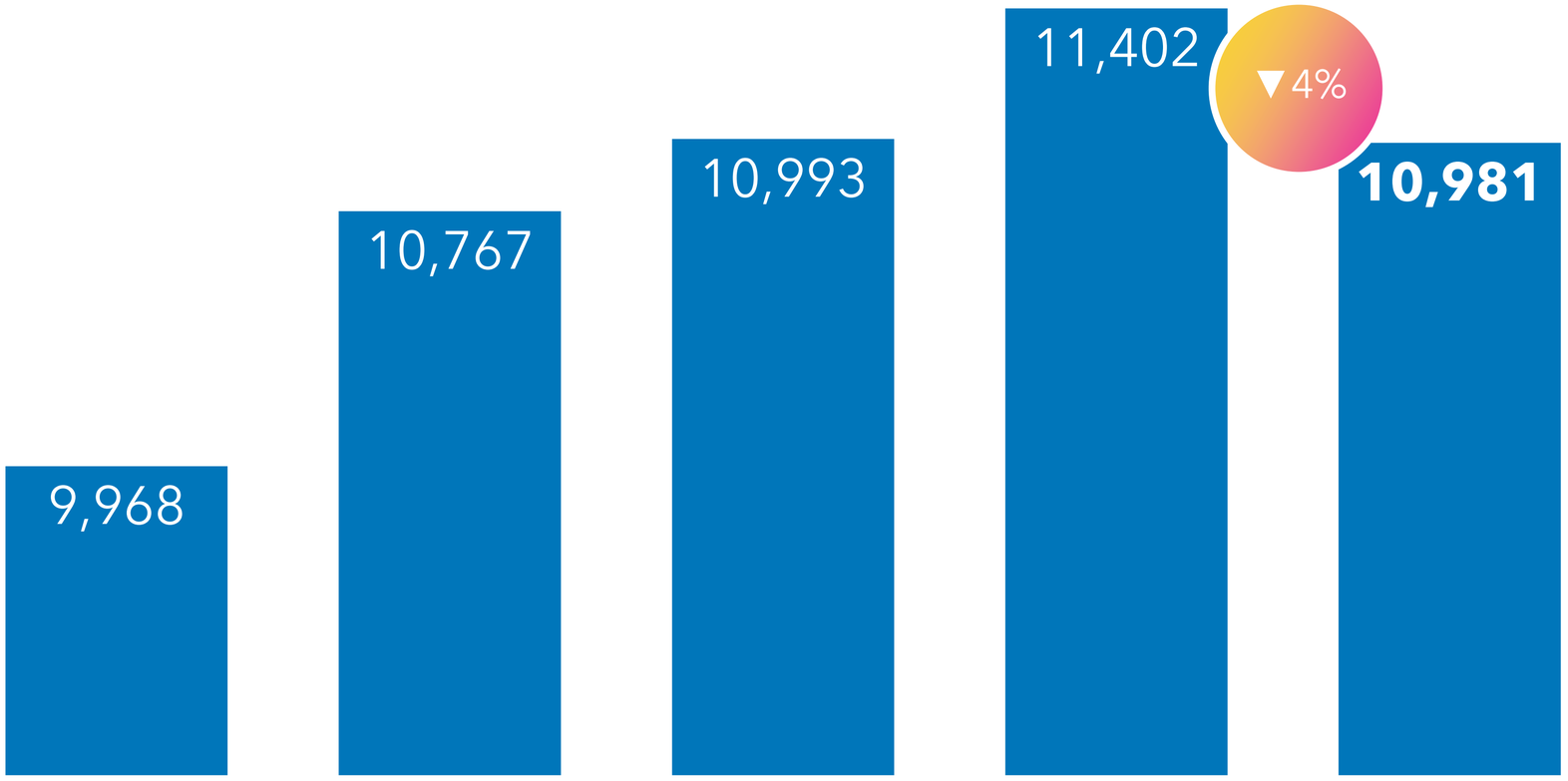
Tik Tok

*Online Influencers*

twitch

# Q1 2021 **CONSOLIDATED NET SYSTEM INPUT** (in GWh)

Lower vs. 2020 due to impact of community quarantine




Parent is 99%, down by 4% vs. 2020 YTD
CEDC is 1%, down by 8% vs. 2020 YTD

# Q1 2021 **CONSOLIDATED NSI BREAKDOWN** (in GWh)

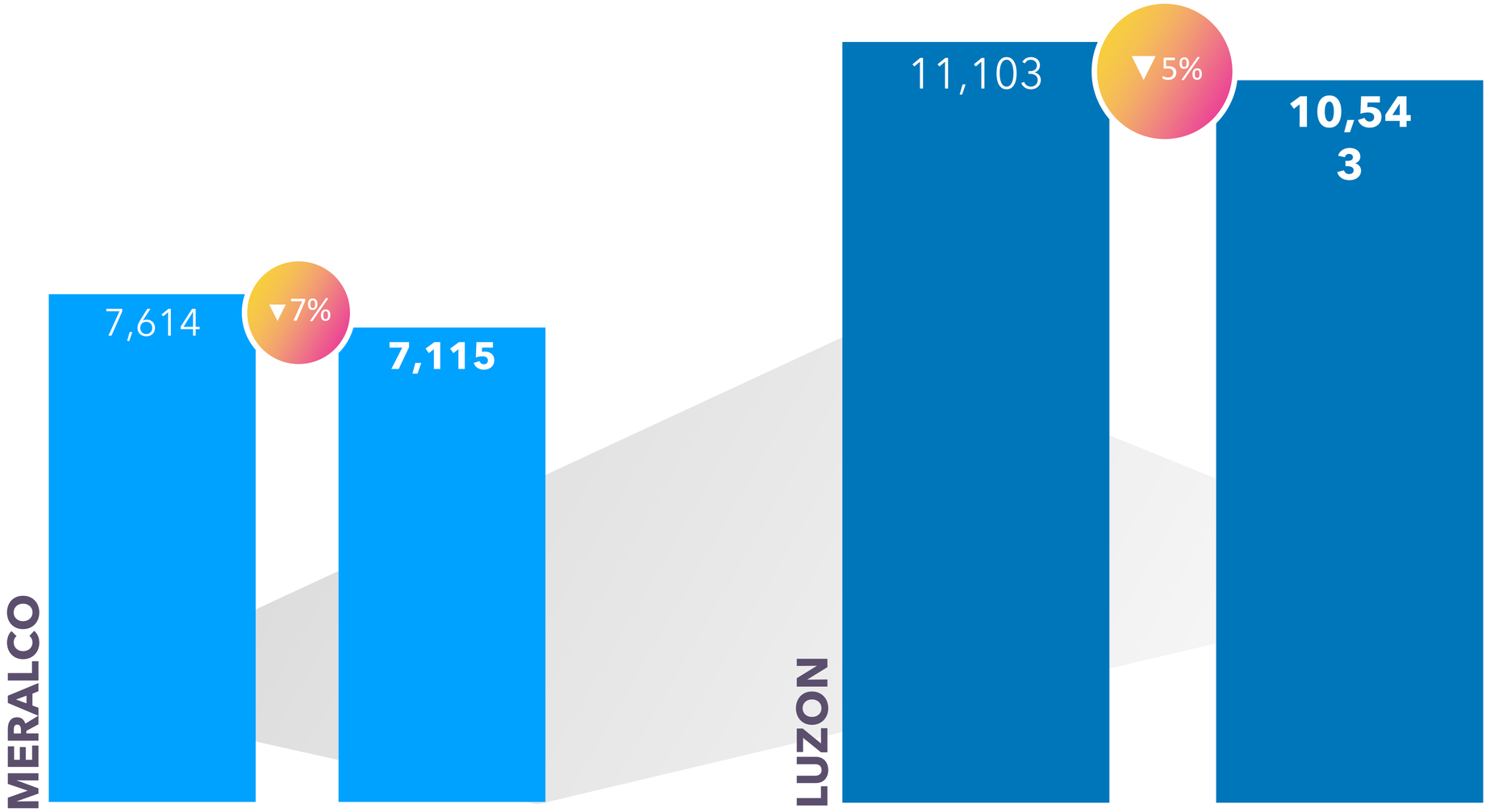
## 10,981 GWh
NET SYSTEM INPUT

**POWER SOURCES**

**FUEL MIX**

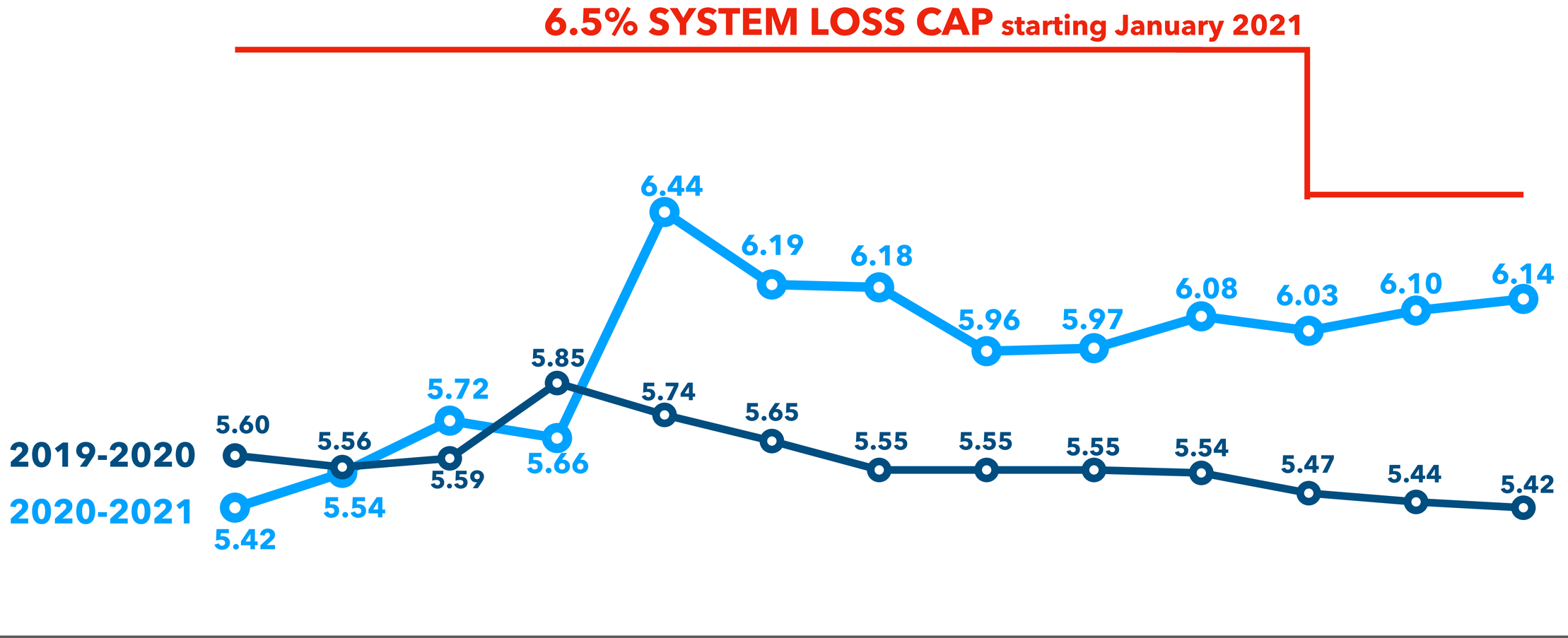
# Q1 2021 **PEAK DEMAND** (in MW)

Meralco and Luzon peaks lower vs. 2020 driven by COVID-19 and cooler weather



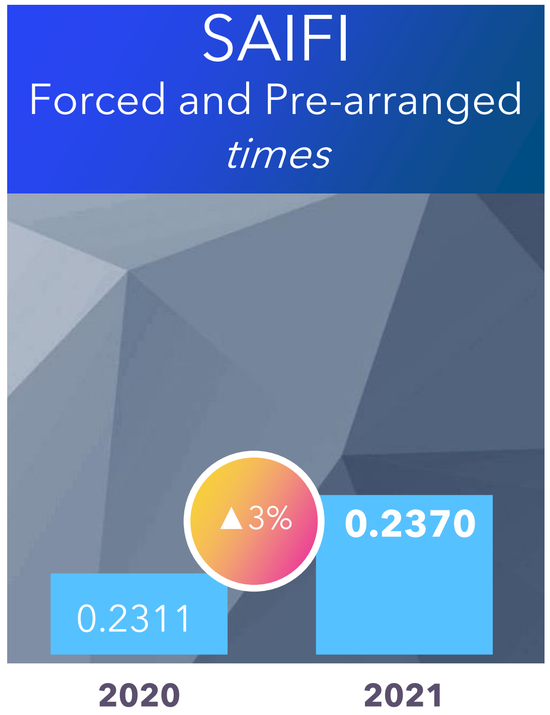
# MARCH 2021 **SYSTEM LOSS PERFORMANCE** (in %, 12-MMA)

Higher by 0.72% points vs. 2020 due to shift in sales mix towards higher loss-to-serve Residential segment

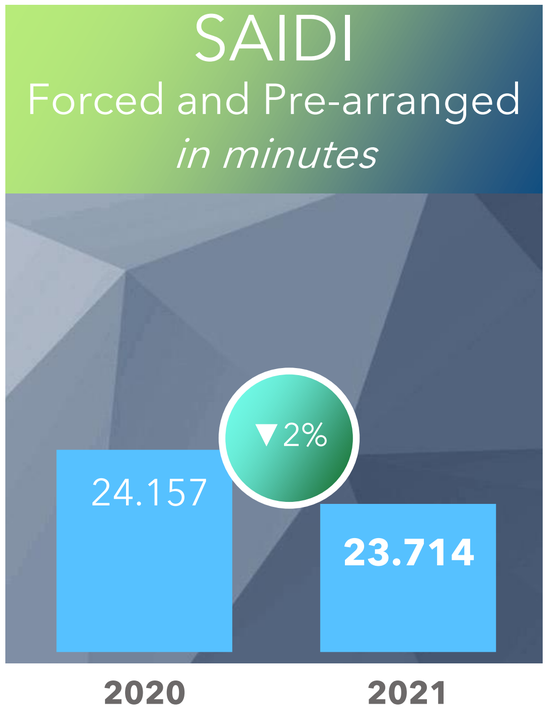


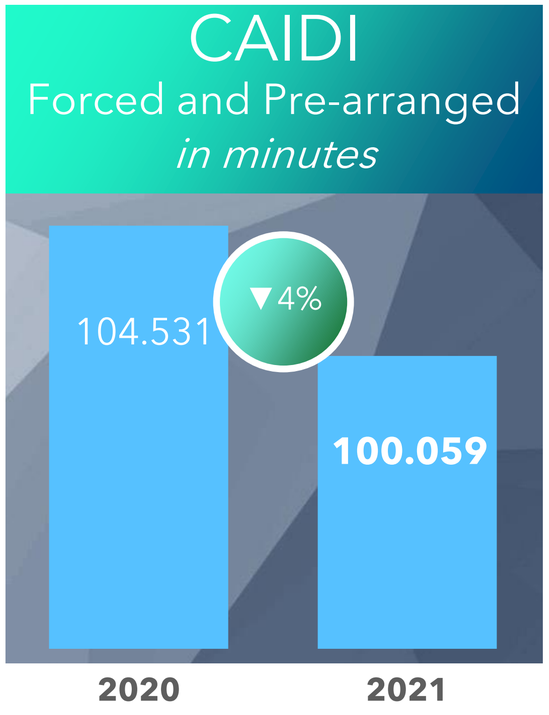
# MARCH 2021 **S-FACTOR PERFORMANCE** (NETWORK)

Rewards levels* across all performance indicators




**Rewards <** 6.98



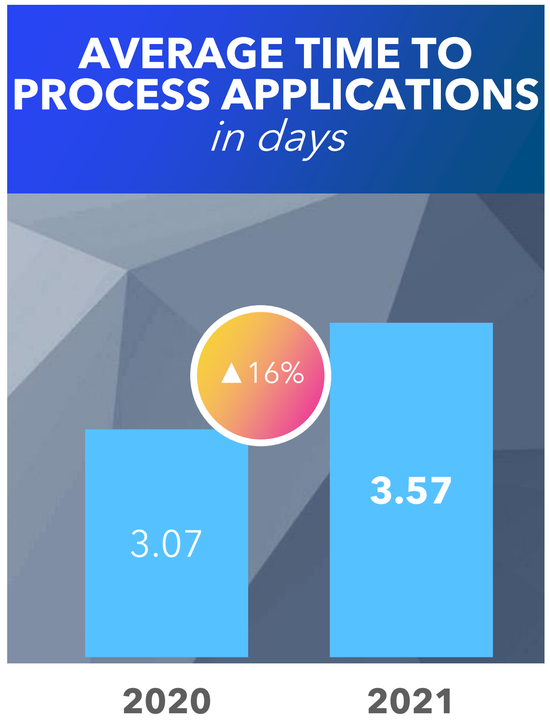

Rewards < 144.40

* based on 3RP

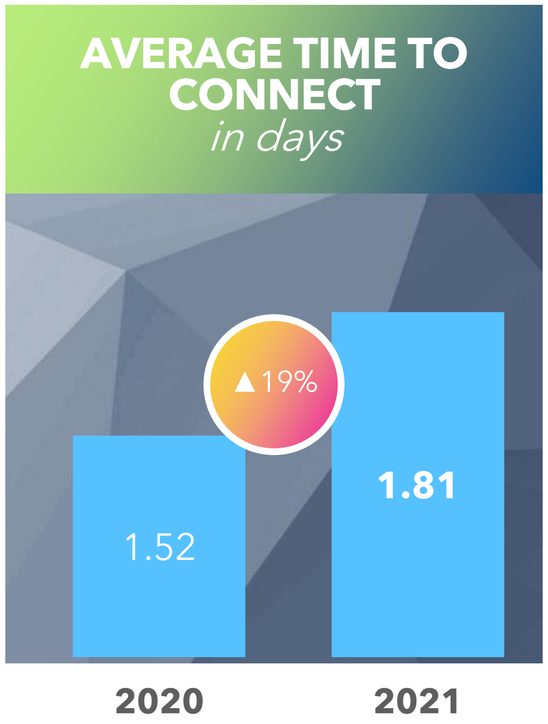
- % Probability of Voltage Violation at 0.18 (within rewards level of <0.86)
- Pre-arranged SAIDI at 14.532 minutes (within rewards level of <126.57)

# MARCH 2021 **S-FACTOR PERFORMANCE** (CUSTOMER)

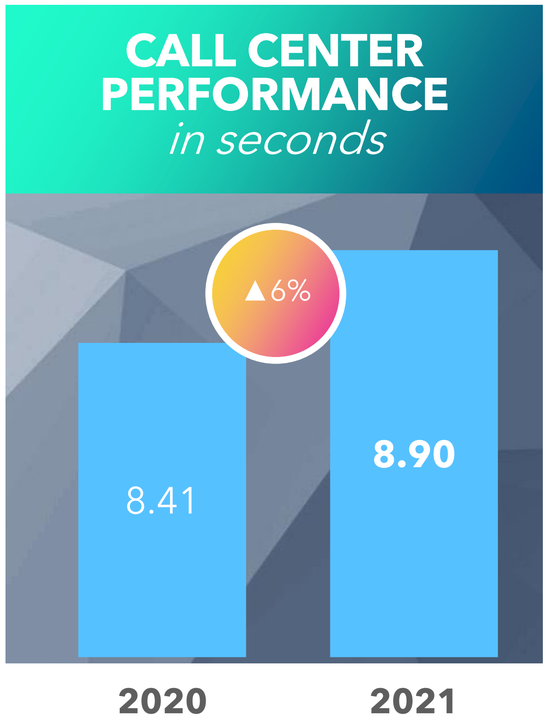
Rewards levels* across all performance indicators




Rewards < 7.90




Rewards **< 3.55**




Rewards < 13.55

* based on 3RP

# MARCH RY2021 **GUARANTEED SERVICE LEVELS** (GSL)

Continued to deliver well within performance ceilings*

## GSL 1
Customers experiencing cumulative duration of sustained interruptions

**312 customers****

Up to 373,658 violations

## GSL 2
Customers experiencing a number of sustained interruptions

**129 customers****

Up to 18,989 violations

## GSL 3
Restoration of supply to a customer after a fault on secondary line

**18 incidents**

Up to 234,439 violations

## GSL 4
Connection not provided on the day agreed with the customer

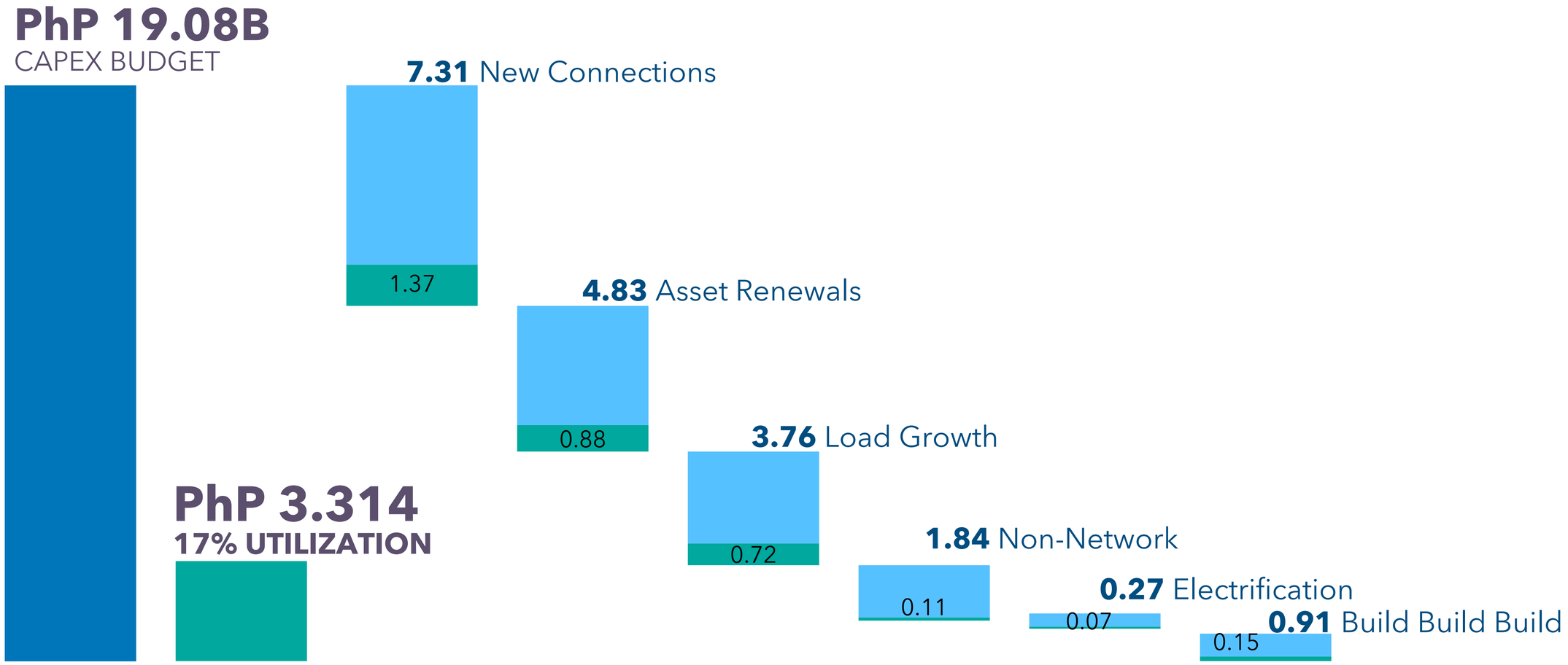
**83,430 days-delay**

Up to 163,995 violations

***** allowed violation based on 3RP GSL allowance
****** additional 129 violations due to multiple outage events at Cagbalete Island microgrid
- RY2021 covering period July 1, 2020 to March 31, 2021

# Q1 2021 **NETWORKS CAPEX** (in PhP, B)

17% of full year CapEx utilized with spend across all project types, particularly asset renewals



# NETWORKS PROJECT UPDATES

## EXPANSION OF SAN PABLO 2 115 KV-34.5 KV SUBSTATION (BANK 2)

- Commissioned on January 10, 2021
- Resolves critical loading of existing 83 MVA transformer bank
- Provides much-needed flexibility and reliability in:
  - San Pablo and Alaminos in Laguna
  - Dolores, Tiaong, Candelaria, and San Antonio in Quezon Province

# NETWORKS PROJECT UPDATES

## EXPANSION OF PULILAN 69KV-13.8KV SUBSTATION (2ND BANK)

- Commissioned on February 24, 2021
- Addresses critical loading of existing Pulilan 33 MVA Bank No. 1 through additional capacity of new 50 MVA Bank No. 2
- Provides switching flexibility during maintenance and contingencies, improves voltage regulation, and reduces system loss in Pulilan, Bustos, Baliuag, and Plaridel, Bulacan

Breaker & Disconnect Switches

Indoor Modular Switchgear

Protection & Control Panels

New Feeder Pedestals

New Switchgear House

# NETWORKS PROJECT UPDATES

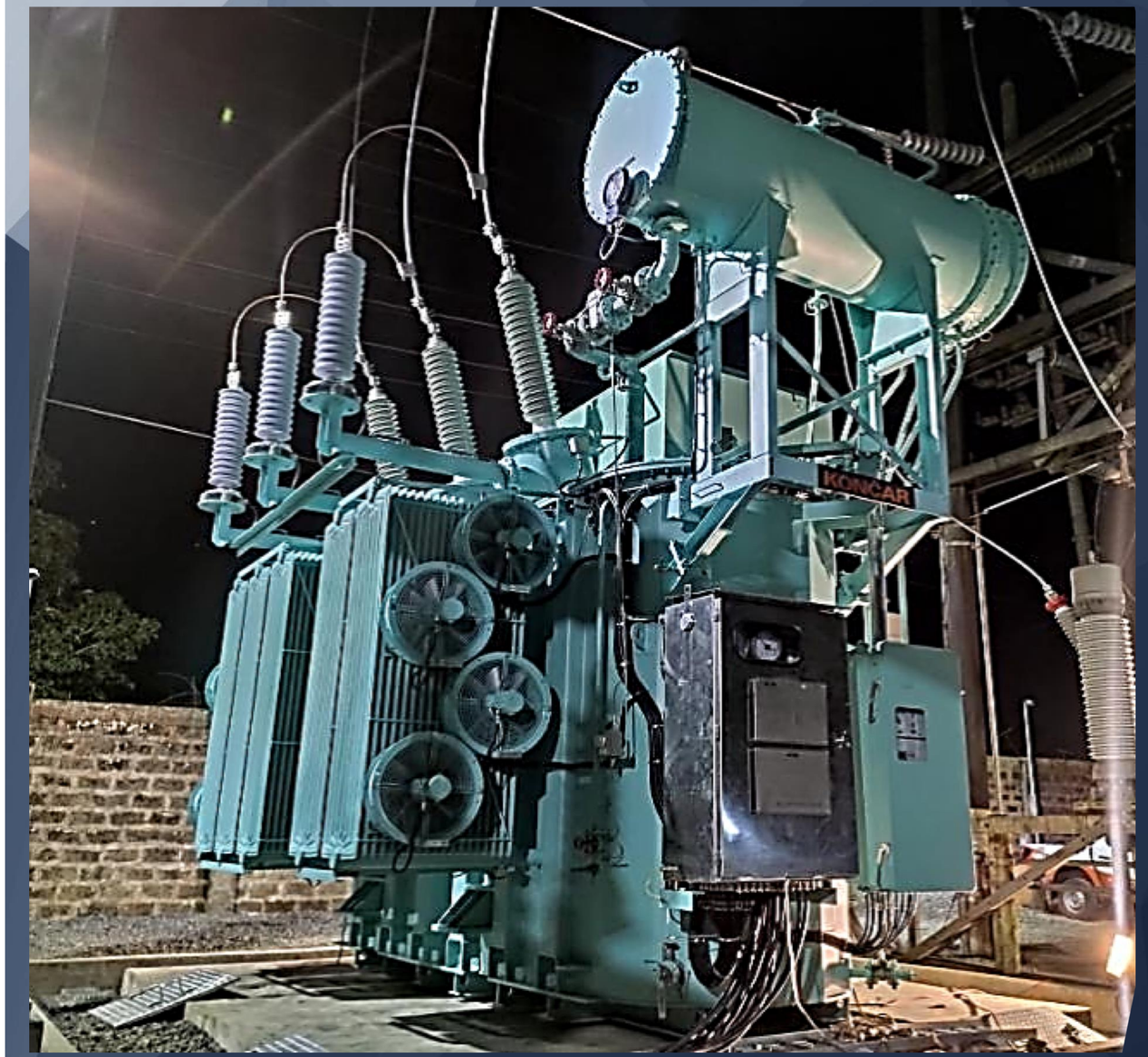
## EXPANSION OF LISP 115KV-34.5KV GIS SUBSTATION (2ND BANK)

- Commissioned on February 26, 2021
- Addresses forecasted critical loading of existing LISP Bank No. 1
- Provides additional capacity to accommodate new load requirements of Light Industry and Science Park (LISP) locators and the increasing demand in Cabuyao City, Laguna

# NETWORKS PROJECT UPDATES

## REPLACEMENT OF TAGAYTAY 115KV-13.8KV POWER TRANSFORMER BANK

- Commissioned on February 27, 2021
- Replacement of 22-year-old transformer bank which failed in November 2018. It was temporarily replaced by 41-year-old transformer bank pulled out from Los Baños Substation.
- Normalizes the interim setup and improves system reliability and flexibility in Tagaytay and portions of Indang, Silang, Amadeo, and Trece Martires, Cavite



# NETWORKS PROJECT UPDATES

## UPRATING OF CRUZ NA DAAN (CND) 69KV-13.8 KV SUBSTATION TO 50 MVA

- Commissioned on March 28, 2021
- Replaced existing critically loaded two 10 MWA transformers
- Provides operational switching flexibility and helps reduce technical losses
- Improves voltage regulation in San Rafael, San Ildefonso, and Baliuag, Bulacan

# NETWORKS PROJECT UPDATES

## ENERGIZATION OF VACCINATION FACILITIES

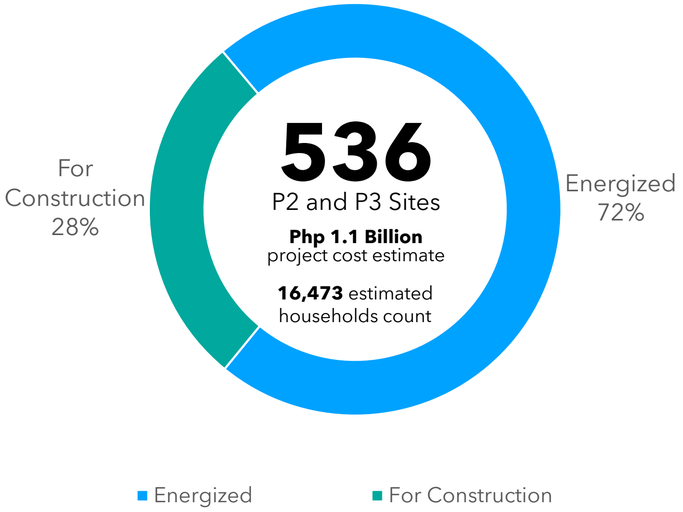
Meralco remains committed to #KeepTheLightsOn in support of COVID-19 Vaccine Roll-out Program

- **February 28, 2021**: Inspection of distribution facilities serving MetroPac Movers, Inc. (MMI) in Marikina City which serves as storage facility for 600,000 doses of Sinovac and 480,000 doses of AstraZeneca vaccines
- **March 30, 2021**: Energization of Pharmaserv Express, Inc. in New Marikina Subdivision, Sta. Elena, Marikina City which serves as vaccine storage

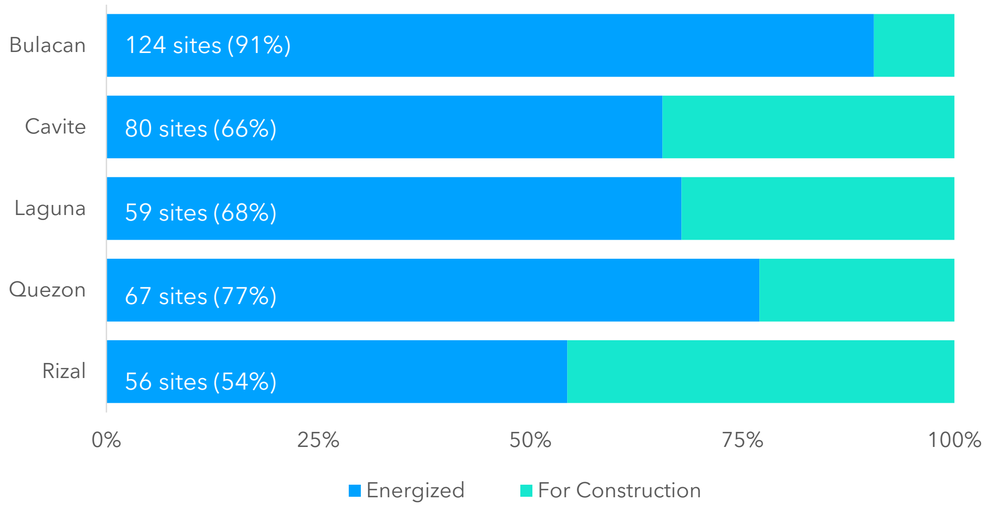
# NETWORKS PROJECT UPDATES

## MERALCO ELECTRIFICATION PROGRAM PROJECTS (PRIORITY 2 AND 3)*

### MEP Priority 2 & 3 Over-all Completion




### Status per Province



Sapang Kawayan, Matictic
Norzagaray, Bulacan

San Juan Compound
Morong, Rizal

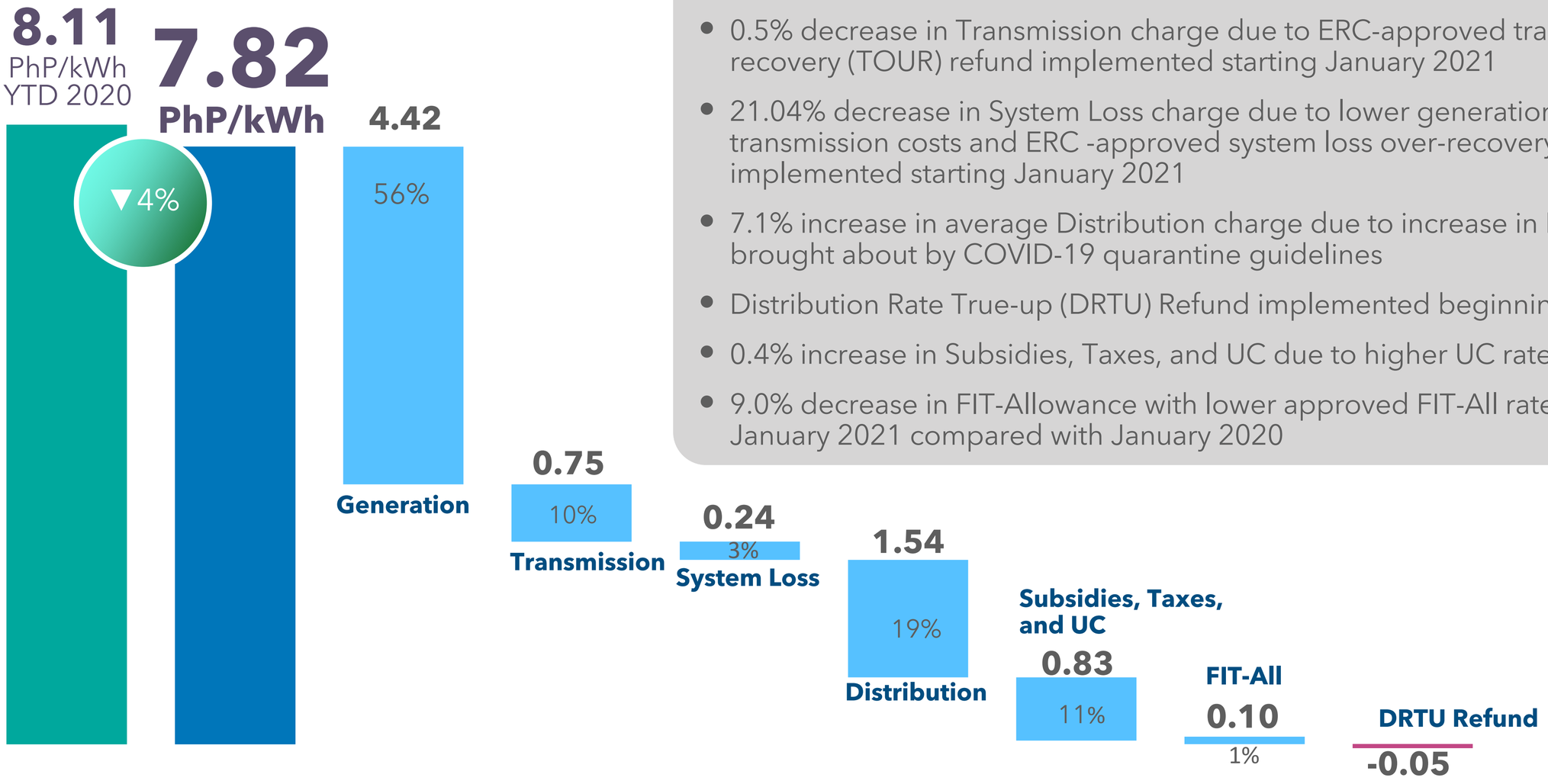
Makati Housing,
Brgy. Dayap, Calauan, Laguna

Brgy. Poblacion IV,
Gen. E Aguinaldo, Cavite

*For completion not later than June 2021

# Q1 2021 **AVERAGE RETAIL RATE**

**PhP 0.29 reduction vs. 2020**




- 5.6% decrease in Generation charge due to implementation of new PSAs starting February 2020 billing, lower WESM and fuel prices, and peso appreciation
- 0.5% decrease in Transmission charge due to ERC-approved transmission over-recovery (TOUR) refund implemented starting January 2021
- 21.04% decrease in System Loss charge due to lower generation and transmission costs and ERC -approved system loss over-recovery (SLOUR) refund implemented starting January 2021
- 7.1% increase in average Distribution charge due to increase in Residential sales brought about by COVID-19 quarantine guidelines
- Distribution Rate True-up (DRTU) Refund implemented beginning March 2021
- 0.4% increase in Subsidies, Taxes, and UC due to higher UC rates
- 9.0% decrease in FIT-Allowance with lower approved FIT-All rate implemented in January 2021 compared with January 2020

# OTHER REGULATORY UPDATES
## MERALCO-MPPCL PSA

- Per NGCP, "Thin operating margin is forecasted in the Luzon grid from April to August 2021 due to multiple power plants on extended outage, thereby providing limited power supply."
- This is aligned with MERALCO's forecast that shows upcoming scheduled outages of both power plants and the SPEX-Malampaya pipeline, which may be aggravated by forced outages of power plants and gas supply restrictions (as observed recently).
- This, together with increased demand and needed reliability during the ongoing summer months and given upcoming elections, prompted MERALCO to re-negotiate and amend its 2019 agreement with MPPCL to extend the Term of its PSA ("Amendment Agreement").
- The Amendment Agreement is under more favorable terms and lower tariff, as follows:
  - *Term Extension:* One (1) year from May 26, 2021, or from earlier date upon securing certificate of exemption from CSP from DOE and approval by ERC
  - *Contract Capacity:* 220 MW for 1st 6 months, increased to 260 MW for remaining 6 months (or earlier at option of MER)
  - *No outage allowance*
  - *Price:* At 24% Load Factor (with respect to Contract Capacity, which is the monthly MEOT), **PhP 6.9161/kWh**.
    This is significantly lower than under the December 2019 Agreement and 2011 PSA, at PhP 11.0022/kWh and PhP11.6321/kWh, respectively, and is **expected to be lower than the 2011 PSA by a total of PhP 4.9257/kWh equivalent to PhP 2.485 B**.
- On April 14, 2021, MERALCO wrote a letter to DOE requesting confirmation of exemption from CSP, and filed before ERC a Joint Manifestation (with MPPCL) seeking immediate implementation thereof.

# MERALCO'S SUSTAINABILITY COMMITTEE ESTABLISHED AT THE BOARD LEVEL

## OBJECTIVES

- Oversee Meralco's sustainability strategy, policies, and programs
- Monitor Company's economic, environmental, and social performance vis-à-vis United Nations Sustainable Development Goals

## COMPOSITION

- Chairman
- 4 Directors (with 1 independent)

## FUNCTIONS

### STRATEGY DEVELOPMENT

- Review sustainability agenda and framework
- Monitor performance against sustainability targets and global goals
- Endorse to the Board sustainability initiatives with significant investments

### PROGRAM EXECUTION

- Oversee development and execution of sustainability programs across 4 pillars:
  - Power
  - Planet
  - People
  - Prosperity

### REPORTING

- Oversee and review relevant ESG reporting requirements and disclosures

#PoweringTheGoodLife

# MERALCO'S SUSTAINABILITY INITIATIVES RECOGNIZED AT 18TH PHILIPPINE QUILL AWARDS

Sustaining the Future:
2019 Meralco Sustainability Report
**Excellence Awardee**

## POWER

Meralco's Revitalized Renewable Energy Push for Solar Microgrids
**Merit Awardee**

## PLANET

One For Trees: Engaging Employees in Sustainable Reforestation
**Merit Awardee**

## PEOPLE

CovidComms 2020:
A Day to Give/Share a Leave
**Excellence Awardee**

## PROSPERITY

CovidComms 2020:
Green Transport for Frontliners
**Excellence Awardee**

#PoweringTheGoodLife

MERALCO MGEN POWER GENERATION

# Q1 2021
# POWER GENERATION
# OPERATIONAL HIGHLIGHTS

# San Buenaventura Power Limited Co. (SBPL)

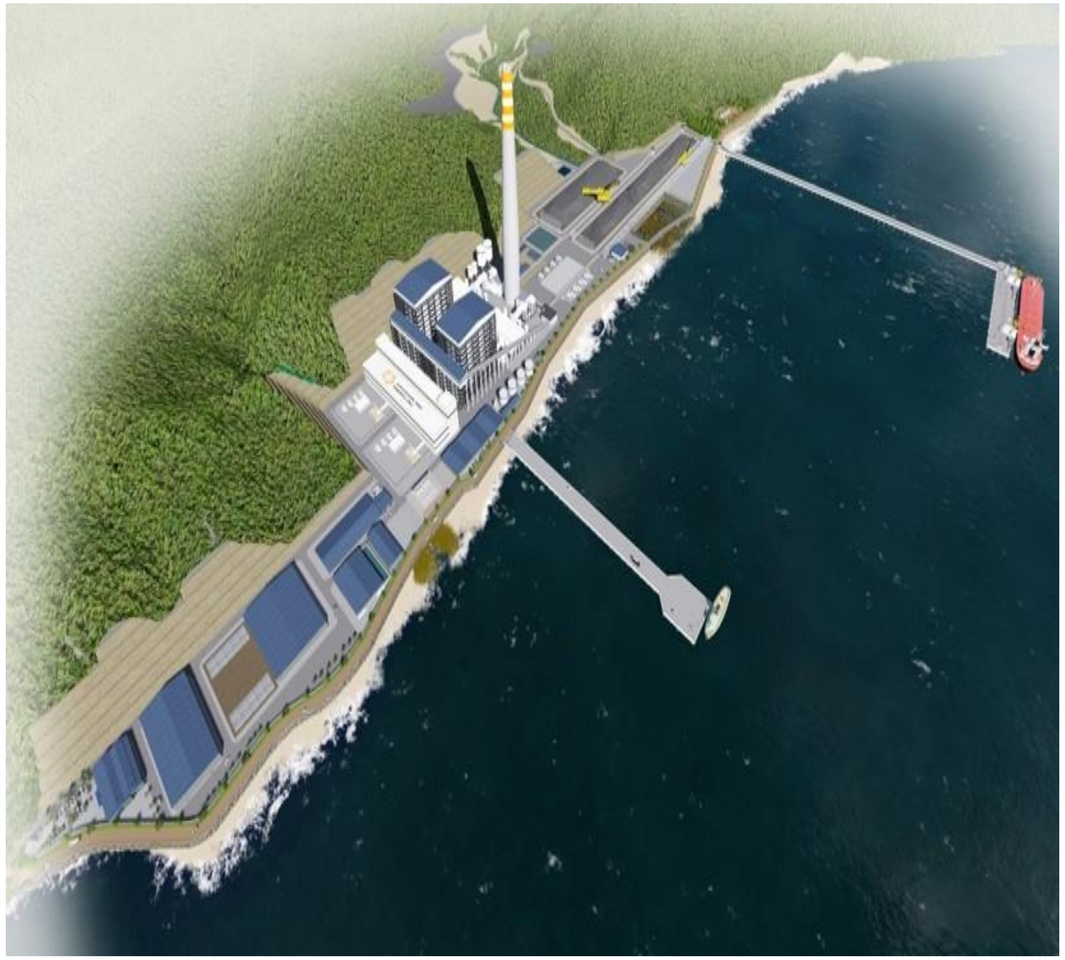
## 500MW (gross) Supercritical Coal-Fired Power Plant in Mauban, Quezon

- First operational supercritical coal power plant in the Philippines, commercial operations started on **September 26, 2019.**
- Joint venture of MGen with New Growth, B.V., a wholly owned subsidiary of Electricity Generating Public Company Limited (EGCO) of Thailand
- Net generation at **743.4 GWH** from January to March 2021
- SBPL contributed about **PHP217 Million** (unaudited) to the Meralco CCNI in Q1 2021

# Atimonan One Energy, Inc. (A1E)

## 2x600 MW (net) Ultra Supercritical Coal-Fired Power Plant in Atimonan, Quezon

**Total Project Cost: <PhP160 Billion (<USD 3.0 Billion)**



- Other offtake options for the plant's capacity are currently being explored, including participation in the next round of Meralco's Competitive Selection Process.

- **Site preparation activities** are continuing. More stringent health and safety protocols were put in place to protect construction workers from COVID-19.

# Global Business Power Corp. (GBPC)

- On December 23, 2020, MGen acquired the holdings of Beacon Power Holdings, Inc. (56%) and JG Summit Holdings, Inc. (30%) in GBPC through separate Share Purchase Agreements.

- Transactions closed on March 31, 2021; MGen now owns 100% of GBPC.

- GBPC is the largest independent power producer in the Visayas with an existing portfolio totaling **1,091 MW** (coal and diesel plants).

  - This includes GBPC's 50% interest in Alsons Thermal Energy Corporation, which in turns owns 75% of the relatively new 210-MW (net) coal plant in Maasim, Sarangani.

- GBPC posted **PHP386M Net Income** in Q1 2021.

# MGEN Renewable Energy, Inc. (MGreen)

- MGreen targets around **1,500 MW of renewable energy projects** over the next 5 to 7 years.
- The focus is on the development of a portfolio of **utility scale solar, wind and hydro power projects** to supply Luzon grid and electricity consumers with competitive tariff.

# PowerSource First Bulacan Solar, Inc. (PFBSI)

## 50MWac/80.9MWdc Solar Power Plant in San Miguel, Bulacan

**Total Project Cost:  PhP4.25 Billion**

- MGen's **first solar investment** covering a total  land area of **72 hectares**
- In January, MGreen **increased its shareholding in PFBSI to 60%** following the buyout of Sunseap's shares.
- **Ongoing construction**; overall progress as of April 19 stood at **94.47%**
  - ✓PV farm: 99.43%
  - ✓Substation: 99.99%
  - ✓Transmission Line: 100%
  - ✓Testing & Commissioning: 90%
- Target **commercial operations** in **May 2021**

# Solar PV Farm

# Substation and Main Control Building

# CAUTIONARY STATEMENT

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