



18 September 2018

**ISSUER REGULATION DIVISION  
THE PHILIPPINE STOCK EXCHANGE, INC.**

6/F PSE Tower  
5th Avenue corner 28th Street  
Bonifacio Global City, Taguig City 1634

Attention: Ms. Janet E. Encarnacion  
Officer-in-Charge- Issuer Regulation Division  
Head – Disclosure Department

Re: **Amended Petition for Voluntary Delisting of  
Melco Resorts and Entertainment (Philippines) Corporation**

Ladies and Gentlemen:

Melco Resorts and Entertainment (Philippines) Corporation ("**MRP**" or the "**Company**") writes further to its 14 September 2018 letter to the The Philippine Stock Exchange, Inc. ("**PSE**") and hereby files this amended petition for the voluntary delisting of its common shares from the Main Board of the PSE. This amended petition is being filed pursuant to, and in accordance with, the PSE Rules on Delisting.

As disclosed in the 14 September 2018 letter, the Board of Directors of MRP (the "**Board**") approved the voluntary delisting of MRP's common shares from the PSE during its special meeting on 7 September 2018. In connection with the proposed delisting of MRP, MRP has also been notified by MCO (Philippines) Investments Limited (the "**Bidder**") that the Bidder intends to conduct a voluntary tender offer ("**Tender Offer**") for up to One Billion Five Hundred Sixty Nine Million Seven Hundred Eighty Six Thousand and Seven Hundred Sixty Eight (1,569,786,768)<sup>1</sup> publicly-owned and other MRP common shares.

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<sup>1</sup> This is comprised by (a) the 1,543,421,147 outstanding MRP Shares that are not directly or indirectly held by the Bidder as of the date of the TO Report; and (b) the additional of up to a total of 26,365,621 new MRP Shares ("**Additional MRP Shares**") that may be issued to the relevant grantees of equity awards under MRP's Share Incentive Plan ("**SIP**") and listed with the PSE during, or prior to the start of, the Tender Offer period due to (i) certain equity awards that were granted prior to 10 September 2018 (being the date that the Announcement of Intention to Delist and Tender Offer of MRP Shares was issued and published ("**TO Notice Date**") under MRP's SIP becoming vested on 30 September 2018 and 16 November 2018, respectively, and (ii) the possible exercise of certain share options that were granted under MRP's SIP prior to the TO Notice Date.

The Bidder is currently the controlling shareholder of MRP, with Three Billion Nine Hundred Fifty Million Four Hundred Forty Thousand Two Hundred Ninety-Six (3,950,440,296) issued and outstanding MRP Shares and beneficial ownership of One Hundred Seventy Three Million Eight Hundred Forty Thousand Two Hundred Sixty-Eight (173,840,268) MRP Shares. This represents approximately 72.77% of the outstanding MRP Shares, as of the date of this petition, or approximately 72.43% of the total outstanding common shares of the Issuer assuming all the Additional MRP Shares were issued in full on the date of the TO Report.

On 10 September 2018, the Bidder published in *The Business Mirror*, a newspaper of general circulation, an Announcement of Intention to Delist and Make a Tender Offer to Shareholders of MRP at the Tender Offer price of Php7.25 per share and of the approval by the Board of the voluntary delisting of MRP shares from the PSE. The Tender Offer period will be from 3 October 2018 to 30 October 2018, unless otherwise extended subject to regulatory approvals.

FTI Consulting Philippines, Inc, the Bidder's independent financial adviser, conducted the evaluation of the price and the other terms and conditions of the Tender Offer and opined that such price is fair.

On 14 September 2018, the Bidder filed its initial tender offer report (SEC Form 19-1) with the Securities and Exchange Commission, copy furnishing MRP. The said report was also submitted to the Disclosure Department of the PSE on the same date.

Please note that the following annexes were attached to the 14 September 2018 petition for voluntary delisting:

1. Secretary's Certificate dated 14 September 2018 attesting to the resolutions of the Board on the approval of the voluntary delisting and designation of its authorized representatives and signatories for purposes of filing the petition for voluntary delisting (Annex "A");
2. SEC Form 19-1 (Annex "B");
3. Published Announcement of Intention to Delist and Make a Tender Offer to Shareholders of MRP (Annex "C"); and
4. Fairness Opinion prepared by FTI Consulting Philippines, Inc (Annex "D").

In view of the foregoing, upon completion of the tender offer by the Bidder, may we respectfully request that the shares of MRP be delisted from the PSE effective two weeks from the Settlement Date of the Tender Offer as defined in the Tender Offer Report, including any extension thereof.

Thank you.

Very truly yours,

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION**

By:

A handwritten signature in blue ink, appearing to be 'M. Academia', written over the printed name.

**MARISSA T. ACADEMIA**  
*Compliance Officer / Corporate Information Officer*

**SECRETARY'S CERTIFICATE**

I, **MARIE GRACE A. SANTOS**, of legal age, Filipino, with business address at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701, after having been duly sworn in accordance with law, state that:

1. I am the Corporate Secretary of Melco Resorts and Entertainment (Philippines) Corporation ("**MRP**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701.

2. At the duly constituted special meeting of the Board of Directors held on September 7, 2018, at which meeting a quorum was present and acting throughout, the Corporation's Board of Directors unanimously approved the following resolutions:

**MRP Resolution No. 2018-017**

WHEREAS, MCO (Philippines) Investments Limited ("**MCO Investments**") is the shareholder of Three Billion, Nine Hundred Fifty Million, Four Hundred Forty Thousand and Two Hundred Ninety-Six (3,950,440,296) issued and outstanding common shares of Melco Resorts and Entertainment Philippines Corporation (the "**Corporation**").

WHEREAS, MCO Investments is the beneficial owner, through its subsidiary, MPHIL Corporation, of One Hundred Seventy-Three Million, Eight Hundred Forty Thousand and Two Hundred Sixty-Eight (173,840,268) common shares. As such, MCO Investments directly and indirectly holds in aggregate approximately 72.77% of the outstanding common shares of the Corporation.

WHEREAS, the remaining One Billion Five Hundred Forty-Three Million Four Hundred Twenty-One Thousand and One Hundred Forty-Seven (1,543,421,147) outstanding common shares comprise approximately 27.23% of the outstanding capital stock of the Corporation are held by the public.

WHEREAS, under the Philippine Stock Exchange, Inc. ("**PSE**") Rules on Delisting ("**Rules**"), the Corporation is allowed to undergo a voluntary delisting, subject to compliance with such Rules.

WHEREAS, the Board was informed that MCO Investments will conduct a Tender Offer to acquire up to 1,543,421,147 common shares of the Corporation to facilitate the Corporation's future expansion and other business plans by increasing the shareholdings of MCO Investments in the Corporation and to comply with the tender offer requirements under the Rules.

RESOLVED, that the Board of Directors of the Corporation approved the intention to voluntarily delist from the main board of the PSE (the "**Delisting**").

RESOLVED, that in connection with the Delisting, the Corporation likewise approved the filing of the Petition for Voluntary Delisting with the PSE.

RESOLVED FURTHER, that any of the following individuals be appointed as authorized representatives ("**Authorized Representatives**") of the Corporation and for each of them to

sign, execute and/or deliver, singly, for and on behalf of the Corporation, any and all applications, documents, forms, petitions in connection with the Delisting and for these Authorized Representatives to further amend, finalize, and approve the Petition for Voluntary Delisting of the Corporation:

- a. CHUNG, Clarence Yuk Man
- b. ACADEMIA, Marissa T.

RESOLVED, that in connection with the actions contemplated by the foregoing resolutions, each of the President and Chairman of the Board, Treasurer, Property President/Chief Operating Officer, and VP, Legal Affairs, Philippines or Corporate Secretary of the Corporation (collectively, the "Authorized Representatives") or, if applicable, any attorney of any Authorized Representative supported by relevant supporting documents (collectively, the "Authorized Persons") be authorized, in the name and on behalf of the Corporation or the relevant subsidiary, to do such further acts and things and to sign such documents as any such Authorized Persons might deem necessary or appropriate, including to do and perform (or procure to be done and performed), in the name and on behalf of the Corporation or its subsidiaries, all such acts and to sign, make, execute, deliver, issue or file (or procure to be signed, made, executed, issued, delivered or filed) with any person including, but not limited to, any stock exchange, governmental authority or agency, all such agreements, documents, instruments, certificates, consents, waivers, notifications and announcements and all amendments to any such agreements, documents, instruments, certificates, consents, waivers, notifications or announcements and where any such documents be required to be sealed or executed as a deed by affixing the corporate/common seal of the Corporation or the relevant subsidiary, to affix thereto the seal countersigned by any such Authorized Person and to pay, or procure to be paid, all such payments, in each case as any of them might deem necessary or advisable to carry out the intent of the foregoing resolutions, the authority for the taking of such acts and things and the signing, making, execution, delivery, issue and filing of such of the foregoing to be conclusively evidenced thereby.

RESOLVED FINALLY, that any and all actions of the Corporation and/or any of its subsidiaries, or any Authorized Person, or such other duly authorized person, taken in connection with the actions contemplated by the foregoing resolutions prior to the date of these resolutions be ratified, confirmed, approved and adopted in all respects as if such actions had been presented to all Directors for approval, and approved by them prior to such action being taken.

3. The foregoing Resolutions have not been altered, modified, nor revoked and that the same are now in full force and in effect; and

4. This Certification is issued to attest to the truth of the foregoing Resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand on September 14, 2018 at Parañaque City.

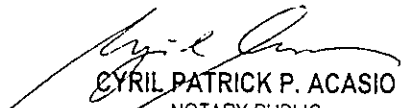
MARIE GRACE A. SANTOS  
Corporate Secretary





SUBSCRIBED AND SWORN TO before me on September 14, 2018 by MARIE GRACE A. SANTOS, who has satisfactorily proven to me her competent evidence of identity through her Passport No. 4765321A issued at DFA, Manila and valid until October 18, 2022.

Doc. No. 243  
Page No. 60  
Book No. III  
Series of 2018.



CYRIL PATRICK P. ACASIO

NOTARY PUBLIC

Until December 31, 2019

Notarial Commission No. 166-2018

Roll No. 54527

PTR No. 1236853/01-04-18/ Parañaque City

IBP No. 021064/01-04-18/Makati City

MCLE Compliance No. V-0011106

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 19-1  
TENDER OFFER REPORT**

Check the appropriate box:

Initial Filing

Amendment

Amendment No.: **N/A**

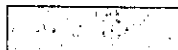
Items Amended by the Filing: **N/A**

1. Exact Name of Subject Company as Specified in its Charter:  
**Melco Resorts and Entertainment (Philippines) Corporation**

(a) Address of Principal Offices:  
**Aseana Avenue cor. Roxas Boulevard, Brgy.  
Tambo, Parañaque City**

Postal Code: **1701**

(b) SEC Identification Number: **58648** (c) Industry Classification Code (SEC Use Only)



(d) BIR Tax Identification Number: **000-410-840-000**

2. Name of Bidder:  
**MCO (Philippines) Investments Limited**

(a) Address of Principal Offices:  
**Jayla Place,  
Wickams Cay I, Road Town  
Tortola, British Virgin Islands**

Postal Code: **VG1110**

3. Title or Class of Securities Subject to Tender Offer:  
**Common Share  
Notice to U.S. Shareholders**

The Offer is being made for the securities of a company incorporated in the Philippines with limited liability and is subject to disclosure requirements in the Philippines, which are different from those of the United States. The Tender

Offer Report will not be filed under any laws or rules of any jurisdiction other than the Philippines, which are different from those of the United States.

The Tender Offer is being made pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the Philippine Securities and Exchange Commission and The Philippine Stock Exchange. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements in the Philippines, which are different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of common shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of common shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

Neither the U.S. Securities and Exchange Commission nor any securities commission of any State of the U.S. has (a) approved or disapproved of the Tender Offer, (b) passed upon the merits or fairness of the Tender Offer, or (c) passed upon the adequacy or accuracy of the disclosure relating to the Tender Offer. Any representation to the contrary may be a criminal offense in the U.S.

#### **Item 1. Subject Company and Class of Security Subject to the Tender Offer**

- (a) The subject company is Melco Resorts and Entertainment (Philippines) Corporation (the "**Company**" or "**MRP**"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at Aseana Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, Philippines.
- (b) As of the date of this Tender Offer Report, MRP has an authorized capital stock of Five Billion Nine Hundred Million Pesos (₱5,900,000,000.00) consisting of Five Billion Nine Hundred Million (5,900,000,000) common shares with a par value of One Peso (₱1.00) per share, of which Five Billion, Six Hundred Sixty-Seven Million, Seven Hundred One Thousand, Seven Hundred Eleven (5,667,701,711) common shares are issued and outstanding. There are no shares held in treasury.

As of the date of this Tender Offer Report, MCO (Philippines) Investments Limited (the "**Bidder**" or "**MCO Investments**") is the shareholder of Three Billion, Nine Hundred Fifty Million, Four Hundred Forty Thousand and Two Hundred Ninety-Six (3,950,440,296) issued and outstanding common shares and in addition, MCO Investments is the beneficial owner, through MPHIL Corporation (MCO Investments' subsidiary), of One Hundred Seventy Three Million, Eight Hundred Forty Thousand, and Two Hundred Sixty-Eight (173,840,268) common shares. As such, the Bidder directly and indirectly holds in aggregate approximately 72.77% of the outstanding common shares of MRP or approximately 72.43% of the enlarged outstanding common shares of MRP assuming all the Additional MRP Shares were issued in full on the date of this Tender Offer Report. One Billion Five Hundred Sixty Nine Million Seven Hundred Eighty Six Thousand and Seven Hundred Sixty Eight (1,569,786,768)<sup>1</sup> outstanding common shares are held by the public and other MRP shareholders.

Subject to the terms of the Tender Offer attached and made an integral part of this Tender Offer Report as **Exhibit A** (the "**Terms of the Tender Offer**"), the Bidder intends to acquire up to One Billion Five Hundred Sixty Nine Million Seven Hundred Eighty Six Thousand Seven Hundred Sixty Eight (1,569,786,768) outstanding common shares (the "**Tender Offer Shares**"). The Tender Offer is being made at a price of Seven Pesos and Twenty Five Centavos (₱7.25) per share (the "**Tender Offer Price**"). The Tender Offer Price does not include customary selling charges, which shall be for a tendering shareholder's account.

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<sup>1</sup> This comprises (a) the 1,543,421,147 MRP Shares that are not directly or indirectly held by the Bidder as of the date of the TO Report; and (b) the additional of up to a total of 26,365,621 new MRP Shares ("**Additional MRP Shares**") that may be issued to the relevant grantees of equity awards under MRP's Share Incentive Plan ("**SIP**") and listed with the PSE during, or prior to the start of, the Tender Offer period due to (i) certain equity awards that were granted prior to 10 September 2018 (being the date that the Notice to the Stockholders of MRP on Intention to Delist and Tender Offer of MRP Shares was issued and published ("**TO Notice Date**")) under MRP's SIP becoming vested on 30 September 2018 and 16 November 2018, respectively, and (ii) the possible exercise of certain share ptions that were granted under MRP's SIP prior to the TO Notice Date.



The maximum aggregate tender offer price that the Bidder could pay under the Tender Offer is approximately Eleven Billion Three Hundred Eighty Million Nine Hundred Fifty Four Thousand Sixty Eight Pesos (P11,380,954,068.00). Bank of China, Macau Branch has confirmed that the Bidder has sufficient funds available to satisfy payment of the Tender Offer Shares. A document confirming this is attached as **Exhibit B**.

FTI Consulting Philippines, Inc., a financial advisory firm accredited by the Philippine Stock Exchange ("PSE") and SEC to issue fairness opinions in transactions of this nature, has confirmed that the Tender Offer Price is fair. A copy of FTI Consulting Philippines, Inc.'s fairness opinion (the "Fairness Opinion") is attached as **Exhibit G**.

Payment for the Tender Offer Shares validly tendered and accepted for payment shall be by way of check which shall be made available for pick up at the office of Maybank ATR Kim Eng Securities, Inc. (the "Tender Offer Agent") at 17<sup>th</sup> Floor Tower One & Exchange Plaza, Ayala Avenue, Makati City, Philippines 1226 on 19 November 2018.

- (c) The Company's shares are listed and traded on the PSE under the symbol "MRP". The high and low sales prices for the Company's shares traded on the PSE for each quarter of 2016 and 2017 and the first two quarters of 2018 are as follows:

(in P)	2016		2017		2018	
	High	Low	High	Low	High	Low
First Quarter	2.99	1.15	6.85	3.75	9.27	7.20
Second Quarter	3.85	2.04	10.26	6.03	8.19	5.09
Third Quarter	4.70	3.20	9.50	7.20	N/A	N/A
Fourth Quarter	4.55	3.61	7.97	5.85	N/A	N/A

**Item 2. Identity and Background**

- (a) The Bidder, MCO (Philippines) Investments Limited ("MCO Investments"), is a corporation organized on 18 July 2012 and duly existing under the laws of the British Virgin Islands. It was established for the purpose of investment holdings. The address of MCO Investments' principal office is Jayla Place, Wickhams Cay I, Road Town Tortola, British Virgin Islands.

MCO Investments is an indirect wholly-owned subsidiary of Melco Resorts & Entertainment Limited.

As of the date of this Tender Offer Report, the Bidder in aggregate holds approximately 72.77% (including the shares held by its subsidiary, MPHIL Corporation) of the Company's outstanding capital stock or approximately 72.43% of the enlarged outstanding common shares of MRP assuming all the Additional MRP Shares were issued in full on the date of this Tender Offer Report. The Company is the Bidder's subsidiary.

- (b) The following are the current directors and key executives of MCO Investments:

Name	Nationality	Office Address	Position / Employment
Geoffrey Stuart Davis	American	38/F, The Centrium, 60 Wyndham Street, Central, Hong Kong	Sole Director
Stephanie Cheung	Canadian	38/F, The Centrium, 60 Wyndham Street, Central, Hong Kong	Alternate Director

Raymond Chong Ip Ho	Chinese Hong Kong	37/F, The Centrium, 60 Wyndham Street, Central, Hong Kong	Joint company secretary
Karen Siu Mai Lee	Chinese Hong Kong	37/F, The Centrium, 60 Wyndham Street, Central, Hong Kong	Joint company secretary

(c) Involvement in Legal Proceedings:

- (i) During the last five (5) years, none of the above individuals have been convicted in any criminal proceeding (excluding traffic violations or similar misdemeanors).
- (ii) During the last five (5) years, none of the above individuals have been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction, domestic or foreign, which as a result of such proceeding was or is subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking.

**Item 3. Purpose of the Tender Offer and Plans or Proposals of the Bidder**

**Purpose of the Tender Offer**

The Tender Offer is proposed to be conducted for the purpose of the voluntary delisting of MRP and the Bidder has been notified by the Board of Directors of MRP ("**MRP Board**") after trading hours on 7 September 2018 that the MRP Board has approved and authorized the voluntary delisting of its shares from the Main Board of the PSE in accordance with the PSE Rules on Delisting and other applicable rules and regulations and further that MRP intends to file a Petition for Voluntary Delisting on 14 September 2018. Under the PSE Rules on Delisting, the Bidder must acquire at least 95% of the outstanding capital stock of MRP for the PSE to consider and approve a petition for voluntary delisting. Thus, subject to the SEC's approval, the Bidder may extend the tender offer period to enable it to obtain at least 95% of the outstanding capital stock of MRP. In the event that the Bidder fails to obtain at least 95% of the outstanding capital stock of MRP in the Tender Offer, MRP will nonetheless proceed with the request for voluntary delisting and the Bidder does not intend to conduct a second tender offer.

When the Bidder became a majority shareholder of MRP, MRP was already listed on the PSE. The Bidder viewed the listed status as an important tool allowing MRP to raise funds in the Philippine public market in order to provide capital for expansion and other business plans. However, the Bidder believes that MRP's listed status in recent years has not contributed to its ability to raise funds despite considerable efforts and expenses being incurred to maintain its listed status. The Tender Offer and voluntary delisting of MRP would also allow the Bidder to increase and consolidate its interests in MRP to better support and facilitate MRP's future business plans.

The Tender Offer Price of ₱7.25 per Tender Offer Share is towards the high-end of the range of fair market prices of ₱6.11 to ₱7.49 per MRP Share as opined by FTI Consulting Philippines, Inc. as set out in the Fairness Opinion and also represents an approximately 14% premium over the three-month volume weighted average price of the MRP Shares ended on the Last Trading Day (as defined below). The Bidder believes that the Tender Offer gives existing shareholders of MRP the opportunity to sell their MRP shares and realize their investment, in cash, at a premium to the then current trading price of the MRP shares on 7 September 2018 (the "**Last Trading Day**"), being the last trading day of MRP shares before the publication of the announcement of the Bidder's intention to make a Tender Offer to MRP shareholders on 10 September 2018.

If the Company is delisted, its shares will no longer be traded on the PSE, which could affect the shareholders' ability to liquidate their investment. Moreover, any sale or transfer of the Company's shares when delisted would be subject to the following taxes:

- (a) Capital gains tax at the rate of 15% of the net capital gains realized, which is payable by the seller; and
- (b) Documentary stamp tax of ₱1.50 on each ₱200 of the par value of the shares sold, which is payable by the Bidder.

If the consideration paid for the sale or transfer is lower than the fair market value of the MRP shares, the Bureau of Internal Revenue (the "BIR") may further impose donor's tax at the rate of 6% of the total gifts made by the seller in excess of ₱250,000.00 in one calendar year on the difference between the fair market value and the actual consideration paid, which is payable by the seller.

The above taxes may be higher than the stock transaction tax (0.6% of the gross selling price) applicable for selling shares of companies listed in the PSE. Further, a tax clearance must also be secured from the BIR before any transfer or sale of shares can be recorded in the books of the Company.

#### **Plans/Proposals of the Bidder**

After the conclusion of the Tender Offer and delisting of MRP from the PSE, the Bidder shall cause MRP and its subsidiaries, MPHIL Holdings No. 1 Corporation, MPHIL Holdings No. 2 Corporation and Melco Resorts Leisure (PHP) Corporation ("MRLC"), to undergo a quasi-reorganization to eliminate a deficit in the retained earnings of MRLC. This process may involve applying the existing additional paid-in capital against the deficit. MRP is still exploring various options and has not yet arrived at a definite decision on how the quasi-reorganization will be conducted.

Other than the foregoing, as of the date hereof, the Bidder has no plans or proposals which would relate to or would result in:

- (a) Any extraordinary non-public corporate transaction, such as a merger, reorganization or liquidation, involving the Company;
- (b) A sale or transfer of a material amount of assets of the Company;
- (c) Any change in the present board of directors or management of the Company including, but not limited to, any plan or proposal to change the number or term of directors, to fill any existing vacancy on the board or to change any material term of the employment contract of any executive officer; and
- (d) Any material change in the present dividend rate or policy or indebtedness or capitalization of the Company.

#### **Item 4. Interest in Securities of the Issuer**

As of the date of this Tender Offer Report, the Bidder is the shareholder of Three Billion, Nine Hundred Fifty Million, Four Hundred Forty Thousand and Two Hundred Ninety-Six (3,950,440,296) issued and outstanding MRP common shares and is the beneficial owner, through MPHIL Corporation (MCO Investments' subsidiary), of One Hundred Seventy Three Million, Eight Hundred Forty Thousand, and Two Hundred Sixty-Eight (173,840,268) MRP common shares. This comprises approximately in aggregate 72.77% of the outstanding shares of common shares of MRP as of the date of this Tender Offer Report or approximately 72.43% of the enlarged outstanding common shares of MRP assuming all the Additional MRP Shares were issued in full on the date of this Tender Offer Report.

#### **Item 5. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

Save for the award agreements entered into with the following executives pursuant to MRP's Share Incentive Plan in respect of the number of MRP shares specified below, (i) there are no contracts, arrangements, understandings or relationship among the persons named in Item 2 and between such persons and any person

*Final version*

with respect to any securities of MRP, including, but not limited to, transfer or voting of any of the securities, finders' fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies; and (ii) none of the securities of MRP are pledged to the Bidder or otherwise subject to a contingency the occurrence of which would give any of such persons voting power or investment power over such securities:

<b>Name</b>	<b>Number of MRP shares involved</b>
Stephanie Cheung	728,339
Geoffrey Davis	3,471,058
Karen Lee Siu Mai	364,169

**Item 6. Materials to be Filed as Exhibits**

The following Tender Offer materials will be published or made available to shareholders of MRP:

- Exhibit A - Terms of the Tender Offer
- Exhibit B - Confirmation from Bank of China, Macau Branch that resources available to the Bidder are sufficient to satisfy full acceptance of the Tender Offer
- Exhibit C - Announcement of Intention to Make a Tender Offer to Shareholders of MRP published on 10 September 2018 at Business Mirror with attached Affidavit of Publication
- Exhibit D - Public Announcement to Shareholders of MRP to be published at the start of the Tender Offer Period for two consecutive days
- Exhibit E - Application to Tender Shares of MRP, which has the following attachments:
  - Annex A Terms of the Tender Offer (also Exhibit A)
  - Annex B Sample Secretary's Certificate setting forth resolutions of the tendering shareholder's Board of Directors authorizing the tender and sale of the Company's shares and designating the signatories for the said purpose
  - Annex C Sample Partners' Certificate for Partnership
  - Annex D Irrevocable Special Power of Attorney for Individual Shareholders
  - Annex E Sample Affidavit of Loss
- Exhibit F - Instruction to Participating Brokers from the Tendering Shareholder
  - Annex 1 Form of Letter to Tender Offer Agent from Participating Broker
- Exhibit G - Fairness Opinion
- Exhibit H - List of the Company's Top 100 Shareholders as of 13 September 2018

*(signature page follows)*

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of \_\_\_\_\_ on 14 SEPT. 2018.

By: **MCO (Philippines) Investments Limited**

A handwritten signature in black ink, appearing to be 'GS' followed by a long horizontal stroke and a dot above it.

Name: Geoffrey Stuart Davis  
Title: Sole Director

**TERMS OF THE TENDER OFFER**

The Target Company	Melco Resorts and Entertainment (Philippines) Corporation ("MRP" or the "Company")
The Bidder	MCO (Philippines) Investments Limited ("MCO Investments" or the "Bidder")
Subject Shares	Up to One Billion Five Hundred Sixty Nine Million Seven Hundred Eighty Six Thousand and Seven Hundred Sixty Eight (1,569,786,768) <sup>2</sup> common shares (the "Tender Offer Shares") of MRP, comprising (i) all of the 1,543,421,147 common shares of MRP that are not directly or indirectly held by the Bidder as of the date of the TO Report (representing approximately 27.23% of MRP's issued and outstanding common stock as of the date of the TO Report); and (ii) the Additional MRP Shares. All tendered shares must be in scripless form.  Please see "Lodgment with the Philippine Depository & Trust Corporation" for procedure on lodgment for scrip shareholders.
Tender Offer Price	Seven Pesos and Twenty Five Centavos (₱7.25) per Tender Offer Share  Following the expiration of the Tender Offer Period, the Tender Offer Shares will be crossed by special block sale on the Philippine Stock Exchange at the Tender Offer Price. The net proceeds to be received by the tendering shareholders shall be subject to deduction for transfer expenses. Please see "Transfer Expenses" listing those expenses for the account of the tendering shareholders.
Entitlement and Eligibility	Every holder of the Tender Offer Shares as of any date during the Tender Offer Period is entitled to sell its/his/her Tender Offer Shares to the Bidder in accordance with these Terms of the Tender Offer.
Tender Offer Period	The Tender Offer shall be during business hours and will commence on 9:30 a.m. on 3 October 2018 and end at 3:00 p.m. on 30 October 2018. In the event that a new holiday(s) in the Philippines will be declared during the Tender Offer Period or the occurrence of any fortuitous event that would result in the closure of government offices for a full business day in Pasay City, Parañaque City and Makati City, said Tender Offer Period will automatically be extended by the corresponding number of days of holiday or closure of government offices. The Bidder reserves the right to extend the Tender Offer, subject to obtaining the approval of the SEC.

The following is the schedule of the Tender Offer:

Commencement of the Tender Offer Period	3 October 2018
End of the Tender Offer Period	30 October 2018
Report of Results of the Tender Offer and Acceptance of Shares Tendered	7 November 2018

<sup>2</sup> This comprises (a) the 1,543,421,147 MRP Shares that are not directly or indirectly held by the Bidder as of the date of the TO Report; and (b) the additional of up to a total of 26,365,621 new MRP Shares ("Additional MRP Shares") that may be issued to the relevant grantees of equity awards under MRP's Share Incentive Plan ("SIP") and listed with the PSE during, or prior to the start of, the Tender Offer period due to (i) certain equity awards that were granted prior to 10 September 2018 (being the date that the Notice to the Stockholders of MRP on Intention to Delist and Tender Offer of MRP Shares was issued and published ("TO Notice Date")) under MRP's SIP becoming vested on 30 September 2018 and 16 November 2018, respectively, and (ii) the possible exercise of certain share options that were granted under MRP's SIP prior to the TO Notice Date.



Cross Date	14 November 2018
Settlement Date	19 November 2018

Tender Offer Agent  
 Maybank ATR Kim Eng Securities, Inc.  
 17<sup>th</sup> Floor Tower One & Exchange Plaza  
 Ayala Avenue, Makati City  
 Philippines

For shareholders based in the Visayas and Mindanao, they may transact and submit all of the requirements at the Cebu and Davao branch offices of the Tender Offer Agent:

- o **Cebu Branch:** Room 206, Cebu Holdings Center, Cebu Business Park, Cebu City, Philippines; Telephone No.: (63) (32) 23113 24 (Contact Person: Mr. Marco Velasco) and
- o **Davao Branch:** Door #12 JJ's Commune Loyola St., BO Obrero, Davao City Philippines; Telephone No.: (63) (82) 22428 60 (Contact Person: Mr. Miguel Luis R. Aquino).

Contact Person	Telephone Number	Email Address
Lourie Teodosio	632 849 88 60	Lourie_Teodosio@maybank-atrke.com
Regina de los Santos	632 849 88 64	Regina_Santos@maybank-atrke.com

Applications

**Scripless Shareholders** (*i.e.*, shareholders whose shares are lodged with the Philippine Depository and Trust Corporation ("PDTC")) of MRP who wish to accept the offer must instruct their brokers to electronically transfer their Tender Offer Shares to the Tender Offer Agent. The member broker(s) of the PSE who hold(s) the Tender Offer Shares, should, upon receipt of the notice of the Tender Offer, immediately notify the relevant shareholder that should the shareholder wish to sell its/his/her MRP shares to the Bidder, the shareholder must instruct said participating broker by completing the "Instruction to Participating Brokers from the Tendering Shareholder" in the form of Exhibit F to electronically transfer its/his/her shares to the Tender Offer Agent, as custodian for such shares, not later than 12:00 p.m. on 30 October 2018. When tendering shares, the participating brokers are required to submit the letter to the Tender Offer Agent (in the form of Annex 1 of the Instructions to Participating Brokers which is Exhibit F to the SEC Form 19- 1 filed by the Bidder with the SEC) (the "Letter from the Participating Broker") not later than 3:00 p.m. on 30 October 2018 as well as the duly completed Application to Tender Shares (the "Application").

**Scrip Shareholders** (*i.e.*, shareholders who hold stock certificates) of MRP who wish to tender and sell their shares to the Bidder should complete the Application in quadruplicate and submit the same to Maybank ATR Kim Eng Securities, Inc. (the "Tender Offer Agent") with the attachments set out below at the address set forth above.

Attachments to Scrip Applications

- a. Original MRP stock certificates duly endorsed; to be verified by the Tender Offer Agent with **Stock Transfer Service, Inc. ("STSI")**, the stock transfer agent of MRP, as valid and authentic certificates.
- b. For Individuals:
  - (i) For shareholders acting through an attorney-in-fact, please submit a duly notarized Irrevocable Power of Attorney (in the form substantially the same as Annex D of the Application, and which is Exhibit E-D to the SEC Form 19-1 filed by the Bidder with the SEC). For married individuals who are Philippine citizens, their respective spouses must sign on the space provided in the Irrevocable Power of Attorney to indicate marital consent to the sale of the Tender Offer Shares.
  - (ii) Photocopies of two (2) valid identification cards showing the Applicant's signature and photograph, e.g., driver's license, tax identification card, Social Security System (SSS)/Government Services and Insurance System (GSIS) card, Alien Certificate of Registration (ACR), or passport.
  - (iii) Duly accomplished signature card containing the specimen signature of the tendering shareholder and verified by the tendering shareholder's broker or by an officer of the custodian bank at which the tendering shareholder maintains an account (the signature card must specify the name of the broker and the broker's signatory) or the name of the bank and the bank's signatory as the case may be.
- c. For Corporations:
  - (i) Notarized Board Resolution (in the form substantially the same as the Secretary's Certificate attached as Annex B to the Application, which is Exhibit E-B to the SEC Form 19-1 filed by the Bidder with the SEC) authorizing the sale of the Tender Offer Shares, designating signatories for the purpose and indicating the specimen signatures of those signatories.
  - (ii) Copy of SEC Registration or equivalent constitutive document certified as a true copy of the original by the Corporate Secretary or equivalent person having official custody of company records.
  - (iii) Copy of latest Articles of Incorporation and By-laws of the Applicant or equivalent constitutive document certified as a true copy of the original by the Corporate Secretary or equivalent person having official custody of company records.
  - (iv) Duly accomplished signature card containing the specimen signature of the tendering shareholder and verified by the tendering shareholder's corporate secretary or by an officer of the custodian bank at which the tendering shareholder maintains an account.
- d. For Partnerships:
  - (i) Copy of SEC Registration or equivalent constitutive document certified as a true copy of the original by the Partnership Secretary or equivalent person having official custody of the partnership records.

- (ii) Copy of the latest Articles of Partnership of the Applicant or equivalent constitutive document certified as a true copy of the original by the Partnership Secretary or equivalent person having official custody of the partnership records.
- (iii) Notarized Partnership Resolution (in the form substantially the same as the Partners' Certificate attached as Annex C to the Application, which is Exhibit E-C of the SEC Form 19-1 filed by the Bidder with the SEC) authorizing the sale of the Tender Offer Shares, designating signatories for the purpose and indicating the specimen signature of the signatories.
- (iv) Duly accomplished signature card containing the specimen signature of the tendering shareholder and verified by the tendering shareholder's broker or by an officer of the custodian bank at which the tendering shareholder maintains an account (the signature card must specify the name of the broker and the broker's signatory) or the name of the bank and the bank's signatory as the case may be.

**The terms of the Application (including the Representations and Warranties) shall form integral parts of these Terms of the Tender Offer, which in turn form integral parts of the Application.**

The Bidder reserves the right to require presentation of additional documents in respect of the determination of the validity, eligibility and acceptability of any Tender Offer Shares tendered pursuant to this Tender Offer.

The Bidder shall not be held liable for any Applications to Tender Shares which are rejected or not acceptable due to the failure to meet any of the requirements as set forth above.

The Bidder or its affiliates may purchase shares otherwise than under the Tender Offer, such as in privately negotiated purchases, at any time during the pendency of the Tender Offer.

Lodgment with the  
Philippine  
Depositary & Trust  
Corporation

Tender Offer Shares must be received by the Tender Offer Agent not later than 3:00 p.m. of 30 October 2018.

Tender Offer Shares submitted to the Cebu and Davao branch offices of the Tender Offer Agent must be received no later than 25 October 2018 to allow for shipping and handling of the documents.

To ensure prompt receipt and cross of the shares on the PSE:

- (i) Tendering shareholders who are scrip shareholders should submit the required documents to the Tender Offer Agent at least five (5) trading days before the end of the Tender Offer period to allow for lodgment of the Tender Offer Shares with the PDTC.
- (ii) Tendering shareholders who are scripless shareholders should instruct their brokers to electronically transfer the Tender Offer Share to the Tender Offer Agent at least three (3) trading days before 30 October 2018.

Lost Stock  
Certificates

For those whose certificates are lost, the following are the requirements that must be submitted to the stock transfer agent, STSI, in order to be issued a new stock certificate(s):

- A duly notarized Affidavit of Loss, executed by the registered

shareholder (in the form substantially the same as Annex E of the Application and which is Exhibit E-E to the SEC Form 19- 1 filed by the Bidder with the SEC).

- A copy of the Notice of Publication of Loss, published once a week for three (3) consecutive weeks in a newspaper of general circulation;
- Original copy of duly notarized Affidavit of Publication (of Affidavit of Loss) of the Notice of Publication of Loss.
- Surety Bond in an amount equivalent to 200% of the value of the shares as of the date of execution of the affidavit of loss, multiplied by the number of shares covered by each lost stock certificate.

After the new stock certificate(s) is issued, said stock certificate and the required documents should be submitted to the Tender Offer Agent in accordance with the terms and conditions of the Tender Offer.

Acceptance of Application

The Bidder, through the Tender Offer Agent, in its sole discretion shall have the right to reject or accept any application at any time before the Cross Date. Subject to the terms and conditions hereof, applications may be rejected when: (i) received after the expiration of the Tender Offer Period, as may be extended; (ii) not properly completed; or (iii) lack any of the required attachments ("**Rejected Applications**").

The Bidder shall not be held liable for any Rejected Applications, which are rejected or not acceptable due to the failure to meet any of the requirements as set forth above.

The Tender Offer Agent will accept applications provided that it is able to verify the signatures/endorsements on the MRP stock certificates by verifying the signature on file with MRP's stock and transfer agent, if such is available. The Tender Offer Agent will rely on the signature affixed on the application and on the supporting identification documents, or board resolution, when it verifies the endorsement of the relevant MRP stock certificates.

Cross Date and Settlement

The Tender Offer Shares tendered and accepted are intended to be crossed at the PSE on 14 November 2018 (the "**Cross Date**"), subject to the approval of the PSE and subject further to any extension of the Tender Offer Period, after obtaining the approval of the SEC. Any change in the Cross Date shall be separately announced by the Bidder.

The Tender Offer Shares shall be deemed accepted by the Bidder on the date these are crossed on the PSE.

Payment of the price of the Tender Offer Shares validly tendered and accepted for payment shall be by way of check which shall be made available for pick up at the office of the Tender Offer Agent at Maybank ATR Kim Eng Securities, Inc. 17<sup>th</sup> Floor Tower One & Exchange Plaza, Ayala Avenue, Makati City, Philippines 1226 on 19 November 2018. Shareholders based in Visayas and Mindanao may pick up their checks at the Cebu and Davao branch offices of the Tender Offer Agent.

When collecting payment, the tendering shareholders shall present the "Applicant's Copy" of the Application as well as proper identification (e.g., driver's license, tax identification card, SSS/GSIS card, Alien Certificate of Registration (ACR), passport, senior citizen's ID or PWD ID). Duly authorized representatives shall be required to present an authorization letter from the tendering shareholders.

Tendering beneficial owners of Tender Offer Shares are advised to consult with their custodian, fiduciaries, or other similar agents on the manner by which they may collect payment from such agents.

Checks not picked up by 19 December 2018 shall be turned over to the Transfer Agent who shall be responsible for dispatching by registered mail to the address of the tendering shareholder indicated in the Application, at the risk of the tendering shareholder.

Withdrawal

Tendering shareholders shall have the right to withdraw tendered Tender Offer Shares before the expiration of the Tender Offer Period, by submitting a written request for withdrawal to the Tender Offer Agent with a copy of the "Applicant's Copy" of the Application to Tender Shares.

For a withdrawal of the tendered shares to be effective, a written notice of withdrawal must be submitted to and received by the Tender Offer Agent before 3:00 p.m. of 30 October 2018 at the address set forth herein. The notice must specify the name of the tendering shareholder and the number of Tender Offer Shares to be withdrawn. If the stock certificates evidencing the Tender Offer Shares have been delivered to the Tender Offer Agent, the serial numbers shown on such certificates must be submitted to the Tender Offer Agent prior to the physical release of such certificates. No request for withdrawal of fractions of Tender Offer Shares will be considered. The Tender Offer Agent shall have the right in its sole discretion, to determine the form and validity of the notice of withdrawal, including the time of receipt thereof. All expenses incurred by the Tender Offer Agent in respect of withdrawal of Tender Offer Shares shall be for the account of the shareholder making the withdrawal.

Transfer Expenses

Upon Closing of the Tender Offer, the Tender Offer Shares will be crossed by special block sale on the Philippine Stock Exchange at the Tender Offer Price. The net proceeds to be received by the tendering shareholders shall be subject to deduction for brokers commission and value added tax thereon, and the customary selling charges, which are listed below. The customary selling charges amount to 0.621% of the total transaction value (excluding broker's selling commission), include:

Type of Fee	% of Value of the Transaction
Stock transaction tax	0.600%
Securities Clearing Corporation of the Philippines	0.010%
SEC Fees	0.005%
PSE transaction fees	0.005%
Stock Investment Protection Fund	0.001%

The selling broker's commission is subject to mutual agreement between the tendering shareholder and the broker.

Representation and Warranties

By tendering its/his/her shares in MRP in the Tender Offer, each tendering shareholder represents and warrants to the Bidder, that:

- a. All information contained in the Application and its attachments and the Letter from the Participating Broker, as applicable, are true and correct and that the signatures thereon are genuine, properly authorized and obtained;
- b. The tendered shares have been validly issued, fully-paid and non-

assessable and are free and clear of any claims, liens, encumbrances or any restrictions apart from those specified in the Articles of Incorporation of MRP or any amendment thereof;

- c. The tendering shareholder is the registered and absolute legal and beneficial owner of the tendered shares, has good and marketable title to the tendered shares and has obtained all the required approvals, authorizations and full authority to transfer good, valid and clean title to the tendered shares;
- d. On the Cross Date, the Bidder will obtain full and valid title to the tendered shares, free and clear from any warrants, interests, options, liens, claims, and encumbrances and will be able to freely and fully exercise all rights and privileges arising from ownership of such tendered shares, including but not limited to the right to vote and receive dividends;
- e. The tender of any or all of the shares by a tendering shareholder and/or the purchase or transfer thereof by the Bidder in accordance with the Tender Offer does not and will not constitute a breach or default of the tendering shareholder's constitutive documents (as applicable) or of any agreement or arrangement, law, order or regulations applicable to the tendered shares, the tendering shareholder, or to which any of the foregoing may be bound;
- f. Each tendering shareholder has read and understood, and has relied solely upon the provisions of the Tender Offer Report, any and all documents and materials provided by the Bidder in connection therewith or in relation thereto, and the terms and conditions of the Tender Offer as stated therein, and unconditionally accepts such terms and conditions. The tendering shareholder understands that no person has been authorized to give information or to make any representation with respect to the Tender Offer other than those specified and made in the Tender Offer Report.

Conditions

The acceptance of the Tender Offer Shares by the Bidder is subject to the fulfillment (or waiver, at the Bidder's sole discretion) of each of the following conditions:

- a. The Bidder shall have obtained all organizational, contractual, and regulatory approvals, consents, and authorizations for the acceptance and purchase by the Bidder of the Tender Offer Shares before the expiration of the Tender Offer Period;
- b. The tendering shareholder shall have obtained all the required approvals and authorizations to enable it to transfer the Tender Offer Shares to the Bidder before the expiration of the Tender Offer Period and it/he/she is not aware of any objection, adverse claim, dispute, or notice concerning its/his/her right to tender and transfer the Tender Offer Shares.
- c. In the sole determination of the Bidder, no material adverse change in or affecting the business, operations, property, condition (financial or otherwise), or prospects of the Company shall have occurred.

The Bidder has the right to withdraw the Tender Offer at any time prior to the Cross Date if any of the foregoing conditions is not met to its satisfaction, provided that written notice of withdrawal of the Tender Offer shall be sent to the shareholders of the Company on or before the Cross Date.



Application Forms and SEC Form 19-1 The Terms set out in SEC Form 19-1 filed with the SEC on 14 September 2018 shall form part of these Terms and Conditions. They have been attached to the Notice of Tender Offer distributed to MRP shareholders.

Any shareholder who wishes to obtain a copy of the said form and of the Application Form may do so at the office from the following:

<b>Tender Offer Agent:</b> Maybank ATR Kim Eng Securities, Inc. 17 <sup>th</sup> Floor Tower One & Exchange Plaza Ayala Avenue, Makati City Philippines 1226	<b>Transfer Agent:</b> <b>Stock Transfer Service, Inc.</b> Unit D 34th Floor Rufino Pacific Tower 6784 Ayala Avenue, Makati City Philippines 1200
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**Inquiries** For inquiries regarding the Tender Offer, please contact the Tender Offer Agent at the contact details provided above. For inquiries about the number of shares of a shareholder in MRP, please contact Maris F. Yumol, Michael C. Capoy or Richard D. Regala, Jr. of STSI at +(632) 403 34 33, (632) 403 37 98, or (632) 403 37 98.

#### **Notice to U.S. Shareholders**

The Offer is being made for the securities of a company incorporated in the Philippines with limited liability and is subject to disclosure requirements in the Philippines, which are different from those of the United States. The Tender Offer Report will not be filed under any laws or rules of any jurisdiction other than the Philippines, which are different from those of the United States.

The Tender Offer is being made pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the Philippine Securities and Exchange Commission and The Philippine Stock Exchange. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements of the Philippine procedures and rules, which are different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of common shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of common shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

Neither the U.S. Securities and Exchange Commission nor any securities commission of any State of the U.S. has (a) approved or disapproved of the Tender Offer, (b) passed upon the merits or fairness of the Tender Offer, or (c) passed upon the adequacy or accuracy of the disclosure relating to the Tender Offer. Any representation to the contrary may be a criminal offense in the U.S.



14 September, 2018

SECURITIES AND EXCHANGE COMMISSION  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City 1307

**Attention:** **Director Vicente Graciano P. Felizmenio, Jr.**  
*Market Securities and Regulation Department ("MSRD")*

Gentlemen:

We write with reference to the SEC Form 19-1 dated and filed on 14 September, 2018 by MCO (Philippines) Investments Limited (the "Bidder") with the Securities and Exchange Commission in connection with a tender offer (the "Offer") concerning the shares of Melco Resorts and Entertainment (Philippines) Corporation.

We hereby confirm that funding from an affiliate of the Bidder, a subsidiary of the Bidder's controlling shareholder, Melco Resorts & Entertainment Limited, in the aggregate amount of up to Philippine Peso 11,600,000,000 or its equivalent in other currencies for the purpose of fully funding the Offer in cash, has been arranged. We confirm that there will be financial resources available to the Bidder sufficient to satisfy full acceptance and payment of the Offer as of the date of this letter.

This letter does not constitute a guarantee and should not be viewed as an express or implied commitment by us to provide any funding. This letter is provided on the basis of the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect the contents of this letter and that we do not have any obligation to update, revise, or reaffirm this letter. This letter shall not confer rights or remedies upon, any shareholder or creditor of the Bidder or any other person, and any recourse under this letter is limited to the Bidder and its assets.

Yours truly,

Bank of China Limited, Macau Branch  
Corporate Banking Department

ANNOUNCEMENT OF INTENTION TO DELIST AND MAKE A TENDER OFFER TO SHAREHOLDERS OF MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

Pursuant to the PSE Rules on Delisting and Rule 19 of the Implementing Rules and Regulations of the Securities Regulation Code, MCO (Philippines) Investments Limited (the "Bidder") hereby announce its intention to conduct a voluntary tender offer ("Tender Offer") for up to One Billion Five Hundred Forty Three Million Four Hundred Twenty One Thousand and One Hundred Forty Seven (1,543,421,147) outstanding common shares ("Tender Offer Shares") of Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at Aseana Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, Philippines. The Tender Offer Shares represent approximately 27.23% of the issued and outstanding common shares of MRP ("MRP Shares"). The tender offer price ("Offer Price") shall be ₱7.25 per Tender Offer Share.

The Tender Offer is proposed to be conducted for the purpose of voluntary delisting of MRP and the Bidder has been notified by the Board of Directors of MRP ("MRP Board") that the MRP Board has approved and authorized the voluntary delisting of its shares from the Philippine Stock Exchange ("PSE") in accordance with the PSE Rules on Delisting and other applicable rules and regulations and further that MRP intends to file a Petition for Voluntary Delisting on or about 17 September 2018. Under the PSE Rules on Delisting, the Bidder shall acquire at least 95% of the outstanding capital stock of MRP for the PSE to consider and approve a petition for voluntary delisting. Thus, subject to the SEC's approval, the Bidder may extend the tender offer period to enable it to secure at least 95% of the outstanding capital stock of MRP. In the event that the Bidder fails to obtain at least 95% of the outstanding capital stock of MRP in the Tender Offer, MRP will nonetheless proceed with the request for voluntary delisting and the Bidder does not intend to conduct a second tender offer.

The Bidder is currently the shareholder of Three Billion Nine Hundred Fifty Million Four Hundred Forty Thousand Two Hundred Ninety-Six (3,950,440,296) issued and outstanding MRP Shares and is the beneficial owner of One Hundred Seventy Three Million Eight Hundred Forty Thousand Two Hundred Sixty-Eight (173,840,268) MRP Shares of MRP. This represents approximately 72.77% of the outstanding MRP Shares.

When the Bidder became a majority shareholder of MRP, MRP was already listed on the PSE. The Bidder viewed the listed status as an important tool allowing MRP to raise funds in the Philippines public market, in order to provide capital for expansion and other business plans. However, the Bidder believes that MRP's listed status in recent years has not contributed to its ability to raise funds despite considerable efforts and expenses being incurred to maintain its listed status. The Offer Price of ₱7.25 per Tender Offer Share is towards the high-end of the range of fair market price per MRP Share as opined by an independent valuer and also represents an approximately 14% premium over the three-month volume weighted average price of the MRP Shares ended on 7 September 2018. The Offeror believes the Tender Offer gives existing shareholders of MRP the opportunity to sell their MRP Shares and realize their investment, in cash, at a premium to the current trading price of the MRP Shares. On the other hand, the Tender Offer and voluntary delisting of MRP would also allow the Bidder to consolidate its interests in MRP to better support and facilitate MRP's future business plans.

The Tender Offer will commence in accordance with and will be subject to the Terms of the Tender Offer forming part of the Tender Offer Report of the Bidder to be contained in SEC Form 19-1 to be filed with the Securities and Exchange Commission on or about 17 September 2018. The Tender Offer Period shall commence around seven (7) business days thereafter and the Tender Offer Period shall last for a period of at least twenty (20) business days. Shareholders are reminded that should they decide not to tender their MRP Shares and MRP is subsequently delisted, they will remain shareholders of MRP. However, should such shareholders decide to sell their MRP Shares after MRP has been delisted, such sale will be subject to capital gains tax and documentary stamp tax instead of stock transaction tax which is currently due on shares sold or transferred through the facilities of the PSE.

The Bidder shall provide adequate notice and required documentation to all eligible MRP shareholders in order to ensure their appropriate participation in the Tender Offer. Among the documentation to be provided

*Final version*

shall be the application form for the Tender Offer and a description of the terms and conditions of the Tender Offer via courier. These and other relevant information and disclosures to the Tender Offer will also be made available on the website of MRP in due course.

For inquiries or updating of addresses for receipt of Tender Offer materials, please contact the Tender Offer Agent as follows:

Contact Person	Telephone Number	Email Address
Lourie Teodosio	632 849 88 60	Lourie_Teodosio@maybank-atrke.com
Regina de los Santos	632 849 88 64	Regina_Santos@maybank-atrke.com

REPUBLIC OF THE PHILIPPINES)  
MAKATI ) S.S.

## AFFIDAVIT OF PUBLICATION

I, **JOYCE ANN P. DORADO** legal age, Filipino and residing at c/o **PHILIPPINE BUSINESS DAILY MIRROR PUBLISHING, INC. (BUSINESSMIRROR)** 3/F Dominga Bldg., 2113 Chino Roces Avenue corner Dela Rosa Street, Makati City, Philippines after having been duly sworn to in accordance with the law, hereby declare and testify.

That I am the **Credit & Collection** of **BUSINESS MIRROR**, a newspaper which is published in English, edited and printed in Metro Manila, and circulated nationwide from Monday to Sunday with editorial and business address at 3/F Dominga Bldg., 2113 Chino Roces Avenue cor. Dela Rosa Street, Makati City.

That the  
**PLACE AD**

APPLICANT/PETITIONER

### **MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION ("MRP") (Announcement of Intention to Delist and make a tender offer to Shareholders)**

text of which could be read/deed as follows:

**AS PER ATTACHED**

has been published in **Business Mirror** in its issue September 10, 2018.

**AFFIANT FURTHER SAYETH NAUGHT  
Manila, Philippines**

*Jaylonda*  
**JOYCE ANN P. DORADO**  
Affiant

SUBSCRIBED and SWORN to before-me this  
\_\_\_\_\_ day of \_\_\_\_\_, 2018 at Makati  
Philippines.

Affiant exhibited to me her TIN ID No. 336-810-326 issued  
04-19-17 & SSS ID No. 04-3873425-2 with picture.

Doc.No. 270  
Page No. 58  
Book No. 157  
Series of 2018

*Joylonda*  
NOTARY PUBLIC  
MANILA, PHILIPPINES

### **ANNOUNCEMENT OF INTENTION TO DELIST AND MAKE A TENDER OFFER OF MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORP.**

Pursuant to the PSE Rules on Delisting and Rule 19 of the Implementing Rules and Regulations of the Securities Regulation Code, MCO (Philippines) Investments Limited (the "Bidder") intends to conduct a voluntary tender offer ("Tender Offer") for up to One Million Four Hundred Twenty One Thousand and One Hundred For (1,421,101) outstanding common shares ("Tender Offer Shares") of Melco Resorts and Entertainment, Inc. ("MRP"), a corporation duly organized and existing under the laws of the Philippines, with principal office at Aseana Avenue cor. Roxas Boulevard, Brgy. Alibon, Manila, Philippines. The Tender Offer Shares represent approximately 27.23% of the total outstanding common shares of MRP ("MRP Shares"). The tender offer price ("Offer Price") is P10.00 per Tender Offer Share.

The Tender Offer is proposed to be conducted for the purpose of voluntary delisting. The Bidder has been notified by the Board of Directors of MRP ("MRP Board") approved and authorized the voluntary delisting of its shares from the PSE ("PSE") in accordance with the PSE Rules on Delisting and other applicable rules. Pursuant to the PSE Rules on Delisting, the Bidder shall acquire at least 85% of the outstanding common shares of MRP for the PSE to consider and approve a petition for voluntary delisting. Upon approval, the Bidder may extend the tender offer period to enable it to acquire all outstanding capital stock of MRP. In the event that the Bidder fails to acquire all outstanding capital stock of MRP in the Tender Offer, MRP will nonetheless proceed with voluntary delisting and the Bidder does not intend to conduct a second tender offer.

The Bidder is currently the shareholder of Three Billion Nine Hundred Fifty Million Two Hundred Ninety-Six (3,950,440,296) issued and outstanding common shares of MRP. The Bidder is the beneficial owner of One Hundred Seventy Three Million Eight Hundred Forty-Six (173,840,268) MRP Shares of MRP. This represents approximately 4.4% of the total outstanding MRP Shares.

When the Bidder became a majority shareholder of MRP, MRP was already in a listed status as an important tool allowing MRP to raise funds in the market, in order to provide capital for expansion and other business plans. However, MRP's listed status in recent years has not contributed to its ability to raise funds, with considerable efforts and expenses being incurred to maintain its listed status. The Offer Price is towards the high-end of the range of fair market price as determined by an independent valuer and also represents an approximately 14% premium over the month volume weighted average price of the MRP Shares ended on 7 September 2018. The Bidder believes the Tender Offer gives existing shareholders of MRP the opportunity to realize their investment, in cash, at a premium to the current trading price of the MRP Shares. On the other hand, the Tender Offer and voluntary delisting of MRP would also allow the Bidder to better support and facilitate MRP's future business plans.

The Tender Offer will commence in accordance with and will be subject to the rules and regulations of the PSE. The Tender Offer forming part of the Tender Offer Report of the Bidder to be contained in the application form for the Tender Offer and a description of the Tender Offer shall commence around seven (7) business days thereafter and the Offer Period shall last for a period of at least twenty (20) business days. Shareholders of MRP should they decide not to tender their MRP Shares and MRP is subsequently delisted, such sale will be subject to capital gains tax and documentary stamp tax which is currently due on shares sold or transferred through the PSE.

The Bidder shall provide adequate notice and required documentation to all eligible shareholders in order to ensure their appropriate participation in the Tender Offer. Among the documents to be provided shall be the application form for the Tender Offer and a description of the Tender Offer via courier. These and other relevant information on the Tender Offer will also be made available on the website of MRP in due course.

For inquiries or updating of addresses for receipt of Tender Offer materials, contact the Tender Offer Agent as follows:

Contact Person	Telephone Number	Email
Lourie Teodosio	632 849 8880	Lourie.Teodosio@abke.com
Reyna de los Santos	632 849 8884	Reyna.Santos@abke.com

**PUBLIC ANNOUNCEMENT TO THE SHAREHOLDERS OF  
MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION ("MRP")**

MCO (Philippines) Investments Limited (the "Bidder") filed on 14 September 2018 a Tender Offer Report (SEC Form 19-1) with the Securities and Exchange Commission (the "SEC") and the Philippine Stock Exchange (the "PSE") pursuant to Rule 19 of the Securities Regulation Code (the "SRC") in connection with its intention to buy up to 1,569,786,768 common shares<sup>3</sup> of MRP for the purpose of delisting the shares of MRP from the PSE.

The offer price for the MRP shares is ₱7.25 per share, payable in accordance with the terms of the Tender Offer. The Tender Offer shall commence on 3 October 2018 at 9:30 a.m. and shall end on 30 October 2018 at 3:00 p.m. (the "Tender Offer Period"). In the event that a new holiday(s) will be declared during the Tender Offer Period or the occurrence of any fortuitous event that would result in the closure of government offices for a full business day in Pasay City, Parañaque City and Makati City, said Tender Offer Period will automatically be extended by the corresponding number of days of holiday or closure of government offices. The Tender Offer Period may be extended by the Bidder subject to prior approval of the SEC. Shareholders are reminded that should they decide not to tender their shares and MRP is subsequently delisted, they will remain shareholders of MRP. However, should such shareholders decide to sell their shares after MRP has been delisted, such sale will be subject to capital gains tax of 15% of the net capital gains realized, which is usually payable by the seller, and documentary stamp tax of ₱1.50 on each ₱200 of the par value of the shares sold, which is usually payable by the buyer. If the consideration paid for the sale or transfer is lower than the fair market value of the MRP shares, the Bureau of Internal Revenue (the "BIR") may further impose donor's tax at the rate of 6% of the total gifts made by the seller in excess of ₱250,000.00 in one calendar year on the difference between the fair market value and the actual consideration paid, which is payable by the seller. The said taxes may be higher than the stock transaction tax (0.6% of the gross selling price) applicable for selling shares of companies listed in the PSE. Further, a tax clearance must also be secured from the BIR before any transfer or sale of shares can be recorded in the books of MRP.

Shareholders who wish to offer all or a portion of their shares for sale to the Bidder may do so by securing an Application to Tender Shares form (the "Application Form") from, and by submitting a duly accomplished Application Form complete with the documentary requirements to, Maybank ATR Kim Eng Securities, Inc. (the "Tender Offer Agent") at 17<sup>th</sup> Floor Tower One and Exchange Plaza, Ayala Avenue, Makati City, Philippines. Duly accomplished Application Forms, together with the documentary requirements, must be received by the Tender Offer Agent not later than 3:00 p.m. on 30 October 2018.

Tendering shareholders who hold stock certificates and who wish to offer all or a portion of their shares for acceptance and sale to the Bidder should, within the Tender Offer Period: (i) present their original stock certificates to the Stock Transfer Agent at its office as stated herein for authentication by the Stock Transfer Agent, and (ii) upon due authentication by the Stock Transfer Agent, submit their original stock certificates duly endorsed in blank and the duly accomplished Application Form, together with all the requirements stated therein, to the Tender Offer Agent. Tendering shareholders who are scripless shareholders should instruct their brokers to electronically transfer their common shares to the Tender Offer Agent at least 3 trading days before 30 October 2018.

On the other hand, the tendering shareholders whose shares are lodged with the Philippine Depository Trust

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<sup>3</sup> This comprises (a) the 1,543,421,147 MRP Shares that are not directly or indirectly held by the Bidder as of the date of the TO Report; and (b) the additional of up to a total of 26,365,621 new MRP Shares ("Additional MRP Shares") that may be issued to the relevant grantees of equity awards under MRP's Share Incentive Plan ("SIP") and listed with the PSE during, or prior to the start of, the Tender Offer period due to (i) certain equity awards that were granted prior to 10 September 2018 (being the date that the Notice to the Stockholders of MRP on Intention to Delist and Tender Offer of MRP Shares was issued and published ("TO Notice Date")) under MRP's SIP becoming vested on 30 September 2018 and 16 November 2018, respectively, and (ii) the possible exercise of certain share options that were granted under MRP's SIP prior to the TO Notice Date.



Corporation (PDTC) and who wish to participate in the Tender Offer should instruct their brokers (the "Participating Brokers") by completing the "Instruction to Participating Brokers from the Tendering Shareholder" in the form of Exhibit F to accomplish and submit, on their behalf, the Application Form together with all requirements stated therein and instruct their Participating Broker to electronically transfer their common shares which they intend to tender to the Tender Offer Agent for receipt by the Tender Offer Agent prior to 3:00 p.m. of 30 October 2018.

The Tender Offer Agent will accept applications on the condition that it is able to verify the signature/endorsement on the MRP stock certificates by verifying the signature on file with the MRP stock transfer agent, if such is available. The Tender Offer agent will rely on the signature affixed on the application and on the supporting identification documents or board resolution when it verifies the endorsement of the relevant MRP stock certificates. The Tender Offer Agent shall not be required to make further inquiries into the authenticity of the signature. If the Tender Offer Agent is unable to verify the signature on the application or the endorsement of the MRP stock certificate, the Tender Offer Agent will also reject the application.

The tendered shares may be withdrawn by the shareholder of record any time during the Tender Offer period by submitting to the Tender Offer Agent a written request for such withdrawal, identifying the tendered shares that will be withdrawn. For a withdrawal of the tendered shares to be effective, a written notice of withdrawal must be submitted to and received by the Tender Offer Agent before 3:00 p.m. of 30 October 2018.

The tendered shares shall be deemed accepted by the Bidder on 7 November 2018 at 3:00 p.m. or any extended date approved by the SEC, subject to the condition that the Tender Offer Agent has determined that the tendering shareholders shall have obtained all the required approvals and authorizations to enable it to transfer the tendered shares to the Bidder before the expiration of the Tender Offer Period and shall have complied with all the terms of the Tender Offer. The conditions of the Tender Offer may be waived at the sole discretion of the Bidder. The Cross Date shall be on 14 November 2018 and the Settlement Date shall be on 19 November 2018.

The Bidder shall not be held liable for any accomplished and submitted Application Forms, which are rejected or not acceptable due to the failure to meet any of the documentary requirements as required.

The tendering shareholder shall shoulder all costs and expenses customarily charged to sellers of shares of stock, which shall be deducted from the offer price as stated in the Terms of the Tender Offer.

Rejected shares shall be returned in the same form that they were received to the tendering shareholder or the tendering shareholder's broker within three (3) trading days from the end of the Tender Offer Period. Any and all costs and expenses incurred in connection with the return of the rejected shares shall be borne by the tendering shareholder.

Shareholders are advised to read the Application Form, the Terms of the Tender Offer, and the SEC Form 19-1 filed by the Bidder with the SEC. For queries with regard to the tender offer process, please call the Tender Offer Agent or the Stock Transfer Agent at the contact details set forth below. Copies of the Application Form and the SEC Form 19-1 may be obtained by the shareholders, free of charge from the following:

**Maybank ATR Kim Eng Securities, Inc.**  
17<sup>th</sup> Floor Tower One & Exchange Plaza  
Ayala Avenue, Makati City  
Philippines 1226

**Stock Transfer Service, Inc.**  
Unit D 34th Floor Rufino Pacific Tower  
6784 Ayala Avenue, Makati City  
Philippines 1200

*Final version*

**Notice to U.S. Shareholders**

The Offer is being made for the securities of a company incorporated in the Philippines with limited liability and is subject to disclosure requirements in the Philippines, which are different from those of the United States. The Tender Offer Report will not be filed under any laws or rules of any jurisdiction other than the Philippines, which are different from those of the United States.

The Tender Offer is being made pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the Philippine Securities and Exchange Commission and The Philippine Stock Exchange. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements in the Philippines, which are different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of common shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of common shares is urged to consult his/herselfs independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

Neither the U.S. Securities and Exchange Commission nor any securities commission of any State of the U.S. has (a) approved or disapproved of the Tender Offer, (b) passed upon the merits or fairness of the Tender Offer, or (c) passed upon the adequacy or accuracy of the disclosure relating to the Tender Offer. Any representation to the contrary may be a criminal offense in the U.S.

**EXHIBIT E**

**APPLICATION TO TENDER SHARES OF MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION**

<p>This application must be prepared in quadruplicate and completed in all parts:</p> <ol style="list-style-type: none"> <li>1) Bidder's Copy</li> <li>2) Tender Offer Agent's Copy</li> <li>3) Applicant's Copy</li> <li>4) Transfer Agent's Copy</li> </ol>	<p>This Application to Tender Shares Form (the "Application Form") has been prepared by MCO (Philippines) Investments Limited (the "Buyer") and is intended for shareholders of Melco Resorts and Entertainment (Philippines) Corporation ("MRP") who wish to tender their common shares of stock (the "Tender Shares") under the terms and conditions of the tender offer undertaken by the Buyer in compliance with Section 19 of the Securities Regulation Code (the "Tender Offer"). The Buyer has also prepared SEC Form 19-1, which was filed with the Securities and Exchange Commission (the "Commission") on 14 September 2018, for the purpose of describing the Tender Offer in detail.</p> <p>Each shareholder is advised to read and understand the provisions of SEC Form 19-1, the terms and conditions stated in this Application, and the Terms and Conditions of the Tender Offer for Common Shares of MRP (the "Terms of the Tender Offer") prior to making any decision. Inquiries and request for assistance, and copies of SEC Form 19-1 may be directed to the Tender Offer Agent, at its contact details appearing on the attached Terms of the Tender Offer.</p> <p>This Application Form together with the required attachments set forth below must be received by Maybank ATR Kim Eng Securities, Inc. ("Tender Offer Agent") no later than 3:00 p.m. of 30 October 2018, unless extended by the Buyer with the approval of the SEC, at the time and date when the Tender Shares are tendered to the Buyer. The Buyer reserves the right to accept or reject any application to tender the Tender Shares at its sole discretion.</p>
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REPRESENTATIONS AND WARRANTIES			
<p>I/We, in executing this application, represent and warrant that all information contained herein and the required attachments, including the letter to the tender offer agent from participating brokers (if applicable), are true and correct and that the signatures thereon are genuine, properly authorized, and obtained without the use of fraud, coercion or any other vice of consent. I/We represent and warrant that: (i) the Tender Shares are solely, legally, and beneficially owned by me/us, are fully-paid and non-assessable, and are free and clear of any claims, liens, encumbrances or any restrictions apart from those specified in the Articles of Incorporation and By-laws of MRP or any amendment hereof; (ii) I/We have full authority to transfer good, valid and clean title to the Tender Shares in accordance with the Terms of the Tender Offer; and (iii) upon the Buyer's acceptance and tender of payment for the Tender Shares, under the Terms of the Tender Offer, the Buyer shall obtain full and valid title to such Tender Shares, free from any liens, claims or encumbrances and shall be able to freely and fully exercise all rights and privileges arising from ownership of such Tender Shares including but not limited to the right to vote and receive dividends. I/We warrant that we have read and understood the provisions of SEC Form 19-1, the terms and conditions stated in this Application Form, and the Terms of the Tender Offer, and unconditionally accept said terms and conditions. I/We understand that no person has been authorized to give any information or make any representation with respect to the Tender Offer other than those representations made in SEC Form 19-1.</p>			
Shareholder's Full Name (IN PRINT)		Shareholder's Address	
Shareholder's Signature	Tel. No(s).	TIN/Passport No.	Nationality

APPLICATION TO TENDER SHARES			
I/We hereby apply to tender the following common shares of MRP under the terms stated or referred to herein, and the Terms of the Tender Offer:			
Certificate Number(s)	No. of Shares Represented by Each Certificate	No. of Shares Tendered	Gross Price for Shares Tendered (P7.25 per common share)
<b>TOTAL</b>			

ACKNOWLEDGMENT

This Application (with all the required attachments indicated herein) is received subject to the terms and conditions set forth in this Application and to the Terms of the Tender Offer.

On behalf of MCO (Philippines) Investments Limited  
Maybank ATR Kim Eng Securities, Inc.

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Time

**REQUIRED ATTACHMENTS TO THIS APPLICATION**

A valid tender of the Tender Shares shall be made by accomplishing and delivering this Application Form, which, along with the following attachments, must be received by the Tender Offer Agent not later than 3:00 p.m. of 30 October 2018.

- A. Original MRP stock certificates duly endorsed; to be verified by the Tender Offer Agent with Stock Transfer Service, Inc ("STSI"), the stock transfer agent of MRP, as valid and authentic certificates.
- B. For Individuals:
- (i) For shareholders acting through an attorney-in-fact, please submit a duly notarized Irrevocable Power of Attorney (in the form substantially the same as Annex D of the Application, and which is Exhibit E-D to the SEC Form 19-1 filed by the Bidder with the SEC). For married individuals who are Philippine citizens, their respective spouses must sign on the space provided in the Irrevocable Power of Attorney to indicate marital consent to the sale of the Tender Shares;
  - (ii) Photocopies of two (2) valid identification cards showing the Applicant's signature and photograph, *i.e.*, driver's license, tax identification card, Social Security System (SSS)/Government Services and Insurance System (GSIS) card, Alien Certificate of Registration (ACR), passport, senior citizen's ID, or Person with Disability (PWD) ID; and
  - (iii) Duly accomplished signature card containing the specimen signature of the Applicant.
- C. For Corporations:
- (i) Notarized Board Resolution (in the form substantially the same as the Secretary's Certificate attached as Annex B to the Application, which is Exhibit E-B to the SEC Form 19-1 filed by the Bidder with the SEC) authorizing the sale of the Tender Shares, designating signatories for the purpose and indicating the specimen signatures of those signatories;
  - (ii) Copy of SEC Registration or equivalent constitutive document certified as a true copy of the original by the Corporate Secretary or equivalent person having official custody of company records;
  - (iii) Copy of latest Articles of Incorporation and By-laws of the Applicant or equivalent constitutive document certified as a true copy of the original by the Corporate Secretary or equivalent person having official custody of company records; and
  - (iv) Duly accomplished signature card containing the specimen signature of the Applicant's designated authorized signatories.
- D. For Partnerships:
- (i) Copy of SEC Registration or equivalent constitutive document certified as a true copy of the original by the Partnership Secretary or equivalent person having official custody of the partnership records;
  - (ii) Copy of the latest Articles of Partnership of the Applicant or equivalent constitutive document certified as a true copy of the original by the Partnership Secretary or equivalent person having official custody of the partnership records;
  - (iii) Notarized Partnership Resolution (in the form substantially the same as the Partners' Certificate attached as Annex C to the Application, which is Exhibit E-C of the SEC Form 19-1 filed by the Bidder with the SEC) authorizing the sale of the Tender Shares, designating signatories for the purpose and indicating the specimen signature of the signatories; and
  - (iv) Duly accomplished signature card containing the specimen signature of the Applicant's designated authorized signatories.
- E. For Deceased Shareholders:  
Documents to be submitted:
- (i) Original certificate(s) of the deceased stockholder's shares of stock;
  - (ii) Certified true copy of the Death Certificate.
  - (iii) Certification from the Commissioner of Internal Revenue attesting to the payment (or exemption from payment) of the estate tax, as required by the National Internal Revenue Code. If the shareholder is a non-resident, Certification from the proper office of the Philippine Embassy or Consulate that the estate taxes due the Philippine Government under Title III, Sec. 78 of the Philippine National Internal Revenue Code have been paid; if the estate is tax exempt, certification to this effect should be secured from the Consulate Office.
  - (iv) A two-year Heir's bond issued by a duly accredited bonding company in an amount equivalent to the total estimated market value of the shares left by the deceased and the expected dividends thereon for the two-year period. Otherwise, the new stock certificate in the name of the heirs shall be released after a period of two (2) years from the date of the last date of publication of the Extra-judicial partition, pursuant to Section 4, Rule 74 of the Rules of Court of the Philippines.

The transfer of a deceased stockholder's shares to his/her heir(s) may be done in two (2) ways, to wit:

1. Judicially (through court proceedings); or
2. Extra-judicially (out-of-court settlement of estate).

**Additional Documents**

- I. If the estate of the deceased stockholder is settled judicially, whether testate or intestate, the heirs have to submit the following:
  - (i) Certified true copy of the Death Certificate.
  - (ii) Original certificates of the deceased stockholder's share of stock.
  - (iii) Letters of Administration/Testamentary, issued by the probate court / court.
  - (iv) Certified true copy of the Project of Partition or Last Will and Testament indicating the division and distribution of the estate.
  - (v) Certified true copy of the Court Order approving the disposition of the shares, the Partition, or probate of the will.

2. If the estate is settled extrajudicially, the heirs have to submit the following:
- (i) Original signed or certified true copy of the Deed of Extra-Judicial Settlement (or an Affidavit of Self-Adjudication). The Deed or Affidavit must be registered with the Register of Deeds of the decedent's last known residence.
  - (ii) Affidavit of Publication of the notice of the estate's settlement in a newspaper of general circulation, once a week for three (3) consecutive weeks.

Note: If the stockholder is a non-resident, all the documents to be submitted should be duly authenticated by the proper officer of the Philippine Embassy or Consulate.

#### Notice to U.S. Shareholders

The Offer is being made for the securities of a company incorporated in the Philippines with limited liability and is subject to disclosure requirements in the Philippines, which are different from those of the United States. The Tender Offer Report will not be filed under any laws or rules of any jurisdiction other than the Philippines, which are different from those of the United States.

The Tender Offer is being made pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the Philippine Securities and Exchange Commission and The Philippine Stock Exchange. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements in the Philippines, which are different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of common shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of common shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Tender Offer.

Neither the U.S. Securities and Exchange Commission nor any securities commission of any State of the U.S. has (a) approved or disapproved of the Tender Offer, (b) passed upon the merits or fairness of the Tender Offer, or (c) passed upon the adequacy or accuracy of the disclosure relating to the Tender Offer. Any representation to the contrary may be a criminal offense in the U.S.



Terms of the Tender Offer

**Sample Secretary's Certificate for Corporate Shareholders**

I, \_\_\_\_\_, of legal age, Filipino, and with office address at \_\_\_\_\_ in accordance with law, depose and state that:

1. I am the duly elected Corporate Secretary of \_\_\_\_\_ (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at \_\_\_\_\_.
2. At a regular/special meeting of the Board of Directors of the Corporation held on \_\_\_\_\_ at which meeting a quorum was present, the Board of Directors approved the following resolutions:

"RESOLVED, that \_\_\_\_\_ (the "Corporation") be authorized, as it is hereby authorized to sell its \_\_\_\_\_ common shares in Melco Resorts and Entertainment (Philippines) Corporation (the "MRP Shares") registered in the name of the Corporation to MCO (Philippines) Investments Limited (the "Bidder") for the price of ₱7.25 per share and in accordance with the terms and conditions of the tender offer;

"RESOLVED FURTHER, that the Corporation authorizes, as it hereby authorizes any \_\_\_\_\_ of the following: (a) to sign any and all documents necessary to implement the foregoing resolution, including to endorse the stock certificates covering the MRP Shares, (b) to receive payment for the MRP Shares net of taxes and reasonable expenses, and (c) do or cause to be done any and all acts and deeds as may be necessary to effect the sale of the MRP Shares.

NAME	SIGNATURE
_____	_____
_____	_____
_____	_____

3. The foregoing resolutions have not been revoked, amended or modified and remain valid and binding on the Corporation.
4. The foregoing is in accordance with the records of the Corporation.

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_, affiant exhibiting to me his/her Passport No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of \_\_\_\_\_.

Sample Partners' Resolution

REPUBLIC OF THE PHILIPPINES)  
S. S.

PARTNERSHIP RESOLUTION

We, the undersigned partners of \_\_\_\_\_, all Filipinos, of legal age and with office address at \_\_\_\_\_, after being duly sworn in accordance with law, hereby certify that:

1. At the duly constituted meeting of the \_\_\_\_\_ (hereinafter referred to as the "Partnership") held on \_\_\_\_\_, during which a quorum was present and acting throughout, the Partners passed and approved the following resolutions:

RESOLVED, that \_\_\_\_\_ (the "Partnership") be authorized, as it is hereby authorized to sell its \_\_\_\_\_ common shares in Melco Resorts and Entertainment (Philippines) Corporation (the "MRP Shares") registered in the name of the Corporation to MCO (Philippines) Investments Limited (the "Bidder") for the price of P 7.25 per share and in accordance with the terms and conditions of the tender offer;

"RESOLVED FURTHER, that the Partnership authorizes, as it hereby authorizes any \_\_\_\_\_ of the following: (a) to sign any and all documents necessary to implement the foregoing resolution, including to endorse the stock certificates covering the MRP Shares, (b) to receive payment for the MRP Shares net of taxes and reasonable expenses, and (c) do or cause to be done any and all acts and deeds as may be necessary to effect the sale of the MRP Shares.

NAME	SIGNATURE
_____	_____
_____	_____
_____	_____

2. The foregoing resolutions of the Partners are in accordance with, and does not in any way contravene any provisions of the Amended Articles of Partnership.

IN WITNESS WHEREOF, we have hereunto affixed our signatures this \_\_\_\_\_  
in \_\_\_\_\_

Partners' Signatures

[Acknowledgment]

Sample Irrevocable Power of Attorney for Individual Shareholders

KNOW ALL MEN BY THESE PRESENTS:

I, \_\_\_\_\_ of legal age, single/married, with residence at \_\_\_\_\_ hereby name, constitute and appoint \_\_\_\_\_, to be my true and lawful attorney, in my name, place and stead, to do any of the following acts:

- a. To sell \_\_\_\_\_ ( ) common shares in Melco Resorts and Entertainment (Philippines) Corporation (the "MRP Shares") registered in my name to MCO (Philippines) Investments Limited (the "Buyer") for the price of ₱7.25 per share and in accordance with the terms and conditions of the tender offer.
- b. To sign any and all documents necessary to effect the transfer of the said shares from my name to the Buyer (other than to endorse the stock certificates which endorsement shall be made by me as the shareholder-of-record);
- c. To receive payment for the MRP Shares net of taxes and reasonable expenses as indicated in the Terms of the Tender Offer; and
- d. To do or cause to be done any and all acts and deeds as may be necessary to effect the sale of the MRP Shares.

HEREBY GIVING AND GRANTING unto the said attorney (whose signature appears below) full powers and authority to do and perform all and every act requisite or necessary to carry into effect the foregoing authority, as fully to all intents and purposes as I might or could lawfully do if personally present, with full power of substitution and revocation and hereby ratifying and confirming all that the said attorney or his/her substitute/s shall lawfully do or cause to be done by virtue thereof.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
TENDERING SHAREHOLDER

\_\_\_\_\_  
SPOUSE

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---- ATTORNEY-IN-FACT

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in \_\_\_\_\_, personally appeared \_\_\_\_\_ with Passport No. \_\_\_\_\_ issued on \_\_\_\_\_, known to me and to me known to be the same person who executed the foregoing Special Power of Attorney and he/she acknowledged to me that the same is his/her free and voluntary act and deed.

Doc. No. \_\_\_\_\_; Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of  
2018 .

Sample Affidavit of Loss

REPUBLIC OF THE PHILIPPINES )  
\_\_\_\_\_ ) S.S.

**AFFIDAVIT OF LOSS**

I, \_\_\_\_\_, of legal age, Filipino, married/single, a resident of \_\_\_\_\_, do hereby depose and say that:

1. I am a shareholder of Melco Resorts and Entertainment (Philippines) Corporation (the "Company"), owning \_\_\_\_\_ shares registered under the name \_\_\_\_\_, represented by the following Certificates of Stock:

Certificate No.

Number of Shares

2. The above-mentioned certificates were discovered missing and have not been found or located despite diligent search;

3. The above-mentioned certificates of stock have not been sold, pledged, mortgaged or in any way encumbered by me, and that they are free from any lien or encumbrances;

4. This affidavit has been executed for the purpose of securing new certificate/s in replacement of the certificates of stock mentioned above and to request the Company to take the necessary steps to prevent the negotiation or transfer of said lost certificate/s.

IN WITNESS WHEREOF, I have signed these presents in \_\_\_\_\_, Philippines, this \_\_\_\_\_.

\_\_\_\_\_  
Affiant

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_, affiant exhibiting to me his/her Passport No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2018.

INSTRUCTION TO PARTICIPATING BROKERS FROM THE TENDERING SHAREHOLDER

[Date]

[Name of Participating Broker]  
[Address]

Attention: [●]

Gentlemen:

I/We hereby authorize you to transfer [●] shares of **Melco Resorts and Entertainment (Philippines) Corporation ("MRP")**, recorded under the undersigned's account number [●], to **MCO (Philippines) Investments Limited** (the "Bidder") via their brokerage account no. [●].

Capitalized terms herein shall have the meanings assigned to them in the tender offer report submitted by the Bidder to the Philippine Securities and Exchange Commission dated 14 September 2018 (the "Tender Offer Report").

This letter constitutes an irrevocable instruction to implement the cross of the aforementioned shares on 14 November 2018 (the "Cross Date").

By transmitting this instruction for the tender of our shares in MRP, I/we hereby confirm my/our representation to the Bidder that:

1. All information herein is true and correct and that the signature(s) thereon is/are genuine, properly authorized and obtained;
2. The tendered shares have been validly issued, fully-paid and non-assessable and are free and clear of any claims, liens, encumbrances or any restrictions apart from those specified in the Articles of Incorporation of MRP or any amendment thereof;
3. I am/We are the registered and absolute legal and beneficial owner of the tendered shares, have good and marketable title to the tendered shares, and have obtained all the required approvals, authorizations and full authority to transfer good, valid and clean title to the tendered shares;
4. On the Cross Date, the Bidder will obtain full and valid title to the tendered shares, free and clear from any warrants, interests, options, liens, claims, and encumbrances and will be able to freely and fully exercise all rights and privileges arising from ownership of such tendered shares, including but not limited to the right to vote and receive dividends;
5. The tender of my/our MRP shares and the purchase or transfer thereof by the Bidder in accordance with the Tender Offer does not and will not constitute a breach or default of our constitutive documents (as applicable) or of any agreement or arrangement, law, order or regulations applicable to me/us, to the tendered shares, or to which any of the foregoing may be bound;
6. I/We have read and understood, and have relied solely upon the provisions of the Tender Offer Report, any and all documents and materials provided by the Bidder in connection therewith or in relation thereto, and the terms and conditions of the Tender Offer as stated therein, and unconditionally accept such terms and conditions. I/We understand that no person has been authorized to give information or to make any representation with respect to the Tender Offer other than those specified and made in the Tender Offer Report.

*Final version*

Very truly yours,  
Tendering  
Shareholder

By:

*Final version*

ANNEX 1

TO Instruction to Participating Brokers

**FORM OF LETTER TO TENDER OFFER AGENT FROM PARTICIPATING BROKERS  
DELIVERING SHARES OF THEIR CLIENTS**

[Date]

Maybank ATR Kim Eng Securities, Inc.  
17<sup>th</sup> Floor Tower One & Exchange Plaza  
Ayala Avenue, Makati City  
Philippines 1226

Attention: Ms. Lourie Teodosio and/or Ms. Regina de los Santos

Gentlemen:

(Name of Participating Broker) is delivering \_\_\_\_\_ ( ) common shares of **Melco Resorts and Entertainment (Philippines) Corporation ("MRP")** from our clients who wish to participate in the Tender Offer made by **MCO (Philippines) Investments Limited ("MCO Investments")** under the Terms of the Tender Offer (Exhibit A to the SEC Form 19-1 filed by MCO Investments with the Securities and Exchange Commission), which we have read and understood. Our clients commit to sell the shares and authorize Maybank ATR Kim Eng Securities, Inc. (the "**Tender Offer Agent**") to sell these shares to MCO Investments under the Terms of the Tender Offer. These shares will be held in custodianship by the Tender Offer Agent until such time that the transfer of the shares to MCO Investments has been effected by the Tender Offer Agent.

Thank you.

Very truly yours,

[Participating Broker]

\_\_\_\_\_  
Signature over Printed Name  
Of Authorized Signatory/ies

\_\_\_\_\_  
PCD Account No.

Telephone Number:

Fax Number:

---

**ACCEPTANCE AND CONFORME**

Maybank ATR Kim Eng Securities, Inc. (Tender Offer Agent) hereby accepts ( ) MRP shares from \_\_\_\_\_ and shall hold these shares in custody under the terms of the tender offer.



## FAIRNESS OPINION AND VALUATION REPORT

STRICTLY PRIVATE & CONFIDENTIAL

07 September 2018

**Geoff Davis****Sole Director****MCO (Philippines) Investments Limited**

Jaya Place, Wickhams Cay I,

Road Town, Tortola, British Virgin Islands

**Re: Fairness Opinion and Valuation Report**

Dear Mr. Davis:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Valuation and Fairness Opinion Report ("Report") covering the minority shares of Melco Resorts and Entertainment (Philippines) Corporation ("MRP" or the "Target"), a listed company in the Philippine Stock Exchange ("PSE"). The Target, through its wholly-owned subsidiary, Melco Resorts Leisure (PHP) Corporation, is one of the co-licensees which developed City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within Entertainment City Manila. MCO (Philippines) Investments Limited ("MCO" or the "Offeror"), directly and indirectly owns 72.8% of the shares of the Target.

MCO is proposing a voluntary Tender Offer for the minority shares of MRP held by the public (the "Transaction"). MCO's proposed Tender Offer Price is PHP7.25 per share.

FTI Consulting conducted a valuation study of MRP's minority shares under the 2017 International Valuation Standards ("IVS") to determine the fairness of the Tender Offer Price. The Tender Offer price shall be considered fair from a financial point of view if it falls within or is higher than the calculated range of market values.

The Valuation Date of this engagement is 30 June 2018, with the Philippine Peso ("PHP") as the Valuation Currency. Market Value is the basis of value used in this engagement. Market Value, according to the IVS, is the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. As of Valuation Date, MRP management believes that there is no material uncertainty regarding the ability of MRP to continue its business operations; hence, MRP is being valued on a going concern basis.

**FTI Consulting Philippines Inc.**Unit 27-D, 27th Floor, BPI-Philam Life Makati | 6811 Ayala Avenue | Makati City | 1226 Philippines  
+63 2 864 0991 telephone | +63 2 864 0998 fax | fticonsulting.com

The Philippine Stock Exchange, Inc.'s ("PSE") Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the valuation of the shares of the listing application. Such fairness opinion must be supported by a valuation report.

FTI Consulting is an independent firm accredited by the PSE (PSE Accreditation CN 2016-0041 renewed on 11 October 2017) for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the PSE in accordance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the Securities and Exchange Commission (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in compliance with SEC Memorandum No. 2 Series of 2014 (Guideline on Asset Valuation).

#### **Statement of Compliance**

- The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting.
- This Engagement was performed in compliance with FTI Consulting's Quality Control Procedures Manual.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of the Target's directors, officers, or employees relative to the compensation to the Target's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive payment that is contingent on the successful completion of the transaction, for rendering the fairness opinion.
- FTI Consulting has no knowledge of any material relationships with the Offeror, its management, or other interested parties that might reasonably give rise to a perception that FTI Consulting's independence is compromised.
- There are no material relationships between FTI Consulting and any party to the Transaction during the prior two years in which compensation was received or intended to be received.
- Information with respect to the Target's operations and account balances purported to be in effect and described in our report was obtained primarily through analyses provided by and discussions with the Target's management. Key transaction documents were also reviewed to determine Transaction details.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants, are compliant with the Code of Ethics for Professional Accountants in the Philippines.

### **Scope of Work**

The scope of the work of FTI Consulting related to the completion of this Report involved the following tasks: (1) developed an understanding of the Target and its Industry, (2) analyzed and estimated the Market Value of the Target's minority shares as a going concern as of the Valuation Date, and (3) drafted, submitted and finalized the valuation study and Fairness Opinion report.

### **Valuation Methodology**

In order to arrive at our estimates of Market Value, we used two generally accepted approaches to valuation, namely, the Market Approach and the Income Approach.

Under the Market Approach, the Guideline Public Companies Method was used. This involved the identification of comparable public companies that exhibit similar business operations, characteristics, and risks with MRP. The underlying rationale behind this is the law of one price – similar assets should sell for similar prices. The Forward Enterprise Value-to-EBITDA (“EV/EBITDA”) multiples of the comparable companies identified are then used to estimate the Market Value of MRP under this approach. The EV/EBITDA multiple is the preferred multiple because it considers both debt and market capitalization, allowing comparison between companies with varying debt levels.

Under the Income approach, the Discounted Cash Flow Analysis was used. This involved forecasting the subject company's Free Cash Flows to Equity (“FCFE”) over the forecast period, discounting it back to present value using the cost of equity, and applying a minority discount to reflect the value of the minority shares. FCFE were used because these represent the cash flow available for distribution to common equity shareholders after all operating expenses, interest, and principal payments have been paid, and all necessary investments in working capital and fixed assets have been made.

Subject to the Statement of Limitations outlined in this report, FTI Consulting relied upon information provided by MRP management such as the 12-month trailing financial information, financial forecast, details of MRP's material contracts such as licenses granted by PAGCOR, and the details and purpose of the Tender Offer, among others. The tests of reasonableness described below were used to evaluate the information provided.

The 12-month trailing financial information and financial forecast provided by MRP for purposes of the valuation were evaluated based on historical performance and trend analysis conducted on the historical financial statements publicly available from the Philippine Stock Exchange, industry reports, and discussions with management. On the basis of our analysis and inquiries, we found no reason to believe that the 12-month trailing financial information and forecast are unreasonable.

Further, the term of the regular gaming license granted by PAGCOR was independently verified using MRP's public disclosure with the Philippine Stock Exchange.

### Summary of Findings

The result of the valuation of MRP, using the Market and Income approaches, is shown below.

<b>Equity Value</b>		
Amounts in PHP Mn	Low	High
Market Approach (Forward EV/EBITDA)	38,227.69	42,423.35
Income Approach (FCFE)	34,620.83	38,285.30
<b>Range of Total Equity Value</b>	<b>34,620.83</b>	<b>42,423.35</b>

Outstanding Shares	5,666,764,407	5,666,764,407
--------------------	---------------	---------------

Market Approach (Forward EV/EBITDA)	6.75	7.49
Income Approach (FCFE)	6.11	6.76
<b>Range of Equity Value per Share (PHP)</b>	<b>6.11</b>	<b>7.49</b>

Source: FTI Consulting Analysis

Based upon the valuation analyses performed and described herein, the market value of MRP shares is between PHP6.11 and PHP7.49 per share. As of 30 June 2018, the share price of MRP is PHP5.20, which is 21% to 37% lower than our market value range. As of the date of this report, the share price has moved to PHP6.21, which is within our calculated range. Presented below for reference are the Volume-Weighted Average Price of MRP shares over the 12-month, 6-month, 3-month, and 1-month period ending 07 September 2018:

<b>VWAP Computation</b>	
Period	Price (PHP)
1-Year	7.32
6-Months	6.52
3-Months	6.35
1-Month	7.08
<b>Closing Price (as of 07 Sept 2018)</b>	<b>6.21</b>

Source: S&P Capital IQ, FTI Consulting Analysis

### Our Opinion

On the basis of the foregoing, MCO's Tender Offer price of PHP7.25 is within our calculated range of market values. We are therefore of the opinion that the Tender Offer price for MRP's minority shares is fair from a financial point of view.

### Statement of Limitations

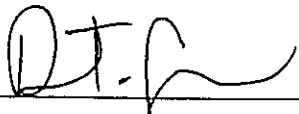
- This Report opines solely on the fairness of the proposed Tender Offer Price. It does not opine as to the operational merits or strategic rationale of the Transaction.
- Excluding the items we have discussed in the Valuation Methodology section above, we do not assume any responsibility for independent verification of, and have not independently verified, any of the information considered in the preparation of the Report that were provided by MRP management and have relied on all such information as being sufficient, complete and accurate and not misleading in all material aspects, without any additional check being undertaken to verify the completeness and accuracy of such information, except for what has been disclosed herein. Management has represented that no information has been withheld from us that could have a material impact on our opinion;
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council (“AASC”). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the Target or any financial or other information.
- With respect to prospective financial information relative to the Target referenced throughout this report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by management.
- With respect to any prospective financial information, we have assumed that such forecasts have been prepared on bases reflecting reasonable estimates and judgments as to MRP’s future financial performance. In addition, we have not been requested to make (and therefore have not made) an independent evaluation or appraisal of MRP’s assets and liabilities (contingent or otherwise).
- Management is responsible for any and all financial information provided to us during the course of our work.

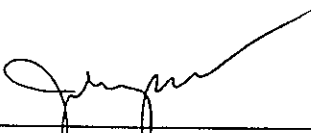
Attached for your reference is our full report and this letter should be read together with it.

Should you require clarification of any of the matters contained in our report or any further information, we would be pleased to meet and discuss. We have no responsibility to update this report for events and circumstances occurring after the date of this letter.

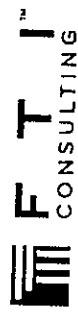
Yours faithfully,

**FTI CONSULTING PHILIPPINES, INC.**

By:   
**Dominador T. Gregorio III**  
Senior Managing Director  
CPA Registration No.: 57726  
TIN: 177-088-250-000

By:   
**John B. Balce**  
Senior Managing Director  
CPA Registration No.: 113153  
TIN: 236-703-421-000

**FTI Consulting Philippines, Inc.**  
28F BPI Philam Building,  
6811 Ayala Ave. Makati City 1227  
PSE Accreditation CN - No. 2016-0041  
SEC Accreditation No. 032



Valuation and Fairness Opinion Report on the  
Proposed Tender Offer of MCO (Philippines) Investments  
Corporation for Shares of Melco Resorts and  
Entertainment (Philippines) Corporation

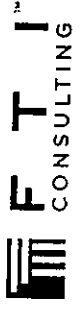
7 September 2018

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## Executive Summary

## Executive Summary

MCO (Philippines) Investments Limited (“MCO” or the “Offeror”), directly and indirectly owns 72.8% of the shares of Melco Resorts and Entertainment (Philippines) Corporation (“MRP” or the “Target”), a company listed in the Philippine Stock Exchange (“PSE”). MRP, through its wholly-owned subsidiary, Melco Resorts Leisure (PHP) Corporation, is one of the co-licensees which developed City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within Entertainment City Manila.

MCO is proposing a voluntary Tender Offer for the minority shares of MRP held by the public, and required an independent Valuation Specialist that would conduct a valuation and fairness opinion on whether the Tender Offer for these minority shares is fair.

FTI Consulting Philippines, Inc. (“FTI Consulting”) conducted a valuation study of MRP shares under the 2017 International Valuation Standards (“IVS”) to determine the fairness of the consideration to be paid to the minority shareholders. The Valuation Date of this engagement is 30 June 2018 with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value is the basis of value used in this engagement. Market Value, as defined by the IVS, is the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently and without compulsion.

This Valuation Report should be read in conjunction with the Fairness Opinion Letter issued by FTI Consulting in relation to this matter.

## Executive Summary (cont'd.)

The result of FTI Consulting's valuation of MRP's minority shares, using the Guideline Public Companies Method under the Market Approach using the EV/EBITDA multiple, and the Discounted Cash Flow Analysis under the Income Approach using Free Cash Flows to Equity is shown below.

Table 1.1 MRP Valuation Summary

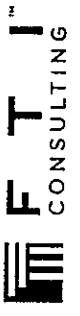
Equity Value	Low	High
Amounts in PHP Mn		
Market Approach (Forward EV/EBITDA)	38,227.69	42,423.35
Income Approach (FCFE)	34,620.83	38,285.30
<b>Range of Total Equity Value</b>	<b>34,620.83</b>	<b>42,423.35</b>

Outstanding Shares 5,666,764,407 5,666,764,407

Market Approach (Forward EV/EBITDA)	6.75	7.49
Income Approach (FCFE)	6.11	6.76
<b>Range of Equity Value per Share (PHP)</b>	<b>6.11</b>	<b>7.49</b>

Source: FTI Consulting

Based upon management's representations and our analyses, the Market Value of the minority shares of MRP as of 30 June 2018 is estimated to be in the range of **PHP6.11 to PHP7.49** per share. Since the Tender Offer Price offered by MCO is **PHP7.25**, we are of the opinion that the Tender Offer is fair.



# Company Overview

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

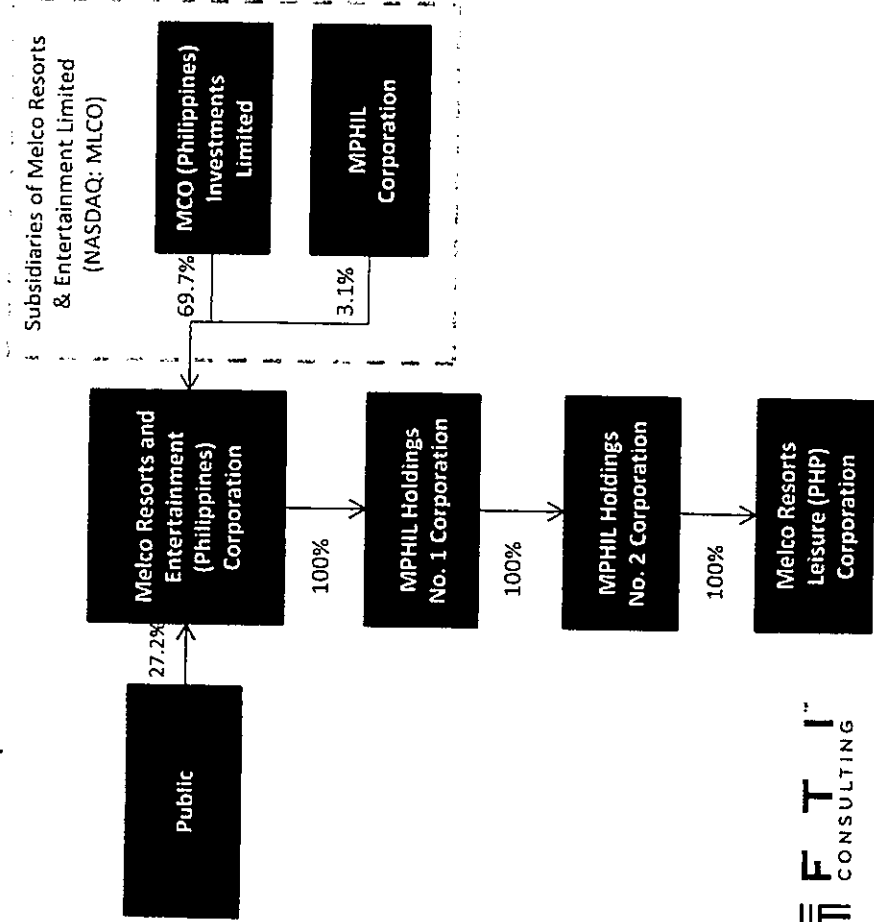
## 2.1 Corporate Background

Melco Resorts and Entertainment (Philippines) Corporation (“MRP” or the “Target”), a listed company in the Philippine Stock Exchange, owns, operates and develops casino and entertainment facilities in the country. It is a subsidiary of Melco Resorts and Entertainment Limited (NASDAQ:MLCO), and is ultimately owned by Melco International Development Limited, a Hong-Kong Listed company (SEHK:200).

## 2.2 Corporate Structure

Below is the corporate structure and overview of MRP as of 30 June 2018. MRP owns 100% of all of its subsidiaries.

Figure 2.1 Corporate Structure



- MPHIL Holdings No.1 Corporation was incorporated on 13 August 2012 as an investment holding company. It owns all of the shares in MPHIL Holdings No.2.
- MPHIL Holdings No. 2 Corporation was incorporated on 22 August 2012 as an investment holding company. It owns 100% of the shares in Melco Resorts Leisure.
- Melco Resorts Leisure (PHP) Corporation (“Melco Resorts Leisure”) was incorporated on 30 August 2012 with business interests in operations and development of casino gaming and entertainment complex facilities. It is the operating subsidiary of the Target.
- Melco Resorts Leisure is one of the co-licensees which developed City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within Entertainment City Manila, along with other licensees SM Investments Corporation, Belle Corporation and Premium Leisure Amusement, Inc.. The gaming license will expire on 11 July 2033 unless extended by PAGCOR.
- City of Dreams Manila is under the sole management and operation by MRP. The complex has six hotel towers, including NÜWA Manila, Nobu Hotel Manila and Hyatt City of Dreams Manila, with approximately 950 rooms in aggregate. There are also numerous speciality restaurants, bars, gaming facilities and a multi-level car park.
- The land and buildings of City of Dreams are leased by Belle, part of the SM Group, to Melco Resorts Leisure. The land used is leased by the Social Security Systems to Belle. Belle is also responsible for the construction of the principal structures and fixtures for the said property complex.

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

## 2.3 Financial Highlights

### 2.3.1 Statement of Financial Position

An overview of the Statement of Financial Position of MRP as of 30 June 2018, 31 December 2017 and 2016 is presented in Table 2.1.

- Cash and cash equivalents increased to PHP10.4 Bn as of 1H 2018 from PHP6.9 Bn in FY 2017. We note that MRP redeemed senior notes amounting to PHP5.5 Bn in August 2018. MRP's remaining debt balance matures and will be paid off by 24 Jan 2019.
- MRP's property, plant and equipment decreased to PHP21.5 Bn in 1H 2018 as depreciation and disposals of fixed assets exceeded acquisitions during the period.
- MRP is asset light and does not own the property and buildings in City of Dreams. It has a lease agreement with Belle Corporation and makes periodic lease payments. As of 1H 2018, MRP still has an outstanding lease liability amounting to PHP15.1 Bn.
- The accumulated deficit of MRP decreased further by PHP1.9 Bn in 1H 2018 in light of achieving record earnings during the period.

Table 2.1 Statement of Financial Position of MRP for the periods ending June 30, 2018, December 31, 2017 and 2016

	Unaudited		Audited	
Amounts in PHP Mn	30 Jun 2018	31 Dec 2017	31 Dec 2016	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	10,368.2	6,882.3	10,591.4	
Accounts receivable	2,460.7	1,328.4	1,391.2	
Other current assets	783.1	876.6	702.1	
<b>Non-Current Assets</b>				
PPE, net	21,467.0	23,131.0	26,866.6	
Other non-current assets	2,407.5	2,210.1	2,139.4	
<b>Total Assets</b>	<b>37,486.4</b>	<b>34,428.4</b>	<b>41,690.7</b>	
<b>LIABILITIES</b>				
Current Liabilities				
Accrued expenses, other payables and other current liabilities	7,002.5	6,045.2	5,553.9	
Long-term debt, current	7,478.2	-	-	
Finance lease liability, current	1,741.9	1,661.8	1,524.9	
Other current liabilities	121.8	100.5	1,282.2	
<b>Non-Current Liabilities</b>				
Finance lease liability, non-current	13,314.4	13,272.0	13,061.5	
Long-term debt, non-current	-	7,459.6	14,848.5	
Other non-current liabilities	555.6	473.5	385.6	
<b>Total Liabilities</b>	<b>30,214.4</b>	<b>29,012.6</b>	<b>36,656.6</b>	
<b>EQUITY</b>				
Capital stock	27,774.8	27,774.8	27,739.7	
Equity and other reserves	(3,248.3)	(3,212.0)	(3,197.2)	
Retained earnings (deficit)	(17,254.5)	(19,147.0)	(19,508.5)	
<b>Total Equity</b>	<b>7,272.0</b>	<b>5,415.8</b>	<b>5,034.1</b>	
<b>Total Liabilities and Equity</b>	<b>37,486.4</b>	<b>34,428.4</b>	<b>41,690.7</b>	
<b>Financial Ratios</b>				
Current Ratio	83.9%	117.9%	179.2%	
Debt-to-Equity Ratio	102.8%	137.7%	295.0%	

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

## 2.3.2 Statement of Financial Position

An overview of the Statement of Financial Performance of MRP for the period ending 30 June 2018, 31 December 2017 and 2016 is presented in Table 2.2.

- For its unaudited 1H 2018 results, MRP adopted a new revenue standard that offsets some revenues and expenses in its Casino segment. This resulted in a reduction in the respective Revenue and Cost line items amounting to PHP2.1 Bn.
- MRP's Casino revenues as a percentage of total net operating revenues changed from 93% in FY 2017 to 82% in 1H 2018. The difference is mainly caused by the adoption of the new revenue standard as well as the faster growth of MRP's other revenue sources.
- The Rooms and Food & Beverage segment revenues for the first half of 2018 already outpaced the full year 2017 results. The substantial improvement is due to increased occupancy rates during the period.
- Interest expense is mainly related to MRP's outstanding debt and lease liability. This is expected to decline further as MRP winds down its senior notes within the next year.
- MRP reported its first net profit in 2017. Improved margins and lower finance costs resulted in a large increase in net profit for the six months ending 30 June 2018, amounting to PHP1.9 Bn, compared to PHP354 Mn for the full year 2017.

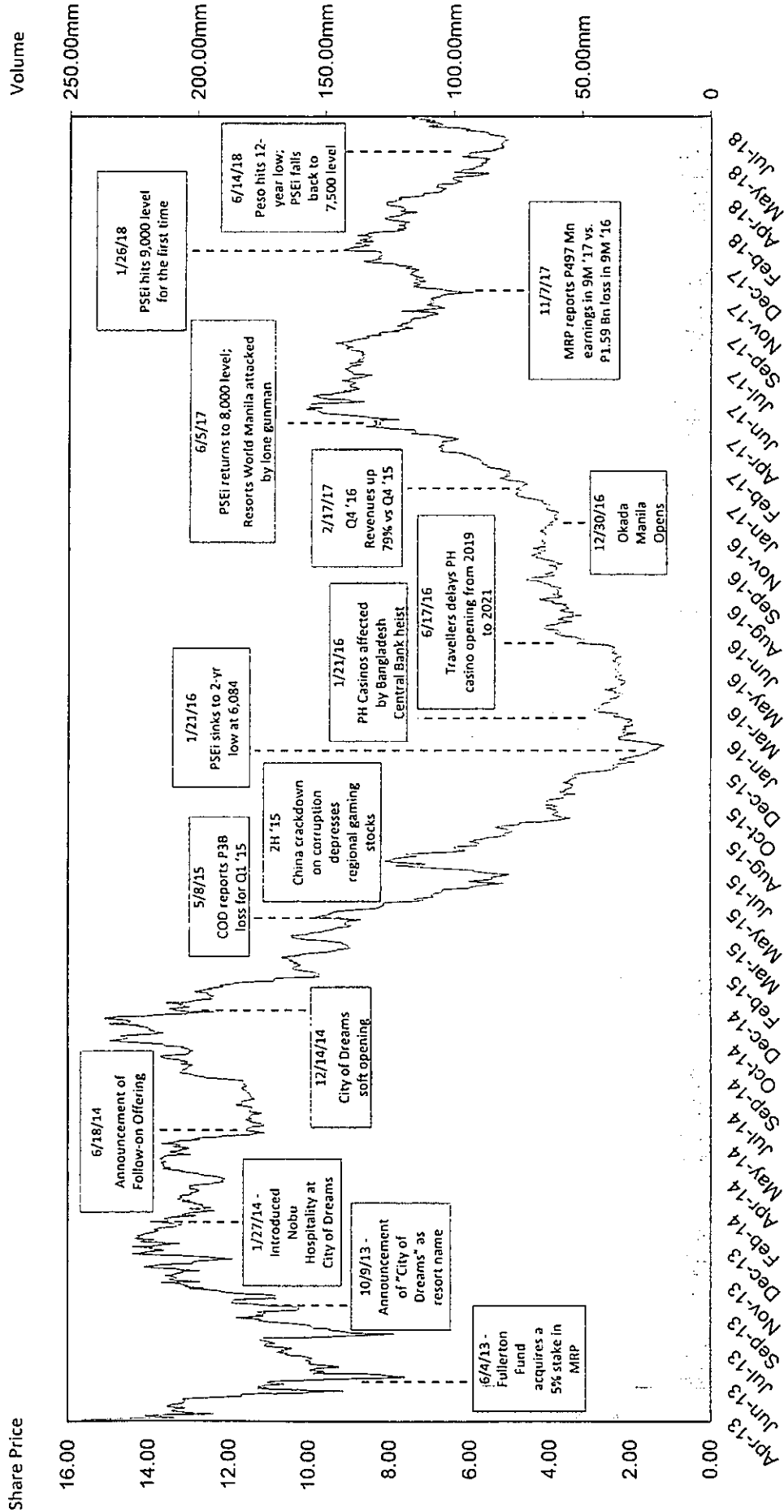
Table 2.2 Statement of Financial Performance of MRP for the periods ending June 30, 2018, December 31, 2017 and 2016

	Unaudited		Audited	
Amounts in PHP Mn	30 Jun 2018	31 Dec 2017	31 Dec 2016	Audited
<b>Net Operating Revenues</b>				
Casino	13,480.1	30,463.5	21,298.9	
Rooms	1,371.2	1,071.8	981.6	
Food and Beverage	1,398.9	688.8	707.3	
Entertainment, Retail and Other	289.8	531.1	431.0	
<b>Total net operating revenues</b>	<b>16,540.0</b>	<b>32,755.2</b>	<b>23,418.8</b>	
<b>Operating Costs and Expenses</b>				
Gaming tax and license fees	(4,629.1)	(8,053.5)	(5,408.4)	
Employee benefit expenses	(1,746.4)	(3,637.3)	(3,449.8)	
Payments to the Philippine Parties	(1,838.8)	(2,609.4)	(1,642.2)	
Other expenses	(3,347.6)	(10,975.4)	(7,276.7)	
<b>Total operating costs and expenses</b>	<b>(11,561.9)</b>	<b>(25,275.5)</b>	<b>(17,777.1)</b>	
<b>EBITDA</b>	<b>4,978.1</b>	<b>7,479.8</b>	<b>5,641.7</b>	
Depreciation and amortization	(2,006.5)	(4,285.7)	(4,388.9)	
Interest expense	(1,265.1)	(2,820.5)	(2,873.9)	
Other gains/losses	255.2	18.6	122.2	
Income tax expense	(69.2)	(38.3)	(82.4)	
<b>Net profit/(loss)</b>	<b>1,892.5</b>	<b>353.9</b>	<b>(1,581.3)</b>	
<b>Financial Ratios</b>				
EBITDA Margin	30.1%	22.8%	24.1%	
Net Profit Margin	11.4%	1.1%	-6.8%	
Return on Assets	N/A	1.0%	-3.8%	
Return on Equity	N/A	6.5%	-31.4%	

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

## 2.4 Historical Share Price of MRP

Presented below is the historical price movement of MRP's shares, with highlights on major events surrounding the Target





# Economic Overview

## Economic Overview

In valuing a business or its assets, it is important to consider the condition and outlook of the economy. The performance of a business is affected to varying degrees by the overall trends in the economic environment the business operates in. In addition, the value of a business or its assets cannot be determined in isolation of these factors. The following section provides a brief discussion of the economic condition and outlook of the Philippines.

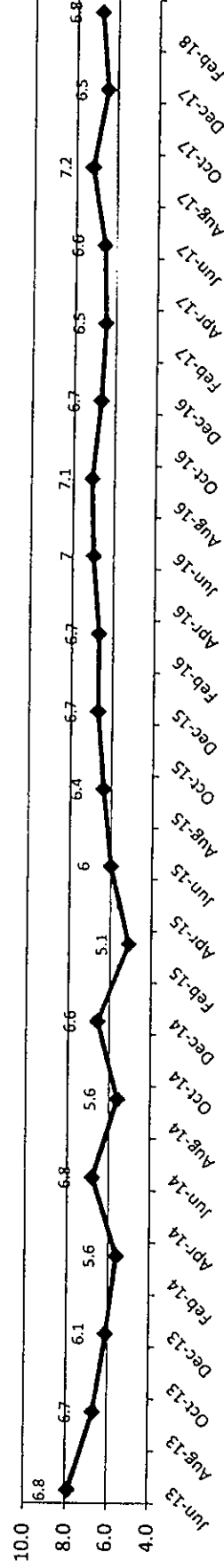
### 3.1 Philippine Economic Conditions and Outlook

The economy of the Philippines is the 39th largest economy in the world according to 2017 World Bank Statistics, with a gross domestic product ("GDP") amounting to USD313.0 Bn for that year. Considered as one of the most dynamic economies in the ASEAN region, its growth rate of 6.7% was surpassed only by those of Vietnam and China who were the top 2 economic performers. The Philippine GDP continues to accelerate due to its strong external trade activities which were fueled by anticipations over an increase in global demand. As a matter of fact, the rate of exports for the year 2017 managed to exceed the 2016 rate by 9.2%. Budgeted infrastructure is also on the rise due to the Duterte Administration's "Build, Build, Build" project. Foreign direct investments in the beginning of 2018 have also exceeded their target at a projected USD9.2 Bn. Investment growth however has also slowed down from 25.2% in 2016 to 10.3%. Going forward, the Philippine economy is expected to remain as one of the fastest-growing economies in the ASEAN region in 2017 with a target range GDP growth of 6.5% to 7.5%.

#### 3.1.1 Gross Domestic Product

The Philippine economy continues to grow despite its GDP slowing down from 6.9% during 2016 to a rate of 6.7% for the year 2017. Its relatively small percentage change of 0.2%, as compared to the previous period's 6.9%, was driven by exportation, growth in agriculture, manufacturing, and infrastructure expenditure. Going forward, GDP for 2018 and 2019 is forecasted by the Asian Development Bank ("ADB") to grow at 6.8% and 6.9%, respectively. Over the long term, The Economist estimates that the Philippine economy will grow by 4.5%. In contrast, Global Insight expects that the Asia Pacific region will grow at 3.3%, while the global GDP growth will be 2.5%.

Figure 3.1. GDP Monthly Growth Rate



Source: Thomson Reuters' Eikon

## Economic Overview (cont'd.)

### 3.1.2 Population Variables

The Philippine population has reached 106.5 million in 2018 with a compounded annual growth rate ("CAGR") of 1.8% since 2000. The Philippine population is forecasted to reach 142 million by 2045 according to the Philippine Statistics Authority ("PSA"). Nationally, population density is at a range of 337-357 persons per square kilometer ("km<sup>2</sup>"), with the National Capital Region ("NCR") being the most populated at 20,785 persons per km<sup>2</sup> followed by CALABARZON at 870 persons per km<sup>2</sup>, MIMAROPA and CAR lag the rest with 100 persons per km<sup>2</sup> and 87 persons per km<sup>2</sup>, respectively.

### 3.1.3 Consumer and Government Spending

Household final consumption expenditure ("HFCE"), comprising 68.7% of GDP, experienced growth of 5.8%. Components of HFCE with the highest growth rates were housing, water, electricity, gas & other fuels (10.6%), restaurants & hotels (12.9%), and health (9.4%). Government final consumption expenditure, covering 10.5% of GDP, grew by 7.3% in. This segment has reached PHP912.0 Bn in 2017. Going forward, government spending is expected to increase. The Duterte administration plans to spend PHP8.2 Tn to finance its planned infrastructure projects.

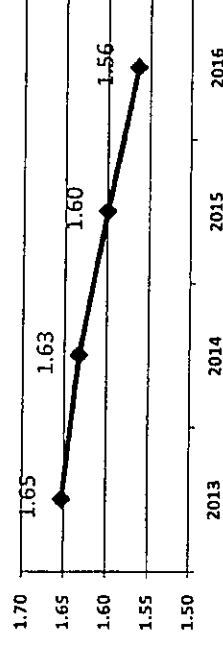
### 3.1.4 Employment

Philippine unemployment for 2017 increased only slightly to an average of 5.7% as compared to the 5.5% of the previous year. 43.6% of the unemployed are between the ages of 15 and 24, while 15.2% are between the ages of 25 and 34. Underemployment decreased to 16.1% during the previous year from the 18.3% rate seen last 2016. As of 2017, 56.0% are employed in the services sector, 26.0% in agriculture, and 18.0% in the industrial sector.

### 3.1.5 Foreign Trade

The Philippines' total external trade in goods reached USD13.8 Bn in April 2018, an 8.0% increase from the USD12.7 Bn recorded during the same month last year. While exports for April 2018 were down from the previous year's USD5.6 Bn to USD5.1 Bn, the rise in imports allowed for more cost-efficient purchasing options. The current peso depreciation also represents a chance for increased demand once more for our exports. Despite the total drop in exports, earnings from electronic products remain strong and have actually grown by 5.5%, thereby representing the emergence of a potentially lucrative commodity. Semiconductors in particular had the biggest share in the earnings at 43.8%, while also posting growth of 5.3%.

Figure 3.2. Population Growth Rate



Source: World Bank

## Economic Overview (cont'd.)

### *3.1.6 Peso Depreciation*

The Philippine peso has been depreciating over the last 5 years, closing at PHP52.95:USD1 on 11 June 2018, its worst performance in 11 years. The weakening currency is expected to cause inflationary pressures and impact purchasing power, but it will also benefit Philippine exporters and could possibly reduce the import-export gap in the country. Overseas Filipino workers are also in a good position to take advantage of the currency trend. Expectations of an interest rate increase in the US and weak Philippine trade numbers is keeping the peso weak against the dollar, according to industry experts.

### *3.1.7 Interest Rate and Inflation*

The Bangko Sentral ng Pilipinas (“BSP”) has recently decided to raise the benchmark interest rate in the Philippines to 3.5% in order to counter rising inflation which may have adverse effects on wages and price outcomes. The deposits facilities rate was also raised accordingly. BSP is expected to raise rates further in August during the Monetary Board meeting by as much as 50 basis points. Inflation as of July 2018 reached a new five-year high of 5.72% according to the Philippine Statistics Authority. Going forward, BSP expects inflation rates to eventually fall back to the target range of 2-4%, although it warns that inflation will most likely remain high throughout 2018.

### *3.1.8 Summary*

The strong performance of 2017 which has carried over to the beginning of 2018, and the continued government policy commitment to the planned increase in public infrastructure spending, are expected to carry the country’s expanding economy. Growth in capital investment is expected to be the country’s main driver that will be tied to the administration’s infrastructure investment push. The continued growth of the economy, coupled with the population variables, will positively affect household consumption, discretionary spending, expenditure, and overall GDP. However, due to the depreciating value of the Philippine peso, businesses are exposed to foreign exchange risks while inflation will negatively affect the purchasing power of households.

## Industry Overview

# Industry Overview – Casinos & Gaming

## 4.1 Casinos & Gaming

### 4.1.1 Market Overview

Gaming has numerous prohibitions and restrictions in many heavily populated countries in Asia. Taking advantage of this, the Philippines has become one of the major centers of gaming in Asia, relying on foreign customers. It also helps that the Philippines is easily accessible from major countries including: China, Malaysia, Indonesia, Taiwan, Japan, South Korea, and Singapore. According to recent market estimates, the Philippine Casino and Gaming Industry generated revenues worth USD2.9 Bn or PHP152.6 Bn in 2017. This was mainly driven by three factors namely, robust online gaming, strong foreign visits, and a solid domestic market.

Non-Junket is the largest segment in the casino and gaming industry, contributing 39.2% of total industry revenue in 2017. Meanwhile, the other two segments, Junket and Electronic Gaming had market shares of 27.4% and 33.4%, respectively.

Revenues of casinos operating in Entertainment City rose by 25.6% from PHP87.1 Bn to PHP109.4 Bn in 2017, majority of which was primarily driven by the Junket segment, adding a total of PHP33.6 Bn to revenue compared to state-owned casinos with PHP8.2 Bn.

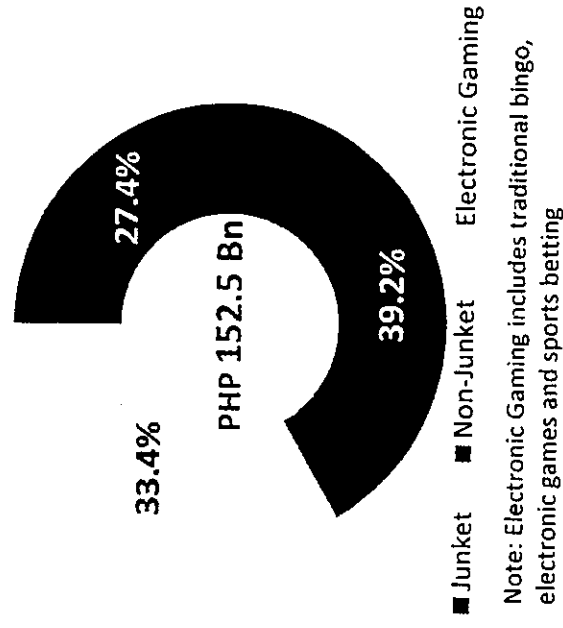
However, despite the industry's positive outlook, it is not without risks brought about by the current regulatory environment. The industry's market risks will be further discussed in Section 4.1.3 of this report.

### 4.1.2 Market Trend

Junket segment revenue will continue to have significant growth, primarily driven by the influx of tourists, especially from East Asia where almost half of the prior years' tourists come from. To note, foreign tourist arrivals to the Philippines rose by 10.2% in the first five (5) months of 2018.

Meanwhile, Bloomberry Resorts is currently planning to put up a casino in Quezon City to capitalize on the growing middle income class to increase their market share in the Non-Junket segment. However, the proposal of lawmakers to impose an entrance fee remains a deterrent to the prospects of this project.

Figure 4.1 Industry Revenue and Breakdown  
**Casino and Gaming Industry Revenue**  
As of 2017



Sources: DTI, Rappler, Morgan Stanley, PAGCOR, Department of Tourism

# Industry Overview – Casinos & Gaming (cont'd.)

## 4.1.3 Market Risks

The industry's market risks related to the current Philippine regulatory environment are as follows:

### *Moratorium on Issuance of Gaming Licenses*

In March 2017, PAGCOR announced a 5-year moratorium on the issuance of gaming licenses for casinos based in Metro Manila. This is amidst the oversupply concerns of early investors – Bloomberry Resorts (Solairé), Tiger Resort Leisure and Entertainment (Okada Manila), Melco Crown (Philippines) Resorts (City of Dreams Manila), and Travellers International Hotel Group (Resorts World Manila). Though this is expected to protect the interests of these early investors, the moratorium on mega-casinos in Metro Manila may encourage other foreign players to invest elsewhere.

### *Duterte Administration's Policies*

The Duterte administration's policies with regard to the casino and gaming industry are quite unpredictable. On 07 August 2018, President Duterte instructed the Department of Justice to review the 75-year lease contract between the Nayong Pilipino Foundation Inc. and Landing International Development Ltd. on the grounds of a flaw in the contract. As a result, the project's groundbreaking got delayed, causing a 4.3% decrease in Landing's stock price. In the same way, the administration halted the Galaxy Entertainment Group's planned USD500 Mn casino plan in Boracay, despite Galaxy having a gaming license from PAGCOR.

### *Philippines' Anti-Money Laundering Act*

Amendments to the Philippines' Anti-Money Laundering Act require casinos to be included as covered persons subject to reportorial and other requirements. Under the AMLA, periodic reports need to be approved by PAGCOR in order for casino operators to legally operate under their respective gaming licenses.

### *Tax Reform for Acceleration and Inclusion Act*

The Tax Reform for Acceleration and Inclusion Act ("TRAIN") was signed into law on 01 January 2018. Expected future amendments on the TRAIN such as changes on the application of value-added and corporate income taxes are expected to affect casino operators on a prospective basis.

# Industry Overview – Tourism

## 4.2 Tourism

### 4.2.1 Market Overview

The tourism industry is one of the leading contributors in the Philippine economy, having contributed revenues of USD66.3 Bn in 2017. This was primarily driven by the domestic tourism segment which accounted for 85.9% of the travel and tourism industry, while foreign visitors accounted for 14.1%. Most travelling expenses of the domestic and foreign tourists in 2017 are spent on leisure (65.8%), while the rest is for business (34.2%).

Tourism remains as one of the country's main sources of livelihood, generating 7.8 million jobs, almost double than the average of its surrounding countries. However, public investments in this industry (USD1.9 Bn) fall below the world average and Southeast Asian average of USD4.8 Bn and USD4.9 Bn, respectively.

### 4.2.2 Market Trend

The tourism industry will continue to become the Philippines' largest industry and is seen to grow by 5.9% in 2018, and rise by 5.8% annually over the next ten (10) years, eventually becoming a USD123.6 Bn industry by 2028. This will be driven by foreign tourist spending which is expected to grow by 3.4% this year, and grow at a CAGR of 5.4% until 2028. Foreign tourist expenses is expected to reach PHP665.0 Bn in 2028, accounting for 8.7% of the total exports of the country and is roughly 0.7% higher compared to 2017. The growth of foreign tourists whose expenses are mostly for leisure will increase the need for leisure amenities and entertainment facilities in the future.


In addition, the Philippine government's "Build, Build, Build" program will bring in the initial needed investment in the tourism industry by having interconnected roads and bridges, opening up and creating easier access to existing and developing tourist spot destinations.

Sources: *World Travel & Tourism Council*





## Valuation Approach



# Valuation Approach

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The analyses we have performed estimate the Market Value of the Target as of the Valuation Date. In order to arrive at our estimates of value, we have considered the three (3) generally accepted approaches to valuation described in the following sections.

## 5.1 Approaches to Valuation

The generally accepted approaches to valuation are commonly referred to as:

1. Market Approach;
2. Income Approach; and,
3. Cost Approach.

Within each category, a variety of methodologies exists to assist in the estimation of Market Value. The following sections contain a brief overview of the theoretical basis of each approach, as well as a discussion of the specific methodologies relevant to the analyses performed.

### 5.1.1 Market Approach

The Market Approach references actual transactions in the equity of the company being valued or transactions in similar companies that are traded in the public markets. Third-party transactions in the equity of a company generally represent the best estimate of fair market value if they are done at arm's length.

For the purpose of this exercise, the *Guideline Public Companies Method* was used. This method involves identifying and selecting publicly-traded companies with financial and operating characteristics similar to the subject company being valued. Once publicly-traded companies are identified, valuation multiples can be derived, adjusted for comparability, and then applied to the subject company's corresponding fundamental data to estimate the value of its equity.

#### 5.1.1.1 Comparable Public Companies

The first step under the *Guideline Public Companies Method* was the identification of comparable public companies that exhibit similar business operations, characteristics, and risks with MRP. The underlying rationale behind this is the law of one price – similar assets should sell for similar prices.

## Valuation Approach (cont'd.)

To obtain the comparable public companies, the following steps were followed:

1. Identification of the core business and country of exchange of MRP;
2. Identification of the sub-industry under the Global Industry Classification Standard ("GICS") in which MRP's core business falls into;
3. Extraction of comparable public companies from financial databases such as Thomson Reuters' Eikon and S&P Capital IQ using the identified sub-industry and region of MRP;
4. Selection of comparable public companies with a similar business description to MRP; and,
5. Removal of companies with no available financial data, as well as companies with the highest and lowest multiples.

Unfortunately, there are only a handful of publicly-listed gaming companies in the PSE. In this regard, the search for comparable companies were expanded to the Asia Pacific region. To compensate for differences in size, geographic location, political and economic stability, and so on, the multiple/s were adjusted as described below.

### 5.1.1.2 Valuation Multiple

The valuation multiple commonly used in practice for companies in the Hotels, Restaurants & Leisure industry that are into integrated hotels and casinos is the forward Enterprise Value-to-EBITDA ("EV/EBITDA"). This is the preferred multiple because it considers both debt and market capitalization, allowing comparison between companies with varying debt levels. The forward measure of earnings before interest, taxes, depreciation and amortization ("EBITDA") is used since forward earnings have been shown to explain stock prices "remarkably well" (Liu, Nissim, and Thomas, 2002). In addition, forward EBITDA is used to take into account the expected future performance of the subject company because investors ultimately look at future performance to support their buy price.

The IVS further prescribes that adjustments to the valuation multiples may be made to reflect differences between the subject company and its publicly-traded comparables. Thus, after the forward EV/EBITDA multiples for MRP's comparable public companies were extracted, these were adjusted to account for the differences in size, markets, capital structure, and growth prospects between the comparable public companies and MRP.

In situations where chosen comparable companies differ on a number of risk factors, Milenkovic (2015) suggests that the "best solution is to combine all factors through the discount rate" based on the following formula:

## Valuation Approach (cont'd.)

### 5.1.1.2 Valuation Multiple (cont'd.)

$$M_{adj} = (DR_C / DR_S) \times M_C$$

where:

$M_{adj}$  = Market adjustment factor

$DR_C$  = Discount rate of comparable company

$DR_S$  = Discount rate of subject company

$M_C$  = Unadjusted multiple of comparable company

Milenkovic (2015) further suggests that adjustments to enterprise value multiples such as the Forward EV/EBITDA may be conducted by applying the weighted average cost of capital ("WACC") as the basis for the market adjustment factor. The market adjustment factor is computed by dividing the comparable public company's WACC with the subject company's WACC. Following this methodology, the WACC of each comparable public company was computed. Please refer to Section 5.1.2.3 of this report for a detailed discussion on WACC calculation.

### 5.1.1.3 Equity Value

The equity value of MRP was derived by deducting net debt from the calculated enterprise values.

The average and median of the comparable public companies' adjusted enterprise value-to-EBITDA multiples were multiplied by the Target's forward EBITDA to derive the range of enterprise values. Forward EBITDA used was the Target's full-year forecasted 2018 EBITDA. The Target's net debt (long-term debt less non-operating cash) as of the Valuation Date was then deducted from the computed enterprise values to get the range of equity values under the *Guideline Public Companies Method*. No minority discount was used because "publicly-traded shares are already priced as minority holdings", requiring no further discount to the equity values derived from the publicly-listed comparable companies (Saunders, Jr., n.d.).

### 5.1.2 Income Approach

The Income Approach is based on the premise that the value of a subject company is the present value of the future earning capacity that is available for distribution to investors in the subject company.

A commonly used methodology under the Income Approach is the *Discounted Cash Flow Analysis*. A *Discounted Cash Flow Analysis* involves

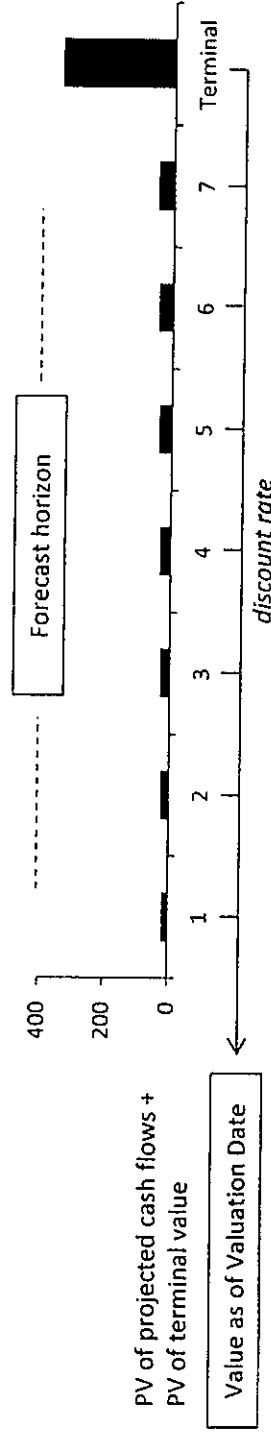
## Valuation Approach (cont'd.)

### 5.1.2 Income Approach (cont'd.)

forecasting the subject company's appropriate cash flow stream over an appropriate period, and discounting it back to present value using an appropriate discount rate. This discount rate should consider the time value of money, inflation, and the risk inherent in the ownership of the subject company being valued. The cash flow should include a terminal value to account for the cash flows of the business beyond the explicit forecast period. For this purpose, an assumption must be made regarding the sustainable long-term rate of earnings growth. Damodaran suggests that the growth rate cannot be higher than the long-run GDP growth rate of the country of the subject company.

Figure 5.1 below further illustrates the *Discounted Cash Flow Analysis*.

Figure 5.1 Discounted Cash Flow Analysis Illustration



Source: FTI Consulting

### 5.1.2.1 Free Cash Flows to Equity

Under the *Discounted Cash Flow Analysis*, Free Cash Flows to Equity ("FCFE") were determined and discounted using the cost of equity. FCFE represent the cash flow available for distribution to common equity shareholders of the subject company after all operating expenses, interest, and principal payments have been paid, and all necessary investments in working capital and fixed assets have been made. These are calculated as follows:

$$FCFE = \text{Net income} + \text{Non-cash charges} - \text{Capital expenditures} - \text{Changes in net working capital} + \text{Net borrowings}$$

where:

*Non-cash charges* = Depreciation, amortization, and other charges

*Net borrowings* = Newly acquired debt less principal debt repayments

## Valuation Approach (cont'd.)

### 5.1.2.1 Free Cash Flows to Equity (cont'd.)

For the purpose of this exercise, FCFE were computed from the 2<sup>nd</sup> half of 2018 until 2023, based on the forecast provided by MRP (the "explicit period"). A terminal value was calculated to estimate the discounted value of the FCFE of MRP beyond the explicit period.

### 5.1.2.2 Terminal Value Calculation

The terminal value represents the value of the subject company beyond the forecast period. Currently, MRP's regular gaming license issued by the Philippine Amusement and Gaming Corporation ("PAGCOR") is valid until 11 July 2033, approximately 9.5 years from the last forecast year provided by the Target (i.e. 2023). Although MRP's business operations may continue beyond 11 July 2033 if the gaming license gets extended, significant uncertainties exist around this assumption. These include the unknown political and regulatory climate at that point in time, economic conditions, competitive landscape in the Philippines and in the region, physical condition of MRP's facilities, and long-term prospects, to name a few. In this regard, the terminal value was calculated up to July 2033 only. This was done using the following formula:

*Terminal value* =  $[FCFF_T \times \text{Multiplier}] / (k_e - g)$  – Remaining debt

where:  $FCFF_T$  = Normalized free cash flow as of the terminal period

*Multiplier* =  $1 - \{(1 + g)^n / (1 + k_e)^n\}$

$g$  = Expected terminal growth rate of the company (measured as a percentage)

$n$  = Terminal period (measured in years)

$k_e$  = Company's cost of equity

To calculate the normalized free cash flow, the terminal revenue was computed by multiplying the 2023 revenue by the terminal value growth rate. A terminal value growth rate is an estimate of a company's growth in expected future cash flows beyond the forecast period. This can be based on the historical or forecasted long-term GDP growth rate. Due to the regional nature of the competitive landscape in the gaming industry, we used the long-term GDP growth forecast for Asia Pacific estimated at 3.3% by Global Insight (2018).

The terminal revenue was then multiplied to the 2023 operating margin (assumed as the stabilized operating margin) to arrive at the normalized operating profit. Investments in working capital were further deducted from the operating profit to obtain the normalized free cash flow. We understand that MRP is not subject to corporate income taxation.

## Valuation Approach (cont'd.)

### 5.1.2.3 Discount Rate Estimation

The appropriate discount rate applied to calculate the terminal value was the WACC. The formula used for the calculation of WACC is as follows:

$$WACC = W_d R_d (1 - \text{Tax Rate}) + W_e R_e$$

where:

$W_d$  = Weight of debt

$W_e$  = Weight of equity

$R_d$  = Pre-tax cost of debt

$R_e$  = Cost of equity

WACC was computed by multiplying the target weights of debt and equity by the Target's after-tax costs of debt and equity, respectively. The weights of debt and equity is based on MRP's current capital structure as of 30 June 2018. The cost of debt was based on the risk-free rate as of the Valuation Date (i.e. 10-year PDST-R2), plus a 125 basis point spread based on MRP's existing credit facilities. On the other hand, the cost of equity was estimated using the Capital Asset Pricing Model ("CAPM"), which is calculated as follows:

$$R_e = R_f + \beta (R_m - R_f) + \alpha$$

where:

$R_f$  = Risk-free rate

$\beta$  = Beta

$R_m$  = Expected market rate of return

$\alpha$  = Alpha risk premium

The risk-free rate represents the return that would be earned from an investment in risk-free assets such as government bonds. For the purpose of our valuation, the risk-free rate was based on the yield of the 10-year PDST-R2 Fixing, as of the Valuation Date. Expected market rate of return was based on the historical return rate on the country's equity index.

On the other hand, beta measures a stock's sensitivity of returns to changes in the market. It is a measure of systematic risk. Since MRP is a publicly-listed company, its own beta as of the Valuation Date was calculated based on share price and index data sourced from Thomson Reuters' Eikon.

## Valuation Approach (cont'd.)

### *5.1.2.3 Discount Rate Estimation (cont'd.)*

Further, an alpha risk premium was added to incorporate other risks inherent in the Target as compared to its comparable public companies. According to the Duff & Phelps – Valuation Handbook 2017 (as cited by Ernst & Young, 2018), risk premiums typically range from 102 basis points for mid cap companies to 367 basis points for micro cap companies. Given that the Target's market capitalization as of the Valuation Date is in the 7<sup>th</sup> decile of the PSEI, but is less than the market capitalizations of its comparable public companies, a 100 basis point risk premium for size was selected. In addition, due to the complexity of its operating arrangements with its co-licensees, additional business risk is warranted for MRP. We understand that discussions are taking place with the co-licensees to simplify the shareholding structure, as the current structure "is not optimal to facilitate further expansion in the medium term" (Chan, and Wong, 2018). Because of its current shareholding structure, an additional 150 basis point risk premium was added.

### *5.1.2.4 Non-operating Assets*

Identified non-operating assets were added to the calculated present value of FCFE to arrive at the equity value of MRP. MRP management advised that PHP5.5 Bn of the cash balance as of 30 June 2018 is non-operating and has actually been allocated for debt repayment (MRP Disclosure to the PSE, 2018).

### *5.1.2.5 Minority Discount*

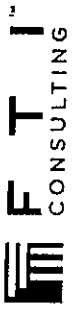
According to Damodaran, transactions for minority interests are valued at a discount of 20-30% in "market-oriented" economies like the Philippines (n.d.). Given that the subject of the valuation and the fairness opinion are the minority shares of MRP held by the public, a 20% minority discount was used to arrive at the post-discount range of equity values.

### *5.1.3 Cost Approach*

The Cost Approach measures the company's value by subtracting the market value of its liabilities, including off-balance sheet items like operating leases, from the market value of its assets. Transaction costs are applied to the market values of the assets and liabilities to get the adjusted book value of the company. By using the Cost Approach, we can calculate the floor price of a firm. This approach is most commonly used for the valuation of start-up companies and companies with low or no historical earnings.

For companies whose value rely mostly on intangible assets, such as gaming companies through their license, the Cost Approach is not appropriate.



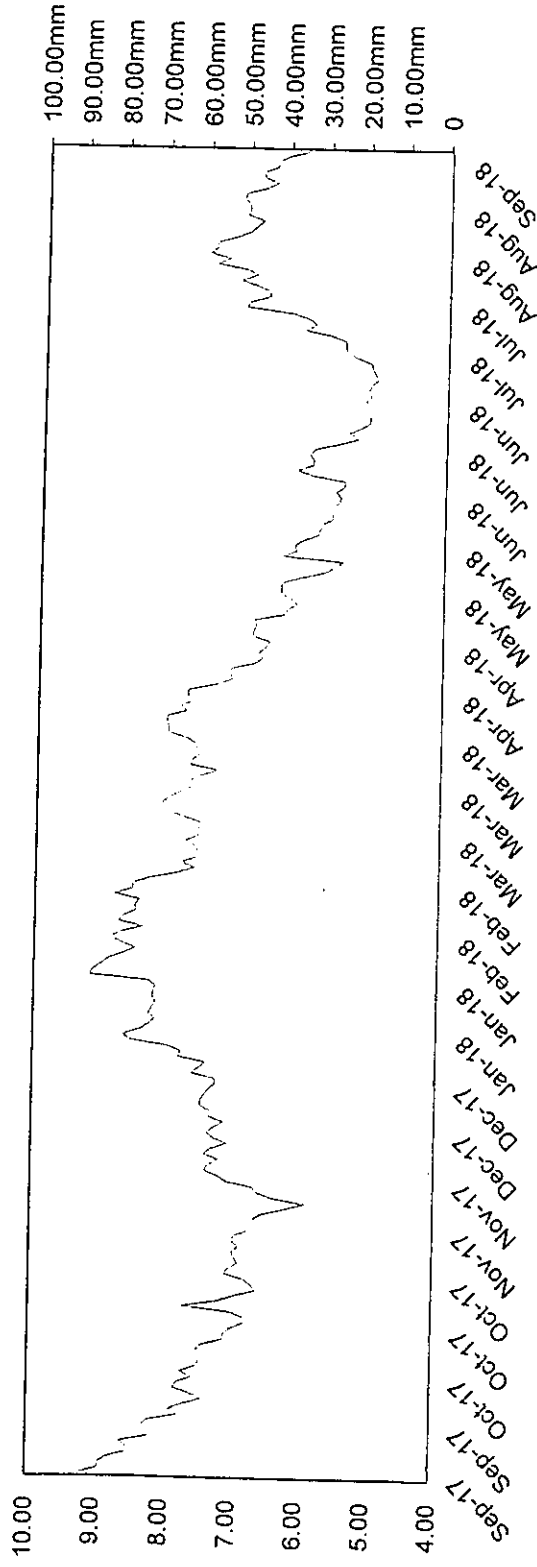


## Valuation Analysis

# MRP Historical Share Price Volume Weighted Average Price ("VWAP")

**6.1 1-Year Share Price History of MRP**  
Presented below is daily share price and volume chart of MRP from 08 September 2017 to 07 September 2018.

**Figure 6.1.1 MRP Daily Closing Price and Volume for the Last Year**



The table below compares the current closing price of MRP as of 07 September 2018 with its 12-month, 6-month, 3-month and 1-month VWAPs.

Period	VWAP (PHP)
1-year	7.32
6-months	6.52
3-months	6.35
1-month	7.08
Closing Price (07 Sep 2018)	6.21

Source: S&P Capital IQ; FTI Consulting

# Valuation Analysis

## MRP – Market Approach

In performing the valuation analysis and arriving at the range of values for the shares of MRP, two valuation approaches were used: the Market and Income Approach. This section discusses in detail the steps performed in each approach.

### 6.2 Market Approach: Guideline Public Companies Method

Valuation multiples indicated by comparable companies can often provide meaningful input into the fair value analysis of a listed company. As part of our analysis, we identified public companies that are reasonably comparable to MRP and analyzed the valuation indications their multiples imply when applied to MRP.

#### *Comparable Public Companies Identified*

Using the Thomson Reuters' Eikon Database, we analyzed the population of possible comparable public companies, selecting those that were considered to be reasonably comparable to MRP in terms of industry classification and business operations. We selected comparable public companies in the Hotels, Restaurants & Leisure industry that are into integrated resorts and casinos. The table below presents the selection process of comparable public companies used in this analysis.

Table 6.2.1 Comparable Companies of MRP

Selection Process of Comparable Companies ("Filters")	Number of Comparables Filtered Out	Number of Comparables Remaining
(1) Countries included in MSCI Developed and Emerging Index		697
(2) GICS Industry Classification: Hotels, Restaurants and Leisure		
Business Description: Integrated Resort and Casino	660	37
With Available and Sufficient Financial Information	8	29
Within Asia - Pacific	18	11
(1) Not Outlier Multiples	2	9
(2) Not Related Parties	1	8
<b>Final Number of Comparable Companies Used</b>		<b>8</b>

Note: 'Morgan Stanley Capital International

Sources: Thomson Reuters' Eikon (As of June 2018) and FTI Consulting

# Valuation Analysis

## MRP – Market Approach (cont'd.)

The table below presents the comparable public companies used in this analysis.

**Table 6.2.2 Comparable Companies of MRP**

Company	Ticker	Country	Description
Bloomerry Resorts Corp	BLOOM.PS	Philippines	Developer and operator of hotels, casinos, and integrated tourism resorts in the Philippines
Galaxy Entertainment Group Ltd.	0027.HK	Hong Kong	Hospitality and gaming company; develops and operates hotels, gaming and integrated resort facilities in Macau.
Genting Malaysia Bhd	GENM.KL	Malaysia	Involved in the tourist resort business at Genting Highlands and engaged in providing leisure and hospitality services, which consist of gaming, hotel, entertainment and amusement
Genting Singapore Ltd	GENS.SI	Singapore	Engaged in the development and operation of integrated resort, and operation of casinos.
Kangwon Land, Inc.	035250.KS	South Korea	Engaged in the operation of casinos
MGM China Holdings Ltd.	2282.HK	Hong Kong	Investment holding company principally engaged in the development and operation of casino games in Macau and in related hotel and resort facilities.
SJM Holdings Ltd	0880.HK	Hong Kong	Investment holding company principally engaged in the gaming operation business and in the operation of casinos and related facilities.
Travellers International Hotel Group Inc.	RWM.PS	Philippines	Developer and operator of Resorts World Manila, an integrated tourism resort in the Philippines.

Source: Thomson Reuters' Eikon (As of June 2018)

# Valuation Analysis

## MRP – Market Approach (cont'd.)

### *Multiples Applied*

From the analysis of the comparable public companies, we gathered forward EV/EBITDA multiples. As discussed in section 5.1.1.2, the EV/EBITDA ratio is the most appropriate and commonly-used metric in the valuation of gaming companies. The multiple takes into account the differences in capital structures and capital intensiveness of companies, which likely vary among different integrated casinos and resorts.

We gathered the forward EV/EBITDA multiple for each comparable public company as of the Valuation Date. The table below shows the multiples that were considered in our valuation, before any adjustments.

**Table 6.2.3 Unadjusted Forward EV/EBITDA Multiple of the Comparable Public Companies of MRP as of 30 June 2018**

<b>Comparable Companies</b>	<b>Forward EV/EBITDA</b>
Bloomberry Resorts Corp	6.93
Galaxy Entertainment Group Ltd.	14.56
Genting Malaysia Bhd	9.61
Genting Singapore Ltd	9.41
Kangwon Land Inc	7.41
MGM China Holdings Ltd	13.88
SJM Holdings Ltd	12.52
Travellers International Hotel Group Inc.	17.09

*Source: S&P Capital IQ (As of June 2018)*

# Valuation Analysis

## MRP – Market Approach (cont'd.)

### Multiples Adjustment

The EV/EBITDA multiples gathered were then adjusted for differences in risk profiles using the methodology discussed in section 5.1.1.2. The primary reason for the adjustments was to account for the variation in size and markets serviced between the comparable public companies and MRP.

The financial snapshot of each of MRP's comparable companies as of the Valuation Date and the justification for adjusting their EV/EBITDA multiples are as follows:

**Table 6.2.4 Financial Snapshot of MRP Comparables**  
Amounts in PHP Mn; LTM as of 30 June 2018

Company	Country	Market Cap	Total Assets	Revenue	Net Income	Reason for Adjustment
Bloomberry Resorts Corp	Philippines	107,366	73,793	39,569	7,600	Difference in size
Galaxy Entertainment Group Ltd	Hong Kong	1,782,512	502,806	401,355	67,571	Differences in size, market
Genting Malaysia Bhd	Malaysia	382,383	368,838	118,136	14,053	Differences in size, market
Genting Singapore Ltd	Singapore	575,202	383,272	93,995	26,301	Differences in size, market
Kangwon Land, Inc.	South Korea	267,751	189,037	71,951	18,277	Differences in size, market
MGM China Holdings Ltd.	Hong Kong	469,908	215,240	98,714	14,925	Differences in size, market
SJM Holdings Ltd	Hong Kong	375,234	269,945	269,219	12,439	Differences in size, market
Travellers International Hotel Group	Philippines	76,390	89,239	18,901	142	Differences in size and target market
<b>Melco Resorts and Entertainment (Philippines) Corporation</b>	<b>Philippines</b>	<b>29,397</b>	<b>44,558</b>	<b>32,227</b>	<b>737</b>	

Source: Thomson Reuters' Eikon (As of June 2018)

# Valuation Analysis

## MRP – Market Approach (cont'd.)

The adjustment of the EV/EBITDA multiples involves the determination of the WACC for each comparable company, which is then divided by the WACC of MRP to obtain the market adjustment factor for each EV/EBITDA multiple. The table below presents the inputs and results of our calculation for the market adjustment factor.

Table 6.2.5 Results of Market Adjustment Computation for the Comparable Companies of MRP as of 30 June 2018

Comparable Companies	Risk-free Rate		Market Rate of Return		Alpha Risk		Pre-Tax Cost of Debt		Effective Tax Rate		Post-Tax Cost of Debt		Debt-to-Market Cap <sup>1</sup>		WACC		Market Adjustment (Enterprise)	
	Risk-free Rate	Market Rate of Return	Beta	Alpha Risk Premium	Cost of Equity	Debt	Equity	Debt	Equity	Effective Tax Rate	Debt	Equity	Debt	Equity	Debt	Equity	WACC	Market Adjustment
Bloomberry Resorts Corp	6.4%	11.0%	1.42	0.0%	12.9%	3.3%	17.7%	2.7%	0.17	11.4%	73.5%							
Galaxy Entertainment Group Ltd	2.9%	9.8%	1.18	0.0%	11.0%	3.6%	1.0%	3.5%	0.17	9.9%	63.9%							
Genting Malaysia Bhd	3.4%	8.2%	1.16	0.0%	8.9%	6.0%	21.1%	4.7%	0.17	8.3%	53.4%							
Genting Singapore Ltd	2.6%	8.4%	1.05	0.0%	8.7%	5.6%	21.4%	4.4%	0.17	8.0%	51.6%							
Kangwon Land Inc	2.9%	11.3%	0.69	0.0%	8.7%	2.4%	23.2%	1.8%	0.17	7.7%	49.4%							
MGM China Holdings Ltd	2.9%	9.8%	0.91	0.0%	9.2%	5.5%	12.1%	4.8%	0.17	8.5%	54.9%							
SJM Holdings Ltd	2.9%	9.8%	0.87	0.0%	8.9%	4.1%	0.6%	4.1%	0.17	8.2%	52.6%							
Travellers International Hotel Group Inc	6.4%	11.0%	0.73	0.0%	9.8%	3.6%	30.0%	2.5%	0.17	8.7%	55.9%							
<b>Melco Resorts Philippines</b>																<b>16.0%</b>		

Source: S&P Capital IQ, Thomson Reuters' Eikon (As of June 2018)

Notes:

- (1) Average Debt-to-Market Capitalization Ratio of Comparable Public Companies
- (2) Calculated. Refer to the 'Income Approach' discussion in this section for the computation

## Valuation Analysis

### MRP – Market Approach (cont'd.)

Using the market adjustment factors, the Forward EV/EBITDA multiples were adjusted to be comparable with MRP. The results of the adjustments are shown in the table below.

Table 6.2.6 Forward EV/EBITDA Adjustments for Each Comparable Company of MRP

Comparable Companies	Forward EV/EBITDA, unadjusted	Market Adjustment Factor	Forward EV/EBITDA, adjusted
Bloomerry Resorts Corp	6.93	73.5%	5.09
Galaxy Entertainment Group Ltd	14.56	63.9%	9.31
Genting Malaysia Bhd	9.61	53.4%	5.14
Genting Singapore Ltd	9.41	51.6%	4.86
Kangwon Land Inc	7.41	49.4%	3.66
MGM China Holdings Ltd	13.88	54.9%	7.62
SJM Holdings Ltd	12.52	52.6%	6.59
Travellers International Hotel Group Inc	17.09	55.9%	9.55
<b>High Multiple</b>			<b>9.55</b>
<b>Average Multiple</b>			<b>6.48</b>
<b>Median Multiple</b>			<b>5.86</b>
<b>Low Multiple</b>			<b>3.66</b>



# Valuation Analysis

## MRP – Market Approach (cont'd.)

### Values Indicated

Under the Guideline Public Companies Method, the high, average, and low multiples calculated from the identified comparable public companies were applied to the Forward EBITDA of MRP based on forecasts provided to get an estimate for the range of enterprise values of MRP. The computed values are then adjusted for debt and non-operating cash to arrive at their corresponding equity values.

To construct the range of Market Values, we used two (2) measures of central tendency, the mean and median, where the median represents our lower limit and the mean as our upper limit. We note that equity analysts place more emphasis on median multiples than means in valuations since means are heavily influenced by outliers in sample data. The mean and median equity values from the results above were then divided by the number of outstanding shares of MRP to determine the range of MRP's equity value per share as of Valuation Date.

Based on the analysis performed, we arrived at a range of MRP's Market Approach-based equity value per share of **PHP6.75-PHP7.49**. Kindly refer to the table on the right for the valuation summary.

Table 6.2.7 Calculation of MRP's Equity Value per Share

Equity Valuation	
<i>Equity Valuation Multiples</i>	
High	9.55
Average	6.48
Median	5.86
Low	3.66
<i>Equity Valuation as of Valuation Date</i>	
High	63,482.65
Average	42,423.35
Median	38,227.70
Low	23,103.52
<b>Average</b>	<b>42,423.35</b>
<b>Median</b>	<b>38,227.69</b>
<i>Range of Values</i>	
Low Equity Value (PHP Mn)	38,227.69
High Equity Value (PHP Mn)	42,423.35
Outstanding Shares	5,666,764,407
<i>Range of Values per Share</i>	
Low Equity Value (PHP/share)	6.75
High Equity Value (PHP/share)	7.49
Stock Price as of 30 June 2018	5.20
<i>% Difference over Share Price</i>	
Low	29.7%
High	44.0%

# Valuation Analysis

## MRP – Income Approach

### 6.3 Income Approach: Discounted Cash Flow Analysis

The second approach used to estimate the equity value of MRP was the Discounted Cash Flow Analysis. Performing a Discounted Cash Flow Analysis requires the preparation and analysis of a reliable forecast of the expected future financial performance of the target entity.

MRP management has provided FTI Consulting with discrete financial forecasts for MRP until year 2023. This forecast incorporates the cash flow assumptions for MRP and is a reflection of expectations of its performance for the foreseeable future. We have considered the key forecast assumptions provided by management and have no reason to believe that the forecast and its underlying assumptions are unreasonable.

#### *Equity Value Computation*

In order to compute the discounted free cash flows to equity for MRP, FTI Consulting relied on the financial forecast and the formulas provided in the Valuation Approach section of this report. The financial projections provided were for the financial years 2018 to 2023, which include estimates for future revenue, EBITDA, tax rate, net income, capital expenditures, working capital and net income.

The key assumptions used in the forecast include, among others:

- Gaming revenue growth ranging from 4% to 10% per year, while Non-Gaming revenue to grow from 2% to 5% per year, over 2019 to 2023.
- EBITDA margins averaging 30%
- Net debt payments of PHP5.5 Bn and PHP2.0 Bn in 2018 and 2019, as part of MRP's senior notes redemption plan
- Maintenance CAPEX totaling PHP6.0 Bn over the forecast period.
- Corporate tax rate of 0% as MRP's gaming tax is already included in operating expenses

# Valuation Analysis

## MRP – Income Approach (cont'd.)

### Discount Rate Estimation

In order to bring the forecasted cash flows of MRP to its present value, a discount rate must be estimated. Using the formulas discussed in Section 5.1.2.3, we were able to estimate the cost of equity and the WACC for MRP, as shown below.

Table 6.3.1 Discount Rate Calculation for MRP

Input	Value	Remarks
Risk-free rate	6.4%	Yield on 10-year PDST-R2 Fixing as of 29 June 2018
Market rate of return	11.0%	Philippine expected market rate of return as of 30 June 2018, Eikon
Beta	1.88	MRP beta as of 30 June 2018, Eikon
Alpha risk premium	2.5%	Additional premium for business risk
Tax rate	0.0%	Gaming tax is part of MRP operating expenses; Exempted from regular corporate income tax
Cost of equity	17.6%	Calculated using the Capital Asset Pricing Model
Pre-tax cost of debt	7.7%	PDST-R2 + MRP's spread on credit facilities
Post-tax cost of debt	7.7%	Cost of debt x (1 - Tax rate)
Weight of debt	20.3%	Capital structure as of 30 June 2018
Weight of equity	79.7%	Capital structure as of 30 June 2018
Weighted average cost of capital	15.6%	Calculated

Source: Thomson Reuters' Eikon (As of June 2018); FTI Consulting

# Valuation Analysis

## MRP – Income Approach (cont'd.)

### *Terminal Value Calculation*

We used the terminal value formula discussed in Section 5.1.2.2 of this report to estimate the value of MRP attributable to periods beyond the forecast period, from 2024 onwards. Due to uncertainties in forecasting MRP's future cash flows beyond the period of expiration of its gaming license by 11 July 2033, we computed for the terminal value of MRP until 11 July 2033 only.

The key inputs in determining the terminal value of MRP are as follows:

- Normalized EBITDA margin at 21.0%
- Corporate tax rate of 0%, since MRP's gaming tax is included in operating expenses
- Terminal growth rate of 3.3% based on the Asia-Pacific long-term growth rate published by Global Insight's Comparative World Review
- Remaining life of MRP's gaming license after 2023, which is 9.5 years

Using the items discussed above, we arrived at a terminal value calculation for MRP of PHP46,689.46 Mn.

### *Present Value Calculation*

For our analysis, we discounted the forecasted Free Cash Flows to Equity to arrive at the equity value of MRP. Consequently, the discount rate used was the cost of equity. In computing for the discount factor, a partial period adjustment was done in 2018 to account for the Valuation Date as of 30 June 2018.

To arrive at an equity value under this approach, the non-operating cash and cash equivalents of MRP as of Valuation Date is added to the discounted free cash flows that were computed using the inputs above. The non-operating cash amounted to PHP5.5 Bn, which is earmarked for debt redemption. Based on the foregoing, the resulting equity value amounts to PHP45,472.94 Mn.

# Valuation Analysis

## MRP – Income Approach (cont'd.)

### Values Indicated

Under the Discounted Cash Flow approach, we applied a sensitivity analysis on the cost of equity used to discount the FCFE of MRP. After adding and subtracting 1.0% to the estimated cost of equity of 17.6%, the resulting low and high equity values from the sensitivity analysis were then used to arrive at an equity valuation range.

A 20% minority discount was further applied to the computed equity valuation range because the valuation pertains to the minority shares of MRP held by the public.

After dividing the values computed by the number of outstanding shares of MRP, we arrived at a range of MRP's Income Approach-based equity value per share of PHP6.11 to PHP6.76. Kindly refer to the table below for a summary of the valuation.

Table 6.3.2 Discounted Cash Flow Method Valuation Summary for MRP

Sensitivity Analysis on Cost of Equity (Amounts in PHP Mn)	
Cost of Equity	Equity Value
16.6%	47,856.63
17.6%	45,472.94
18.6%	43,276.04
Low Equity Value, pre-discount	43,276.04
High Equity Value, pre-discount	47,856.63
Minority Discount	20%
Low Equity Value, post-discount	34,620.83
High Equity Value, post-discount	38,285.30
Outstanding Shares	5,666,764,407
<i>Range of Values per Share</i>	
Low Equity Value (PHP/share)	6.11
High Equity Value (PHP/share)	6.76

Stock Price as of 30 June 2018	
% Difference over Share Price	
Low	17.5%
High	29.9%

Source: FTI Consulting



**FTI**  
CONSULTING

# Valuation Analysis

## MRP – Valuation Summary

### 6.4. Summary of Valuation

The equity value per share computed under the two approaches discussed in this section were consolidated to arrive at an equity valuation range. Based on this, we arrived at an equity valuation per share range of **PHP6.11 to PHP7.49** for the shares of MRP as of the Valuation Date.

The table below presents the results of our analysis.

**Table 6.4.1 Equity Valuation Summary for MRP**

<b>Equity Value</b>	<b>Low</b>	<b>High</b>
Amounts in PHP Mn		
Market Approach (Forward EV/EBITDA)	38,227.69	42,423.35
Income Approach (FCFE)	34,620.83	38,285.30
<b>Range of Total Equity Value</b>	<b>34,620.83</b>	<b>42,423.35</b>

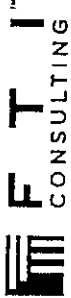
Outstanding Shares 5,666,764,407 5,666,764,407

Market Approach (Forward EV/EBITDA)	6.75	7.49
Income Approach (FCFE)	6.11	6.76
<b>Range of Equity Value per Share (PHP)</b>	<b>6.11</b>	<b>7.49</b>

Source: FTI Consulting



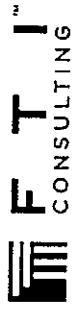
Appendix A – References



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Appendix B – About FTI Consulting

# Appendix B: About FTI Consulting Philippines At a Glance

## ABOUT FTI CONSULTING PHILIPPINES, INC. (FTI CPI)

FTI CPI is a financial/business advisory firm assisting clients with major events that can significantly influence the reputation and valuation of their organization. We help companies build, grow, defend or repair their businesses.

FTI CPI is 100% a Filipino-owned company with an exclusive franchise agreement with FTI Consulting, Inc., a US-based global consulting firm listed in the New York Stock Exchange (NYSE:FCN). It was incorporated in 2006.

## DEFINITIVE EXPERTISE

FTI CPI employs highly qualified professionals particularly, MBAs, CPAs and CFA charterholders with extensive, practical experience in applying that expertise to generate a decisive impact.

## ACCREDITED BY SEC AND PSE

FTI CPI is accredited by the Securities and Exchange Commission (SEC) for the valuation of shares of stock and intangible assets, and is also accredited by the Philippine Stock Exchange, Inc. (PSE) to issue fairness opinions and valuation reports of listed companies of the Exchange.

## WIDE CLIENT REACH

Our clients encompass a diverse spectrum of global and domestic: publicly-listed companies, financial institutions, family-owned corporations, funds/investors, and government owned and controlled corporations.

## FINANCIAL ADVISORY SERVICES

- Lead M&A Advisory
- Infrastructure Advisory
- Share and Intangible Asset Valuation
- Financial Model Preparation and Review
- Purchase Price Allocation
- Due Diligence
- Restructuring
- Funds Advisory
- Distressed Debt Advisory

## SENIOR MANAGING DIRECTORS OF FTI CPI

Anthony (Tony)

Quach



Dominador (Butch)

Gregorio III



John

Balce



## INDUSTRY COVERAGE

FTI CPI has been engaged by clients in the various industries listed below:



Real Estate & Hospitality



Energy & Resources



Tech, Media & Telecom



Infrastructure & Transportation



Financial Services



Retail & Textiles

# Appendix B: About FTI Consulting Philippines

## FTI Consulting Philippines Services

We capitalize on our technical proficiency and extensive knowledge in various industries in valuing shares of stock and intangible assets. We utilize three general approaches to valuation: income, market, and cost approach. We also provide post-acquisition support to clients through an independent purchase price allocation of their acquired assets and assumed liabilities, as part of their financial reporting requirements.

We are able to help clients in every step of their mergers and acquisition activities, from strategy and planning to deal execution and post-closing. Our acquisition experts provide comprehensive and insightful advice to proactively address investor concerns. We also provide critical support to our clients in their infrastructure projects, as proven by our successful track record in infrastructure bid process engagements.

### LEAD M&A AND INFRASTRUCTURE ADVISORY

### VALUATION / PURCHASE PRICE ALLOCATION

We assist clients in their financial modeling needs through either financial model construction or review. Financial model construction involves preparing a model based on the needs of the client, using the project documents and/or technical studies commissioned by a client to evaluate a project. Our expertise in building financial models allows us to conduct an effective review of the models of other parties. We provide critical feedback to clients by assessing the integrity and structure of the model, checking for calculation errors and documenting findings for immediate and future reference

### FINANCIAL MODEL PREPARATION AND REVIEW

As one of the most well known names in the industry, we bring credibility and a proven track record of results to rebuild or extract value from underperforming companies. FTI Consulting has expertise in providing the following services: performance improvement, CRO (Chief Restructuring Officer)/Interim Management, Restructuring Advisory, and Liquidity Management. An objective third party specializing in rebuilding value is often the catalyst necessary to revitalize a company.

### RESTRUCTURING

FTI's expertise extends to other services including: distressed debt advisory, financial due diligence, funds advisory and other transaction related services.

### OTHER SERVICES

# Appendix B: About FTI Consulting, Inc. FTI Consulting: Experts with Impact

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes. Due to our unique mix of EXPERTISE, CULTURE, BREADTH OF SERVICES and INDUSTRY EXPERIENCE, we have a tangible impact on our clients' most complex opportunities and challenges.

## Definitive Expertise

- Most experts on Who's Who Legal: Arbitration - Expert Witnesses, *Low Business Research Ltd.* (2011 - 2018)
- #1 Global Risk & Investigations services provider, *The National Law Journal* (2017)
- #1 Restructuring Advisor, *The Deal* (2007-2017)
- #1 Crisis Management Services Firm, *National Law Journal* (2017)

## Comprehensive Services

- Financial
- Legal
- Operational
- Transactional
- Political & Regulatory
- Reputational

**4,600+**  
Employees  
Worldwide

**450+**  
SMDs

**\$1.81B**  
Market Cap.<sup>(1)</sup>



**78**  
Cities

**28**  
Countries

Advisor to 96 of  
the world's top  
100 law firms

56 of Fortune  
Global 100  
corporations  
are clients

Advisor to 8 of  
the world's top  
10 bank holding  
companies

## A Culture That Delivers

- Practical in our communication and approach to outcomes
- Judicious in complex, multi-party situations
- Collaborative with clients and colleagues
- Professional in our commitment to work with the highest caliber

## Industry Experience

- Construction
- Energy Power & Products
- Financial Institutions
- Healthcare & Life Sciences
- Insurance
- Mining & Mining Services
- Real Estate & Infrastructure
- Retail & Consumer Products
- Telecom, Media & Technology

<sup>1</sup>Number of total shares outstanding as of February 15, 2018, times the closing share price as of February 23, 2018.

# FTI Consulting advises global clients on all continents

**FCN**

Publicly traded

FTI Consulting is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment

**8/10**

Advisor to world's top 10 bank holding companies

4,600+ Professionals Deployed in 28 Countries

With offices in every major financial center and every corner of the globe, we successfully serve our clients wherever challenges and opportunities arise.

**\$1.81**

BLN  
Equity market capitalization\*

**56/100**

56 of Global 100 corporations are clients

**450+**

Senior Managing Directors

**#1**

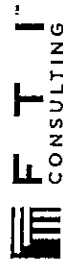
European & UK M&A transaction communications advisor by deal volume

**80**

Offices in 77 cities around the globe

**#2**

Globally by M&A volume



\*Total Shares outstanding times the closing share price as of February 23, 2018

# Appendix B: About FTI Consulting, Inc.

## The Five Segments of FTI Consulting

We provide law firms, corporations and government agencies with sophisticated analyses of complex economic issues to assist clients in understanding the challenges and opportunities they face. Our Economic Consulting practice is involved in a wide range of engagements that provide critical insight and expert testimony in legal and regulatory proceedings, strategic decision making and public policy debates. We also have deep expertise in securities litigation, M&A and antitrust, risk management, valuation and international arbitration.

### CORPORATE FINANCE & RESTRUCTURING

As a trusted partner to companies, boards of directors, investors, lenders and creditors around the world, the Corporate Finance & Restructuring segment is focused on delivering restructuring, business transformation and transaction solutions. Committed to our clients' success, our award-winning professionals address the full spectrum of financial, operational and transactional risks and opportunities across diverse industries. Included among our core strengths is providing expertise in guiding companies through the value-creation life cycle.

### ECONOMIC CONSULTING

### FORENSIC & LITIGATION CONSULTING

We provide the industry's most complete range of forensic, investigative, data analytic and litigation services. As an independent consulting firm, we have unmatched qualifications in all types of risk, dispute, investigations and litigation scenarios. We have extensive experience serving leading corporations, governments and law firms around the globe.

### STRATEGIC COMMUNICATION

As a leading global communications consultancy with more than 30 years of experience advising management teams and boards of directors, we help clients communicate effectively to protect and enhance their business interests with key stakeholders. We have a comprehensive view of strategic communications with an integrated suite of services in financial communications, corporate reputation and public affairs in all the major markets around the world.

### TECHNOLOGY

FTI Technology solves data-related business challenges, with expertise in legal and regulatory matters. As data grows in size and complexity, we help organizations better govern, secure, find, analyze and rapidly make sense of information. Innovative technology, expert services and tenacious problem solving provide our global clients with defensible and repeatable solutions. Organizations rely on us to root out fraud, maintain regulatory compliance, reduce legal and IT costs, protect sensitive materials, quickly find facts and harness organizational data to create business value.

## Appendix C – Our Team

## Appendix C: Our Team

### Dominador (Butch) Gregorio III

**Education**  
MBA – Wharton Business School, University of Pennsylvania  
MA in International Studies – Lauder Institute of Management and International Studies, University of Pennsylvania  
BS Business Administration and Accountancy – University of the Philippines



Senior Managing Director  
FTI Consulting Philippines  
Manila  
+63.2.864.0991 main  
butch.gregorio@fticonsulting-ph.com

#### About

Dominador (Butch) T. Gregorio III is a Senior Managing Director in the Corporate Finance/ Restructuring practice of FTI Consulting Philippines, Inc. (FTI CPI), formerly FTI Consulting Administrative Services Inc. (FTI CAS), based in Manila. Mr. Gregorio's professional experience encompasses a diverse spectrum of global and domestic financial institutions, family owned corporations, and acquisitive corporate enterprises in the public and private arena.

#### Certifications

Certified Public Accountant  
Licensed Real Estate Broker  
Institute of Corporate Directors - Graduate Member

#### Professional Associations

Finance Executives of the Philippines  
Philippine Institute of Certified Public Accountants

group for Deloitte in Almaty, Kazakhstan. From 2003 to 2007, he was Chief Operating Officer and Managing Director of Ernst & Young Transaction Advisory Services, Inc. in the Philippines. Butch was a partner in SGV & Co.'s Corporate Finance Division. He also spent seven years with Citicorp Real Estate, Inc. (Citibank N.A.) in New York, Minneapolis, Dallas, U.S.A.

Mr. Gregorio's clients include NTT Data, Standard Chartered Bank, Lim Advisors, Equis Funds Group, Ayala Group, Metro Pacific Group, GT Capital, Macro Asia, Xurpas, Agri-Nurture, MBTC, PNB, BPI, Philippine Insurance Commission, Royal Chemie International Ltd. and the Singapore Flyer. He has worked on engagements involving different industries, such as, infrastructure, financial services, energy & utilities, property, manufacturing and services..

Mr. Gregorio holds an MBA from Wharton School and an MA in International Studies from the Lauder Institute of Management and International Studies, University of Pennsylvania. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy, Cum Laude in 1983. He is a Philippines Certified Public Accountant and Licensed Real Estate Broker. He is also a Graduate Member of the Institute of Corporate Directors.

Prior to joining FTI Consulting, Mr. Gregorio provided similar services as a partner and head of the Financial Advisory Services



# Appendix C: Our Team

## John Balce

**Education**  
Executive Masters in  
Business  
Administration, Asian  
Institute of  
Management

**BS Business  
Administration and  
Accountancy, University  
of the Philippines**

**Certifications**  
Chartered Financial  
Analyst  
Certified Public  
Accountant

**Professional  
Associations**  
CFA Institute  
CFA Society of the  
Philippines  
Philippine Institute of  
Certified Public  
Accountants



**Senior Managing Director**  
**FTI Consulting Philippines**

Manila

+63.2.864.0991 main

john.balce@fticonsulting-ph.com

### About

John B. Balce is a Senior Managing Director in the Corporate Finance practice of FTI Consulting Philippines, Inc. (FTI CPI), formerly FTI Consulting Administrative Services (FTI CAS), and is based in Manila.

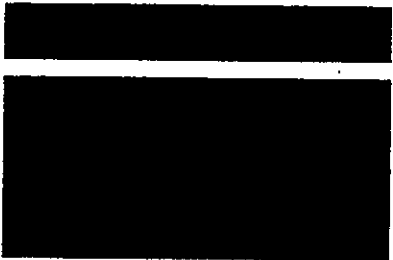
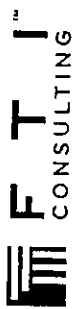
Over the past thirteen years, Mr. Balce had extensive experience in transaction advisory, corporate and debt restructuring, valuations, mergers and acquisitions, financial due diligence, financial modelling and financial model review. He has assisted in several cross-border engagements in the Philippines, China, Hong Kong, Indonesia and Singapore. He has been involved in projects across a range of industries, including energy, infrastructure, real estate, banking, outsourcing, electronics, mining, and manufacturing.

Among his various assignments, Mr. Balce has been involved the successful sale of a copper and zinc mine owned by an ASX-listed company undergoing provisional liquidation proceedings. He also spearheaded the team which assisted a Singapore-based hedge fund in the reorganization and sale of its stake in the Philippines' second largest biodiesel producer. He was also involved in the evaluation of strategic alternatives of an agriculture-focused company, with retail and manufacturing capabilities. He also assisted in the disposal of several NPL portfolios owned by local and foreign banks to investors, both on sell-side and buy-side capacities.

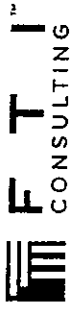
His engagements also include the preparation of financial models for PPP projects in the infrastructure, transportation and payment systems space on behalf of consortiums formed by major Philippine conglomerates. He has also prepared financial models for renewable energy companies, biofuel companies, toll roads, water districts, schools and shipping companies. Mr. Balce and his team also provides deal advisory, financial modelling and research support to FTI Consulting's Corporate Finance, and the Technology, Media and Telecommunications Teams of the London and Frankfurt offices

Prior to joining FTI Consulting, Mr. Balce was an Associate Director at Ferrier Hodgson. His career started in the Corporate Finance group of SGV / Ernst & Young Transaction Advisory Services, Inc. in Manila.

Mr. Balce received his Executive Masters in Business Administration degree from the Asian Institute of Management, with honors. He finished the bachelor's degree in business administration and accountancy from the University of the Philippines – Diliman, magna cum laude. He is a Certified Public Accountant and a CFA charterholder. He is a member of the CFA Society of the Philippines, the CFA Institute, and the Philippine Institute of Certified Public Accountants.



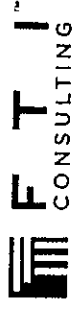
Appendix D – PSE Independence Confirmation



## Appendix E – FTI Consulting Scope of Work

## Appendix E: FTI Consulting Scope of Work

- Understanding the Company and its Industry
  - Discuss with management to understand the business and its industry;
  - Review the Target's three-year historical financial statements and performance data, including segment information;
  - Conduct meetings and interviews with management and other advisors (legal, regulatory, tax, accounting, technical, etc.);
  - Review publicly available industry reports for understanding of industry dynamics;
- Valuation
  - Analyze and estimate the Market Value of the Target's shares as a going concern as of the Valuation Date, through the following methodologies:
    - Market Approach;
    - Discounted Cash Flow Analysis;
  - Analyze trading prices, volume, and market capitalizations of comparable/guideline publicly-listed companies;
  - On the basis of the valuation of the Target, determine the range of values deemed fair to the minority shareholders of the Target;
- Reporting
  - Draft the valuation study on the Target's shares and opine on the fairness of the Tender Offer; and,
  - Finalization of the valuation study and fairness opinion report.



**EXPERTS WITH IMPACT™**

Stock Transfer Service Inc.  
MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION  
List of Top 100 Stockholders  
As of 09/13/2018

Rank	Name	Holdings	Rank
1	PCD NOMINEE CORPORATION (NON-FILIPINO)	5,125,394,145	90.43%
2	PCD NOMINEE CORPORATION (FILIPINO)	509,351,165	08.99%
3	F. YAP SECURITIES, INC.	28,796,120	00.51%
4	VICTOR SY	187,500	00.00%
5	LUMEN TIAOQUI	150,000	00.00%
6	JOSEPHINE T. WILLER	118,750	00.00%
7	ALEXANDER S. ARANETA	116,250	00.00%
8	JOSE MARCEL ENRIQUEZ PANLILIO	112,500	00.00%
9	BERNARD ONG AND/OR CONCHITA ONG	100,000	00.00%
10	ELENA B. ALIKPALA	82,500	00.00%
11	RAFAEL UYGUANCO	75,000	00.00%
12	ROSA T. CABRERA	75,000	00.00%
13	RAMON COJUANGCO JR.	71,250	00.00%
14	MARIO C. TAN	67,500	00.00%
15	JUDY TAN REYNOLDS	62,500	00.00%
16	MARIO A. ALIX	57,937	00.00%
17	ROSE ANNE CU UNJIENG	50,625	00.00%
18	PATRICK PAUL TAN	50,000	00.00%
19	QUIRINO J. MUNOZ	50,000	00.00%
20	EDUARDO HEDY SONIDO	50,000	00.00%
21	CARMELITA DE LEON CHAN	50,000	00.00%
22	FRANCISCO ORTIGAS SEC., INC. A/C NO. 5551	48,000	00.00%
23	FREDERIC FRANCOIS FAVRE-MARINET	42,300	00.00%
24	ANITA CHUA AND/OR ELLY CHUA	37,500	00.00%
25	RAFAEL A. POBLADOR	37,500	00.00%
26	RAMONITO LO	37,500	00.00%

Stock Transfer Service Inc.  
MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION  
List of Top 100 Stockholders  
AS OF 09/13/2018

Rank	Name	Holdings	Rank
27	REGINA K. GUZMAN	37,500	00.00%
28	MA. TERESA JAVELLANA AND/OR EDUARDO JAVELLANA	37,500	00.00%
29	WALTER VILLANUEVA	37,500	00.00%
30	ALBERTO G. MENDOZA	37,500	00.00%
31	SUSANA FONG	35,000	00.00%
32	ALFREDO S. PAGUIO	34,375	00.00%
33	WILFRID FERCHT	32,500	00.00%
34	VICA SERVICES AND MANAGEMENT COMPANY, INCORPORATED	32,000	00.00%
35	PO TIONG KING	31,250	00.00%
36	EBC SECURITIES CORPORATION	31,250	00.00%
37	S.J..ROXAS & CO. INC.	30,000	00.00%
38	ALICE Y. GONZALES	30,000	00.00%
39	JOSE F. BUENAVENTURA	28,125	00.00%
40	DAN CALLEJA	26,250	00.00%
41	JAIIME MENDEJAR AND/OR AMELIA MENDEJAR	25,000	00.00%
42	JESUS A. LIGANOR	25,000	00.00%
43	RCBC TRUST A/C #33-431-6	25,000	00.00%
44	ROWENA CO	25,000	00.00%
45	AGAPITO B. TANJUAQUIO	25,000	00.00%
46	SEA STAR SHIPPING CORPORATION	24,375	00.00%
47	MA. CONSOLACION G. MANUEL	22,500	00.00%
48	GERARDO L. BAUZA	22,500	00.00%
49	DIANA ACOSTA AND/OR DIANA LIM	22,500	00.00%
50	DOLORES F. RAMIREZ	22,500	00.00%
51	EDUARDO S. BAGTAS	22,500	00.00%
52	DESSIREE V. CANLAS	20,000	00.00%

Stock Transfer Service Inc.  
MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION  
List of Top 100 Stockholders  
As of 09/13/2018

Rank	Name	Holdings	Rank
53	WILLY N. OCIER	20,000	00.00%
54	BPI T/A # 581027	19,000	00.00%
55	CHINGUAT BALISBIS LIAO	18,750	00.00%
56	CARMELITA A. TOLENTINO	18,750	00.00%
57	FELISA LOURDES B. TENSUAN	18,750	00.00%
58	MANUELITA C. ERMITANO	18,750	00.00%
59	JOSE ALFREDO L. VILLANUEVA	18,750	00.00%
60	LILIBETH V. AMPOSTA	18,750	00.00%
61	PLACIDA Y. BOYLAN	18,750	00.00%
62	BENJAMIN L. DY- BUNCIO	18,750	00.00%
63	AUGUSTO D. LITONJUA	18,750	00.00%
64	ROSALIE C. MONTEAGUDO	18,750	00.00%
65	THELMA D. MENDEZ	18,750	00.00%
66	SQUIRE SECURITIES, INC.	18,000	00.00%
67	PNB SECURITIES, INC.	17,000	00.00%
68	RICARDO S. DELA ROSA JR.	15,000	00.00%
69	MORRIS GONZALES	15,000	00.00%
70	KEPPEL SECURITIES PHILS., INC. A/C #1140	15,000	00.00%
71	JONATHAN PAUL TAN	15,000	00.00%
72	JOSE R. SIMEON	15,000	00.00%
73	ELLEN LAO	15,000	00.00%
74	IGNACIO U. OMENGAN	15,000	00.00%
75	BRIAN PAUL TAN	15,000	00.00%
76	ROBERT TIU GAN	15,000	00.00%
77	WILLY TAN LAO	15,000	00.00%
78	ANGELICA DEALINO	15,000	00.00%



MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION  
 List of Top 100 Stockholders  
 As of 09/13/2018

Rank	Name	Holdings	Rank
79	NORMAN K. MACAPAGAL	15,000	00.00%
80	ERLASTER C. SOTTO	14,062	00.00%
81	ROMEO Q. SOLIS	13,750	00.00%
82	CONSUELO Q. WEST	13,500	00.00%
83	JOSE VICENTE S. VILAR	13,000	00.00%
84	BRENDAN L. JACINTOS	12,500	00.00%
85	ERIC ABERIN	12,500	00.00%
86	ROBERTO SANTOS	12,500	00.00%
87	ZENAIDA ALCANTARA	12,500	00.00%
88	TRINIDAD B. CORTEZ	12,500	00.00%
89	BENJAMIN R. MEDRANO	12,500	00.00%
90	ALMARIO A. CABALLERO SR.	12,500	00.00%
91	ANALYNN F.D. SUN	12,500	00.00%
92	ANNA MAY ROSAL	12,500	00.00%
93	VICENTE C. DINGLASAN	12,375	00.00%
94	WESTIN SECURITIES CORPORATION	12,000	00.00%
95	JOSE O. JULIANO	11,628	00.00%
96	NORMALITA L. GUBAT	11,625	00.00%
97	NOEL JIMENEZ	11,250	00.00%
98	NELLIE Y. LU	11,250	00.00%
99	LOURDES FLORES ASPREC	11,250	00.00%
100	ILUMINADA C. ANOS	11,250	00.00%

Stock Transfer Service Inc.  
 MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION  
 List of Top 100 Stockholders  
 AS of 09/13/2018

Rank Name ----- Holdings Rank -----

Total Top 100 Shareholders : 5,666,733,857 99.98%

Total Outstanding Shares 5,667,701,711

REPUBLIC OF THE PHILIPPINES)  
MAKATI ) S.S.

### AFFIDAVIT OF PUBLICATION

I, **JOYCE ANN P. DORADO** legal age, Filipino and residing at c/o **PHILIPPINE BUSINESS DAILY MIRROR PUBLISHING, INC. (BUSINESSMIRROR)** 3/F Dominga Bldg., 2113 Chino Roces Avenue corner Dela Rosa Street, Makati City, Philippines after having been duly sworn to in accordance with the law, hereby declare and testify.

That I am the **Credit & Collection** of **BUSINESS MIRROR**, a newspaper which is published in English, edited and printed in Metro Manila, and circulated nationwide from Monday to Sunday with editorial and business address at 3/F Dominga Bldg., 2113 Chino Roces Avenue cor. Dela Rosa Street, Makati City.

That the  
**PLACE AD**

APPLICANT/PETITIONER


**MELCO RESORTS AND ENTERTAINMENT  
(PHILIPPINES) CORPORATION ("MRP")  
(Announcement of Intention to Delist and make a  
tender offer to Shareholders)**

text of which could be read/deed as follows:

**AS PER ATTACHED**

has been published in **Business Mirror** in its issue September 10, 2018.

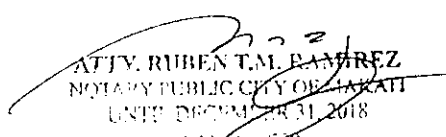
**AFFIANT FURTHER SAYETH NAUGHT  
Manila, Philippines**

  
**JOYCE ANN P. DORADO**  
Affiant

SUBSCRIBED and SWORN to before-me this  
\_\_\_\_ day of \_\_\_\_\_, 2018 at Makati  
Philippines.

Affiant exhibited to me her TIN ID No. 336-810-326 issued  
04-19-17 & SSS ID No. 04-3873425-2 with picture.

Doc.No. 277  
Page No. 56  
Book No. 151  
Series of 2018

  
**ATTY. RUBEN T.M. RAMIREZ**  
NOTARY PUBLIC CITY OF MAKATI  
UNITED DEPARTMENT OF JUSTICE  
OFFICE OF THE NOTARY PUBLIC  
CITY OF MAKATI  
REG. NO. 2017-001130  
TIN ID NO. 04-24947  
SSS ID NO. 04-19-17-001130

## FAIRNESS OPINION AND VALUATION REPORT

STRICTLY PRIVATE & CONFIDENTIAL

07 September 2018

**Geoff Davis**  
Sole Director  
MCO (Philippines) Investments Limited  
Jaya Place, Wickhams Cay I,  
Road Town, Tortola, British Virgin Islands

**Re: Fairness Opinion and Valuation Report**

Dear Mr. Davis:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Valuation and Fairness Opinion Report ("Report") covering the minority shares of Melco Resorts and Entertainment (Philippines) Corporation ("MRP" or the "Target"), a listed company in the Philippine Stock Exchange ("PSE"). The Target, through its wholly-owned subsidiary, Melco Resorts Leisure (PHP) Corporation, is one of the co-licensees which developed City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within Entertainment City Manila. MCO (Philippines) Investments Limited ("MCO" or the "Offeror"), directly and indirectly owns 72.8% of the shares of the Target.

MCO is proposing a voluntary Tender Offer for the minority shares of MRP held by the public (the "Transaction"). MCO's proposed Tender Offer Price is PHP7.25 per share.

FTI Consulting conducted a valuation study of MRP's minority shares under the 2017 International Valuation Standards ("IVS") to determine the fairness of the Tender Offer Price. The Tender Offer price shall be considered fair from a financial point of view if it falls within or is higher than the calculated range of market values.

The Valuation Date of this engagement is 30 June 2018, with the Philippine Peso ("PHP") as the Valuation Currency. Market Value is the basis of value used in this engagement. Market Value, according to the IVS, is the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. As of Valuation Date, MRP management believes that there is no material uncertainty regarding the ability of MRP to continue its business operations; hence, MRP is being valued on a going concern basis.

**FTI Consulting Philippines Inc.**

Unit 27-D, 27th Floor, BPI-Philam Life Makati | 6811 Ayala Avenue | Makati City | 1226 Philippines  
+63 2 864 0991 telephone | +63 2 864 0998 fax | fticonsulting.com

The Philippine Stock Exchange, Inc.'s ("PSE") Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the valuation of the shares of the listing application. Such fairness opinion must be supported by a valuation report.

FTI Consulting is an independent firm accredited by the PSE (PSE Accreditation CN 2016-0041 renewed on 11 October 2017) for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the PSE in accordance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the Securities and Exchange Commission (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in compliance with SEC Memorandum No. 2 Series of 2014 (Guideline on Asset Valuation).

#### **Statement of Compliance**

- The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting.
- This Engagement was performed in compliance with FTI Consulting's Quality Control Procedures Manual.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of the Target's directors, officers, or employees relative to the compensation to the Target's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive payment that is contingent on the successful completion of the transaction, for rendering the fairness opinion.
- FTI Consulting has no knowledge of any material relationships with the Offeror, its management, or other interested parties that might reasonably give rise to a perception that FTI Consulting's independence is compromised.
- There are no material relationships between FTI Consulting and any party to the Transaction during the prior two years in which compensation was received or intended to be received.
- Information with respect to the Target's operations and account balances purported to be in effect and described in our report was obtained primarily through analyses provided by and discussions with the Target's management. Key transaction documents were also reviewed to determine Transaction details.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants, are compliant with the Code of Ethics for Professional Accountants in the Philippines.

### **Scope of Work**

The scope of the work of FTI Consulting related to the completion of this Report involved the following tasks: (1) developed an understanding of the Target and its Industry, (2) analyzed and estimated the Market Value of the Target's minority shares as a going concern as of the Valuation Date, and (3) drafted, submitted and finalized the valuation study and Fairness Opinion report.

### **Valuation Methodology**

In order to arrive at our estimates of Market Value, we used two generally accepted approaches to valuation, namely, the Market Approach and the Income Approach.

Under the Market Approach, the Guideline Public Companies Method was used. This involved the identification of comparable public companies that exhibit similar business operations, characteristics, and risks with MRP. The underlying rationale behind this is the law of one price – similar assets should sell for similar prices. The Forward Enterprise Value-to-EBITDA (“EV/EBITDA”) multiples of the comparable companies identified are then used to estimate the Market Value of MRP under this approach. The EV/EBITDA multiple is the preferred multiple because it considers both debt and market capitalization, allowing comparison between companies with varying debt levels.

Under the Income approach, the Discounted Cash Flow Analysis was used. This involved forecasting the subject company's Free Cash Flows to Equity (“FCFE”) over the forecast period, discounting it back to present value using the cost of equity, and applying a minority discount to reflect the value of the minority shares. FCFE were used because these represent the cash flow available for distribution to common equity shareholders after all operating expenses, interest, and principal payments have been paid, and all necessary investments in working capital and fixed assets have been made.

Subject to the Statement of Limitations outlined in this report, FTI Consulting relied upon information provided by MRP management such as the 12-month trailing financial information, financial forecast, details of MRP's material contracts such as licenses granted by PAGCOR, and the details and purpose of the Tender Offer, among others. The tests of reasonableness described below were used to evaluate the information provided.

The 12-month trailing financial information and financial forecast provided by MRP for purposes of the valuation were evaluated based on historical performance and trend analysis conducted on the historical financial statements publicly available from the Philippine Stock Exchange, industry reports, and discussions with management. On the basis of our analysis and inquiries, we found no reason to believe that the 12-month trailing financial information and forecast are unreasonable.

Further, the term of the regular gaming license granted by PAGCOR was independently verified using MRP's public disclosure with the Philippine Stock Exchange.

### Summary of Findings

The result of the valuation of MRP, using the Market and Income approaches, is shown below.

<b>Equity Value</b>		
Amounts in PHP Mn	Low	High
Market Approach (Forward EV/EBITDA)	38,227.69	42,423.35
Income Approach (FCFE)	34,620.83	38,285.30
<b>Range of Total Equity Value</b>	<b>34,620.83</b>	<b>42,423.35</b>

Outstanding Shares	5,666,764,407	5,666,764,407
--------------------	---------------	---------------

Market Approach (Forward EV/EBITDA)	6.75	7.49
Income Approach (FCFE)	6.11	6.76
<b>Range of Equity Value per Share (PHP)</b>	<b>6.11</b>	<b>7.49</b>

Source: FTI Consulting Analysis

Based upon the valuation analyses performed and described herein, the market value of MRP shares is between PHP6.11 and PHP7.49 per share. As of 30 June 2018, the share price of MRP is PHP5.20, which is 21% to 37% lower than our market value range. As of the date of this report, the share price has moved to PHP6.21, which is within our calculated range. Presented below for reference are the Volume-Weighted Average Price of MRP shares over the 12-month, 6-month, 3-month, and 1-month period ending 07 September 2018:

<b>VWAP Computation</b>	
Period	Price (PHP)
1-Year	7.32
6-Months	6.52
3-Months	6.35
1-Month	7.08
<b>Closing Price (as of 07 Sept 2018)</b>	<b>6.21</b>

Source: S&P Capital IQ, FTI Consulting Analysis

### Our Opinion

On the basis of the foregoing, MCO's Tender Offer price of PHP7.25 is within our calculated range of market values. We are therefore of the opinion that the Tender Offer price for MRP's minority shares is fair from a financial point of view.

### Statement of Limitations

- This Report opines solely on the fairness of the proposed Tender Offer Price. It does not opine as to the operational merits or strategic rationale of the Transaction.
- Excluding the items we have discussed in the Valuation Methodology section above, we do not assume any responsibility for independent verification of, and have not independently verified, any of the information considered in the preparation of the Report that were provided by MRP management and have relied on all such information as being sufficient, complete and accurate and not misleading in all material aspects, without any additional check being undertaken to verify the completeness and accuracy of such information, except for what has been disclosed herein. Management has represented that no information has been withheld from us that could have a material impact on our opinion;
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council ("AASC"). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the Target or any financial or other information.
- With respect to prospective financial information relative to the Target referenced throughout this report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by management.
- With respect to any prospective financial information, we have assumed that such forecasts have been prepared on bases reflecting reasonable estimates and judgments as to MRP's future financial performance. In addition, we have not been requested to make (and therefore have not made) an independent evaluation or appraisal of MRP's assets and liabilities (contingent or otherwise).
- Management is responsible for any and all financial information provided to us during the course of our work.

Attached for your reference is our full report and this letter should be read together with it.

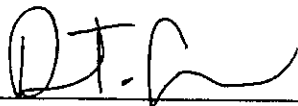
Should you require clarification of any of the matters contained in our report or any further information, we would be pleased to meet and discuss. We have no responsibility to update this report for events and circumstances occurring after the date of this letter.



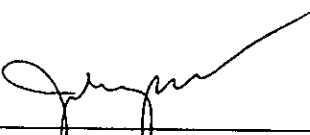
Yours faithfully,

**FTI CONSULTING PHILIPPINES, INC.**

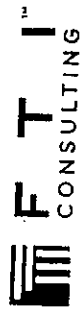
By:

  
\_\_\_\_\_  
**Dominador T. Gregorio III**  
Senior Managing Director  
CPA Registration No.: 57726  
TIN: 177-088-250-000

By:

  
\_\_\_\_\_  
**John B. Balce**  
Senior Managing Director  
CPA Registration No.: 113153  
TIN: 236-703-421-000

**FTI Consulting Philippines, Inc.**  
28F BPI Philam Building,  
6811 Ayala Ave. Makati City 1227  
PSE Accreditation CN - No. 2016-0041  
SEC Accreditation No. 032

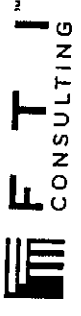


Valuation and Fairness Opinion Report on the  
Proposed Tender Offer of MCO (Philippines) Investments  
Corporation for Shares of Melco Resorts and  
Entertainment (Philippines) Corporation

7 September 2018

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## Executive Summary

## Executive Summary

MCO (Philippines) Investments Limited (“MCO” or the “Offeror”), directly and indirectly owns 72.8% of the shares of Melco Resorts and Entertainment (Philippines) Corporation (“MRP” or the “Target”), a company listed in the Philippine Stock Exchange (“PSE”). MRP, through its wholly-owned subsidiary, Melco Resorts Leisure (PHP) Corporation, is one of the co-licensees which developed City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within Entertainment City Manila.

MCO is proposing a voluntary Tender Offer for the minority shares of MRP held by the public, and required an independent Valuation Specialist that would conduct a valuation and fairness opinion on whether the Tender Offer for these minority shares is fair.

FTI Consulting Philippines, Inc. (“FTI Consulting”) conducted a valuation study of MRP shares under the 2017 International Valuation Standards (“IVS”) to determine the fairness of the consideration to be paid to the minority shareholders. The Valuation Date of this engagement is 30 June 2018 with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value is the basis of value used in this engagement. Market Value, as defined by the IVS, is the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently and without compulsion.

This Valuation Report should be read in conjunction with the Fairness Opinion Letter issued by FTI Consulting in relation to this matter.

## Executive Summary (cont'd.)

The result of FTI Consulting's valuation of MRP's minority shares, using the Guideline Public Companies Method under the Market Approach using the EV/EBITDA multiple, and the Discounted Cash Flow Analysis under the Income Approach using Free Cash Flows to Equity is shown below.

Table 1.1 MRP Valuation Summary

Equity Value	Low	High
Amounts in PHP Mn		
Market Approach (Forward EV/EBITDA)	38,227.69	42,423.35
Income Approach (FCFE)	34,620.83	38,285.30
<b>Range of Total Equity Value</b>	<b>34,620.83</b>	<b>42,423.35</b>

Outstanding Shares 5,666,764,407 5,666,764,407

Market Approach (Forward EV/EBITDA)	6.75	7.49
Income Approach (FCFE)	6.11	6.76
<b>Range of Equity Value per Share (PHP)</b>	<b>6.11</b>	<b>7.49</b>

Source: FTI Consulting

Based upon management's representations and our analyses, the Market Value of the minority shares of MRP as of 30 June 2018 is estimated to be in the range of **PHP6.11 to PHP7.49** per share. Since the Tender Offer Price offered by MCO is **PHP7.25**, we are of the opinion that the Tender Offer is fair.

## Company Overview

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

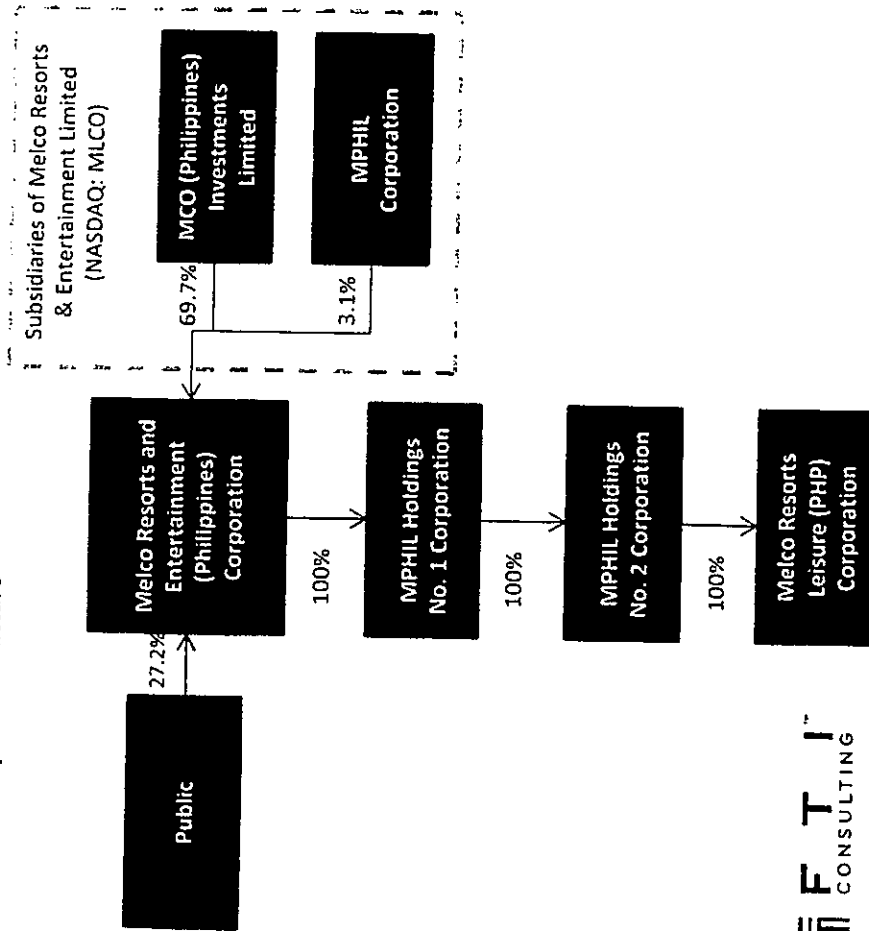
## 2.1 Corporate Background

Melco Resorts and Entertainment (Philippines) Corporation (“MRP” or the “Target”), a listed company in the Philippine Stock Exchange, owns, operates and develops casino and entertainment facilities in the country. It is a subsidiary of Melco Resorts and Entertainment Limited (NASDAQ:MLCO), and is ultimately owned by Melco International Development Limited, a Hong-Kong Listed company (SEHK:200).

## 2.2 Corporate Structure

Below is the corporate structure and overview of MRP as of 30 June 2018. MRP owns 100% of all of its subsidiaries.

Figure 2.1 Corporate Structure



- MPHIL Holdings No.1 Corporation was incorporated on 13 August 2012 as an investment holding company. It owns all of the shares in MPHIL Holdings No.2.
- MPHIL Holdings No. 2 Corporation was incorporated on 22 August 2012 as an investment holding company. It owns 100% of the shares in Melco Resorts Leisure.
- Melco Resorts Leisure (PHP) Corporation (“Melco Resorts Leisure”) was incorporated on 30 August 2012 with business interests in operations and development of casino gaming and entertainment complex facilities. It is the operating subsidiary of the Target.
- Melco Resorts Leisure is one of the co-licensees which developed City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within Entertainment City Manila, along with other licensees SM Investments Corporation, Belle Corporation and Premium Leisure Amusement, Inc.. The gaming license will expire on 11 July 2033 unless extended by PAGCOR.

- City of Dreams Manila is under the sole management and operation by MRP. The complex has six hotel towers, including NÜWA Manila, Nobu Hotel Manila and Hyatt City of Dreams Manila, with approximately 950 rooms in aggregate. There are also numerous specialty restaurants, bars, gaming facilities and a multi-level car park.
- The land and buildings of City of Dreams are leased by Belle, part of the SM Group, to Melco Resorts Leisure. The land used is leased by the Social Security Systems to Belle. Belle is also responsible for the construction of the principal structures and fixtures for the said property complex.



# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

## 2.3 Financial Highlights

### 2.3.1 Statement of Financial Position

An overview of the Statement of Financial Position of MRP as of 30 June 2018, 31 December 2017 and 2016 is presented in Table 2.1.

- Cash and cash equivalents increased to PHP10.4 Bn as of 1H 2018 from PHP6.9 Bn in FY 2017. We note that MRP redeemed senior notes amounting to PHP5.5 Bn in August 2018. MRP's remaining debt balance matures and will be paid off by 24 Jan 2019.
- MRP's property, plant and equipment decreased to PHP21.5 Bn in 1H 2018 as depreciation and disposals of fixed assets exceeded acquisitions during the period.
- MRP is asset light and does not own the property and buildings in City of Dreams. It has a lease agreement with Belle Corporation and makes periodic lease payments. As of 1H 2018, MRP still has an outstanding lease liability amounting to PHP15.1 Bn.
- The accumulated deficit of MRP decreased further by PHP1.9 Bn in 1H 2018 in light of achieving record earnings during the period.

Table 2.1 Statement of Financial Position of MRP for the periods ending June 30, 2018, December 31, 2017 and 2016

Amounts in PHP Mn	Unaudited		Audited	
	30 Jun 2018	31 Dec 2017	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	10,368.2	6,882.3	10,591.4	10,591.4
Accounts receivable	2,460.7	1,328.4	1,391.2	1,391.2
Other current assets	783.1	876.6	702.1	702.1
<b>Non-Current Assets</b>				
PPE, net	21,467.0	23,131.0	26,866.6	26,866.6
Other non-current assets	2,407.5	2,210.1	2,139.4	2,139.4
<b>Total Assets</b>	<b>37,486.4</b>	<b>34,428.4</b>	<b>41,690.7</b>	<b>41,690.7</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accrued expenses, other payables and other current liabilities	7,002.5	6,045.2	5,553.9	5,553.9
Long-term debt, current	7,478.2	-	-	-
Finance lease liability, current	1,741.9	1,661.8	1,524.9	1,524.9
Other current liabilities	121.8	100.5	1,282.2	1,282.2
<b>Non-Current Liabilities</b>				
Finance lease liability, non-current	13,314.4	13,272.0	13,061.5	13,061.5
Long-term debt, non-current	-	7,459.6	14,848.5	14,848.5
Other non-current liabilities	555.6	473.5	385.6	385.6
<b>Total Liabilities</b>	<b>30,214.4</b>	<b>29,012.6</b>	<b>36,556.6</b>	<b>36,556.6</b>
<b>EQUITY</b>				
Capital stock	27,774.8	27,774.8	27,739.7	27,739.7
Equity and other reserves	(3,248.3)	(3,212.0)	(3,197.2)	(3,197.2)
Retained earnings (deficit)	(17,254.5)	(19,147.0)	(19,508.5)	(19,508.5)
<b>Total Equity</b>	<b>7,272.0</b>	<b>5,415.8</b>	<b>5,034.1</b>	<b>5,034.1</b>
<b>Total Liabilities and Equity</b>	<b>37,486.4</b>	<b>34,428.4</b>	<b>41,690.7</b>	<b>41,690.7</b>
<b>Financial Ratios</b>				
Current Ratio	83.9%	117.9%	179.2%	179.2%
Debt-to-Equity Ratio	102.8%	137.7%	295.0%	295.0%

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

## 2.3.2 Statement of Financial Position

An overview of the Statement of Financial Performance of MRP for the period ending 30 June 2018, 31 December 2017 and 2016 is presented in Table 2.2.

- For its unaudited 1H 2018 results, MRP adopted a new revenue standard that offsets some revenues and expenses in its Casino segment. This resulted in a reduction in the respective Revenue and Cost line items amounting to PHP2.1 Bn.
- MRP's Casino revenues as a percentage of total net operating revenues changed from 93% in FY 2017 to 82% in 1H 2018. The difference is mainly caused by the adoption of the new revenue standard as well as the faster growth of MRP's other revenue sources.
- The Rooms and Food & Beverage segment revenues for the first half of 2018 already outpaced the full year 2017 results. The substantial improvement is due to increased occupancy rates during the period.
- Interest expense is mainly related to MRP's outstanding debt and lease liability. This is expected to decline further as MRP winds down its senior notes within the next year.
- MRP reported its first net profit in 2017. Improved margins and lower finance costs resulted in a large increase in net profit for the six months ending 30 June 2018, amounting to PHP1.9 Bn, compared to PHP354 Mn for the full year 2017.

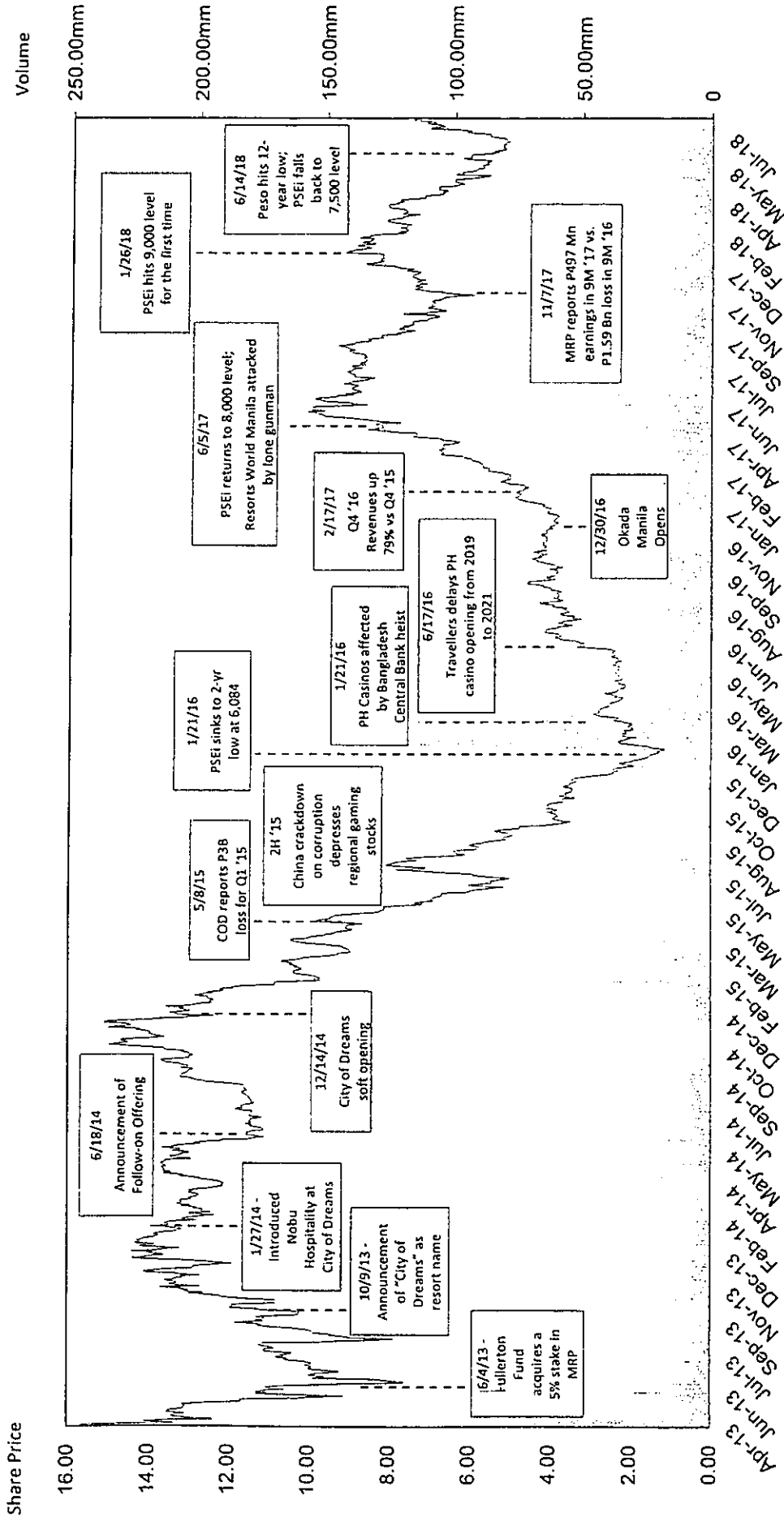
Table 2.2 Statement of Financial Performance of MRP for the periods ending June 30, 2018, December 31, 2017 and 2016

	Unaudited		Audited	
	30 Jun 2018	31 Dec 2017	31 Dec 2017	31 Dec 2016
<b>Net Operating Revenues</b>				
Casino	13,480.1	30,463.5		21,298.9
Rooms	1,371.2	1,071.8		981.6
Food and Beverage	1,398.9	688.8		707.3
Entertainment, Retail and Other	289.8	531.1		431.0
<b>Total net operating revenues</b>	<b>16,540.0</b>	<b>32,755.2</b>		<b>23,418.8</b>
<b>Operating Costs and Expenses</b>				
Gaming tax and license fees	(4,629.1)	(8,053.5)		(5,408.4)
Employee benefit expenses	(1,746.4)	(3,637.3)		(3,449.8)
Payments to the Philippine Parties	(1,838.8)	(2,609.4)		(1,642.2)
Other expenses	(3,347.6)	(10,975.4)		(7,276.7)
<b>Total operating costs and expenses</b>	<b>(11,561.9)</b>	<b>(25,275.5)</b>		<b>(17,777.1)</b>
<b>EBITDA</b>	<b>4,978.1</b>	<b>7,479.8</b>		<b>5,641.7</b>
Depreciation and amortization	(2,006.5)	(4,285.7)		(4,388.9)
Interest expense	(1,265.1)	(2,820.5)		(2,873.9)
Other gains/losses	255.2	18.6		122.2
Income tax expense	(69.2)	(38.3)		(82.4)
<b>Net profit/(loss)</b>	<b>1,892.5</b>	<b>353.9</b>		<b>(1,581.3)</b>
<b>Financial Ratios</b>				
EBITDA Margin	30.1%	22.8%		24.1%
Net Profit Margin	11.4%	1.1%		-6.8%
Return on Assets	N/A	1.0%		-3.8%
Return on Equity	N/A	6.5%		-31.4%

# Target Overview – Melco Resorts and Entertainment (Philippines) Corporation

## 2.4 Historical Share Price of MRP

Presented below is the historical price movement of MRP's shares, with highlights on major events surrounding the Target



## Economic Overview

# Economic Overview

In valuing a business or its assets, it is important to consider the condition and outlook of the economy. The performance of a business is affected to varying degrees by the overall trends in the economic environment the business operates in. In addition, the value of a business or its assets cannot be determined in isolation of these factors. The following section provides a brief discussion of the economic condition and outlook of the Philippines.

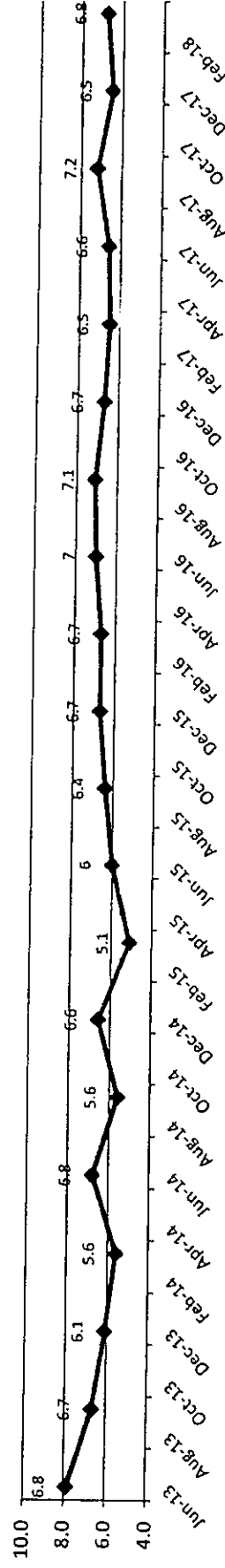
### 3.1 Philippine Economic Conditions and Outlook

The economy of the Philippines is the 39th largest economy in the world according to 2017 World Bank Statistics, with a gross domestic product ("GDP") amounting to USD313.0 Bn for that year. Considered as one of the most dynamic economies in the ASEAN region, its growth rate of 6.7% was surpassed only by those of Vietnam and China who were the top 2 economic performers. The Philippine GDP continues to accelerate due to its strong external trade activities which were fueled by anticipations over an increase in global demand. As a matter of fact, the rate of exports for the year 2017 managed to exceed the 2016 rate by 9.2%. Budgeted infrastructure is also on the rise due to the Duterte Administration's "Build, Build, Build" project. Foreign direct investments in the beginning of 2018 have also exceeded their target at a projected USD9.2 Bn. Investment growth however has also slowed down from 25.2% in 2016 to 10.3%. Going forward, the Philippine economy is expected to remain as one of the fastest-growing economies in the ASEAN region in 2017 with a target range GDP growth of 6.5% to 7.5%.

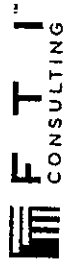
#### 3.1.1 Gross Domestic Product

The Philippine economy continues to grow despite its GDP slowing down from 6.9% during 2016 to a rate of 6.7% for the year 2017. Its relatively small percentage change of 0.2%, as compared to the previous period's 6.9%, was driven by exportation, growth in agriculture, manufacturing, and infrastructure expenditure. Going forward, GDP for 2018 and 2019 is forecasted by the Asian Development Bank ("ADB") to grow at 6.8% and 6.9%, respectively. Over the long term, The Economist estimates that the Philippine economy will grow by 4.5%. In contrast, Global Insight expects that the Asia Pacific region will grow at 3.3%, while the global GDP growth will be 2.5%.

Figure 3.1. GDP Monthly Growth Rate



Source: Thomson Reuters' Eikon



# Economic Overview (cont'd.)

## 3.1.2 Population Variables

The Philippine population has reached 106.5 million in 2018 with a compounded annual growth rate ("CAGR") of 1.8% since 2000. The Philippine population is forecasted to reach 142 million by 2045 according to the Philippine Statistics Authority ("PSA"). Nationally, population density is at a range of 337-357 persons per square kilometer ("km<sup>2</sup>"), with the National Capital Region ("NCR") being the most populated at 20,785 persons per km<sup>2</sup> followed by CALABARZON at 870 persons per km<sup>2</sup>. MIMAROPA and CAR lag the rest with 100 persons per km<sup>2</sup> and 87 persons per km<sup>2</sup>, respectively.

## 3.1.3 Consumer and Government Spending

Household final consumption expenditure ("HFCE"), comprising 68.7% of GDP, experienced growth of 5.8%. Components of HFCE with the highest growth rates were housing, water, electricity, gas & other fuels (10.6%), restaurants & hotels (12.9%), and health (9.4%). Government final consumption expenditure, covering 10.5% of GDP, grew by 7.3% in. This segment has reached PHP912.0 Bn in 2017. Going forward, government spending is expected to increase. The Duterte administration plans to spend PHP8.2 Tn to finance its planned infrastructure projects.

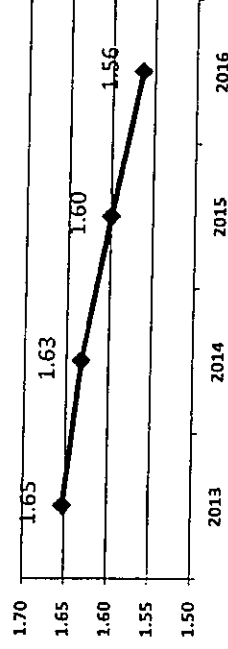
## 3.1.4 Employment

Philippine unemployment for 2017 increased only slightly to an average of 5.7% as compared to the 5.5% of the previous year. 43.6% of the unemployed are between the ages of 15 and 24, while 15.2% are between the ages of 25 and 34. Underemployment decreased to 16.1% during the previous year from the 18.3% rate seen last 2016. As of 2017, 56.0% are employed in the services sector, 26.0% in agriculture, and 18.0% in the industrial sector.

## 3.1.5 Foreign Trade

The Philippines' total external trade in goods reached USD13.8 Bn in April 2018, an 8.0% increase from the USD12.7 Bn recorded during the same month last year. While exports for April 2018 were down from the previous year's USD5.6 Bn to USD5.1 Bn, the rise in imports allowed for more cost-efficient purchasing options. The current peso depreciation also represents a chance for increased demand once more for our exports. Despite the total drop in exports, earnings from electronic products remain strong and have actually grown by 5.5%, thereby representing the emergence of a potentially lucrative commodity. Semiconductors in particular had the biggest share in the earnings at 43.8%, while also posting growth of 5.3%.

Figure 3.2. Population Growth Rate



Source: World Bank

## Economic Overview (cont'd.)

### *3.1.6 Peso Depreciation*

The Philippine peso has been depreciating over the last 5 years, closing at PHP52.95:USD1 on 11 June 2018, its worst performance in 11 years. The weakening currency is expected to cause inflationary pressures and impact purchasing power, but it will also benefit Philippine exporters and could possibly reduce the import-export gap in the country. Overseas Filipino workers are also in a good position to take advantage of the currency trend. Expectations of an interest rate increase in the US and weak Philippine trade numbers is keeping the peso weak against the dollar, according to industry experts.

### *3.1.7 Interest Rate and Inflation*

The Bangko Sentral ng Pilipinas ("BSP") has recently decided to raise the benchmark interest rate in the Philippines to 3.5% in order to counter rising inflation which may have adverse effects on wages and price outcomes. The deposits facilities rate was also raised accordingly. BSP is expected to raise rates further in August during the Monetary Board meeting by as much as 50 basis points. Inflation as of July 2018 reached a new five-year high of 5.72% according to the Philippine Statistics Authority. Going forward, BSP expects inflation rates to eventually fall back to the target range of 2-4%, although it warns that inflation will most likely remain high throughout 2018.

### *3.1.8 Summary*

The strong performance of 2017 which has carried over to the beginning of 2018, and the continued government policy commitment to the planned increase in public infrastructure spending, are expected to carry the country's expanding economy. Growth in capital investment is expected to be the country's main driver that will be tied to the administration's infrastructure investment push. The continued growth of the economy, coupled with the population variables, will positively affect household consumption, discretionary spending, expenditure, and overall GDP. However, due to the depreciating value of the Philippine peso, businesses are exposed to foreign exchange risks while inflation will negatively affect the purchasing power of households.

# Industry Overview



# Industry Overview – Casinos & Gaming

## 4.1 Casinos & Gaming

### 4.1.1 Market Overview

Gaming has numerous prohibitions and restrictions in many heavily populated countries in Asia. Taking advantage of this, the Philippines has become one of the major centers of gaming in Asia, relying on foreign customers. It also helps that the Philippines is easily accessible from major countries including: China, Malaysia, Indonesia, Taiwan, Japan, South Korea, and Singapore. According to recent market estimates, the Philippine Casino and Gaming Industry generated revenues worth USD2.9 Bn or PHP152.6 Bn in 2017. This was mainly driven by three factors namely, robust online gaming, strong foreign visits, and a solid domestic market.

Non-Junket is the largest segment in the casino and gaming industry, contributing 39.2% of total industry revenue in 2017. Meanwhile, the other two segments, Junket and Electronic Gaming had market shares of 27.4% and 33.4%, respectively.

Revenues of casinos operating in Entertainment City rose by 25.6% from PHP87.1 Bn to PHP109.4 Bn in 2017, majority of which was primarily driven by the Junket segment, adding a total of PHP33.6 Bn to revenue compared to state-owned casinos with PHP8.2 Bn.

However, despite the industry's positive outlook, it is not without risks brought about by the current regulatory environment. The industry's market risks will be further discussed in Section 4.1.3 of this report.

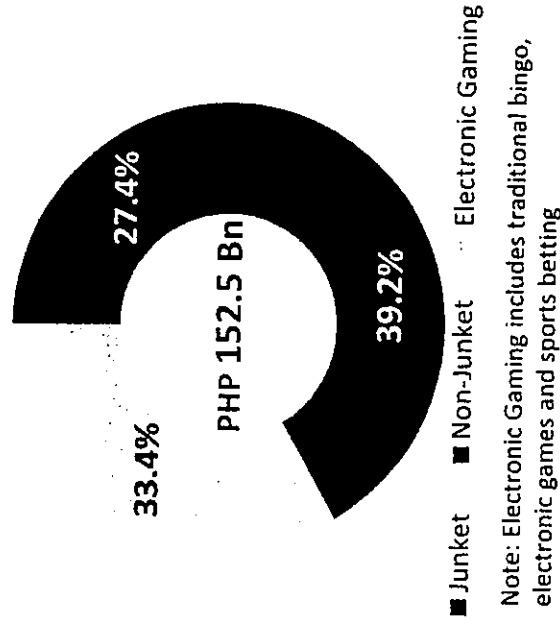
### 4.1.2 Market Trend

Junket segment revenue will continue to have significant growth, primarily driven by the influx of tourists, especially from East Asia where almost half of the prior years' tourists come from. To note, foreign tourist arrivals to the Philippines rose by 10.2% in the first five (5) months of 2018.

Meanwhile, Bloomberry Resorts is currently planning to put up a casino in Quezon City to capitalize on the growing middle income class to increase their market share in the Non-Junket segment. However, the proposal of lawmakers to impose an entrance fee remains a deterrent to the prospects of this project.

Figure 4.1 Industry Revenue and Breakdown

## Casino and Gaming Industry Revenue As of 2017



Sources: DTI, Rappler, Morgan Stanley, PAGCOR, Department of Tourism

## Industry Overview – Casinos & Gaming (cont'd.)

### 4.1.3 Market Risks

The industry's market risks related to the current Philippine regulatory environment are as follows:

#### *Moratorium on Issuance of Gaming Licenses*

In March 2017, PAGCOR announced a 5-year moratorium on the issuance of gaming licenses for casinos based in Metro Manila. This is amidst the oversupply concerns of early investors – Bloomberry Resorts (Solairé), Tiger Resort Leisure and Entertainment (Okada Manila), Melco Crown (Philippines) Resorts (City of Dreams Manila), and Travellers International Hotel Group (Resorts World Manila). Though this is expected to protect the interests of these early investors, the moratorium on mega-casinos in Metro Manila may encourage other foreign players to invest elsewhere.

#### *Duterte Administration's Policies*

The Duterte administration's policies with regard to the casino and gaming industry are quite unpredictable. On 07 August 2018, President Duterte instructed the Department of Justice to review the 75-year lease contract between the Nayong Pilipino Foundation Inc. and Landing International Development Ltd. on the grounds of a flaw in the contract. As a result, the project's groundbreaking got delayed, causing a 4.3% decrease in Landing's stock price. In the same way, the administration halted the Galaxy Entertainment Group's planned USD500 Mn casino plan in Boracay, despite Galaxy having a gaming license from PAGCOR.

#### *Philippines' Anti-Money Laundering Act*

Amendments to the Philippines' Anti-Money Laundering Act require casinos to be included as covered persons subject to reportorial and other requirements. Under the AMLA, periodic reports need to be approved by PAGCOR in order for casino operators to legally operate under their respective gaming licenses.

#### *Tax Reform for Acceleration and Inclusion Act*

The Tax Reform for Acceleration and Inclusion Act ("TRAIN") was signed into law on 01 January 2018. Expected future amendments on the TRAIN such as changes on the application of value-added and corporate income taxes are expected to affect casino operators on a prospective basis.

## Industry Overview – Tourism

### 4.2 Tourism

#### 4.2.1 Market Overview

The tourism industry is one of the leading contributors in the Philippine economy, having contributed revenues of USD66.3 Bn in 2017. This was primarily driven by the domestic tourism segment which accounted for 85.9% of the travel and tourism industry, while foreign visitors accounted for 14.1%. Most travelling expenses of the domestic and foreign tourists in 2017 are spent on leisure (65.8%), while the rest is for business (34.2%).

Tourism remains as one of the country's main sources of livelihood, generating 7.8 million jobs, almost double than the average of its surrounding countries. However, public investments in this industry (USD1.9 Bn) fall below the world average and Southeast Asian average of USD4.8 Bn and USD4.9 Bn, respectively.

#### 4.2.2 Market Trend

The tourism industry will continue to become the Philippines' largest industry and is seen to grow by 5.9% in 2018, and rise by 5.8% annually over the next ten (10) years, eventually becoming a USD123.6 Bn industry by 2028. This will be driven by foreign tourist spending which is expected to grow by 3.4% this year, and grow at a CAGR of 5.4% until 2028. Foreign tourist expenses is expected to reach PHP665.0 Bn in 2028, accounting for 8.7% of the total exports of the country and is roughly 0.7% higher compared to 2017. The growth of foreign tourists whose expenses are mostly for leisure will increase the need for leisure amenities and entertainment facilities in the future.

In addition, the Philippine government's "Build, Build, Build" program will bring in the initial needed investment in the tourism industry by having interconnected roads and bridges, opening up and creating easier access to existing and developing tourist spot destinations.

*Sources: World Travel & Tourism Council*

## Valuation Approach

# Valuation Approach

The analyses we have performed estimate the Market Value of the Target as of the Valuation Date. In order to arrive at our estimates of value, we have considered the three (3) generally accepted approaches to valuation described in the following sections.

## 5.1 Approaches to Valuation

The generally accepted approaches to valuation are commonly referred to as:

1. Market Approach;
2. Income Approach; and,
3. Cost Approach.

Within each category, a variety of methodologies exists to assist in the estimation of Market Value. The following sections contain a brief overview of the theoretical basis of each approach, as well as a discussion of the specific methodologies relevant to the analyses performed.

### 5.1.1 Market Approach

The Market Approach references actual transactions in the equity of the company being valued or transactions in similar companies that are traded in the public markets. Third-party transactions in the equity of a company generally represent the best estimate of fair market value if they are done at arm's length.

For the purpose of this exercise, the *Guideline Public Companies Method* was used. This method involves identifying and selecting publicly-traded companies with financial and operating characteristics similar to the subject company being valued. Once publicly-traded companies are identified, valuation multiples can be derived, adjusted for comparability, and then applied to the subject company's corresponding fundamental data to estimate the value of its equity.

#### 5.1.1.1 Comparable Public Companies

The first step under the *Guideline Public Companies Method* was the identification of comparable public companies that exhibit similar business operations, characteristics, and risks with MRP. The underlying rationale behind this is the law of one price – similar assets should sell for similar prices.

## Valuation Approach (cont'd.)

To obtain the comparable public companies, the following steps were followed:

1. Identification of the core business and country of exchange of MRP;
2. Identification of the sub-industry under the Global Industry Classification Standard ("GICS") in which MRP's core business falls into;
3. Extraction of comparable public companies from financial databases such as Thomson Reuters' Eikon and S&P Capital IQ using the identified sub-industry and region of MRP;
4. Selection of comparable public companies with a similar business description to MRP; and,
5. Removal of companies with no available financial data, as well as companies with the highest and lowest multiples.

Unfortunately, there are only a handful of publicly-listed gaming companies in the PSE. In this regard, the search for comparable companies were expanded to the Asia Pacific region. To compensate for differences in size, geographic location, political and economic stability, and so on, the multiple/s were adjusted as described below.

### 5.1.1.2 Valuation Multiple

The valuation multiple commonly used in practice for companies in the Hotels, Restaurants & Leisure industry that are into integrated hotels and casinos is the forward Enterprise Value-to-EBITDA ("EV/EBITDA"). This is the preferred multiple because it considers both debt and market capitalization, allowing comparison between companies with varying debt levels. The forward measure of earnings before interest, taxes, depreciation and amortization ("EBITDA") is used since forward earnings have been shown to explain stock prices "remarkably well" (Liu, Nissim, and Thomas, 2002). In addition, forward EBITDA is used to take into account the expected future performance of the subject company because investors ultimately look at future performance to support their buy price.

The IVS further prescribes that adjustments to the valuation multiples may be made to reflect differences between the subject company and its publicly-traded comparables. Thus, after the forward EV/EBITDA multiples for MRP's comparable public companies were extracted, these were adjusted to account for the differences in size, markets, capital structure, and growth prospects between the comparable public companies and MRP.

In situations where chosen comparable companies differ on a number of risk factors, Milenkovic (2015) suggests that the "best solution is to combine all factors through the discount rate" based on the following formula:

## Valuation Approach (cont'd.)

### 5.1.1.1.2 Valuation Multiple (cont'd.)

$$M_{adj} = (DR_c / DR_s) \times M_c$$

where:

$M_{adj}$  = Market adjustment factor

$DR_c$  = Discount rate of comparable company

$DR_s$  = Discount rate of subject company

$M_c$  = Unadjusted multiple of comparable company

Milenkovic (2015) further suggests that adjustments to enterprise value multiples such as the Forward EV/EBITDA may be conducted by applying the weighted average cost of capital ("WACC") as the basis for the market adjustment factor. The market adjustment factor is computed by dividing the comparable public company's WACC with the subject company's WACC. Following this methodology, the WACC of each comparable public company was computed. Please refer to Section 5.1.2.3 of this report for a detailed discussion on WACC calculation.

### 5.1.1.3 Equity Value

The equity value of MRP was derived by deducting net debt from the calculated enterprise values.

The average and median of the comparable public companies' adjusted enterprise value-to-EBITDA multiples were multiplied by the Target's forward EBITDA to derive the range of enterprise values. Forward EBITDA used was the Target's full-year forecasted 2018 EBITDA. The Target's net debt (long-term debt less non-operating cash) as of the Valuation Date was then deducted from the computed enterprise values to get the range of equity values under the *Guideline Public Companies Method*. No minority discount was used because "publicly-traded shares are already priced as minority holdings", requiring no further discount to the equity values derived from the publicly-listed comparable companies (Saunders, Jr., n.d.).

### 5.1.2 Income Approach

The Income Approach is based on the premise that the value of a subject company is the present value of the future earning capacity that is available for distribution to investors in the subject company.

A commonly used methodology under the Income Approach is the *Discounted Cash Flow Analysis*. A *Discounted Cash Flow Analysis* involves

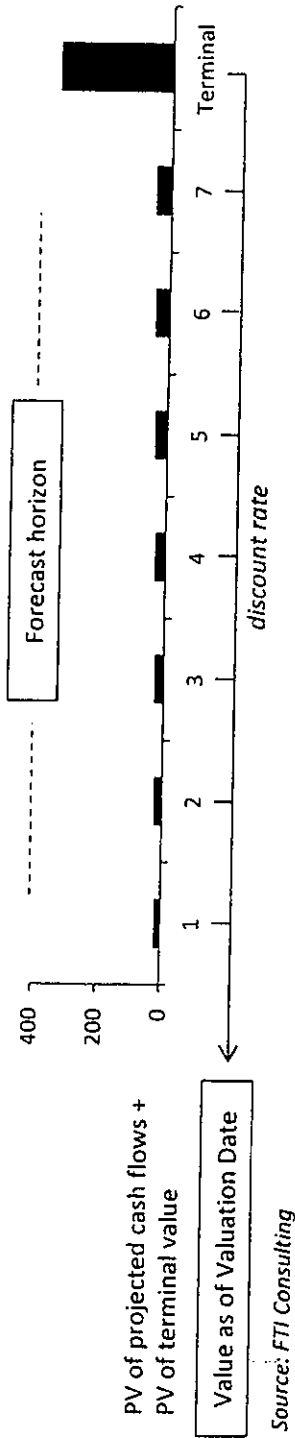
## Valuation Approach (cont'd.)

### 5.1.2 Income Approach (cont'd.)

forecasting the subject company's appropriate cash flow stream over an appropriate period, and discounting it back to present value using an appropriate discount rate. This discount rate should consider the time value of money, inflation, and the risk inherent in the ownership of the subject company being valued. The cash flow should include a terminal value to account for the cash flows of the business beyond the explicit forecast period. For this purpose, an assumption must be made regarding the sustainable long-term rate of earnings growth. Damodaran suggests that the growth rate cannot be higher than the long-run GDP growth rate of the country of the subject company.

Figure 5.1 below further illustrates the *Discounted Cash Flow Analysis*.

Figure 5.1 Discounted Cash Flow Analysis Illustration



### 5.1.2.1 Free Cash Flows to Equity

Under the *Discounted Cash Flow Analysis*, Free Cash Flows to Equity ("FCFE") were determined and discounted using the cost of equity. FCFE represent the cash flow available for distribution to common equity shareholders of the subject company after all operating expenses, interest, and principal payments have been paid, and all necessary investments in working capital and fixed assets have been made. These are calculated as follows:

$FCFE = \text{Net income} + \text{Non-cash charges} - \text{Capital expenditures} - \text{Changes in net working capital} + \text{Net borrowings}$

where:  $\text{Non-cash charges} = \text{Depreciation, amortization, and other charges}$

$\text{Net borrowings} = \text{Newly acquired debt less principal debt repayments}$



## Valuation Approach (cont'd.)

### 5.1.2.1 Free Cash Flows to Equity (cont'd.)

For the purpose of this exercise, FCFE were computed from the 2<sup>nd</sup> half of 2018 until 2023, based on the forecast provided by MRP (the "explicit period"). A terminal value was calculated to estimate the discounted value of the FCFE of MRP beyond the explicit period.

### 5.1.2.2 Terminal Value Calculation

The terminal value represents the value of the subject company beyond the forecast period. Currently, MRP's regular gaming license issued by the Philippine Amusement and Gaming Corporation ("PAGCOR") is valid until 11 July 2033, approximately 9.5 years from the last forecast year provided by the Target (i.e. 2023). Although MRP's business operations may continue beyond 11 July 2033 if the gaming license gets extended, significant uncertainties exist around this assumption. These include the unknown political and regulatory climate at that point in time, economic conditions, competitive landscape in the Philippines and in the region, physical condition of MRP's facilities, and long-term prospects, to name a few. In this regard, the terminal value was calculated up to July 2033 only. This was done using the following formula:

*Terminal value* =  $[FCFF_T \times Multiplier / (k_e - g)] - Remaining\ debt$

where:

$FCFF_T$  = Normalized free cash flow as of the terminal period

*Multiplier* =  $1 - ((1 + g)^n / (1 + k_e)^n)$

$g$  = Expected terminal growth rate of the company (measured as a percentage)

$n$  = Terminal period (measured in years)

$k_e$  = Company's cost of equity

To calculate the normalized free cash flow, the terminal revenue was computed by multiplying the 2023 revenue by the terminal value growth rate. A terminal value growth rate is an estimate of a company's growth in expected future cash flows beyond the forecast period. This can be based on the historical or forecasted long-term GDP growth rate. Due to the regional nature of the competitive landscape in the gaming industry, we used the long-term GDP growth forecast for Asia Pacific estimated at 3.3% by Global Insight (2018).

The terminal revenue was then multiplied to the 2023 operating margin (assumed as the stabilized operating margin) to arrive at the normalized operating profit. Investments in working capital were further deducted from the operating profit to obtain the normalized free cash flow. We understand that MRP is not subject to corporate income taxation.

## Valuation Approach (cont'd.)

### 5.1.2.3 Discount Rate Estimation

The appropriate discount rate applied to calculate the terminal value was the WACC. The formula used for the calculation of WACC is as follows:

$$WACC = W_d R_d (1 - \text{Tax Rate}) + W_e R_e$$

where:

$W_d$  = Weight of debt

$W_e$  = Weight of equity

$R_d$  = Pre-tax cost of debt

$R_e$  = Cost of equity

WACC was computed by multiplying the target weights of debt and equity by the Target's after-tax costs of debt and equity, respectively. The weights of debt and equity is based on MRP's current capital structure as of 30 June 2018. The cost of debt was based on the risk-free rate as of the Valuation Date (i.e. 10-year PDST-R2), plus a 125 basis point spread based on MRP's existing credit facilities. On the other hand, the cost of equity was estimated using the Capital Asset Pricing Model ("CAPM"), which is calculated as follows:

$$R_e = R_f + \beta (R_m - R_f) + \alpha$$

where:

$R_f$  = Risk-free rate

$\beta$  = Beta

$R_m$  = Expected market rate of return

$\alpha$  = Alpha risk premium

The risk-free rate represents the return that would be earned from an investment in risk-free assets such as government bonds. For the purpose of our valuation, the risk-free rate was based on the yield of the 10-year PDST-R2 Fixing, as of the Valuation Date. Expected market rate of return was based on the historical return rate on the country's equity index.

On the other hand, beta measures a stock's sensitivity of returns to changes in the market. It is a measure of systematic risk. Since MRP is a publicly-listed company, its own beta as of the Valuation Date was calculated based on share price and index data sourced from Thomson Reuters' Eikon.

## Valuation Approach (cont'd.)

### 5.1.2.3 *Discount Rate Estimation (cont'd.)*

Further, an alpha risk premium was added to incorporate other risks inherent in the Target as compared to its comparable public companies. According to the Duff & Phelps – Valuation Handbook 2017 (as cited by Ernst & Young, 2018), risk premiums typically range from 102 basis points for mid cap companies to 367 basis points for micro cap companies. Given that the Target's market capitalization as of the Valuation Date is in the 7<sup>th</sup> decile of the PSEI, but is less than the market capitalizations of its comparable public companies, a 100 basis point risk premium for size was selected. In addition, due to the complexity of its operating arrangements with its co-licensees, additional business risk is warranted for MRP. We understand that discussions are taking place with the co-licensees to simplify the shareholding structure, as the current structure "is not optimal to facilitate further expansion in the medium term" (Chan, and Wong, 2018). Because of its current shareholding structure, an additional 150 basis point risk premium was added.

### 5.1.2.4 *Non-operating Assets*

Identified non-operating assets were added to the calculated present value of FCFE to arrive at the equity value of MRP. MRP management advised that PHP5.5 Bn of the cash balance as of 30 June 2018 is non-operating and has actually been allocated for debt repayment (MRP Disclosure to the PSE, 2018).

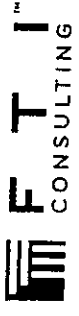
### 5.1.2.5 *Minority Discount*

According to Damodaran, transactions for minority interests are valued at a discount of 20-30% in "market-oriented" economies like the Philippines (n.d.). Given that the subject of the valuation and the fairness opinion are the minority shares of MRP held by the public, a 20% minority discount was used to arrive at the post-discount range of equity values.

### 5.1.3 *Cost Approach*

The Cost Approach measures the company's value by subtracting the market value of its liabilities, including off-balance sheet items like operating leases, from the market value of its assets. Transaction costs are applied to the market values of the assets and liabilities to get the adjusted book value of the company. By using the Cost Approach, we can calculate the floor price of a firm. This approach is most commonly used for the valuation of start-up companies and companies with low or no historical earnings.

For companies whose value rely mostly on intangible assets, such as gaming companies through their license, the Cost Approach is not appropriate.



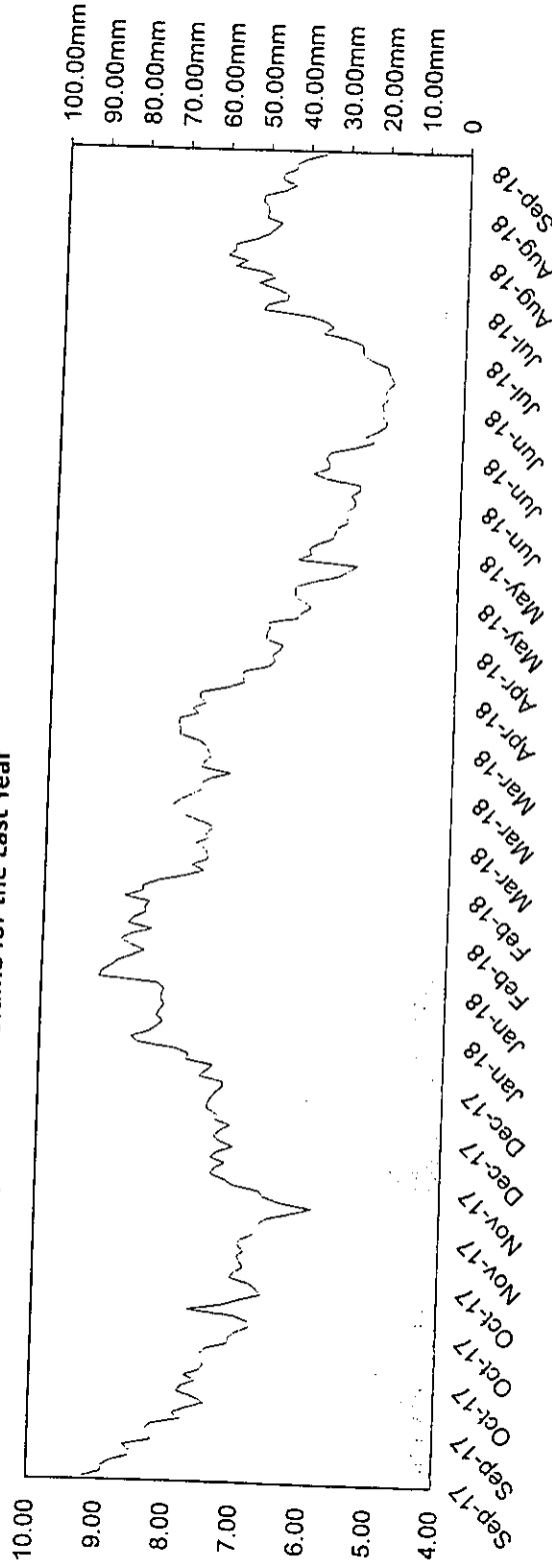
# Valuation Analysis

# MRP Historical Share Price Volume Weighted Average Price ("VWAP")

## 6.1.1-Year Share Price History of MRP

Presented below is daily share price and volume chart of MRP from 08 September 2017 to 07 September 2018.

Figure 6.1.1 MRP Daily Closing Price and Volume for the Last Year



The table below compares the current closing price of MRP as of 07 September 2018 with its 12-month, 6-month, 3-month and 1-month VWAPs.

Period	VWAP (PHP)
1-year	7.32
6-months	6.52
3-months	6.35
1-month	7.08
Closing Price (07 Sep 2018)	6.21

Source: S&P Capital IQ; FTI Consulting

# Valuation Analysis

## MRP – Market Approach

In performing the valuation analysis and arriving at the range of values for the shares of MRP, two valuation approaches were used: the Market and Income Approach. This section discusses in detail the steps performed in each approach.

### 6.2 Market Approach: Guideline Public Companies Method

Valuation multiples indicated by comparable companies can often provide meaningful input into the fair value analysis of a listed company. As part of our analysis, we identified public companies that are reasonably comparable to MRP and analyzed the valuation indications their multiples imply when applied to MRP.

#### *Comparable Public Companies Identified*

Using the Thomson Reuters' Eikon Database, we analyzed the population of possible comparable public companies, selecting those that were considered to be reasonably comparable to MRP in terms of industry classification and business operations. We selected comparable public companies in the Hotels, Restaurants & Leisure industry that are into integrated resorts and casinos. The table below presents the selection process of comparable public companies used in this analysis.

**Table 6.2.1 Comparable Companies of MRP**

Selection Process of Comparable Companies ("Filters")	Number of Comparables Filtered Out	Number of Comparables Remaining
(1) Countries included in MSCI <sup>1</sup> Developed and Emerging Index		697
(2) GICS Industry Classification: Hotels, Restaurants and Leisure		
Business Description: Integrated Resort and Casino	660	37
With Available and Sufficient Financial Information	8	29
Within Asia - Pacific	18	11
(1) Not Outlier Multiples	2	9
(2) Not Related Parties	1	8
<b>Final Number of Comparable Companies Used</b>		<b>8</b>

# Valuation Analysis

## MRP – Market Approach (cont'd.)

The table below presents the comparable public companies used in this analysis.

Table 6.2.2 Comparable Companies of MRP

Company	Ticker	Country	Description
Blossberry Resorts Corp	BLOOM.PS	Philippines	Developer and operator of hotels, casinos, and integrated tourism resorts in the Philippines
Galaxy Entertainment Group Ltd.	0027.HK	Hong Kong	Hospitality and gaming company; develops and operates hotels, gaming and integrated resort facilities in Macau.
Genting Malaysia Bhd	GENM.KL	Malaysia	Involved in the tourist resort business at Genting Highlands and engaged in providing leisure and hospitality services, which consist of gaming, hotel, entertainment and amusement
Genting Singapore Ltd	GENS.SI	Singapore	Engaged in the development and operation of integrated resort, and operation of casinos.
Kangwon Land, Inc.	035250.KS	South Korea	Engaged in the operation of casinos
MGM China Holdings Ltd.	2282.HK	Hong Kong	Investment holding company principally engaged in the development and operation of casino games in Macau and in related hotel and resort facilities.
SJM Holdings Ltd	0880.HK	Hong Kong	Investment holding company principally engaged in the gaming operation business and in the operation of casinos and related facilities.
Travellers International Hotel Group Inc.	RWM.PS	Philippines	Developer and operator of Resorts World Manila, an integrated tourism resort in the Philippines.

Source: Thomson Reuters' Eikon (As of June 2018)

# Valuation Analysis

## MRP – Market Approach (cont'd.)

### *Multiples Applied*

From the analysis of the comparable public companies, we gathered forward EV/EBITDA multiples. As discussed in section 5.1.1.2, the EV/EBITDA ratio is the most appropriate and commonly-used metric in the valuation of gaming companies. The multiple takes into account the differences in capital structures and capital intensiveness of companies, which likely vary among different integrated casinos and resorts.

We gathered the forward EV/EBITDA multiple for each comparable public company as of the Valuation Date. The table below shows the multiples that were considered in our valuation, before any adjustments.

**Table 6.2.3 Unadjusted Forward EV/EBITDA Multiple of the Comparable Public Companies of MRP as of 30 June 2018**

<b>Comparable Companies</b>	<b>Forward EV/EBITDA</b>
Bloomberry Resorts Corp	6.93
Galaxy Entertainment Group Ltd.	14.56
Genting Malaysia Bhd	9.61
Genting Singapore Ltd	9.41
Kangwon Land Inc	7.41
MGM China Holdings Ltd	13.88
SJM Holdings Ltd	12.52
Travellers International Hotel Group Inc.	17.09

*Source: S&P Capital IQ (As of June 2018)*



# Valuation Analysis

## MRP – Market Approach (cont'd.)

### *Multiples Adjustment*

The EV/EBITDA multiples gathered were then adjusted for differences in risk profiles using the methodology discussed in section 5.1.1.2. The primary reason for the adjustments was to account for the variation in size and markets serviced between the comparable public companies and MRP.

The financial snapshot of each of MRP's comparable companies as of the Valuation Date and the justification for adjusting their EV/EBITDA multiples are as follows:

**Table 6.2.4 Financial Snapshot of MRP Comparables**  
*Amounts in PHP Mn; LTM as of 30 June 2018*

Company	Country	Market Cap	Total Assets	Revenue	Net Income	Reason for Adjustment
Bloomberry Resorts Corp	Philippines	107,366	73,793	39,569	7,600	Difference in size
Galaxy Entertainment Group Ltd	Hong Kong	1,782,512	502,806	401,355	67,571	Differences in size, market
Genting Malaysia Bhd	Malaysia	382,383	368,838	118,136	14,053	Differences in size, market
Genting Singapore Ltd	Singapore	575,202	383,272	93,995	26,301	Differences in size, market
Kangwon Land, Inc.	South Korea	267,751	189,037	71,951	18,277	Differences in size, market
MGM China Holdings Ltd.	Hong Kong	469,908	215,240	98,714	14,925	Differences in size, market
SJM Holdings Ltd	Hong Kong	375,234	269,945	269,219	12,439	Differences in size, market
Travellers International Hotel Group	Philippines	76,390	89,239	18,901	142	Differences in size and target market
Melco Resorts and Entertainment (Philippines) Corporation	Philippines	29,397	44,558	32,227	737	

Source: Thomson Reuters' Eikon (As of June 2018)

# Valuation Analysis

## MRP – Market Approach (cont'd.)

The adjustment of the EV/EBITDA multiples involves the determination of the WACC for each comparable company, which is then divided by the WACC of MRP to obtain the market adjustment factor for each EV/EBITDA multiple. The table below presents the inputs and results of our calculation for the market adjustment factor.

Table 6.2.5 Results of Market Adjustment Computation for the Comparable Companies of MRP as of 30 June 2018

Comparable Companies	Market Risk-free Rate		Market Return		Alpha Risk Premium		Pre-Tax Cost of Debt		Effective Tax Rate		Post-Tax Cost of Debt		Debt-to-Market Cap <sup>1</sup>		WACC		Market Adjustment (Enterprise)	
	Risk-free Rate	Rate of Return	Beta	Rate of Return	Alpha Risk Premium	Cost of Equity	Cost of Debt	Debt	Debt	Debt	Debt	Debt	Debt	Debt	Market Cap <sup>1</sup>	WACC	Market Adjustment	Market Adjustment (Enterprise)
Bloomerry Resorts Corp	6.4%	11.0%	1.42	11.0%	0.0%	12.9%	3.3%	2.7%	17.7%	2.7%	0.17	11.4%	0.17		11.4%	73.5%		73.5%
Galaxy Entertainment Group Ltd	2.9%	9.8%	1.18	9.8%	0.0%	11.0%	3.6%	3.5%	1.0%	3.5%	0.17	9.9%	0.17		9.9%	63.9%		63.9%
Genting Malaysia Bhd	3.4%	8.2%	1.16	8.2%	0.0%	8.9%	6.0%	4.7%	21.1%	4.7%	0.17	8.3%	0.17		8.3%	53.4%		53.4%
Genting Singapore Ltd	2.6%	8.4%	1.05	8.4%	0.0%	8.7%	5.6%	4.4%	21.4%	4.4%	0.17	8.0%	0.17		8.0%	51.6%		51.6%
Kangwon Land Inc	2.9%	11.3%	0.69	11.3%	0.0%	8.7%	2.4%	1.8%	23.2%	1.8%	0.17	7.7%	0.17		7.7%	49.4%		49.4%
MGM China Holdings Ltd	2.9%	9.8%	0.91	9.8%	0.0%	9.2%	5.5%	4.8%	12.1%	4.8%	0.17	8.5%	0.17		8.5%	54.9%		54.9%
SJM Holdings Ltd	2.9%	9.8%	0.87	9.8%	0.0%	8.9%	4.1%	4.1%	0.6%	4.1%	0.17	8.2%	0.17		8.2%	52.6%		52.6%
Travellers International Hotel Group Inc	6.4%	11.0%	0.73	11.0%	0.0%	9.8%	3.6%	2.5%	30.0%	2.5%	0.17	8.7%	0.17		8.7%	55.9%		55.9%
<b>Melco Resorts Philippines</b>																<b>16.0%</b>		<b>2</b>

Source: S&P Capital IQ, Thomson Reuters' Eikon (As of June 2018)

Notes:

- (1) Average Debt-to-Market Capitalization Ratio of Comparable Public Companies
- (2) Calculated. Refer to the 'Income Approach' discussion in this section for the computation

## Valuation Analysis MRP – Market Approach (cont'd.)

Using the market adjustment factors, the Forward EV/EBITDA multiples were adjusted to be comparable with MRP. The results of the adjustments are shown in the table below.

Table 6.2.6 Forward EV/EBITDA Adjustments for Each Comparable Company of MRP

Comparable Companies	Forward EV/EBITDA, Market Adjustment Factor		Forward EV/EBITDA, adjusted
	unadjusted		
Bloomberry Resorts Corp	6.93	73.5%	5.09
Galaxy Entertainment Group Ltd	14.56	63.9%	9.31
Genting Malaysia Bhd	9.61	53.4%	5.14
Genting Singapore Ltd	9.41	51.6%	4.86
Kangwon Land Inc	7.41	49.4%	3.66
MGM China Holdings Ltd	13.88	54.9%	7.62
SJM Holdings Ltd	12.52	52.6%	6.59
Travellers International Hotel Group Inc	17.09	55.9%	9.55
<i>High Multiple</i>			9.55
<i>Average Multiple</i>			6.48
<i>Median Multiple</i>			5.86
<i>Low Multiple</i>			3.66

# Valuation Analysis

## MRP – Market Approach (cont'd.)

### Values Indicated

Under the Guideline Public Companies Method, the high, average, and low multiples calculated from the identified comparable public companies were applied to the Forward EBITDA of MRP based on forecasts provided to get an estimate for the range of enterprise values of MRP. The computed values are then adjusted for debt and non-operating cash to arrive at their corresponding equity values.

To construct the range of Market Values, we used two (2) measures of central tendency, the mean and median, where the median represents our lower limit and the mean as our upper limit. We note that equity analysts place more emphasis on median multiples than means in valuations since means are heavily influenced by outliers in sample data. The mean and median equity values from the results above were then divided by the number of outstanding shares of MRP to determine the range of MRP's equity value per share as of Valuation Date.

Based on the analysis performed, we arrived at a range of MRP's Market Approach-based equity value per share of **PHP6.75-PHP7.49**. Kindly refer to the table on the right for the valuation summary.

Table 6.2.7 Calculation of MRP's Equity Value per Share

Equity Valuation	
<i>Multiples</i>	
High	9.55
Average	6.48
Median	5.86
Low	3.66
<i>Equity Valuation as of Valuation Date</i>	
High	63,482.65
Average	42,423.35
Median	38,227.70
Low	23,103.52
<b>Average</b>	<b>42,423.35</b>
<b>Median</b>	<b>38,227.69</b>
<i>Range of Values</i>	
Low Equity Value (PHP Mn)	38,227.69
High Equity Value (PHP Mn)	42,423.35
Outstanding Shares	5,666,764,407
<i>Range of Values per Share</i>	
Low Equity Value (PHP/share)	6.75
High Equity Value (PHP/share)	7.49
Stock Price as of 30 June 2018	5.20
<i>% Difference over Share Price</i>	
Low	29.7%
High	44.0%

# Valuation Analysis

## MRP – Income Approach

### 6.3 Income Approach: Discounted Cash Flow Analysis

The second approach used to estimate the equity value of MRP was the Discounted Cash Flow Analysis. Performing a Discounted Cash Flow Analysis requires the preparation and analysis of a reliable forecast of the expected future financial performance of the target entity.

MRP management has provided FTI Consulting with discrete financial forecasts for MRP until year 2023. This forecast incorporates the cash flow assumptions for MRP and is a reflection of expectations of its performance for the foreseeable future. We have considered the key forecast assumptions provided by management and have no reason to believe that the forecast and its underlying assumptions are unreasonable.

#### *Equity Value Computation*

In order to compute the discounted free cash flows to equity for MRP, FTI Consulting relied on the financial forecast and the formulas provided in the Valuation Approach section of this report. The financial projections provided were for the financial years 2018 to 2023, which include estimates for future revenue, EBITDA, tax rate, net income, capital expenditures, working capital and net income.

The key assumptions used in the forecast include, among others:

- Gaming revenue growth ranging from 4% to 10% per year, while Non-Gaming revenue to grow from 2% to 5% per year, over 2019 to 2023.
- EBITDA margins averaging 30%
- Net debt payments of PHP5.5 Bn and PHP2.0 Bn in 2018 and 2019, as part of MRP's senior notes redemption plan
- Maintenance CAPEX totaling PHP6.0 Bn over the forecast period.
- Corporate tax rate of 0% as MRP's gaming tax is already included in operating expenses

# Valuation Analysis

## MRP – Income Approach (cont'd.)

### Discount Rate Estimation

In order to bring the forecasted cash flows of MRP to its present value, a discount rate must be estimated. Using the formulas discussed in Section 5.1.2.3, we were able to estimate the cost of equity and the WACC for MRP, as shown below.

Table 6.3.1 Discount Rate Calculation for MRP

Input	Value	Remarks
Risk-free rate	6.4%	Yield on 10-year PDST-R2 Fixing as of 29 June 2018
Market rate of return	11.0%	Philippine expected market rate of return as of 30 June 2018, Eikon
Beta	1.88	MRP beta as of 30 June 2018, Eikon
Alpha risk premium	2.5%	Additional premium for business risk
Tax rate	0.0%	Gaming tax is part of MRP operating expenses; Exempted from regular corporate income tax
Cost of equity	17.6%	Calculated using the Capital Asset Pricing Model
Pre-tax cost of debt	7.7%	PDST-R2 + MRP's spread on credit facilities
Post-tax cost of debt	7.7%	Cost of debt x (1 - Tax rate)
Weight of debt	20.3%	Capital structure as of 30 June 2018
Weight of equity	79.7%	Capital structure as of 30 June 2018
Weighted average cost of capital	15.6%	Calculated

Source: Thomson Reuters' Eikon (As of June 2018); FTI Consulting

# Valuation Analysis

## MRP – Income Approach (cont'd.)

### *Terminal Value Calculation*

We used the terminal value formula discussed in Section 5.1.2.2 of this report to estimate the value of MRP attributable to periods beyond the forecast period, from 2024 onwards. Due to uncertainties in forecasting MRP's future cash flows beyond the period of expiration of its gaming license by 11 July 2033, we computed for the terminal value of MRP until 11 July 2033 only.

The key inputs in determining the terminal value of MRP are as follows:

- Normalized EBITDA margin at 21.0%
- Corporate tax rate of 0%, since MRP's gaming tax is included in operating expenses
- Terminal growth rate of 3.3% based on the Asia-Pacific long-term growth rate published by Global Insight's Comparative World Review
- Remaining life of MRP's gaming license after 2023, which is 9.5 years

Using the items discussed above, we arrived at a terminal value calculation for MRP of PHP46,689.46 Mn.

### *Present Value Calculation*

For our analysis, we discounted the forecasted Free Cash Flows to Equity to arrive at the equity value of MRP. Consequently, the discount rate used was the cost of equity. In computing for the discount factor, a partial period adjustment was done in 2018 to account for the Valuation Date as of 30 June 2018.

To arrive at an equity value under this approach, the non-operating cash and cash equivalents of MRP as of Valuation Date is added to the discounted free cash flows that were computed using the inputs above. The non-operating cash amounted to PHP5.5 Bn, which is earmarked for debt redemption. Based on the foregoing, the resulting equity value amounts to PHP45,472.94 Mn.

# Valuation Analysis

## MRP – Income Approach (cont'd.)

### Values Indicated

Under the Discounted Cash Flow approach, we applied a sensitivity analysis on the cost of equity used to discount the FCFE of MRP. After adding and subtracting 1.0% to the estimated cost of equity of 17.6%, the resulting low and high equity values from the sensitivity analysis were then used to arrive at an equity valuation range.

A 20% minority discount was further applied to the computed equity valuation range because the valuation pertains to the minority shares of MRP held by the public.

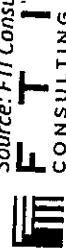
After dividing the values computed by the number of outstanding shares of MRP, we arrived at a range of MRP's Income Approach-based equity value per share of PHP6.11 to PHP6.76. Kindly refer to the table below for a summary of the valuation.

**Table 6.3.2 Discounted Cash Flow Method Valuation Summary for MRP**

Sensitivity Analysis on Cost of Equity (Amounts in PHP Mn)	
Cost of Equity	Equity Value
16.6%	47,856.63
17.6%	45,472.94
18.6%	43,276.04
<b>Low Equity Value, pre-discount</b>	<b>43,276.04</b>
<b>High Equity Value, pre-discount</b>	<b>47,856.63</b>
Minority Discount	20%
<b>Low Equity Value, post-discount</b>	<b>34,620.83</b>
<b>High Equity Value, post-discount</b>	<b>38,285.30</b>
Outstanding Shares	5,666,764,407
<i>Range of Values per Share</i>	
<b>Low Equity Value (PHP/share)</b>	<b>6.11</b>
<b>High Equity Value (PHP/share)</b>	<b>6.76</b>

Stock Price as of 30 June 2018	5.20
% Difference over Share Price	
Low	17.5%
High	29.9%

Source: FTI Consulting





## Valuation Analysis

### MRP – Valuation Summary

#### 6.4. Summary of Valuation

The equity value per share computed under the two approaches discussed in this section were consolidated to arrive at an equity valuation range. Based on this, we arrived at an equity valuation per share range of **PHP6.11 to PHP7.49** for the shares of MRP as of the Valuation Date.

The table below presents the results of our analysis.

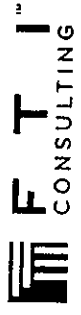
**Table 6.4.1 Equity Valuation Summary for MRP**

<b>Equity Value</b>	<b>Low</b>	<b>High</b>
<b>Amounts in PHP Mn</b>		
Market Approach (Forward EV/EBITDA)	38,227.69	42,423.35
Income Approach (FCFE)	34,620.83	38,285.30
<b>Range of Total Equity Value</b>	<b>34,620.83</b>	<b>42,423.35</b>

Outstanding Shares 5,666,764,407 5,666,764,407

Market Approach (Forward EV/EBITDA)	6.75	7.49
Income Approach (FCFE)	6.11	6.76
<b>Range of Equity Value per Share (PHP)</b>	<b>6.11</b>	<b>7.49</b>

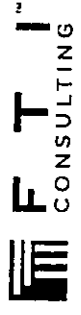
Source: FTI Consulting



# Appendix A – References

## Appendix A: References

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Appendix B – About FTI Consulting

# Appendix B: About FTI Consulting Philippines At a Glance

## ABOUT FTI CONSULTING PHILIPPINES, INC. (FTI CPI)

FTI CPI is a financial/business advisory firm assisting clients with major events that can significantly influence the reputation and valuation of their organization. We help companies build, grow, defend or repair their businesses.

FTI CPI is 100% a Filipino-owned company with an exclusive franchise agreement with FTI Consulting, Inc., a US-based global consulting firm listed in the New York Stock Exchange (NYSE:FCN). It was incorporated in 2006.

## DEFINITIVE EXPERTISE

FTI CPI employs highly qualified professionals particularly, MBAs, CPAs and CFA charterholders with extensive, practical experience in applying that expertise to generate a decisive impact.



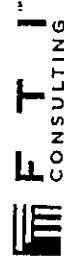
## ACCREDITED BY SEC AND PSE

FTI CPI is accredited by the Securities and Exchange Commission (SEC) for the valuation of shares of stock and intangible assets, and is also accredited by the Philippine Stock Exchange, Inc. (PSE) to issue fairness opinions and valuation reports of listed companies of the Exchange.



## WIDE CLIENT REACH

Our clients encompass a diverse spectrum of global and domestic: publicly-listed companies, financial institutions, family-owned corporations, funds/investors, and government owned and controlled corporations.



## FINANCIAL ADVISORY SERVICES

- Lead M&A Advisory
- Infrastructure Advisory
- Share and Intangible Asset Valuation
- Financial Model Preparation and Review
- Purchase Price Allocation
- Due Diligence
- Restructuring
- Funds Advisory
- Distressed Debt Advisory

## SENIOR MANAGING DIRECTORS OF FTI CPI

Anthony (Tony)  
Quach



Dominador (Butch)  
Gregorio III



John  
Balce



## INDUSTRY COVERAGE

FTI CPI has been engaged by clients in the various industries listed below:



Real Estate &  
Hospitality



Energy &  
Resources



Tech, Media  
& Telecom



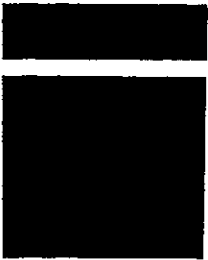
Infrastructure &  
Transportation



Financial  
Services



Retail &  
Textiles



# Appendix B: About FTI Consulting Philippines FTI Consulting Philippines Services

We capitalize on our technical proficiency and extensive knowledge in various industries in valuing shares of stock and intangible assets. We utilize three general approaches to valuation: income, market, and cost approach. We also provide post-acquisition support to clients through an independent purchase price allocation of their acquired assets and assumed liabilities, as part of their financial reporting requirements.

We are able to help clients in every step of their mergers and acquisition activities, from strategy and planning to deal execution and post-closing. Our acquisition experts provide comprehensive and insightful advice to proactively address investor concerns. We also provide critical support to our clients in their infrastructure projects, as proven by our successful track record in infrastructure bid process engagements.

## LEAD M&A AND INFRASTRUCTURE ADVISORY

## VALUATION / PURCHASE PRICE ALLOCATION

We assist clients in their financial modeling needs through either financial model construction or review. Financial model construction involves preparing a model based on the needs of the client, using the project documents and/or technical studies commissioned by a client to evaluate a project. Our expertise in building financial models allows us to conduct an effective review of the models of other parties. We provide critical feedback to clients by assessing the integrity and structure of the model, checking for calculation errors and documenting findings for immediate and future reference

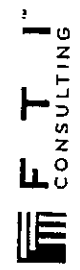
## FINANCIAL MODEL PREPARATION AND REVIEW

As one of the most well known names in the industry, we bring credibility and a proven track record of results to rebuild or extract value from underperforming companies. FTI Consulting has expertise in providing the following services: performance improvement, CRO (Chief Restructuring Officer)/Interim Management, Restructuring Advisory, and Liquidity Management. An objective third party specializing in rebuilding value is often the catalyst necessary to revitalize a company.

## RESTRUCTURING

FTI's expertise extends to other services including: distressed debt advisory, financial due diligence, funds advisory and other transaction related services.

## OTHER SERVICES



# Appendix B: About FTI Consulting, Inc. FTI Consulting: Experts with Impact

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes. Due to our unique mix of **EXPERTISE, CULTURE, BREADTH OF SERVICES and INDUSTRY EXPERIENCE**, we have a tangible impact on our clients' most complex opportunities and challenges.

## Definitive Expertise

- Most experts on Who's Who Legal: Arbitration - Expert Witnesses, *Law Business Research Ltd.* (2011 - 2018)
- #1 Global Risk & Investigations services provider, *The National Law Journal* (2017)
- #1 Restructuring Advisor, *The Deal* (2007-2017)
- #1 Crisis Management Services Firm, *National Law Journal* (2017)

## Comprehensive Services

- Financial
- Legal
- Operational
- Transactional
- Political & Regulatory
- Reputational

**4,600+**  
Employees  
Worldwide

**450+**  
SMDs

**\$1.81B**  
Market Cap.<sup>(1)</sup>



**78**  
Cities

**28**  
Countries

Advisor to 96 of  
the world's top  
100 law firms

56 of Fortune  
Global 100  
corporations  
are clients

Advisor to 8 of  
the world's top  
10 bank holding  
companies

## A Culture That Delivers

- Practical in our communication and approach to outcomes
- Judicious in complex, multi-party situations
- Collaborative with clients and colleagues
- Professional in our commitment to work with the highest caliber

## Industry Experience

- Construction
- Energy Power & Products
- Financial Institutions
- Healthcare & Life Sciences
- Insurance
- Mining & Mining Services
- Real Estate & Infrastructure
- Retail & Consumer Products
- Telecom, Media & Technology

<sup>1</sup>Number of total shares outstanding as of February 15, 2018, times the closing share price as of February 23, 2018.

# FTI Consulting advises global clients on all continents

**FCN**

Publicly traded

**FTI Consulting is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment**

**8/10**

Advisor to world's top 10 bank holding companies

**4,600+ Professionals Deployed in 28 Countries**

**With offices in every major financial center and every corner of the globe, we successfully serve our clients wherever challenges and opportunities arise.**

**\$1.81**BLN

Equity market capitalization\*

**56/100**

56 of Global 100 corporations are clients

**450+**

Senior Managing Directors

**#1**

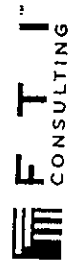
European & UK M&A transaction communications advisor by deal volume

**80**

Offices in 77 cities around the globe

**#2**

Globally by M&A volume



\*Total Shares outstanding times the closing share price as of February 23, 2018



# Appendix B: About FTI Consulting, Inc.

## The Five Segments of FTI Consulting

We provide law firms, corporations and government agencies with sophisticated analyses of complex economic issues to assist clients in understanding the challenges and opportunities they face. Our Economic Consulting practice is involved in a wide range of engagements that provide critical insight and expert testimony in legal and regulatory proceedings, strategic decision making and public policy debates. We also have deep expertise in securities litigation, M&A and antitrust, risk management, valuation and international arbitration.

### CORPORATE FINANCE & RESTRUCTURING

As a trusted partner to companies, boards of directors, investors, lenders and creditors around the world, the Corporate Finance & Restructuring segment is focused on delivering restructuring, business transformation and transactional solutions. Committed to our clients' success, our award-winning professionals address the full spectrum of financial, operational and transactional risks and opportunities across diverse industries. Included among our core strengths is providing expertise in guiding companies through the value-creation life cycle.

### ECONOMIC CONSULTING

### FORENSIC & LITIGATION CONSULTING

We provide the industry's most complete range of forensic, investigative, data analytic and litigation services. As an independent consulting firm, we have unmatched qualifications in all types of risk, dispute, investigations and litigation scenarios. We have extensive experience serving leading corporations, governments and law firms around the globe.

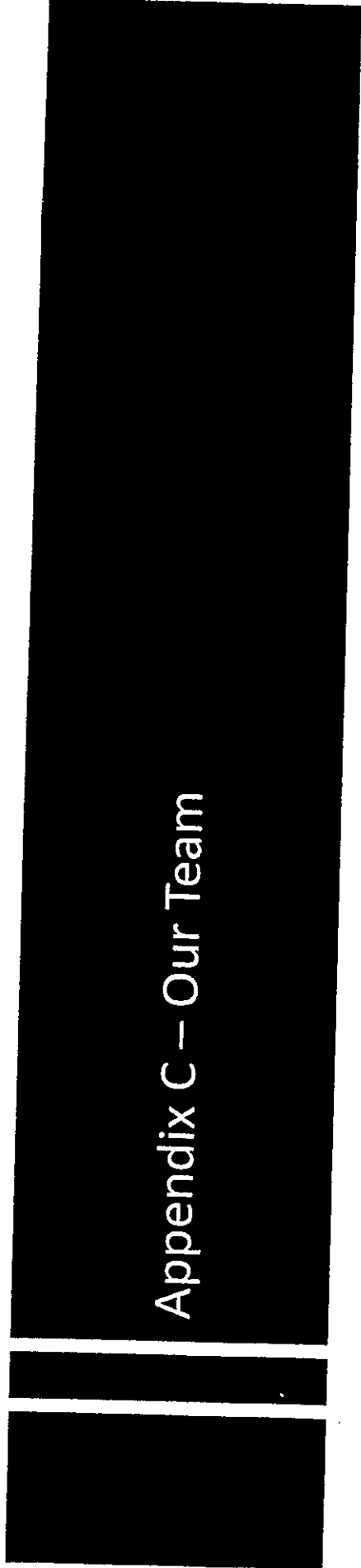
### STRATEGIC COMMUNICATION

As a leading global communications consultancy with more than 30 years of experience advising management teams and boards of directors, we help clients communicate effectively to protect and enhance their business interests with key stakeholders. We have a comprehensive view of strategic communications with an integrated suite of services in financial communications, corporate reputation and public affairs in all the major markets around the world.

### TECHNOLOGY

FTI Technology solves data-related business challenges, with expertise in legal and regulatory matters. As data grow in size and complexity, we help organizations better govern, secure, find, analyze and rapidly make sense of information. Innovative technology, expert services and tenacious problem solving provide our global clients with defensible and repeatable solutions. Organizations rely on us to root out fraud, maintain regulatory compliance, reduce legal and IT costs, protect sensitive materials, quickly find facts and harness organizational data to create business value.

## Appendix C – Our Team



## Appendix C: Our Team

### Dominador (Butch) Gregorio III

#### Education

MBA – Wharton Business School, University of Pennsylvania  
 MA in International Studies – Lauder Institute of Management and International Studies, University of Pennsylvania  
 BS Business Administration and Accountancy – University of the Philippines



Senior Managing Director  
 FTI Consulting Philippines  
 Manila

+63.2.864.0991 main  
 butch.gregorio@fticonsulting-ph.com

#### About

Dominador (Butch) T. Gregorio III is a Senior Managing Director in the Corporate Finance/ Restructuring practice of FTI Consulting Philippines, Inc. (FTI CPI), formerly FTI Consulting Administrative Services Inc. (FTI CAS), based in Manila. Mr. Gregorio's professional experience encompasses a diverse spectrum of global and domestic financial institutions, family owned corporations, and acquisitive corporate enterprises in the public and private arena.

Mr. Gregorio has advised clients in healthy and distressed situations in connection with mergers and acquisitions, leveraged buyouts, recapitalizations, merger integration, corporate reorganizations, debt restructuring and strategic business issues.

Mr. Gregorio's experience covers all aspects of financial and operating transaction support, including business enterprise valuation, identifying value drivers and risk issues critical to the investment decision, structuring considerations, due diligence of the quality of earnings, cash flows and balance sheet, financial opinions, supporting negotiating financing covenants, advice on sale and purchase agreements, post acquisition integration matters, interim management roles and corporate directorships.

Prior to joining FTI Consulting, Mr. Gregorio provided similar services as a partner and head of the Financial Advisory Services

group for Deloitte in Almaty, Kazakhstan. From 2003 to 2007, he was Chief Operating Officer and Managing Director of Ernst & Young Transaction Advisory Services, Inc. in the Philippines. Butch was a partner in SGV & Co.'s Corporate Finance Division. He also spent seven years with Citicorp Real Estate, Inc. (Citibank N.A.) in New York, Minneapolis, Dallas, U.S.A.

Mr. Gregorio's clients include NTT Data, Standard Chartered Bank, Lim Advisors, Equis Funds Group, Ayala Group, Metro Pacific Group, GT Capital, Macro Asia, Xurpas, Agri-Nurture, MBTC, PNB, BPI, Philippine Insurance Commission, Royal Chemie International Ltd. and the Singapore Flyer. He has worked on engagements involving different industries, such as, infrastructure, financial services, energy & utilities, property, manufacturing and services..

Mr. Gregorio holds an MBA from Wharton School and an MA in International Studies from the Lauder Institute of Management and International Studies, University of Pennsylvania. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy, Cum Laude in 1983. He is a Philippines Certified Public Accountant and Licensed Real Estate Broker. He is also a Graduate Member of the Institute of Corporate Directors.

# Appendix C: Our Team

## John Balce

**Education**  
Executive Masters in  
Business  
Administration, Asian  
Institute of  
Management

**BS Business  
Administration and  
Accountancy, University  
of the Philippines**

**Certifications**  
Chartered Financial  
Analyst  
Certified Public  
Accountant

**Professional  
Associations**  
CFA Institute  
CFA Society of the  
Philippines  
Philippine Institute of  
Certified Public  
Accountants



**Senior Managing Director**  
**FTI Consulting Philippines**

Manila

+63.2.864.0991 main

john.balce@fticonsulting-ph.com

### About

John B. Balce is a Senior Managing Director in the Corporate Finance practice of FTI Consulting Philippines, Inc. (FTI CPI), formerly FTI Consulting Administrative Services (FTI CAS), and is based in Manila.

Over the past thirteen years, Mr. Balce had extensive experience in transaction advisory, corporate and debt restructuring, valuations, mergers and acquisitions, financial due diligence, financial modelling and financial model review. He has assisted in several cross-border engagements in the Philippines, China, Hong Kong, Indonesia and Singapore. He has been involved in projects across a range of industries, including energy, infrastructure, real estate, banking, outsourcing, electronics, mining, and manufacturing.

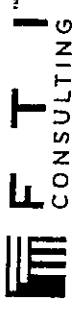
Among his various assignments, Mr. Balce has been involved the successful sale of a copper and zinc mine owned by an ASX-listed company undergoing provisional liquidation proceedings. He also spearheaded the team which assisted a Singapore-based hedge fund in the reorganization and sale of its stake in the Philippines' second largest biodiesel producer. He was also involved in the evaluation of strategic alternatives of an agriculture-focused company, with retail and manufacturing capabilities. He also assisted in the disposal of several NPL portfolios owned by local and foreign banks to investors, both on sell-side and buy-side capacities.

His engagements also include the preparation of financial models for PPP projects in the infrastructure, transportation and payment systems space on behalf of consortiums formed by major Philippine conglomerates. He has also prepared financial models for renewable energy companies, biofuel companies, toll roads, water districts, schools and shipping companies. Mr. Balce and his team also provides deal advisory, financial modelling and research support to FTI Consulting's Corporate Finance, and the Technology, Media and Telecommunications Teams of the London and Frankfurt offices

Prior to joining FTI Consulting, Mr. Balce was an Associate Director at Ferrier Hodgson. His career started in the Corporate Finance Group of SGV / Ernst & Young Transaction Advisory Services, Inc. in Manila.

Mr. Balce received his Executive Masters in Business Administration degree from the Asian Institute of Management, with honors. He finished the bachelor's degree in business administration and accountancy from the University of the Philippines – Diliman, magna cum laude. He is a Certified Public Accountant and a CFA charterholder. He is a member of the CFA Society of the Philippines, the CFA Institute, and the Philippine Institute of Certified Public Accountants.

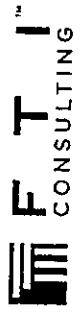
Appendix D – PSE Independence Confirmation



## Appendix E – FTI Consulting Scope of Work

## Appendix E: FTI Consulting Scope of Work

- Understanding the Company and its Industry
  - Discuss with management to understand the business and its industry;
  - Review the Target's three-year historical financial statements and performance data, including segment information;
  - Conduct meetings and interviews with management and other advisors (legal, regulatory, tax, accounting, technical, etc.);
  - Review publicly available industry reports for understanding of industry dynamics;
- Valuation
  - Analyze and estimate the Market Value of the Target's shares as a going concern as of the Valuation Date, through the following methodologies:
    - Market Approach;
    - Discounted Cash Flow Analysis;
  - Analyze trading prices, volume, and market capitalizations of comparable/guideline publicly-listed companies;
  - On the basis of the valuation of the Target, determine the range of values deemed fair to the minority shareholders of the Target;
- Reporting
  - Draft the valuation study on the Target's shares and opine on the fairness of the Tender Offer; and,
  - Finalization of the valuation study and fairness opinion report.



# EXPERTS WITH IMPACT™