



In its email to Melco Resorts and Entertainment (Philippines) Corp. (“MRP”) dated 25 September 2018, the PSE required MRP to submit its comments and/or clarifications on the news article entitled “Melco Bourse Exit ‘Unfair’ to Shareholders, Say Analysts” which was published on Business World on 25 September 2018. The article reported in part that:

“SHAREHOLDERS of Melco Resorts and Entertainment (Philippines) Corp. (MRP) stand to lose from the company’s proposed exit from the Philippine Stock Exchange (PSE), as analysts claim that its low tender offer price — just around half its initial share sale price in 2013 — is unfair.

The operator of the City of Dreams Manila is set to conduct a tender offer to buy out minority stockholders in accordance with its voluntary delisting plan. The gaming firm has set a tender offer price of P7.25 each, much lower than its price of P14 apiece when the company conducted an initial public offering (IPO) back in 2013.

‘That’s an unfair price now that MRP is starting to earn money... The shareholders, who bought higher or held on to the IPO price, are the losers here,’ said Jervin S. De Celis, a trader at Timson Securities, Inc., in a mobile message.

Aniceto K. Pangan, equities trader at Diversified Securities, Inc., echoed this view, saying the pricing will be against the stockholders who planned their investments for the long term.

‘It’s unfair for those investors who were offered a higher price during their IPO and follow on offering. Considering they stayed on and saw more of a long term investment from the company, then they are the ones who will lose money here,’ he said in a phone interview.

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‘The shareholders have to talk to the Board to really know the fair price but what makes the tender offer unfair is that their follow on offer price was at P14 five years ago and MRP was not even earning that time. Now that they’re starting to earn, they’re buying back the shares at almost half the price below the IPO price,’ Mr. De Celis said.

Philstocks Financial, Inc. Research Associate Piper Chaucer Tan noted that more than the unfair price, investors are worried that their stock will be illiquid once the company delists from the PSE.

‘If they don’t exercise the tender offer, first it will be illiquid since it has been delisted in the exchange and you will go directly to the stock transfer office in order to sell it,’ Mr. Tan said via text.

He added that once MRP is delisted, stockholders will no longer have an indicative price to base on how much they will sell the shares.

‘When the tender offer was made it has a indicative price. If you don’t exercise, you don’t have a reference price and MRP will determine the price per share of your stock position or even they can value it below the tender offer price which is at P7.25,’ Mr. Tan explained.

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As a preliminary matter, MRP respectfully clarifies that the tender offer is being conducted by MCO (Philippines) Investments Limited (“MCO”) and the statements contained in the tender offer report filed with the PSE on September 17, 2018 (the “Tender Offer Report”) were made and provided by MCO. MRP further respectfully clarifies and comments on the news article as follows:

1. MRP’s shares were approved for listing by the PSE through a backdoor listing (via Manchester International Holdings Unlimited Corp.) in 2013. As such, it did not conduct its own initial public offering. The P14



refers to the price of the MRP shares sold through a private placement in April 2013 following such backdoor listing.

2. The Php 14 follow-on offer price was determined based largely on market demand for the investment resulting from a marketing process conducted by international investment banks. Specifically, it was the result of a book building process and discussions among the Company, MCE (Philippines) Investment Limited (the selling shareholder) and the Joint Lead Managers of the offering.
3. As stated in the Tender Offer Report, the Php7.25 tender offer price was independently determined by the offeror MCO. This falls within the fair value range calculated by FTI Consulting Philippines, Inc. ("FTI Consulting"). FTI Consulting is accredited by both the PSE and the Securities and Exchange Commission, and was certified as independent by the PSE for the purpose of issuing a fairness opinion. We note that in preparing its fairness opinion and supporting valuation report, FTI Consulting complied with the Guidelines for Fairness Opinions and Valuation Reports of the PSE.
4. Depending on when an investor purchased MRP shares, they will experience very different financial outcomes. For instance, while investors who purchased MRP shares above the tender offer price will experience a loss (if they decide to tender their MRP shares in the tender offer), investors who purchased MRP shares at the all-time low trading price of Php1.15 in January 2016 or at the more recent closing price of Php 5.05 on July 5, 2018 will have realized a significant gain if they decide to tender their MRP shares in the tender offer process. More importantly, the fact that the tender offer price may be lower than an investor's acquisition cost does not, in and of itself, make the tender offer price unfair. FTI Consulting determined such price taking into account various objective factors, including MRP's historical and projected earnings, and using market-standard methods recognized by the regulators. FTI Consulting arrived at a fair value range for MRP shares at Php6.11 to Php7.49, and the tender offer price of Php7.25 comes in at the higher end of the fair value range. In addition, the tender offer price represents a 16.7% premium over the last closing share price on 7 September 2018 of Php6.21, an 11.2% premium over the six-month volume weighted average price (VWAP) and 14.2% premium over the three-month VWAP of MRP's common shares.
5. There is likewise no requirement or undertaking by MRP to any of its shareholders that it will remain a PSE listed company. The proposed voluntary delisting is being conducted in compliance with the requirements under the PSE Rules on Delisting.

We hope this clarifies matters. MRP remains at the PSE's disposal.