Deloitte.

Project Jupiter
Fairness opinion final report

Transaction Services | 13 December 2021

Strictly Private & Confidential

Contents

Executive Summary	4
Overview	8
Methodologies	19
Financial projections	21
Valuation results	25
Appendices	30

Important Notice
Numbers presented throughout this document may not precisely add up to the totals presented in the tables due to rounding.

Deloitte.

Navarro Amper & Co.
19th Floor Six/NEO Building
5th Avenue corner 26th Street
Bonifacio Global City
Taguig 1634, Philippines

Tel: +63 2 8581 9000
Fax: +63 2 8869 3676
www.deloitte.com/ph

Megaworld Corporation
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634

13 December 2021

Attention: **Ms. Lourdes T. Gutierrez-Alfonso**
Chief Operating Officer

Dear Sirs/Mesdames,

Project Jupiter

We enclose our fairness opinion final report ("the Report") prepared in connection with our engagement with Megaworld Corporation (the "Client" or "Megaworld") to issue a fairness opinion on the fair value of Two Techno Place, Three Techno Place, One Global Center, and World Finance Plaza (collectively, the "Target Properties") in relation to the Client's plan for property sale transaction to MREIT, Inc. and in accordance with the terms of the engagement letter, signed and agreed between the parties, dated 13 December 2021 (the "Engagement Letter"), which is attached at **Appendix A2** to the Report.

The Report is confidential to the Client (as defined in the Engagement Letter) and is subject to the restrictions on use specified in the Engagement Letter. No other party is entitled to rely on the Report for any purpose and we accept no responsibility or liability to any other party whatsoever in respect of the contents of this Report.

We draw your attention to **Appendix A1**, *Scope and Bases of Work*, in which we refer to the scope of our work, sources of information and the limitation of the work undertaken.

Our work has been limited by the time and the information made available to us and the scope of our work. In performing our engagement, we have relied upon and have assumed that all information provided to us is true, accurate, not misleading, and complete in all respects as at the date of this Report and that all information which is or may be relevant to our engagement has been duly provided to us and drawn to our attention by Client.

The projected financial statements are the sole responsibility of the Client as set out in **Appendix A3**, Management representation letter. While care has been exercised in reviewing all information furnished to us by management of the Client and certain publicly available information that we have gathered and considered relevant, we have not independently verified such information, whether written or verbal.

We have completed our Report on 13 December 2021 and we have not updated our work since this date. The Report is solely for your information. You agree that, without our prior written consent, you will not circulate, quote or otherwise refer to the Report or a copy of all or any portion thereof.

Yours faithfully,

Diane L. Yap

Diane Yap

Executive Summary

Executive Summary	4
Overview	8
Methodologies	19
Financial projections	21
Valuation results	25
Appendices	30

Executive summary | Summary of valuation results

DCF, ABV, and GPC are the valuation methodologies used to value the Target Properties

Valuation purpose

- We have been engaged by Megaworld to issue a fairness opinion on the fair value of Two Techno Place, Three Techno Place, One Global Center, and World Finance Plaza ("Target Properties") as of 30 September 2021 ("Valuation Date") in relation to the Client's property sale transaction to MREIT, Inc. (the "Transaction"), in compliance with the requirement of the Philippine Securities and Exchange Commission ("SEC") under Memorandum Circular No. 10 Series of 2019, Rules on Material Related Party Transactions for Publicly-Listed Companies.

Valuation approaches and methodologies

- For this valuation exercise the standard of value is fair market value. The fair market value is defined as *"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*
- We have performed the indicative valuation of the Target Properties using the:
  - Income approach, with the Discounted cash flow ("DCF") method;
  - Cost approach, with Adjusted book value ("ABV") method; and
  - Market approach, with Guideline public company ("GPC") method.
- The Target Properties are valued as a company based on consolidated carved-out historical and projected financial information as a proxy for value of the Target Properties.

Key assumptions

- We have considered the following factors in estimating the fair market value of the Target Properties:
  - Economic factors (i.e., economic growth, inflation, and other external factors affecting the markets in which the business operates in);
  - Strategic attractions of the business – its particular strengths, weaknesses, and market position of the businesses; and
  - The performance and growth trajectory of the Target Properties as supported by its 10-year cash flow projection.
- The premise of value adopted in arriving at our value is going concern basis.

Discounted cash flow

- Net available cash flow or free cash flow to the firm ("FCFF") are derived from the net operating profit after tax ("NOPAT"), after adjustments to depreciation, amortization, capital expenditures ("CAPEX") and changes in net working capital.
- Projected FCFF for the Target Properties are for FY22 to FY30. A terminal growth rate is applied on FY30 revenue to calculate the terminal value.

Terminal growth rate

- The terminal growth rate is assumed to be 5.0%, which is aligned with the annual escalation rate of 5.0% per management representation and sample contracts reviewed. The Target Properties will be able to maintain the escalation rate in the future as the properties are in prime locations and, Megaworld, its Parent has a reputation for high-quality designs, innovative projects, and after-sales services.

Executive summary | Summary of valuation results

DCF, ABV, and GPC are the valuation methodologies used to value the Target Properties

Discount rate

- We have applied a weighted average cost of capital ("WACC") of 9.0%. Please refer to the WACC calculation in **Appendix A4**.

Discounting convention

- We have used a mid-period discounting to convention, which assumes that the cash flows are received at the middle of each period.

DCF method

- The 10-year financial forecast prepared by the Client and provided on 02 December 2021 formed the basis of our indicative valuation of the Target Properties. Other accounts not included as part of the Target Properties' projections have been set up based on selected relevant growth rates and historical percentage to revenue or other accounts, where applicable.
- Using the DCF method, the indicative equity value of the Target Properties is around **Php9.9B.**

ABV method

- The ABV method is heavily driven by the latest market values of the Target Properties. The investment properties owned by the Target Properties are appraised by an independent appraiser at Php9.2B. The revaluation would result to deferred tax liability of Php1.9B reducing the equity value of the Target Properties. Please refer to page 28 for the computation of indicative fair value using ABV method.

ABV method (continued)

- As seen below, the indicative fair value of the Target Properties calculated using the ABV method is **Php7.1B.**

Php'000	Amount
Reported net assets	1,379,743
Adjustments	5,710,590
Adjusted book value as at Sep'20	**7,090,333**

Source: Management information

GPC method

- In order to select an appropriate valuation multiple for the entities, we selected six (6) publicly listed companies that operate in the same industry and have similar operating risks. Please refer to page 29 for more information on the selection of comparable companies.
- We calculated the indicative enterprise value using the selected market multiple derived from the comparable companies. Please refer to **Appendix A5** for more information on the selected GPC.
- Based on the GPC method, the indicative fair value of the Target Properties is around **Php9.3B.**

Range of values

- The mean of the three (3) valuation approach is Php8.8B with ratio to standard deviation of 13.8% or coefficient of variance of 13.8%.
- Using half of the coefficient of variance to range from the mean or +/- 6.9%, the range of values for the Target Properties are **Php8.2B** to **Php9.4B**.

Executive summary | Summary of valuation results

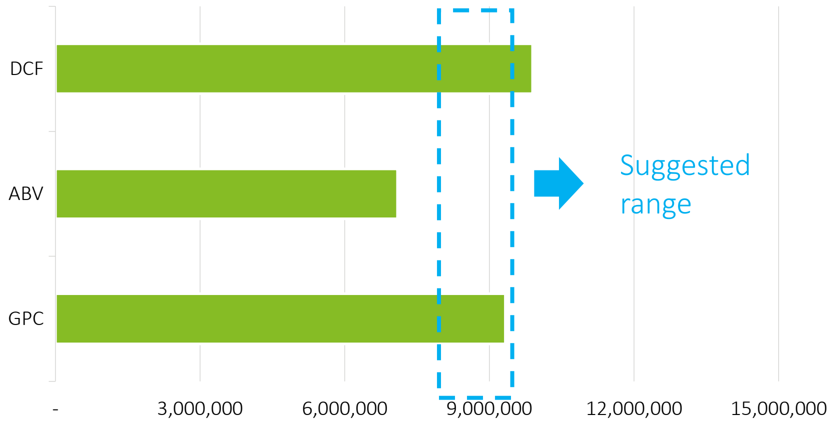
The indicative fair value of the Target Properties is between Php8.2B to Php9.4B as of Valuation Date

Conclusion

- We have assessed the indicative fair value of the Target Properties to be in the range of **Php8.2B** to **PhpPhp9.4B** as of 30 September 2021. The fair value calculated by the Client of **Php9.1B** is within the value range we have assessed. Accordingly, we are of the opinion that the fair value calculated by the Client is fair from a financial point of view based on key bases and assumptions, and the Client's fair valuation falls within the valuation range.
- We also wish to highlight that the proposed acquisition is a commercial and business decision undertaken by the Board, and the value of the Target Properties depends on the properties' ability to continue generating the projected rental income.

Indicative equity value

(Php'000)



Source: Deloitte analysis

Overview

Executive Summary 4

Overview 8

Methodologies 19

Financial projections 21

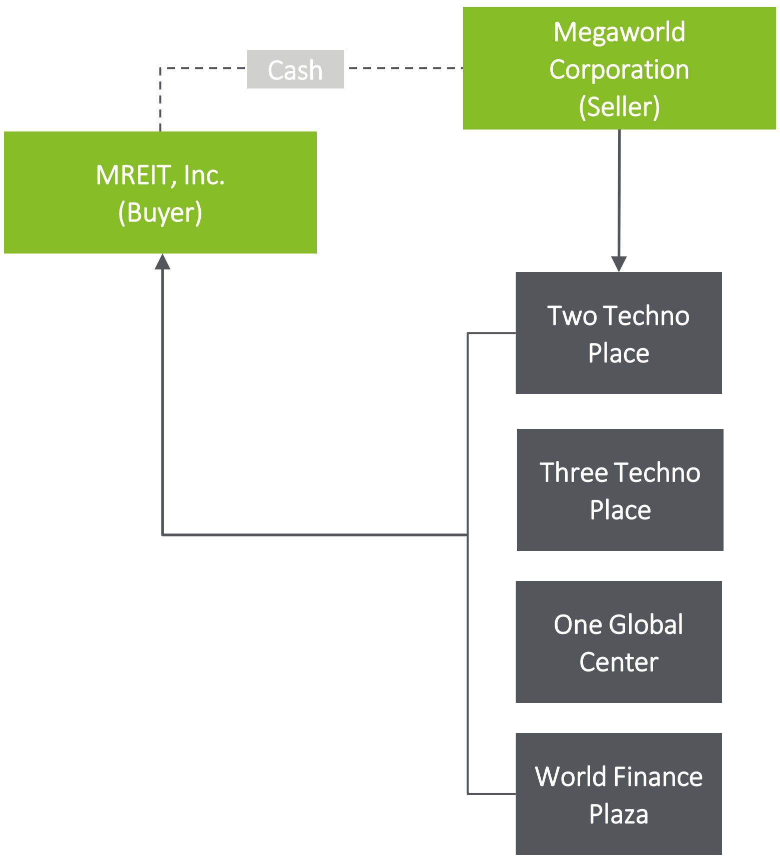
Valuation results 25

Appendices 30

Overview | Transaction overview

Megaworld plans to enter into a property sale transaction with its subsidiary MREIT, Inc., in exchange for cash

Transaction structure



Transaction overview

- Megaworld intends to enter a property sale transaction with its subsidiary, MREIT, in exchange for cash. As part of SEC's requirement for arms length terms on material related party transactions, an independent party shall evaluate the fairness of the transaction.
- Megaworld is one of the leading real estate developers in the Philippines today with a portfolio that includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces. It is also presently engaged in property-related activities such as project design, construction, and property management.
- MREIT, Inc., formerly Megaworld Holdings, Inc., was incorporated and registered with the Philippines SEC on 2 October 2020. MREIT is engaged in the business of a real estate investment trust.

Properties overview

- MREIT will acquire four (4) grade A Philippine Economic Zone Authority-accredited properties namely; Two Techno Place, Three Techno Place, and One Global Center located at Iloilo Business Park; and World Finance Plaza located at McKinley Hill in Fort Bonifacio, Taguig City.
- Total gross leasable area of the four (4) properties is c.55.7K square meter ("sqm") with average occupancy rate of 98.8%.These properties are the operation sites of Business Process Outsourcing ("BPO") companies such as Transcom Asia, WNS, and Nearsol.
- Please refer to the succeeding page for a detailed description of the properties.

Overview | Transaction overview

Total gross leasable area of the four (4) properties to be acquired is 55.7K sqm, with an average occupancy rate of 98.8%

Properties overview

	Two Techno Place	Three Techno Place	One Global Center	World Finance Plaza
Address	Lot 7 Megaworld Blvd, Iloilo Business Park, Mandurriao, Iloilo City	Daytona Ave cor Megaworld Blvd, Iloilo Business Park, Mandurriao, Iloilo City	Megaworld Blvd cor Cyber Rd, Iloilo Business Park, Mandurriao, Iloilo City	Upper Mckinley Rd, Mckinley Hill Cyberpark, Fort Bonifacio, Taguig City
No. of floors	Five (5) floors (including ground floor & 2f podium parking)	Four (4) floors (including ground floor)	Four (4) floors (including ground floor)	15 floors (including ground floor)
Building grade	A	A	A	A
Total Gross Leasable Area	10,808.90 sqm	9,567.90 sqm	10,301.00 sqm	25,066.45 sqm
Occupancy rate	98.6%	98.2%	97.5%	99.8%

Source: Management information

Overview | Engagement overview

The Firm was contracted by Megaworld to perform fairness opinion services in relation to its property sale transaction to MREIT, Inc. as part of SEC's requirement for material related party transactions

Engagement overview

- Navarro Amper & Co. (the "Firm") has been contracted by Megaworld to issue a fairness opinion report in relation to its property sale transaction to MREIT, Inc. to evaluate fairness of terms of material related party transactions per Securities and Exchange Commission ("SEC") Memorandum Circular No. 10 Series of 2019.
- We do not express an opinion about the fairness of the Transaction's compensation to any of the directors, officers or employees to respective shareholders.
- Our opinion is released upon the review and approval by a committee created within the Firm.
- The Firm is represented by Diane S. Yap (the "Representative"). A brief description of the Firm and educational and professional qualifications of its Representative is detailed on the right.
- Prior to this engagement, the Firm has not acted as a financial advisor of Megaworld or any of the parties involved in the transaction and, as such, have neither received nor intended to receive any compensation from any party. Apart from normal professional fees payable to us in connection with the performance of the Services, no arrangement exists whereby we will receive any fees or benefits from Megaworld, or any party in connection with the Services.
- The Firm and its Representative have an understanding of and comply with the requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, including the independence requirements, national ethical requirements and quality control procedures applicable to the Services. Furthermore, the Firm and its Representative are guided by the Ethical Principles set by Deloitte Touche Tohmatsu Limited.

The Firm

- Navarro Amper & Co. is an affiliate of Deloitte Southeast Asia Ltd, a member of Deloitte Asia Pacific Limited and of the Deloitte Network.
- Deloitte Asia Pacific Limited comprise of Deloitte practices operating in more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Ho Chi Minh City, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Shanghai, Singapore, Sydney, Taipei, Tokyo and Yangon.
- The Firm provides valuation services through its Financial Advisory practice.

The Representative

- Diane S. Yap is a Firm Partner and the Head of the Firm's Financial Advisory services. The Firm Representative is a Certified Public Accountant with over 28 years of audit and financial advisory experience in the Philippines, United States and Singapore. The Firm Representative has extensive experience in the audit of multinational companies and Philippine public-listed companies and has been involved in mergers and acquisitions advisory engagements including due diligence and valuation for clients in diverse industries.
- The Firm Representative earned her Master in Business Administration degree from the University of the Philippines.

Overview | Engagement overview

We have relied and assumed that all information provided is true, accurate, not misleading and complete in all respects as at Valuation Date

1. Limited use and distribution

- We understand that the output from our engagement will be used by the Client for public disclosure relating to the Transaction. This report relates to the provision of fair valuation services to comment on the fairness of value of the cash sale to MREIT, Inc. ("Proposed Transaction") of Two Techno Place, Three Techno Place, One Global Center, and World Finance Plaza ("the Target Properties") to the shareholders of Megaworld.
- Other than this engagement, we have had no involvement in any other aspect of the Transaction. We do not, by this report or otherwise, advise, recommend, evaluate, comment or form any judgment or opinion on the legal, commercial or financial rationale, merits or risks of the Transaction or its relative merits as compared to any alternative transaction. We do not comment on the future growth prospects or earnings potential of the Target Properties. Such advice, recommendation, evaluation, comment, judgment or opinion is and remains the sole responsibility of Client. This report does not constitute and cannot be construed as advice, a recommendation or any form of judgment or opinion to any person on the Transaction and so, it may not be relied upon as such by any person.
- The Firm will not render any advice as to whether, or at what price the Transaction should be entered into.
- We have no obligation to update this Report or our recommended valuation for information that may come to our attention after 13 December 2021.

2. Full disclosure by Management

- Management confirms to us that, to the best of their knowledge and belief, the information contained in this report constitutes a full and true disclosure of all relevant and material facts on the Target Properties and there is no other information or fact, the omission of which would cause any of the information disclosed to us or relied by us or any information contained herein to be untrue, incomplete or misleading in any material respect.

3. Reliance on information supplied

- We have held discussions with the Client and have relied on the historical financial information, financial forecasts, technical and financial experts' reports and agreements summarized in **Appendix A1,** and other information provided to us by Megaworld.
- These information are the sole responsibility of Megaworld. While care has been exercised in reviewing all information furnished to us by the Client and certain publicly available information that we have gathered and considered relevant, we have not independently verified such information, whether written or verbal.
- In performing our engagement, we have relied upon and have assumed that all information provided to us is true, accurate, not misleading and complete in all respects as at this date and that all information which is or may be relevant to our engagement has been duly provided to us and drawn to our attention by Management.

Overview | Engagement overview

The valuation inputs used in our fairness opinion is based on the market, economic, industry, and other conditions prevailing as at Valuation Date

4. No verification of information supplied

- We cannot and do not warrant, opine or accept any responsibility for the accuracy, completeness or adequacy of such information including, without limitation, the financial forecasts (if any) we received from Megaworld. We have not carried out any work which constitutes an audit in accordance with generally accepted auditing standards including any in-depth investigation or a physical inspection of any of the acquired properties or assets.

5. Management's responsibility for projections

- We do not express any opinion on and we do not take any responsibility for or in relation to the financial projections supplied to us by Management. We have further assumed that all bases and assumptions, statements of fact, beliefs, opinions and intentions made by the Management in preparing the financial forecasts, in representing the reasonableness and achievability of those forecasts and in relation to the properties sold have been reasonably made after due and careful enquiry.
- We assume no responsibility for any financial reporting judgments, which are appropriately those of Management. Management accepts the responsibility for any related financial reporting with respect to the assets, properties, or business interests encompassed by this engagement

6. Variance of projections from outcomes and basis to conclude

- The valuation inputs used in our fairness opinion is based on the market, economic, industry and other conditions prevailing as at the Valuation Date, using data known at the time when the review was conducted, and the information made available to us by Management.

6. Variance of projections from outcomes and basis to conclude (continued)

- We assume no responsibility to update, revise or reaffirm our evaluation or assumptions in light of any subsequent events or circumstances that may affect our opinion or any factors or assumptions contained herein.
- We also note that by its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is therefore, no indisputable single value. Whilst we consider our range of values to be both reasonable and defensible based on the information available to us, others may place a different value on the investees' amounts.

7. Good title, no encumbrance and responsible use

- We assume no responsibility for the legal description or matters including legal or title considerations. Title to the Target Properties or business interests is assumed to be good and marketable, unless otherwise stated. The Target Properties or business interests are valued free and clear of any or all liens or encumbrances, unless otherwise stated. We assume responsible ownership and competent management with respect to the Target Properties or business interests.

8. No testimony required

- We, by reason of this engagement, are not required to furnish a complete report, or to give testimony, or to be in attendance in court with reference to the assets, properties, or business interests in question unless arrangements have been previously made.

Overview | Historical financial highlights

Target Properties mainly cater to the office space leasing market

Historical income statement

Php'000	FY18	FY19	FY20	LTM
Rental income	372,114	437,498	500,055	494,689
Income from dues - net	60,334	79,029	93,209	87,878
Revenues	**432,448**	**516,527**	**593,264**	**582,567**
Cost of services	(81,263)	(105,609)	(122,902)	(120,686)
Gross profit	**351,185**	**410,918**	**470,362**	**461,881**
Taxes and licenses	(7,918)	(8,300)	(9,034)	(5,543)
Impairment loss	-	-	(5,777)	(1,444)
Salaries and employee benefits	(230)	(278)	(299)	(294)
Commission	-	(3,674)	-	-
Miscellaneous	(1,467)	(6,912)	(1,828)	(3,834)
Operating expenses	**(9,615)**	**(19,164)**	**(16,938)**	**(11,115)**
Operating income	**341,570**	**391,754**	**453,424**	**450,766**
Gain on reversal of impairment	508	265	-	-
EBIT	**342,078**	**392,019**	**453,424**	**450,766**
Depreciation	40,538	55,477	68,136	68,136
EBITDA	**382,616**	**447,496**	**521,560**	**518,902**
Y-o-Y growth				
Revenue	*n/a*	*19.4%*	*14.9%*	*(1.8%)*
Cost of services	*n/a*	*30.0%*	*16.4%*	*(1.8%)*
Other expenses	*n/a*	*99.3%*	*(11.6%)*	*(34.4%)*
EBITDA	*n/a*	*17.0%*	*16.6%*	*(0.5%)*
Common size ratio				
Gross profit	*81.2%*	*79.6%*	*79.3%*	*79.3%*
Operating expenses	*(2.2%)*	*(3.7%)*	*(2.9%)*	*(1.9%)*
EBITDA	*88.5%*	*86.6%*	*87.9%*	*89.1%*

Source: Management information

Occupancy rate - per type

In sqm	GLA	Leased area	Occupancy rate
Office space	53,590	53,434	*99.7%*
Commercial space	2,154	1,661	*77.1%*
	55,744	55,095	*98.8%*

Source: Management information

Financial performance

Revenue

- For purposes of this Proposed Transaction, last twelve months ("LTM") income statement is computed by extrapolating from the 4Q20 and actual 9M21 financial performance of Target Properties .
- Revenue includes rental income from office (i.e., BPO companies), commercial (i.e., retail and food establishments), and advertising spaces (i.e., exterior signage in buildings).
- Income from dues includes billings of common use service area fees and utilities of tenants.
- Rental income is recognized on a straight-line basis over the lease term or based on a certain percentage of gross sales of tenants (i.e., food establishments).
- The Target Properties mainly caters office space lease with 53.6K of the 55.7K gross leasable area ("GLA") dedicated for the market.
- As at Sep'21, the Target Properties have an average occupancy rate of 98.8%. Over the three (3) year period, office space posted the largest revenue contribution which increased from Php353.0M in FY18 to Php484.6M in FY20 and c.Php479.4M for the LTM of 3Q 2021.
- The increase in office space and advertising space rental income is largely due to the start of operations of Two Techno Place in the middle of FY19. Rental income further increased in FY20 due to the full-year impact of rental income in Two Techno Place (*please see table in the following page for rental income information per lease space type)*.
- Commercial space leasing declined from Php16.6M in FY18 to Php11.0M in FY20 as commercial operations were significantly affected by the lockdown restrictions. This is due to the pandemic resulting to closure or temporary shutdown of tenants.

Overview | Historical financial highlights

World Finance Plaza property is the largest in terms of GLA and income generated per sqm

Financial performance

Revenue (continued)

- As presented in page 10, World Finance Plaza located in Taguig City has the largest GLA of 25.1K sqm which contributes c.58.6% of total rent income in the LTM. It also has the highest income per sqm at Php11.6K. Properties in Iloilo City, namely Two Techno Place, Three Techno Place and One Global Center, have income per sqm which range~~s~~ from Php6.3K to Php7.1K.

Rental income - per lease space type

Php'000	FY18	FY19	FY20	LTM	CAGR
Office space	353,010	414,098	484,590	479,390	*10.7%*
Commercial space	16,580	19,294	11,009	10,891	*(13.1%)*
Advertising space	2,525	4,106	4,456	4,408	*20.4%*
	372,114	437,498	500,055	494,689	*10.0%*

Source: Management information

Rent income analysis per sqm. and contribution in LTM

Php'000	Rent income	Leased area	Income/sqm.	Contribution
One Global Center	63,016	10,043	6.3	*12.7%*
Three Techno Place	66,286	9,393	7.1	*13.4%*
Two Techno Place	75,579	10,653	7.1	*15.3%*
World Finance Plaza	289,808	25,006	11.6	*58.6%*
	494,689	**55,095**		***100.0%***

Source: Management information

Cost of services

- Majority of the cost of services pertains to outside services and repairs and maintenance which are such as janitorial, security services, and costs of maintaining the properties.

Financial performance

Cost of services (continued)

- Taxes and licenses is also part of cost of services which are property taxes paid the Target Properties.
- The increase in cost of services is driven by costs incurred for outside services which is largely due to the start of operations of Two Techno Place in the middle of FY19. This further increased in FY20 due to the full-year impact of the rentals in Two Techno Place. This also resulted in the decrease of gross profit margin of the Target Properties from 81.2% in FY18 to 79.3% in FY20.

Operating expenses

- Significant increase in operating expense in terms of peso amount in FY19 is due to costs spent on miscellaneous expense and commission expense in order to lease up newly opened Two Techno Place.
- Impairment losses recognized in FY20 relates to increase of allowance provision for trade receivables in accordance with Philippine Financial Reporting Standards 9. However, this does not reflect the business risk of the Target Properties as the trade receivables are fully collateralized by advanced rent and security deposits.
- Operating expense as percentage of total revenues in FY19 3.7% and FY20 2.9% is above the 2.7% average over the Review Period due to recognition of one-time expense such as commission in FY19 and impairment loss in FY20.

Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA")

- EBITDA margin of the Target Properties declined to 86.6% in FY19 due to costs incurred to lease up newly opened Two Techno Place. FY20 EBITDA margin is also relatively low at 87.9% due to the impact of the pandemic.

Overview | Historical financial highlights

Appraised value of the Target Properties is Php7.6B higher than the carrying value in the balance sheet

Historical balance sheet

Php'000	Dec'18	Dec'19	Dec'20	Sep'21
Investment properties	1,677,226	1,740,816	1,692,540	1,666,880
Trade receivables	27,903	21,924	52,537	62,711
Prepayments & other current assets	2,860	3,693	3,814	953
Deposits and other liabilities	(272,371)	(250,867)	(316,381)	(271,803)
Income tax payable	(81,160)	(93,371)	(100,967)	(64,653)
Working capital	**(322,768)**	**(318,621)**	**(360,997)**	**(272,792)**
Cash	200	200	200	200
Deferred tax liabilities - net	(6,642)	(5,443)	(14,601)	(14,545)
Net debt	**(6,442)**	**(5,243)**	**(14,401)**	**(14,345)**
Net assets	**1,348,016**	**1,416,952**	**1,317,142**	**1,379,743**

Source: Management information

z

Financial position

Investment properties - net

- Investment properties consist of building and building improvement net of accumulated depreciation of the Target Properties. Based on an appraisal report of Santos Knight Frank Inc. ("SKF"), the appraised value of the Target Properties as at Sep'21 amounted to Php9.3B, which is Php7.6B higher compared to the carrying value as at Sep'21 of Php1.7B.

Appraised values as at Sep'21

Php'000	GLA	Appraised value
World Finance Plaza	25,066	5,265,000
Two Techno Place	10,809	1,498,000
Three Techno Place	9,568	1,244,000
One Global Center	10,301	1,274,000
	55,744	**9,281,000**

Source: Management information

Financial position

Net working capital

- Over the historical period, the Target Properties posted a negative working capital due to high levels of deposits and other liabilities. Break down of the account are as follows:

Deposits and other liabilities

Php'000	Dec'18	Dec'19	Dec'20
Advanced rent	150,822	105,524	166,023
Security deposits	97,988	124,034	130,486
Deferred credits	18,891	15,904	13,755
Others	4,670	5,405	6,117
	272,371	**250,867**	**316,381**

Source: Management information

- Receivables are broken down based on contractual commitments from the tenant, as at Sep'21, Php55.6M of the total Php62.7M are considered non-current.
- Deferred credits pertain to the difference between the nominal value of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight- line method.

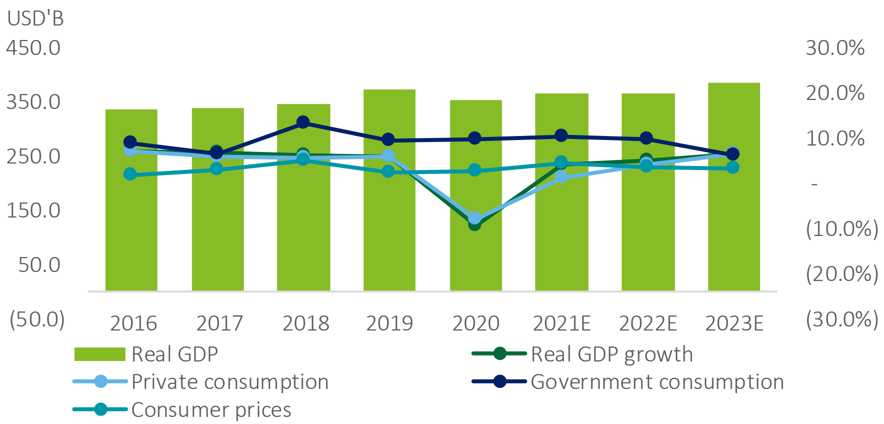
Net debt

- The Php200.0K cash balance pertain to discretionary fund which is used by the Target Properties for minor expenditures.
- Deferred tax liabilities pertain to rental income differential and allowance for estimated credit loss – which are treated as future taxable income.
- The Target Properties do not have any outstanding debt and/or any debt-like items during the historical period.

Overview | Economic outlook

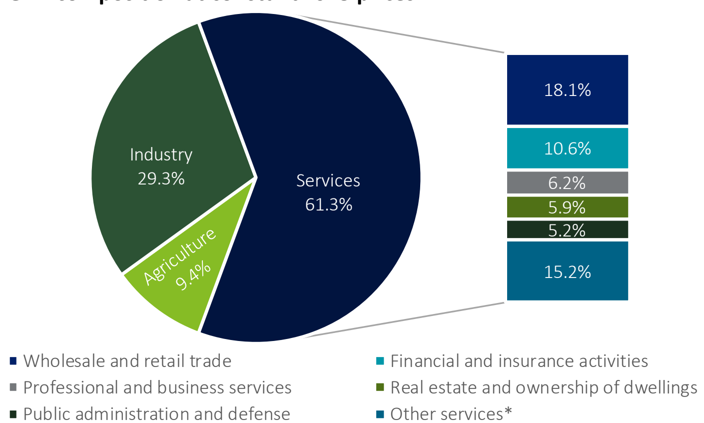
The Philippine economy exceeds expectations in 3Q21 despite the pandemic

Philippine economy



Source: EIU, Deloitte analysis

3Q21 Real GDP composition at constant 2018 prices



Note: (*) Other services include education, information and communication, transportation and storage, human health and social work, accommodation and food service activities.
Source: Philippine Statistics Authority, Deloitte analysis

GDP and inflation

- The Philippines' economic performance remains affected by the Delta variant of the coronavirus. However, the government's wide vaccination program which led to gradual easing of COVID-19 measures allowed the economy to outperform expectations with 3.8% quarterly growth in real Gross Domestic Product ("GDP") in 3Q21 compared to 2Q21, despite the surge in cases in August and September of 2021. This exceeded the forecast of 2.5% by the Economic Intelligence Unit ("EIU").
- The Philippine Statistics Authority ("PSA") posted a real GDP growth of 7.1% 3Q21 compared to the 3Q20 figures. Growth in 3Q21 is largely driven by the Services sector which grew by 8.2% followed by Industry sector with 7.9% growth. However, agriculture, forestry and fishing sector contracted by 1.7%.The main contributors to the growth of the services sector are wholesale and retail trade; repairs of motor vehicles and motorcycles (6.4%), manufacturing (6.3%) and construction activities (16.8%).
- EIU forecasts that the real GDP will only recover by 5.0% next year. Private consumption will grow faster in FY22 but still below pre-pandemic level, with substantial and continued government spending to support the economy. GDP is forecasted to be at an annual average of 6.2% from FY23 to FY26.
- Latest data from the PSA show that headline inflation rate decreased to 4.6% in October, from 4.8% in September. Inflation remained unchanged as the effects of higher international oil prices offset the stabilizing food supply. This resulted in an inflation from January to Oct'21 of 4.5% compared to 2.5% of last year. EIU forecasts that inflation will average 3.2% per year in FY23 to FY26.

Overview | Economic outlook

The real estate market hinges on the recovery of major economies and the Philippine government's success on vaccination rollout to bring back consumer confidence and demand

Real estate industry

Office market

- According to a report from Colliers International, a real estate services and investment management firm, vacancy rates in 3Q21 in the office market is at 13.9% with an expectation that by the end of FY21 vacancy rate will be at 15.6%. Office space transactions of 302.6K sqm increased by 2.0% compared to the same period last year. Companies that took up space are mostly e-commerce and logistics firms.
- Tenants continue to vacate office spaces in Metro Manila but expansions are observed in Alabang, Quezon City, Makati Central Business District, Makati Fringe, and key provinces such as Cebu and Pampanga. Iloilo is an emerging hotspot for higher-value knowledge process outsourcing and accounts for 30.0% of provincial office transactions recorded by Collier in 1H21.
- The office market recovery is dependent on the successful vaccination rollout of the government and easing of mobility restrictions. Recovery of major economies is expected to drive the demand from outsourcing firms beyond FY21.

Real estate industry (continued)

Retail market

- Vacancy rates in 3Q21 in the retail market is at 14.8% lower than initially projected to be 16.0%. Food and beverage are expected to drive retail space demand beyond FY21 but vacancy is still expected to be at 17.0% in FY22 due to substantial increase of new supply and tepid demand.
- Supply of new retail space will be driven by the completion of SM City Grand Central in Caloocan and Ayala Triangle Retail in Makati Central Business District contributing 137.0K sqm in 4Q21 to the market or increase of 158.0% from 53.1 sqm completed in FY20.
- Lockdown situations and growing propensity of Filipinos to shop online influence the retailers' decision to reopen. Colliers expects the successful vaccination program to improve consumer confidence and increase mall traffic.

Methodologies

Executive Summary	4
Overview	8
Methodologies	19
Financial projections	21
Valuation results	25
Appendices	30

Methodologies | Valuation approaches

Common market practice and the valuation methodologies, which are applicable to corporate entities and businesses, are discussed below.

	Income approach	Market approach	Asset approach
	Discounted cash flow method	Guideline public companies method	Adjusted book value method
Overview	• A method whereby the present value of future expected net cash flows is calculated using a discount rate.	• A method whereby market multiples are derived from the prices of companies that are engaged in the same or similar line of business and that are actively traded on a free and open market (i.e., comparable companies).	• A way of determining a value indication of a business, business ownership, or security using methods based on the value of the assets, net of liabilities, and preferred shareholdings.
Methodology	• Discount the projected free cash flows to the firm using the weighted average cost of capital, which is the weighted average, at market value, of the cost of all financing sources in the comparable companies' capital structure. • FCFF represents an income measure before payment to any capital holders, whether debt or equity.	• Benchmark the value of the business vis-à-vis its comparable companies, determined by the Firm's judgment, using applicable multiples (e.g., Enterprise Value / LTMEBITDA, price-to-book).	• Adjust the recorded assets and liabilities to their fair market value.

Note: Those approaches in blue outline were selected for this valuation.

Financial projections

Executive Summary	4
Overview	8
Methodologies	19
Financial projections	21
Valuation results	25
Appendices	30

Financial projections | Projected income statement

Projected revenues are based on existing contracts and occupancy rate as at Valuation Date; cost of services and operating expenses are based on the historical percentages to total revenues.

Aggregate projected income statement of all Target Properties

Php'000	FY19	FY20	LTM	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Rental Income	437,498	500,055	494,689	492,900	512,389	531,675	560,747	575,043	604,080	635,060	664,342	697,559	732,437
Income from dues	79,029	93,209	87,878	86,101	90,406	94,926	99,673	104,656	109,887	115,384	121,152	127,210	133,571
Total revenue	**516,527**	**593,264**	**582,567**	**579,001**	**602,795**	**626,601**	**660,420**	**679,699**	**713,967**	**750,444**	**785,494**	**824,769**	**866,008**
Cost of services	(105,609)	(122,902)	(120,686)	(128,874)	(131,949)	(142,103)	(160,164)	(171,750)	(177,254)	(183,055)	(188,982)	(195,329)	(201,993)
Gross profit	**410,918**	**470,362**	**461,881**	**450,127**	**470,846**	**484,498**	**500,256**	**507,949**	**536,713**	**567,389**	**596,512**	**629,440**	**664,015**
Operating expenses	(19,164)	(16,938)	(11,115)	(9,596)	(9,970)	(10,401)	(10,972)	(11,244)	(11,806)	(12,404)	(13,002)	(13,652)	(14,333)
Operating income	**391,754**	**453,424**	**450,766**	**440,531**	**460,876**	**474,097**	**489,284**	**496,705**	**524,907**	**554,985**	**583,510**	**615,788**	**649,682**
Gain on reversal	265	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	**392,019**	**453,424**	**450,766**	**440,531**	**460,876**	**474,097**	**489,284**	**496,705**	**524,907**	**554,985**	**583,510**	**615,788**	**649,682**
Depreciation	55,477	68,136	68,136	69,261	69,356	69,733	70,127	70,537	70,964	71,412	71,882	72,375	72,893
EBITDA	**447,496**	**521,560**	**518,902**	**509,792**	**530,232**	**543,830**	**559,411**	**567,242**	**595,871**	**626,397**	**655,392**	**688,163**	**722,575**
Normalization adjustments	3,409	5,777	1,444	-	-	-	-	-	-	-	-	-	-
EBITDA - normalized	**450,905**	**527,337**	**520,346**	**509,792**	**530,232**	**543,830**	**559,411**	**567,242**	**595,871**	**626,397**	**655,392**	**688,163**	**722,575**
Y-o-Y growth													
Revenue	*n/a*	*14.9%*	*(1.8%)*	*(0.6%)*	*4.1%*	*3.9%*	*5.4%*	*2.9%*	*5.0%*	*5.1%*	*4.7%*	*5.0%*	*5.0%*
Common size ratio													
Gross profit	*79.6%*	*79.3%*	*79.3%*	*77.7%*	*78.1%*	*77.3%*	*75.7%*	*74.7%*	*75.2%*	*75.6%*	*75.9%*	*76.3%*	*76.7%*
Operating expense	*(3.7%)*	*(2.9%)*	*(1.9%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*
EBITDA	*87.3%*	*88.9%*	*89.3%*	*88.0%*	*88.0%*	*86.8%*	*84.7%*	*83.5%*	*83.5%*	*83.5%*	*83.4%*	*83.4%*	*83.4%*

Source: Management information, Deloitte analysis

Overview

- The Client provided a 10-year projection for all Target Properties based on expected billings and escalation rates of existing contracts. Occupancy rate throughout the projection period is assumed to be the same as Valuation Date at 98.8%.
  – Office spaces have normal lease terms of five (5) years and lessees have an option to renew for another five (5) years. Meanwhile, lease terms for commercial spaces range from three (3) to five (5) years and majority has renewal option on a yearly basis.
- Variable costs in the cost of services and operating expenses of all Target Properties are based on percentage of total revenues. Salary and employee benefits that is part of operating expenses is assumed to grow at 5.0% per annum.
- The financial projections were vetted for reasonableness by comparing projected revenue growth rates and its operational expense against the normalized historical performance of the Target Properties. In order to derive the normal level of historical EBITDA, one-time / non-recurring expenses (i.e., impairment cost and commission cost) are added back and gain on reversal is deducted.

Financial projections | Projected income statement

Projected revenues are based on existing contracts and occupancy rate as at Valuation Date; cost of services and operating expenses are based on the historical percentages to total revenues.

Aggregate projected income statement of all Target Properties

Php'000	FY19	FY20	LTM	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Rental Income	437,498	500,055	494,689	492,900	512,389	531,675	560,747	575,043	604,080	635,060	664,342	697,559	732,437
Income from dues	79,029	93,209	87,878	86,101	90,406	94,926	99,673	104,656	109,887	115,384	121,152	127,210	133,571
Total revenue	**516,527**	**593,264**	**582,567**	**579,001**	**602,795**	**626,601**	**660,420**	**679,699**	**713,967**	**750,444**	**785,494**	**824,769**	**866,008**
Cost of services	(105,609)	(122,902)	(120,686)	(128,874)	(131,949)	(142,103)	(160,164)	(171,750)	(177,254)	(183,055)	(188,982)	(195,329)	(201,993)
Gross profit	**410,918**	**470,362**	**461,881**	**450,127**	**470,846**	**484,498**	**500,256**	**507,949**	**536,713**	**567,389**	**596,512**	**629,440**	**664,015**
Operating expenses	(19,164)	(16,938)	(11,115)	(9,596)	(9,970)	(10,401)	(10,972)	(11,244)	(11,806)	(12,404)	(13,002)	(13,652)	(14,333)
Operating income	**391,754**	**453,424**	**450,766**	**440,531**	**460,876**	**474,097**	**489,284**	**496,705**	**524,907**	**554,985**	**583,510**	**615,788**	**649,682**
Gain on reversal	265	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	**392,019**	**453,424**	**450,766**	**440,531**	**460,876**	**474,097**	**489,284**	**496,705**	**524,907**	**554,985**	**583,510**	**615,788**	**649,682**
Depreciation	55,477	68,136	68,136	69,261	69,356	69,733	70,127	70,537	70,964	71,412	71,882	72,375	72,893
EBITDA	**447,496**	**521,560**	**518,902**	**509,792**	**530,232**	**543,830**	**559,411**	**567,242**	**595,871**	**626,397**	**655,392**	**688,163**	**722,575**
Normalization adjustments	3,409	5,777	1,444	-	-	-	-	-	-	-	-	-	-
EBITDA - normalized	**450,905**	**527,337**	**520,346**	**509,792**	**530,232**	**543,830**	**559,411**	**567,242**	**595,871**	**626,397**	**655,392**	**688,163**	**722,575**
Y-o-Y growth													
Revenue	*n/a*	*14.9%*	*(1.8%)*	*(0.6%)*	*4.1%*	*3.9%*	*5.4%*	*2.9%*	*5.0%*	*5.1%*	*4.7%*	*5.0%*	*5.0%*
Common size ratio													
Gross profit	*79.6%*	*79.3%*	*79.3%*	*77.7%*	*78.1%*	*77.3%*	*75.7%*	*74.7%*	*75.2%*	*75.6%*	*75.9%*	*76.3%*	*76.7%*
Operating expense	*(3.7%)*	*(2.9%)*	*(1.9%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*	*(1.7%)*
EBITDA	*87.3%*	*88.9%*	*89.3%*	*88.0%*	*88.0%*	*86.8%*	*84.7%*	*83.5%*	*83.5%*	*83.5%*	*83.4%*	*83.4%*	*83.4%*

Source: Management information, Deloitte analysis

Cost of services

- The decreasing gross profit starting FY23F is due to payments for land lease costs as the land to which the Target Properties are situated are owned by Megaworld. The Target Properties will pay for the land lease cost based on gross rental income in FY23F, FY24F, and FY25F at an incremental rate of 1.3%, 3.8%, and 5.0%, respectively. Escalation rate of 5.0% will be applied to the lease costs from FY26F onwards.

Operating expense

- Operating expense as a percentage of total revenues is at 1.7% largely due to 1.5% business tax applied to the total revenues of World Finance Plaza located in Taguig City. Business taxes applied to One Global Center, Three Techno Place, and Two Techno Place are 0.28% as the properties are in Iloilo City.
- The remaining 0.2% pertains to salaries and benefits and other miscellaneous expenses.

Financial projections | Others

Normalized levels of net working capital and operating cash are based on the average historical values from FY18 to LTM and average multiples from comparable companies

Aggregate normalized net working capital for all Target Properties

Php'000 *Forecast Period*	FY19	FY20	LTM	FY21 *1*	FY22 *2*	FY23 *3*	FY24 *4*	FY25 *5*	FY26 *6*	FY27 *7*	FY28 *8*	FY29 *9*	FY30 *10*	Terminal Period
Total revenues	516,527	593,264	582,567	579,001	602,795	626,601	660,420	679,699	713,967	750,444	785,494	824,769	866,008	909,308
Debt-Free Cash-Free NWC	(318,622)	(360,996)	(355,363)	(353,187)	(367,702)	(382,223)	(402,853)	(414,613)	(435,516)	(457,767)	(479,147)	(503,105)	(528,260)	(554,673)
% of Total revenues	*(61.7%)*	*(60.8%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*	*(61.0%)*
Change in Debt-Free Excess Cash-Free NWC			(5,634)	(2,176)	14,515	14,521	20,630	11,760	20,903	22,251	21,380	23,958	25,155	26,413
Operating Cash			14,882	16,178	16,962	19,348	23,611	26,287	27,605	28,996	30,412	31,932	33,528	35,204
% of Total revenues			*2.6%*	*2.8%*	*2.8%*	*3.1%*	*3.6%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*
Change in Operating Cash				(1,295)	(784)	(2,386)	(4,263)	(2,676)	(1,318)	(1,391)	(1,415)	(1,520)	(1,596)	(1,676)
Change in Debt-Free Cash-Free NWC				**(3,471)**	**13,731**	**12,135**	**16,367**	**9,084**	**19,585**	**20,860**	**19,965**	**22,438**	**23,559**	**24,737**

Sep'21	Normalized	Actual
Debt-Free Cash-Free NWC	(355,363)	(272,791)
Operating Cash	14,882	-
	(340,481)	(272,791)
Excess/(Deficit)		67,690

Source: Management information, Deloitte analysis

Working capital

- Normalized debt-free cash-Free net working capital (“NWC “) is computed as a percentage of total revenues during the projected period. The percentage of debt-free cash-free NWC of 61.0% is based on the average historical level from FY18 to the LTM.
- Cash set aside for operating expenses or operating cash is estimated to be 12 weeks of the weekly cash requirement. This is based on observed levels of identified comparable companies.

Capital expenditures

- CAPEX is projected to be 1.5% of annual total revenue. Estimated useful life of 25 years is applied to the CAPEX as these would match the historical level of depreciation of the Target Properties.

Valuation results

Executive Summary	4
Overview	8
Methodologies	19
Financial projections	21
Valuation results	25
Appendices	30

Valuation results | DCF method

The indicative equity value for the Target Properties using the DCF method is Php9.9B

Discounted cash flow - Overall

Php'000		3M21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Terminal
EBITDA		127,448	530,232	543,830	559,411	567,242	595,871	626,397	655,392	688,163	722,575	758,704
EBITDA Margin		*88.0%*	*88.0%*	*86.8%*	*84.7%*	*83.5%*	*83.5%*	*83.5%*	*83.4%*	*83.4%*	*83.4%*	*83.4%*
Depreciation		(17,315)	(69,356)	(69,733)	(70,127)	(70,537)	(70,964)	(71,412)	(71,882)	(72,375)	(72,893)	(13,640)
EBIT		110,133	460,876	474,097	489,284	496,705	524,907	554,985	583,510	615,788	649,682	745,064
EBIT Margin		*76.1%*	*76.5%*	*75.7%*	*74.1%*	*73.1%*	*73.5%*	*74.0%*	*74.3%*	*74.7%*	*75.0%*	*81.9%*
Income Taxes	*25.0%*	(27,533)	(115,219)	(118,524)	(122,321)	(124,176)	(131,227)	(138,746)	(145,877)	(153,947)	(162,421)	(186,266)
Net Operating Profit After Tax		**82,600**	**345,657**	**355,573**	**366,963**	**372,529**	**393,681**	**416,239**	**437,632**	**461,841**	**487,262**	**558,798**
Plus: Depreciation		17,315	69,356	69,733	70,127	70,537	70,964	71,412	71,882	72,375	72,893	13,640
Less: Capital Expenditures		(2,171)	(9,042)	(9,399)	(9,906)	(10,195)	(10,710)	(11,257)	(11,782)	(12,372)	(12,990)	(13,640)
Less: Incremental Net Working Capital		(3,471)	13,731	12,135	16,367	9,084	19,585	20,860	19,965	22,438	23,559	24,737
Net Available Cash Flow		**94,273**	**419,702**	**428,042**	**443,551**	**441,954**	**473,519**	**497,254**	**517,697**	**544,282**	**570,723**	**583,535**
Periods Discounting		0.125	0.750	1.750	2.750	3.750	4.750	5.750	6.750	7.750	8.750	
Present Value Factor	*9.0%*	0.989	0.937	0.860	0.789	0.724	0.664	0.609	0.559	0.513	0.470	
Present Value of Cash Flow		**93,262**	**393,433**	**368,120**	**349,962**	**319,910**	**314,457**	**302,954**	**289,365**	**279,106**	**268,500**	

Present Value of Discrete Cash Flows	2,979,069
Present Value of Terminal Year Value	6,863,171
Present Value of Cash Flows	9,842,240
Plus/(Less): Excess/(Deficit) Working Capital	67,690
Indicative Business Enterprise Value	**9,909,930**
Plus: Cash	200
Plus/(Less): Deferred taxes	(14,545)
Indicative Value of Equity	**9,895,585**
Rounded	9,895,600

Source: Management information, Deloitte analysis

Business Enterprise Value

- Business enterprise value ("BEV") measures the value of the business's operating assets. It is the sum of common stock, preferred stock, debt (short and long-term interest-bearing debt and capital leases), and other long-term operating liabilities, minus non-operating assets(e.g. cash), plus non-operational liabilities (e.g. deferred tax liability).
- The BEV of the Target Properties is computed using discounted cash flow (DCF) method.

DCF Method

- The DCF method discounts the net available cash flow of the Target Properties to their net present value to arrive at BEV. As at the Valuation Date, the indicative BEV of the Target Properties is around Php9.9B.
- Adding non-operating assets and deducting non-operational liabilities arrives at indicative value of equity of Php9.9B
- We also prepared a DCF computation for each Target Property which is presented in **Appendices A6 to A9.**

Valuation results | DCF method

The indicative equity value for the Target Properties using the DCF method is Php9.9B

Discount rate

- The discount rate used to equate the net available cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have computed a nominal after tax discount rate of 9.0%.
- The supporting calculations to the discount rate are provided in **Appendix A4**.

Discounting convention

- We have used a mid-period discounting to convention, which assumes that the cash flows are received at the middle of each period as the cashflows of the company are generated steadily throughout the year; however, the exact timing within a fiscal year tends to vary

Terminal value

- The terminal value estimates the value of the ongoing cash flows after the forecast period. We have estimated the terminal value based on the normalized cash flows, the discount rate and an estimate of the long-term cash flow growth rate. Normalized cash flows is the projected FY30 net available cash flow applied with long-term growth rate of 5.0%.
- The terminal growth rate is assumed to be 5.0%, which is aligned with the annual escalation rate of 5.0% per management representation and sample contracts reviewed.

Valuation results | ABV method

The indicative equity value for the Target Properties using the ABV method is Php7.1B

Adjusted book value as at Sep'21

Php'000	Reported	Adjustments	Adjusted
Investment properties - net	1,666,880	7,614,120	9,281,000
Trade receivables	62,711	-	62,711
Prepaid & other current assets	953	-	953
Deposits and other liabilities	(271,803)	-	(271,803)
Income tax payable	(64,653)	-	(64,653)
Working capital	**(272,792)**	**-**	**(272,792)**
Deferred tax liabilities - net	(14,545)	(1,903,530)	(1,918,075)
Cash	200	-	200
Net assets/Indicative value of equity	**1,379,743**	**5,710,590**	**7,090,333**

Source: Management information

ABV method

- In absence of market value indication for the following balance sheet items, we have assumed their carrying values at 30 September 2021 as their market values: investment properties – net, trade receivables, prepaid and other current assets, deposits and other liabilities, income tax payable, deferred tax liabilities, and cash and cash equivalents.

Adjustments

- The adjustment of Php7.6B relates to the revaluation of the properties based on the latest appraised values provided by Management.
- The appraisal exercise was conducted by SKF, an independent property appraiser. SKF performed an income approach and concluded that the market value of the following properties is Php9.3B as at Sep'21. The appraisal report assumes a going concern basis.

Appraised values as at Sep'21

Php'000	GLA	Appraised value
World Finance Plaza	25,066.45	5,265,000
Two Techno Place	10,808.90	1,498,000
Three Techno Place	9,567.90	1,244,000
One Global Center	10,301.00	1,274,000
	55,744.25	9,281,000

Source: Management information

- The corresponding deferred tax liability pertains to the approximate tax impact of selling the property (i.e., capital gains tax liability) arising from the appraised value of Target Properties' investment properties. This is reflected in the ABV calculation as at 30 September 2021 amounting to Php1.9B.

Valuation results | GPC method

The indicative equity value for the Target Properties using the ABV method is Php9.3B

Summary of observed multiples

	BEV / LTM EBITDA
Range of multiples	14.5x - 25.4x
Third quartile	19.7x
Average	18.5x
Median	18.0x
First Quartile	15.4x
Selected multiple	18.0x

Financial data	Php'000
LTM EBITDA	518,902
Multiple	18.0x
Indicative business enterprise value	9,344,361
Cash	200
Deferred tax liability	(14,545)
Indicative equity value	9,330,016

Source: Management information

Guideline Public Companies multiples

	BEV / LTM EBITDA
Keihanshin Building Co., Ltd.	17.0x
Cebu Holdings, Inc.	14.9x
Shenzhen Wongtee International Enterprise Co., Ltd.	20.0x
GTM Holdings Corporation	14.5x
Grand Canal Land Public Company Limited	25.4x
Vincom Retail Joint Stock Company	19.0x

GPC method

- In order to select an appropriate valuation multiple for Target Properties, we have sought similar companies operating in the real estate sector (operator of office and commercial space buildings).
- The pool of companies are further refined based on the following criteria:
  a. Geographic location: Asia/Pacific Emerging Markets
  b. Company type: publicly listed
  c. LTM Revenues
- The resulting companies from the screening are encoded in Capital IQ "Comp Sets" and further filtered the potential guideline companies by including companies with LTM Total Revenues Php250.2M and Php2.4B between 2nd and 3rd quartile of the population, respectively. This revenue range captures the revenue size of the Target Properties.
- To decide the appropriate multiples to be applied, we have used the median of the respective BEV/LTM EBITDA multiple of comparable companies. The median multiple from the GPC used in the valuation is 18.0x.
- Applying the multiple to the LTM EBITDA of the Target Properties, the computed indicative business enterprise value is Php9.3B
- Adding non-operating assets and deducting non-operational liabilities arrives at indicative value of equity of Php9.3B.

Appendices

Executive Summary	4
Overview	8
Methodologies	19
Financial projections	21
Valuation results	25
Appendices	30

Appendices | A1: Scope and bases of work

Principal assumptions

- The scope of our work is set out in the signed Engagement Letter. Our work, which is summarised in this Final Report, has been limited to matters which we have identified that would appear to us to be of significance within the context of our scope as set out in the Engagement Letter, together with variations, if any, set out in this section.
- This fairness opinion report is subject to specific assumptions we consider necessary or appropriate. The principal assumptions made for the purpose of the valuation report are as follows:
  - The information provided fairly reflects the historical and future financial performance and position of the Target Properties;
  - There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, nor any litigation pending or threatened, which would have a material impact on the Target Properties;
- In view of the Purpose and scope of our engagement, the comments and observations included in this Final Report are limited principally to those matters that, based on discussions with you, would appear to be of significance or interest to you or that might require further consideration or follow-up in connection with the Services.

Sources of Information

- In completing our work, we have relied on the integrity of the information and data supplied to us by the Client's Management. We have relied on the available published market and other public information.
- We are not required to and have not carried out an audit on the financial statements or components of the financial statements of the Target Properties. We have used available published market information where appropriate, for which we are not responsible in terms of content and accuracy.
- We have not verified the truth or accuracy of any information or materials provided or made available to us during the performance of the Services, beyond making a value judgment on the reasonableness of the data.

Sources of Information (continued)

- Since our engagement does not encompass the evaluation of or comment on the financial, legal, and commercial merits and/or risks of the Services, we do not express any opinion thereon. We also do not express any views on the future growth prospects and earnings potential of the Target Properties.
- Further, we are not required to validate the assumptions and the forecasts that are provided to us by the Client.
- We have held discussions with the Client and have relied on the historical financial information, financial forecasts, technical and financial experts' reports and agreements summarized below, and other information provided to us by the Client.
  - Income statement projections from FY21 to FY31
  - Carved-out Consolidated Financial Statements of the Target Properties for the year ended December 31, 2020
  - Carved-out Consolidated Balance Sheet of Target Properties as of September 30, 2021
  - Appraisal reports of the Target Properties
  - Rent-roll document with gross leasable area per property, lease type, and occupancy
- These information are the sole responsibility of the Client. While care has been exercised in reviewing all information furnished to us by the Client and certain publicly available information that we have gathered and considered relevant, we have not independently verified such information, whether written or verbal.

Updating of the Report

- We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

Appendices | A1: Scope and bases of work

Other assumptions and limiting conditions

This Final Report has been prepared pursuant to the following general assumptions and general limiting conditions:

- The analyses, advice, recommendations, opinions, or conclusions contained herein are valid only as of the indicated date and only for the indicated Purpose.
- The analyses and estimates contained herein are for the exclusive use of the Client for the sole and specific purposes noted herein and may not be used for any other purpose by the Client or any other party. Furthermore, the analyses and estimates are not intended by the Firm and should not be construed by the reader to be investment advice in any manner whatsoever.
- Possession of this Report, or a copy thereof, does not carry with it the right of publication or distribution to or use by any third party. Any third party that uses the information contained herein does so at its sole risk and agrees to hold the Firm and its respective personnel harmless from any claims resulting from use by any other third party. Access by any third party does not create privity between the Firm and any third party.
- No part of the contents of this Report (particularly the analyses or estimates; the identity of any personnel of the Firm, or any reference to any of their professional designations or to the Firm) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent of the Firm.
- No item in this Report shall be changed by anyone other than the Firm, and the Firm shall have no responsibility for unauthorized changes.
- Neither the Firm nor its personnel, by reason of this engagement, is required to furnish a complete Report, or to give testimony, or to be in attendance in court with reference to the Target Properties or business interests unless arrangements have been previously made in writing.

Other assumptions and limiting conditions (continued)

- We have relied on the representations of the Client or its representatives concerning the usefulness and condition of all real and personal property, intangible assets, or investments used or held in any subject business, as well as the amounts and settlement dates of its liabilities, except as specifically stated to the contrary in this Report. We have not attempted to confirm whether all assets of any subject business are free and clear of liens and encumbrances or that the entity has good and marketable title to any assets.
- We assume that Target Properties or business interests are free and clear of any or all liens or encumbrances, unless otherwise stated herein.
- We assume no responsibility for the legal description or matters including legal or title considerations. Title to the Target Properties or business interests is assumed to be good and marketable, unless otherwise stated herein.
- We assume that the Target Properties or business interests are responsibly owned and competently managed.
- We assume that the Client is in full compliance with all applicable state, and local regulations and laws unless noncompliance is stated, defined, and considered in this Report.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on any Target Properties or business interest due to future state, or local legislation, including any environmental or ecological matters or interpretations thereof.
- We assume no responsibility for any financial or tax reporting requirements; such reporting requirements are the responsibility of the Client for whom this analysis was prepared.

Appendices | A2: Engagement letter

NavarroAmper&Co.

Navarro Amper & Co.
19th Floor Six/Neo Bldg.
5th Avenue corner 26th Street
Bonifacio Global City, Taguig 1634
Philippines

Tel: +63 (2) 8581 9000
Fax: +63 (2) 8869 3676
www.deloitte.com/ph

BOA/PRC Reg. No. 0004
SEC Accreditation No. 0001-FR-4

STRICTLY PRIVATE & CONFIDENTIAL

November 26, 2021

Megaworld Corporation
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634

Attention of: **Joey I. Villafuerte**
VP for Controllership

Subject: **Project Jupiter**

Dear Mr. Joey,

This letter confirms the engagement of Navarro Amper & Co. ("Deloitte" or the "Firm") by Megaworld Corporation ("Megaworld", the "Company", or the "Client") to provide Fairness Opinion Services (the "Services"), in relation to the Client's plan for a Property sale transaction to MREIT, Inc. (the "Proposed Transaction").

This letter is to confirm our understanding of the terms and conditions of our engagement and the nature and limitations of the Services that we will provide.

This engagement letter is being provided in advance of the completion of our internal client and engagement acceptance procedures. Accordingly, we shall have the right to terminate this engagement in the event we are unable to complete such procedures or are not satisfied with the results of such procedures. The Client hereby acknowledges such right and releases the Firm from any claims, liabilities, or expenses in any way relating to or in connection with the exercise of such right. In the event of such termination, neither party shall have further liability or continuing obligation to the other party, except that the Firm shall be entitled to recover such fees from the Client based on the time already spent by the service team on this engagement and/or disbursements already incurred in accordance with this engagement letter, if any.

Services

We have described in **Appendix B – Scope of Fairness Opinion Services** the scope of the Services that you wish us to perform for the Proposed Transaction. These Services may be changed or modified by mutual agreement of the parties if, for example, unforeseen circumstances arise. We will promptly discuss any such circumstances with you and, likewise, Client notifies the Firm promptly if modifications to the Services are requested.

The Client accepts ownership and responsibility of the final estimated fair values. Further, The Services will be performed solely for the information of and assistance to the Client in connection with the Proposed Transaction. The Services will be limited in nature and will not comprehend all matters relating to the Proposed Transaction that might be pertinent or necessary to the Proposed Transaction. Accordingly, the Services should not be taken to supplant other inquiries and procedures that the Client should undertake for the Proposed Transaction. Deloitte makes no representation as to the sufficiency of the Services in connection with the Proposed Transaction. At the conclusion of the engagement, the Client shall acknowledge its sole responsibility for the sufficiency of the Services performed. In addition, Deloitte will be unable to express, and will not express, any opinion or other form of assurance relating to the Proposed Transaction.

Deloitte.

The performance of the Services does not constitute an audit, compilation, or review of the Client's financial statements or specified elements, accounts or items thereof, in accordance with generally accepted auditing standards or other applicable audit or attestation professional standards, nor an examination or compilation of, or any application of agreed upon procedures to, any prospective financial statements, or an appraisal of the Client, or any of the Client's assets and liabilities, other than the assets and liabilities valued pursuant to the Services. Neither Deloitte nor any of the Client Communications (referred to in Section 2 of Appendix A) will express an opinion or any other form of assurance with respect to any matters as a result of the performance of the Services, including, without limitation, concerning (i) the financial statements of the Client, or any financial or other information, or operating or internal controls of the Client, taken as a whole, for any date or period; (ii) the merits of the Transaction including, without limitation, the consideration to be paid; and/or, (iii) the fairness of the contemplated terms of the Transaction other than those related to the Services.

We note that our Services exclude the following:

- Deloitte will not translate any data provided by the Client that is not in the English language. Any required translation will need to be undertaken by the Client;
- As general practice, our Services do not include the provision of the valuation analysis model. However, we will insert all the relevant analysis in our final deliverable; and
- Our Services do not include the valuation of any fixed assets including real estate held by the Client. We can assist you in appointing a tangible asset appraiser and/or provide real estate valuation/appraisal as additional scope based on your request.

The Services are solely for the Proposed Transaction stated above and is not to be reproduced or used for any other purposes

Reliance on information and limitation

The Services and the results thereof will be based substantially on information provided by or on behalf of the Client, supplemented by publicly available information. We assume no responsibility and no representations with respect to the accuracy or completeness of any information provided by or on behalf of the Client.

We shall not be verifying the truth or accuracy of all information or materials provided or made available to us during the performance of the Services, beyond making a value judgement on the reasonableness of the data.

As part of our normal procedures, before we finalize our report, we will issue a draft version to you for your confirmation or corrections in relation to the factual material provided by, and the opinions attributed to the Client as set out in the draft. We will amend our report for your comments and/or corrections and, if necessary, issue an updated draft incorporating any corrections so advised prior to finalization of our report. If, after consultation with you, we are unable to comply with the scope of work, for example due to limitations on the information made available, we will note in our report any major areas where the scope of work was limited or amended.

The Client agrees to sign a representation letter, to be prepared by the Firm, which, among other things, will confirm the Client's responsibility for all prospective financial information and the underlying

2

Appendices | A2: Engagement letter

assumptions therein used in connection with any projections, forecasts or analytical models. The draft Management Representation Letter is set out in *Appendix C*. We accept no responsibility for them, or the ultimate accuracy and realization of the forecasts and projections. Furthermore, you should note that there will be differences between forecasts and projections, and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

In performing the Services, we would place reliance on the Client's projections. Our scope of work excludes providing a view on the reasonableness of the projections or undertaking any independent market study. In addition, where applicable, we will place reliance on the Client on the legal ownership of the intellectual property rights and the extent of protection such legal ownership affords in the Philippines.

For the avoidance of doubt, our scope of work does not encompass the evaluation of or comment on the financial, legal, and commercial merits and/or risks of the Transaction and we do not express any opinion thereon. We do not address the financial, strategic, commercial, or relative merits of the Proposed Transaction. Our scope of work does not require us to express, and we do not express, a view on the future growth prospects and earnings potential of the property sold by the Client in relation to the Proposed Transaction. The Client will not challenge our final report in any legal proceedings or otherwise.

This Engagement Letter is strictly confidential. It is made available to you on the strict understanding that it will not be shown, read, or passed on to any other person who is not currently an employee of your organization.

Use of the Report

We understand that you want to disclose the report for regulatory purposes. You may provide the report to the appropriate regulatory body together with a Hold Harmless letter (to be provided by the Firm upon request) as an accompanying letter to the deliverable. To the maximum extent permitted by law we are not responsible to you or any other party for any loss you or any other party may suffer in connection with the access to or use of any of our Client Communications.

Fees

Generally, our professional fees are based on the time our personnel devote to a project at hourly rates that recognize their experience and special skills they bring to the project. Our fees to perform the Services is [redacted] inclusive of out-of-pocket expenses and exclusive of 12.0% value-added tax ("VAT").

It is our normal practice to render interim billings as our work progresses (invoices upon receipt). The proposed payment schedule in connection with this engagement is as follows:

First instalment	upon signing of the Engagement Letter	30%
Second instalment	upon submission of interim deliverable	50%
Final instalment	upon submission of final deliverable	20%

If there is a need for additional services or other needs for extension of the Services, we will seek your approval before providing the additional services.

Furthermore, should the work required subsequently found to be substantially more than anticipated or if there is a need for additional procedures or other needs for extension of our services, we will seek your prior written approval before providing the additional services.

3

However, in the event the Proposed Transaction is cancelled, the Firm will be compensated for the work performed to that point of cancellation based on actual time spent.

Timing

We estimate that this assignment will be carried out in approximately two (2) weeks once information and key personnel of the Client have been made available to us and we are able to begin our work. However, it is our intention to provide you with the draft report after one (1) week and the final report will be issued a week later. We will discuss with you any difficulties, with respect to the completion of the assignment, as and when they arise.

We acknowledge that:

- There is potential for business disruption resulting from the COVID-19 virus; and
- It is impossible to foresee how it will develop or the containment measures which may be imposed.

We therefore agree that all commitments as to timing in relation to our work are tentative only. This limitation prevails over any commitments as to timing in relation to our work made during the currency of the COVID-19 virus epidemic.

Remote working

Due to the current COVID-19 situation, Client understands and agrees that these Services shall be performed remotely. Remote access to documentation will be made available. Virtual conferencing will be utilized; Client personnel will be actively engaged in such meetings.

Confirmation of the Terms of our Engagement

This letter, together with Appendix A: *Standard Business Terms and Acknowledgements* and Appendix B: *Scope of Fairness Opinion Services* attached hereto, constitutes the entire agreement of the parties hereto with respect to this engagement, supersedes all other oral or written representations, understandings or agreements relating to this engagement, and may not be amended except by written agreement signed by the parties.

We are committed to ensuring that we deliver high quality service. If at any time you would like to discuss with us how our service to you could be improved or if you are unsatisfied with the services you are receiving, please contact us. Your primary contact is Diane S. Yap (dyap@deloitte.com), the engagement partner and the Head of Financial Advisory at the above address or, if you would prefer to deal with someone else, contact Frediric B. Landicho, who is our Managing Partner (flandicho@deloitte.com). We shall carefully consider any matters that are brought to our attention in a timely manner and contact you to discuss and resolve the matter.

Please confirm your acceptance of the terms and conditions of this engagement letter by completing the information below. We will require a copy of this letter to be signed by you, where indicated.

Very truly yours,

Diane S. Yap
Diane S. Yap
Partner

4

Appendices | A2: Engagement letter

Acknowledgement

The Services hereunder shall be provided under the provisions of this letter, and Appendix A: *Standard Business Terms and Acknowledgements*, and Appendix B: *Scope of Fairness Opinion Services*, attached hereto which are incorporated herein by reference and which shall apply as if set out in full herein. This letter, together with the Appendices, describes our complete understanding with respect to the Services. It replaces and supersedes any previous proposals, correspondence, and understandings, whether written or oral, among the parties. The agreements of the Client and Navarro Amper & Co. contained in this letter shall survive the completion or termination of this engagement. In the event of a conflict between the provisions of this letter and any of the provisions set forth in Appendix A, the provisions of Appendix A shall govern.

Agreed and approved on behalf of **Megaworld Corporation** by:

Name:	JOEY I. VILLA FUERTE	Signature:	
Title:	CONTROLLER	Date:	DECEMBER 13, 2021

5

Appendix A

STANDARD BUSINESS TERMS AND ACKNOWLEDGEMENTS

The engagement letter and any appendices including these standard business terms issued by Navarro Amper & Co. ("NA&Co.") and addressed to the entity specified in the engagement letter ("Client"), (collectively the "Engagement Letter") constitute the whole agreement between the Client and NA&Co. in relation to the services, deliverables and work product described in the Engagement Letter (the "Services"). For the purposes of this Engagement Letter, the Client shall include such Client's subsidiaries and/or affiliates as identified in the Engagement Letter (together with Client, "Client Group"). The Client represents and warrants that it has the power and authority to execute this Engagement Letter on behalf of, and to bind, itself and its subsidiaries and/or affiliates identified in the Engagement Letter.

NA&Co. and its affiliated entities are affiliates of Deloitte Southeast Asia Ltd, a member of Deloitte Asia Pacific Limited and of the Deloitte Network. "Deloitte" or the "Deloitte Network" refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Neither DTTL, nor any member firm of DTTL or their affiliated entities has, any liability for each other's debts, obligations, acts or omissions. Each member firm of DTTL, and each of its related entities or affiliated entities is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" or other related names; and services are provided by member firms or their related entities or affiliated entities and not by DTTL.

This Engagement Letter is between Client and NA&Co. only. In the course of providing the services NA&Co. may, at its discretion, draw on the resources of other DTTL member firms and their related entities ("other Deloitte Firms"). Any partner, director or employee of any other Deloitte Firms who deal with you in connection with our services does so on behalf of NA&Co. alone. NA&Co. accepts responsibility for the actions of any partner, director or employee of any other Deloitte Firms assisting in the provision of our services as set out in this Engagement Letter.

The provisions of the preceding paragraphs have been stipulated by NA&Co. expressly for the benefit of other Deloitte Firms, their partners, directors and employees (together "the Beneficiaries"). You agree that each of the Beneficiaries shall have the right to rely on the aforementioned paragraphs as if they were parties to this Engagement Letter. Each of the other Deloitte Firms which may agree to assist in the provision of our services does so in reliance on the protections afforded to it by the aforementioned paragraphs, the benefit of which we formally accept on their behalf. You acknowledge and agree that no affiliated or related entity of NA&Co., whether or not acting as a subcontractor, shall have any liability hereunder to you or any other person and you will not bring any action against any such affiliated or related entity in connection with this engagement.

1. Services

Client specifically acknowledges and agrees to the following:

1.1 It is understood and agreed that the Services may include recommendations, but all decisions in connection with the implementation and acceptance of such recommendations shall be the responsibility of, and made by, Client. In connection with the Services, NA&Co. shall be entitled to rely on all decisions and approvals of Client.

1.2 The performance of the Services does not constitute (i) a recommendation regarding the acquisition or financing of any business, assets, liabilities or securities, (ii) a market or financial feasibility study, (iii) a fairness or solvency opinion, or (iv) an examination or compilation of, or the performance of agreed upon procedures with respect to prospective financial information in accordance with Philippine audit or attestation professional standards. The Services and the Client Communications are not intended to be, and shall not be construed to be, "investment advice". It is understood that NA&Co. will not provide, nor will it be responsible for providing, legal advice hereunder. In addition, financial forecasts are the responsibility of management of Client or the Target, as the case may be. In this regard, management of Client or the Target, as the case may be, is responsible for representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of its forecasted results, and NA&Co. has no responsibility therefore or for the achievability of the results forecasted. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

1.3 The performance of the Services is heavily dependent upon Client, the Target and their respective advisors (where applicable) having provided NA&Co. not only accurate and complete versions of materials and information requested by NA&Co., but also upon Client, the Target and their respective advisors having provided all relevant materials and information and answered NA&Co.'s questions fully and accurately. NA&Co. has no responsibility for the accuracy or completeness of the information provided by, or on behalf of, Client or the Target, even if NA&Co. had reason to know or should have known of such inaccuracy or incompleteness. This engagement cannot be relied upon to disclose errors or fraud should they exist.

6

Appendices | A2: Engagement letter

2. Communications – Use and Distribution

2.1 The nature of the Services may necessitate prompt communication to Client of NA&Co.'s findings that result from performing the Services as those Services are performed. Therefore, it will not be possible for all of NA&Co.'s communications to be in the form of written reports. Accordingly, any information, documents, or other communications provided by NA&Co., whether in writing or otherwise, including, without limitation, any reports (including, without limitation, NA&Co.'s final written report, if any, on the Services performed hereunder) or memoranda NA&Co. may issue, should be considered by Client in the context of the nature of the Services that NA&Co. has agreed to provide. Such information, documents, communications and any drafts thereof, including, without limitation, any draft or final reports or memoranda, whether in writing or otherwise, are herein referred to collectively as the "Client Communications."

2.2 Client agrees that the Client Communications are solely for Client's informational purposes and internal use in connection with the Transaction or Purpose, and are not intended to be relied upon by or for the benefit of any person or entity other than Client. Client further agrees that none of the Client Communications shall be circulated, quoted, disclosed or distributed to, nor will reference to any of the Client Communications be made to, anyone who is not (i) a member of management or of the board of directors of Client, who may use the Client Communications solely for purposes of Client's evaluation of the Transaction or Purpose, (ii) a legal advisor of Client acting strictly in an advisory capacity to Client, who may use the Client Communications solely to assist Client in connection with Client's evaluation of the Transaction or Purpose, provided that Client shall ensure that such legal advisor does not further circulate, quote, disclose or distribute any of the Client Communications, or refer to NA&Co. in connection with the Transaction or Purpose or any related transaction or any of the Client Communications, or (iii) any other professional advisor of Client acting strictly in an advisory capacity to Client, who may use the Client Communications solely to assist Client in connection with Client's evaluation of the Transaction or Purpose and who has agreed in writing not to further circulate, quote, disclose or distribute any of the Client Communications, or refer to NA&Co. in connection with the Transaction or Purpose or any related transaction or any of the Client Communications.

2.3 Where applicable, for purposes of the preceding paragraph, the term "professional advisor" does not include, among others, lenders or other financial institutions participating in or considering participating in any financing relating to the Transaction or Purpose. In addition, Client agrees that it will not refer, generically, by name or otherwise to NA&Co. or the Services in any written materials relating to the Transaction or Purpose (other than in written materials provided solely to a member of management or the board of directors of Client), including, without limitation, any publicly filed documents, without the prior written consent of NA&Co. for each requested use or reference.

3. Electronic Communication

3.1 During the engagement, both parties may wish to communicate electronically with each other. However, electronic transmission of information cannot be guaranteed to be secure or virus- or error-free and information could be intercepted, corrupted, lost destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Both parties agree to accept these risks and so each of us will be responsible for protecting their own systems and interests in relation to electronic communications. Neither party will have any liability to the other party on any basis for any loss or damage arising from or in connection with the electronic communication of information between both parties or their reliance on such information.

4. Spreadsheet & Computer Modelling

4.1 In the course of providing the Services, we may make reference to spreadsheets and or computer models (together, the "Models") that you may provide to us or ask us to rely upon or that we may have used in connection with the Services. All Models have limits and may not produce valid results for all possible combinations of input data; errors and potential errors may thus go unnoticed. Our work will be focused on the key outputs of the Models. As part of our work we may perform certain test checks on formulae and calculations within the Models for arithmetic and internal consistency but we will not be responsible for reviewing or testing the logical integrity of or detecting any errors in any of the Models.

4.2 In some cases it may be expedient for us to provide you for your convenience with a copy of one or more of our Models by way of explanation or illustration of our Services or related advice. Where we agree to do so, any such Model will have been developed solely for our internal use and incidental to our providing the Services and advice during the engagement rather than being a Client Communications of itself. Consequently, without in anyway qualifying the Services and Client Communications pursuant to this engagement, in providing you with any of our Models, we make no representation, warranty or undertaking (express or implied) in relation to and take no responsibility for the accuracy, suitability, adequacy, completeness or reasonableness of any of our Models for your own use. Prior to manipulating or placing any reliance on any Models - you are advised to carry out appropriate checks upon them.

5. Confidentiality

5.1 To the extent that, in connection with this engagement, NA&Co. comes into possession of any proprietary or confidential information of Client and/ or Target, NA&Co. will not disclose such information to any third party without Client's consent. Client hereby consents to NA&Co. disclosing such information (a) to other Deloitte Firms for the provision of services in connection with this engagement or persons entitled to receive Client Communications under this Engagement Letter, (b) as may be required by law, regulation, judicial or administrative process, or in accordance with applicable professional standards, or in connection with

7

litigation pertaining hereto, or (c) to the extent such information (i) shall have otherwise become publicly available (including, without limitation, any information filed with any governmental agency and available to the public) other than as the result of a disclosure by NA&Co. in breach hereof, (ii) becomes available to NA&Co. on a non- confidential basis from a source other than Client which NA&Co. believes is not prohibited from disclosing such information to NA&Co. by obligation to Client, (iii) is known by NA&Co. prior to its receipt from Client without any obligation of confidentiality with respect thereto, or (iv) is developed by NA&Co. independently of any disclosures made by Client to NA&Co. of such information.

5.2 Client acknowledges and agrees that NA&Co. may use Client's name and/or a general description of any services provided to Client in client lists and similar limited distribution materials prepared for NA&Co.'s marketing purposes as an entity that NA&Co. has been privileged to serve.

6. Limitation on Liability and Indemnification

6.1 Client Group agrees that NA&Co., and its personnel shall not be liable to Client Group, its shareholders, subsidiaries or its associated or related parties for any claims, liabilities, or expenses in any way arising out of or relating to services provided under this engagement for an aggregate amount exceeding one time the fees paid by Client to NA&Co. for the services performed pursuant to this engagement. In no event shall NA&Co., its directors, principals or employees be liable for (a) direct losses in the nature of damages for harm to business, lost revenues, lost profits or opportunity costs; and (b) consequential, special, indirect, incidental, punitive or exemplary loss, damage, cost or expenses (including, without limitation, lost profits and opportunity costs), relating to this engagement or the Transaction.

6.2 Client agrees to indemnify and hold harmless NA&Co., its directors, principals and employees from and against any and all actions, claims, liabilities and expenses (including without limitation, reasonable legal fees and expenses) brought against, paid or incurred by any of them at any time, in any way arising out of or relating to (i) this engagement or the Transaction (where applicable), except to the extent finally judicially determined to have resulted primarily from fraud and/or intentional misconduct of NA&Co., (ii) a breach or an alleged breach by Client or any of its personnel of any provision of these terms or the Engagement Letter to which these terms are attached, including, without limitation, the restrictions on use and distribution of the Client Communications, and (iii) the access to or use of the Client Communications by any professional advisor of Client authorized hereunder.

6.3 The provisions of this Section shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise. In circumstances where all or any portion of the provisions of this Section are finally judicially determined to be unavailable, NA&Co.'s aggregate liability for any claims, liabilities, or expenses relating to this engagement or the Transaction (where applicable) shall not exceed an amount which is proportional to the relative fault that NA&Co.'s conduct bears to all other conduct giving rise to such claims, liabilities, or expenses.

6.4 The limitation on liability provision of this Engagement Letter shall apply regardless of the form of action, loss, damage, claim, liability, cost, or expenses whether in contract, statute, tort (including without limitation, negligence), or otherwise. The agreements and undertakings of Client contained in this Engagement Letter, including without limitation, those pertaining to restrictions on Client Communications use and distribution, limitation on liability, shall survive the completion or termination of this engagement.

7. Non-Exclusivity

7.1 It is understood that NA&Co. may be engaged to provide services to other parties considering a transaction involving the Target. If such an engagement is being performed or were to be undertaken, the engagement team providing services to you hereunder would be separate from any engagement team providing services to such other parties, if any.

7.2 Confidential information, including the identity of Client, obtained in NA&Co.'s engagement with Client will not, without Client's prior permission, be disclosed to such other parties, if any. Similarly, NA&Co. and its personnel will have no responsibility to Client to use or disclose information, including the identity of such other parties, if any, NA&Co. possesses by reason of such services for such other parties, if any, whether or not such information might be considered material to the Client. NA&Co. believes that any such relationships will not impair the objectivity of NA&Co. and its personnel in the performance of the Services. However, NA&Co. is bringing the possibility of these relationships to Client's attention to avoid any misunderstanding.

8. Payment

8.1 NA&Co. reserves the right to impose a late charge of the lesser of (i) 1½% per month or (ii) the highest rate allowable by law, in each case compounded monthly to the extent allowable by law, for properly submitted invoices for which payment is not received within thirty (30) days of the invoice date.

8.2 NA&Co. reserves the right to suspend its services at any time if its accounts are not being satisfied on a timely basis. In the event of a delay in the timing of the Transaction or in the event of the cancellation of the Transaction, NA&Co. would expect to be paid at that time for all work performed to that point. Circumstances encountered during the performance of the Services that warrant additional time or expense or modifications to the scope of the procedures could cause us to be unable to deliver the Services within the above estimates. NA&Co. will endeavor to notify Client of any such circumstances as they arise.

8.3 In addition, NA&Co. will be compensated for any time and expenses (including, without limitation, reasonable legal fees and expenses) that NA&Co. may incur in considering or responding to discovery requests or other requests for documents or information, or in participating as a witness or otherwise in any legal, regulatory, arbitration, or other proceedings, including,

8

Appendices | A2: Engagement letter

without limitation, those other than as a result of or in connection with this engagement.

9. Assignment

9.1 Except as provided below, neither party may assign, transfer or delegate any of its rights or obligations hereunder (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other party. NA&Co. may assign or subcontract its rights and obligations hereunder to any affiliate or related entity without the consent of Client.

10. Client's Responsibilities

10.1 Client shall cooperate with NA&Co. in the performance by NA&Co. of its services hereunder, including, without limitation, providing NA&Co. with reasonable facilities and timely access to data, information and personnel of Client.

10.2 Client will, without limitation, be responsible for the following in connection with NA&Co.'s services hereunder; preparation of any prospective financial information, including, without limitation, financial projections supported by appropriate assumptions which, to Client's best knowledge and belief represent the results of operations and changes in financial position.

10.3 Client agrees that NA&Co. is not being engaged to provide, nor shall it be responsible for providing: (i) legal advice or (ii) for participation in the preparation or interpretation of any legal documents. Client agrees that the responsibility for the preparation, negotiation, review, and execution of all documentation with respect to any transaction shall be solely that of Client in consultation with its legal counsel. Client also agrees that it shall be solely responsible for the accuracy, completeness and appropriateness of any external memorandum, including, without limitation, all information contained in or omitted from any such memorandum. Client also acknowledges that NA&Co. cannot commit Client to the terms of any transaction or consummate any transaction on behalf of Client, and that only Client, must make all decisions that commit Client with respect to any transaction.

10.4 It is expressly understood that with respect to the services hereunder NA&Co.'s reports, recommendations, analyses, conclusions and other documents, if any, whether written or oral, do not, in whole or in part, constitute an audit, or solvency opinion or feasibility determination. Where applicable, Client is solely responsible for determining the price range with which negotiations shall occur with respect to the Transaction as well as the ultimate price to be paid in connection with the Transaction. NA&Co. will not render any advice as to whether, or at what price the Transaction should be entered into.

10.5 Client shall be solely responsible for, among other things (i) making all management decisions, performing all management functions, and assuming all management responsibilities, (ii) designating a competent management member to oversee the Services, (iii) evaluating the adequacy and results of the Services, (iv) accepting responsibility for the results of the Services, and (v) establishing and maintaining internal controls, including monitoring ongoing activities.

11. Force Majeure

11.1 NA&Co. shall not be liable for any delays or non-performance resulting from circumstances or causes beyond its reasonable control, including, without limitation, acts or omissions or the failure to cooperate by Client (including, without limitation, entities or individuals under its control, or any of their respective officers, directors, employees, other personnel and agents), acts or omissions or the failure to cooperate by any third party, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

12. Warranties

12.1 You hereby acknowledge that the NA&Co. has not made any warranties or guarantees with respect to the Transaction or Service and your ability to achieve your objectives from the Transaction (where applicable).

13. Limitations on Actions

13.1 No action, regardless of form, relating to the engagement, may be brought by either party more than one year after the cause of action has accrued, except any action for non-payment of fees and expenses may be brought at any time whether before or after the expiration of the said one year period.

14. Independent Contractor

14.1 It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor, partner, fiduciary or representative of the other. Neither party shall act or represent itself, directly or by implication, in any such capacity in respect of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

15. Intellectual Property

15.1 NA&Co. retains copyright in all material provided to Client or otherwise generated in the course of carrying out the engagement.

15.2 Client shall keep confidential any methodologies and technology used by NA&Co. to carry out an engagement.

16. Survival and Interpretation

16.1 The agreements and undertakings of Client contained in the Engagement Letter to which these terms are attached, together with these terms, shall survive the expiration or termination of this engagement.

17. Comments on the Legal Documentation

17.1 Client will appreciate that the precise wording of legal documentation is primarily a matter for lawyers and will reflect matters outside our expertise. NA&Co.'s comments and suggestions should not be relied upon as being suitable for incorporation into any agreement without further consideration by Client's legal advisors.

9

17.2 NA&Co. will not advise or make any representations to Client regarding questions of legal interpretation or compliance. Any final agreement will be the product of negotiation between the parties and as such will contain clauses which reflect the interests of the other party (as well as the interests and requirements of Client). It is a matter for Client to determine whether Client is prepared to accept those clauses in all the circumstances.

18. Personal Data

18.1 Each party shall comply with their respective obligations under the applicable data protection laws to the extent in connection with this Engagement Letter and the Services it stores, processes and transfers any personal data to which data protection laws apply ("Personal Data"). In relation to any Client Group or third party Personal Data which is processed by NA&Co. as part of the Services, NA&Co. as data processor will (i) process such Personal Data only in accordance with lawful and reasonable instructions of the Client; and (ii) in compliance with legally required security obligations applicable to a data processor.

18.2 The Client confirms that it has obtained all legally required authorizations to transfer any Personal Data to NA&Co. and to contractors providing administrative, infrastructure and other support services to NA&Co. as well as to any Deloitte Firms (including any Subcontractors] and their respective personnel, and to any subcontractor, including across borders.

19. Anti-Corruption

19.1 NA&Co. understands that the Client maybe subject to laws that prohibit bribery and/or providing anything of value to government officials with the intent to influence that person's actions in respect of the Client. NA&Co. may be subject to similar laws and codes of professional conduct and has its own internal policies and procedures which prohibit illegal or unethical behaviors. In providing the Services, NA&Co. undertakes not to offer, promise or give financial or other advantage to another person with the intention of inducing a person to perform improperly or to reward improper behavior for the benefit of the Client.

20. Entire Agreement

20.1 These terms, the Engagement Letter to which these terms are attached, including exhibits, constitute the entire agreement between NA&Co. and Client with respect to this engagement, supersedes all other oral and written representations, understanding or agreements relating to this engagement, and may not be amended except by written agreement signed by the parties.

20.2 In the event of any conflict, ambiguity, or inconsistency between these terms and the Engagement Letter to which these terms are attached, these terms shall govern and control. All notices hereunder shall be (i) in writing, (ii) delivered to the representatives of the parties at the addresses first set forth in the Engagement Letter, unless changed by either party by notice to the other party, and (iii) effective upon receipt.

21. Governing Law and Jurisdiction

21.1 The terms of the Engagement Letter, including other appendices, and all matters relating to this engagement (whether in contract, statute, tort (such as negligence), or otherwise), shall be governed by and construed in accordance with Philippine laws. It is irrevocably agreed that the courts of the Philippines shall have exclusive jurisdiction to hear and determine any disputes that may arise in connection with this engagement.

21.2 If any provision of this Engagement Letter is determined by a court of competent jurisdiction to be in violation of any applicable law or otherwise invalid or unenforceable, the remaining provisions contained in this Engagement Letter shall otherwise continue in full force and effect, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties set forth herein.

21.3 Unless otherwise provided in this Engagement Letter, any person who is not a party to this Engagement Letter shall not have any rights to enforce any of the terms herein.

22. Termination

22.1 It is understood that the services to be provided by us under this Engagement Letter may be terminated by either of us by one month written notice to the other without liability or continuing obligation to either of us except that the provisions relating to fees and confirmations and further undertakings will continue in force and remain operative. For the avoidance of doubt, we shall be entitled (in the event of such termination) to fees based on the time already spent by the service team on this engagement and disbursements already incurred in accordance with this Engagement Letter.

22.2 NA&Co. may terminate this Engagement Letter in whole or in part, with immediate effect upon written notice to the client if NA&Co. determines that a governmental, regulatory, or professional entity, or other entity having the force of law has introduced a new, or modified an existing law, rule, regulation, interpretation, or decision, or circumstances change (including, without limitation, changes in ownership of the Client or of its affiliates) the result of which would render the NA&Co.'s performance of any part of this Engagement Letter illegal or otherwise unlawful or in conflict with independence or professional rules. Client shall only be liable to pay for Services rendered up to the point of such termination.

10

Appendices | A2: Engagement letter

Appendix B

Scope of Services – Fairness Opinion Service

Valuation Approach

We will use the fair market value standard for our work. Fair market value is defined for this purpose as follows:

"...the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts...."

The three (3) approaches will be considered in determining the indicative range of fair market values of the equity, each of which is described as follows:

Income Approach. The income approach is a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount. The income approach can be the most subjective method of valuing a business interest. It is also one of the most common approaches used in a valuation and can be applied to nearly all business interests.

Market Approach. The market approach is a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Cost Approach. A general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

Scope of Services

Step 1 – Preparation

- Familiarization with the business model, current operations, and future prospects of the Client.
- Confirm our view that the appropriate basis of value is fair market value. Discuss with management the methods we have chosen to be used to perform the valuation.
- Review historical performance and assess reasonableness of the projected and forecast cash flows in view of industry growth prospects, the Client's prior years growth and future years direction.

11

Step 2 – Valuation

- Depending on the valuation methodologies selected, evaluate valuation parameters used including:
  - Alignment of business plan and financial projections
  - Selection of comparable companies
  - Estimation of the valuation multiples and the discount rate
  - Selection of appropriate terminal value
  - Estimation of applicable discounts and premiums
  - Preparation of sensitivities (i.e. terminal growth rate and discount rate), as required.

Step 3 – Documentation

- Discuss with the Client the estimated range of the fair market values of the Client.
- Deliver the Report outlining our approach, findings, and conclusions.

12

Appendices | A3: Management representation letter

Appendix C

Management representation letter

STRICTLY PRIVATE & CONFIDENTIAL

Navarro Amper & Co.
19th Floor, Six/Neo Building, 5th Avenue corner 26th Street
Bonifacio Global City, Taguig City
For the attention of Diane S. Yap

[Date]

Dear Sirs,

Project [] — []

We refer to your draft due diligence report (the "Final Draft Report") on the Vendor which you provided to us on [DD MONTH YYYY].

We confirm to the best of our knowledge and belief, having made appropriate enquiries of management and staff of the Vendor (and where appropriate, inspection of evidence), the following representations made on behalf of the board of directors in connection with the above transaction:

- We have read the Final Draft Report and reviewed the information contained therein;
- We are not aware of any material inaccuracies in the facts set out in your Final Draft Report;
- Any opinions attributable to us are fairly stated and reasonably held;
- We have made available to you all significant information relevant to your Final Draft Report of which we have knowledge; and,
- We are not aware of any material matters relevant to your terms of reference (reproduced in Appendix [ ] of the Final Draft Report) which have been excluded.

Signature:
Name:
Designation:
Date:
For and on behalf of [ ]

13

Please return your signed agreement to the terms of this letter to [*name of person*] at our address above.

Yours faithfully,

Diane S. Yap
Partner

I hereby confirm the agreement of [Third party] to the terms set out above.

Name: JOEY I. VILLAFUERTE   Signature:

Title: CONTROLLER   Date: DECEMBER 13, 2021

14

Appendices | A4: Weighted average cost of capital

Discount rate

- The discount rate represents the overall rate of return that the investment in the Target Properties is expected to generate considering the inherent risks and costs in undertaking the project.

Weighted average cost of capital

- The WACC is the weighted average of all costs of financing, such as debt and equity. To arrive at a discount rate from a market participant’s perspective, the data variables are sourced from market data and comparable companies.
- The WACC is represented by the formula:

$$\mathbf{WACC = w_d\, r_d + w_e\, r_e}$$

- where w_d is the weight of debt financing from the targeted debt-to-capital ratio, w_e is the weight of equity financing from the targeted equity-to-capital ratio, r_d is the after-tax cost of debt, and r_e is the cost of equity.

Cost of debt

- We utilized a U.S. Corporate Bond Yield of 3.4% based on the corporate bond rate for a mature market, which will be adjusted by the Philippine default spread to account for the local debt risk.
- Corporate income tax rate of 25.0% is then applied to pre-tax cost of debt (USD) to arrive at after-tax cost of debt of 3.2%.

Cost of debt (continued)

Cost of debt

Variables		Description
U.S. Corporate Bond Yield (a)	*3.4%*	Ave. US Baa corporate Bonds
Philippine Gov't Bond Rate (b)	*2.9%*	Deloitte analysis
U.S. Treasury Rate (c)	*2.0%*	20-year U.S. Treasury Bond
Bond Rate Differential (d)	*0.9%*	(b - c)
Pre-tax cost of debt (USD) (e)	*4.3%*	(a + d)
Tax rate (f)	*25.0%*	Corporate income tax
After-tax cost of debt	***3.2%***	e * (1 - f)

Source: US Federal Reserve, Capital IQ, Deloitte analysis

Comparable companies – capital structure and beta estimation

- Beta (β) measures the volatility of the stock relative to market fluctuations. A beta that is equal or greater to one implies that the company stock moves together or is more sensitive with idiosyncratic changes in the economy. Conversely, a beta less than one implies that the investment is more resilient to market fluctuations.
- Comparable companies operating in the same industry were identified to estimate the capital structure and the raw beta. The raw betas were adjusted using the Marshall Blume formula to reflect stock reversion. The adjusted beta will then be unlevered to remove the debt impact for each of the comparable companies, and will be relevered using (1) the tax rate of the Target Properties acquired, and (2) the median capital structure of the comparable companies. The information was gathered using the S&P Capital IQ database.

Appendices | A4: Weighted average cost of capital

Comparable companies – capital structure and beta estimation

- The relevering of beta can be computed as:

$$\beta_L = \beta_U\ ((1+(1-t))*(\text{Debt/Equity}))$$

- where β_L is the levered beta, β_U is the unlevered beta, t is the corporate income tax rate, and Debt/Equity is the median capital structure of the comparable companies.
- The median debt-to-capital ratio is 36.6%. Conversely, the median equity-to-capital ratio is 63.4%.
- The median unlevered beta and relevered beta is 0.33 and 0.47, respectively.

Cost of equity

- The cost of equity can be estimated using the modified capital asset pricing model ("CAPM"). The CAPM can be represented by the general formula:

$$r_e = r_f + \beta\ (ERP) + \text{other premiums}$$

- where r_e is the cost of equity, r_f is the risk-free rate, β is the relevered beta, ERP is the equity risk premium, and "other premiums" are adjustments consisting of size premium and country risk premium.
  - The 5.4% risk-free rate used is 20-year PHP BVAL reference rate as of Valuation Date from the PDS Group;

Cost of equity

  - The equity risk premium for Philippines is 6.0% as estimated by Deloitte Advisory Research; and
  - Size premium of 1.6% using the decile ranking from Duff and Phelps to reflect the inverse relationship of return volatility and company size. For purposes of this engagement, the size premium is based on the market capitalization of Megaworld (i.e.,Php103.9B) since the Target Properties is exposed to similar risk as its parent entity as the lease contracts are entered in similar terms as that of Megaworld. Moreover, fair value of collaterals and security exceeds total lease receivable of Target Properties.
- As seen below, the cost of equity capital is 10.9%

Cost of equity

Variables		Description
Risk-free rate (a)	*5.4%*	20-year PHP BVAL reference
Equity risk premium (b)	*6.0%*	Deloitte advisory research
Relevered beta (c)	0.47	Computed
Base cost of equity (d)	*8.2%*	a + (b * c)
Country Risk Premium (e)	*1.1%*	Country yield spread
Size premium (f)	*1.6%*	Decile ranking Duff and Phelps
Cost of equity in (Php)	***10.9%***	d + e + f

Source: PDS Group, Deloitte analysis, Duff & Phelps

Appendices | A4: Weighted average cost of capital

WACC estimation

- As seen below, the estimated WACC using the ICOC method is 9.0%.

ICOC-Country Risk Rating

Variables		Description
After-tax cost of debt (a)	*3.2%*	Deloitte calculation
Cost of equity (b)	*10.9%*	Deloitte calculation
Debt-to-capital ratio (c)	*36.6%*	Median of the comparable
Equity-to-capital ratio (d)	*63.4%*	Median of the comparable
WACC in (USD) (e)	***8.1%***	(a) * (c) + (b) * (d)
Local Forecasted Inflation (f)	*3.0%*	20-year forecast
U.S. Forecasted Inflation (g)	*2.2%*	20-year forecast
WACC in (PHP)	***9.0%***	(1+e) * [(1+f)/(1+g)] - 1

Source: Deloitte analysis, Economic Intelligence Unit

Appendices | A5: Comparable companies

No.	Comparable companies	Ticker	Description
1	Keihanshin Building Co., Ltd.	TSE:8818	Keihanshin Building Co., Ltd., a building management company, leases buildings in Japan. The company leases office buildings, datacenter buildings, commercial buildings, logistics warehouses, and off-course betting parlors. It is also involved in subcontracting construction work for lease facilities; and the provision of building maintenance services. The company was formerly known as Keihanshin Real Estate Co., Ltd. and changed its name to Keihanshin Building Co., Ltd. in October 2011. Keihanshin Building Co., Ltd. was founded in 1948 and is headquartered in Osaka, Japan.
2	Cebu Holdings, Inc.	PSE:CHI	Cebu Holdings, Inc. owns, develops, markets, and manages real properties in the Philippines. It operates through Commercial Development, Residential Development, Shopping Centers, Corporate Business, and Others segments. The Commercial Development segment develops and sells commercial lots and club shares. The Residential Development segment develops and sells residential lots and condominium units. The Shopping Centers segment develops shopping centers and leases retail space and land; operates movie theaters, food courts, entertainment facilities, and car parks in its shopping centers; and operates and manages malls. The Corporate Business segment develops and leases office buildings. Cebu Holdings, Inc. also owns and operates City Sports Club Cebu, a recreational and sports resort; and develops and operates a hotel. The company was incorporated in 1988 and is headquartered in Cebu City, the Philippines. Cebu Holdings, Inc. is a subsidiary of Ayala Land, Inc.
3	Shenzhen Wongtee International Enterprise Co., Ltd.	SZSE: 200056	Shenzhen Wongtee International Enterprise Co., Ltd. operates in real estate business in China. The company is involved in the operation and management of real estate properties, such as office buildings, shopping centers, hotels, apartments, industrial parks, tourist attractions, cultural and creative parks, and other properties. It also offers asset management, brand incubation investment, Internet big data, financing, and intelligent integrated development services. The company was formerly known as Shenzhen International Enterprise Co., Ltd. and changed its name to Shenzhen Wongtee International Enterprise Co., Ltd. in September 2015. Shenzhen Wongtee International Enterprise Co., Ltd. was founded in 1983 and is based in Shenzhen, China.
4	GTM Holdings Corporation	TWSE: 1437	GTM Holdings Corporation engages in real estate, electronics, textile, investment, and other businesses. It develops and leases office buildings, shopping malls, and logistics centers. The company also develops and sells micro semiconductor components; and trades in cloth, garments, and quilts. In addition, it invests in stocks, bonds, and funds; and offers services for media technology and audio. The company was founded in 1951 and is based in Taipei City, Taiwan.
5	Grand Canal Land Public Company Limited	SET: GLAND	Grand Canal Land Public Company Limited develops real estate properties in Thailand. It operates through two segments, Real Estate for Sale Business, and Real Estate for Rental and Service Business. The Real Estate for Sale Business segment develops land and house, and residential condominium projects. The Real Estate for Rental and Service Business segment rents office buildings. Grand Canal Land Public Company Limited also manages a real estate investment trust; and operates hotels. The company was formerly known as Media of Medias Public Company Limited and changed its name to Grand Canal Land Public Company Limited in May 2010. The company was incorporated in 1985 and is headquartered in Bangkok, Thailand. Grand Canal Land Public Company Limited is a subsidiary of CPN Pattaya Company Limited.
6	Vincom Retail Joint Stock Company	HOSE:VRE	Vincom Retail Joint Stock Company, together with its subsidiaries, engages in the investing, developing, and leasing of shopping centers in Vietnam. The company operates through Sale of Inventory Properties, Leasing of Investment Properties and Providing Related Services, and Others segments. It is involved in the trading of real estate properties; and leasing of malls and offices, as well as provision of related services. The company also offers entertainment services. As of December 31, 2020, it operated 80 malls in 43 Vietnamese provinces and cities. The company was founded in 2012 and is headquartered in Hanoi, Vietnam. Vincom Retail Joint Stock Company is a subsidiary of Vingroup Joint Stock Company.

Appendices | A6: DCF – One Global Center

The indicative equity value for the One Global Center using the DCF method is Php1.4B

Discounted cash flow - One Global Center

Php'000		3M21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Terminal
EBITDA		17,139	73,143	76,303	79,273	83,107	85,849	88,953	93,403	98,073	102,980	108,129
EBITDA Margin		*84.0%*	*84.3%*	*83.4%*	*81.5%*	*80.7%*	*80.5%*	*80.3%*	*80.3%*	*80.3%*	*80.3%*	*80.3%*
Depreciation		(3,200)	(12,816)	(12,886)	(12,959)	(13,035)	(13,113)	(13,196)	(13,283)	(13,374)	(13,470)	(2,019)
EBIT		13,939	60,327	63,417	66,314	70,072	72,736	75,757	80,120	84,699	89,510	106,110
EBIT Margin		*68.4%*	*69.5%*	*69.3%*	*68.2%*	*68.0%*	*68.2%*	*68.4%*	*68.9%*	*69.4%*	*69.8%*	*78.8%*
Income Taxes	*25.0%*	(3,485)	(15,082)	(15,854)	(16,579)	(17,518)	(18,184)	(18,939)	(20,030)	(21,175)	(22,378)	(26,528)
Net Operating Profit After Tax		**10,454**	**45,245**	**47,563**	**49,736**	**52,554**	**54,552**	**56,818**	**60,090**	**63,524**	**67,133**	**79,583**
Plus: Depreciation		3,200	12,816	12,886	12,959	13,035	13,113	13,196	13,283	13,374	13,470	2,019
Less: Capital Expenditures		(306)	(1,302)	(1,373)	(1,458)	(1,545)	(1,600)	(1,661)	(1,744)	(1,831)	(1,923)	(2,019)
Less: Incremental Net Working Capital		(227)	3,041	2,521	2,829	3,067	2,017	2,261	3,123	3,279	3,444	3,615
Net Available Cash Flow		**13,121**	**59,800**	**61,597**	**64,065**	**67,112**	**68,082**	**70,614**	**74,752**	**78,346**	**82,124**	**83,197**
Periods Discounting		0.125	0.750	1.750	2.750	3.750	4.750	5.750	6.750	7.750	8.750	
Present Value Factor	*9.0%*	0.989	0.937	0.860	0.789	0.724	0.664	0.609	0.559	0.513	0.470	
Present Value of Cash Flow		**12,980**	**56,057**	**52,974**	**50,547**	**48,579**	**45,213**	**43,022**	**41,782**	**40,176**	**38,635**	

Present Value of Discrete Cash Flows	429,965
Present Value of Terminal Year Value	978,517
Present Value of Cash Flows	1,408,482
Plus/(Less): Excess/(Deficit) Working Capital	(3,467)
Indicative Business Enterprise Value	1,405,015
Plus: Cash	37
Plus/(Less): Deferred taxes	(2,688)
Indicative Value of Equity	1,402,364
Rounded	1,402,400

Source: Management information, Deloitte analysis

Appendices | A7: DCF – Two Techno Place

The indicative equity value for the Two Techno Place using the DCF method is Php1.6B

Discounted cash flow - Two Techno Place

Php'000		3M21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Terminal
EBITDA		20,304	85,284	88,524	90,782	90,097	94,603	99,332	104,304	109,517	114,993	120,743
EBITDA Margin		*87.0%*	*87.0%*	*86.1%*	*84.0%*	*82.6%*	*82.6%*	*82.6%*	*82.6%*	*82.6%*	*82.6%*	*82.6%*
Depreciation		(3,357)	(13,448)	(13,521)	(13,598)	(13,677)	(13,760)	(13,847)	(13,938)	(14,034)	(14,134)	(2,193)
EBIT		16,947	71,836	75,003	77,184	76,420	80,843	85,485	90,366	95,483	100,859	118,550
EBIT Margin		*72.7%*	*73.3%*	*72.9%*	*71.5%*	*70.1%*	*70.6%*	*71.1%*	*71.6%*	*72.0%*	*72.4%*	*81.1%*
Income Taxes	*25.0%*	(4,237)	(17,959)	(18,751)	(19,296)	(19,105)	(20,211)	(21,371)	(22,591)	(23,871)	(25,215)	(29,637)
Net Operating Profit After Tax		**12,710**	**53,877**	**56,252**	**57,888**	**57,315**	**60,632**	**64,114**	**67,774**	**71,613**	**75,644**	**88,912**
Plus: Depreciation		3,357	13,448	13,521	13,598	13,677	13,760	13,847	13,938	14,034	14,134	2,193
Less: Capital Expenditures		(350)	(1,470)	(1,543)	(1,620)	(1,636)	(1,718)	(1,804)	(1,894)	(1,989)	(2,088)	(2,193)
Less: Incremental Net Working Capital		(617)	2,707	2,600	2,463	242	3,105	3,260	3,425	3,594	3,774	3,963
Net Available Cash Flow		**15,101**	**68,563**	**70,830**	**72,329**	**69,598**	**75,779**	**79,417**	**83,243**	**87,251**	**91,464**	**92,875**
Periods Discounting		0.125	0.750	1.750	2.750	3.750	4.750	5.750	6.750	7.750	8.750	
Present Value Factor	*9.0%*	0.989	0.937	0.860	0.789	0.724	0.664	0.609	0.559	0.513	0.470	
Present Value of Cash Flow		**14,939**	**64,271**	**60,915**	**57,068**	**50,379**	**50,324**	**48,385**	**46,529**	**44,742**	**43,030**	

Present Value of Discrete Cash Flows	480,581
Present Value of Terminal Year Value	1,092,343
Present Value of Cash Flows	1,572,924
Plus/(Less): Excess/(Deficit) Working Capital	1,812
Indicative Business Enterprise Value	**1,574,736**
Plus: Cash	39
Plus/(Less): Deferred taxes	(2,820)
Indicative Value of Equity	**1,571,954**
Rounded	1,572,000

Source: Management information, Deloitte analysis

Appendices | A8: DCF – Three Techno Place

The indicative equity value for the Two Techno Place using the DCF method is Php1.3B

Discounted cash flow - Three Techno Place

Php'000		3M21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Terminal
EBITDA		17,631	72,277	68,787	69,639	73,794	79,165	85,045	86,959	91,309	95,874	100,668
EBITDA Margin		*86.4%*	*86.1%*	*84.1%*	*81.9%*	*81.2%*	*81.4%*	*81.7%*	*81.4%*	*81.4%*	*81.4%*	*81.4%*
Depreciation		(2,972)	(11,904)	(11,969)	(12,037)	(12,107)	(12,180)	(12,257)	(12,338)	(12,422)	(12,511)	(1,855)
EBIT		14,659	60,373	56,818	57,602	61,687	66,985	72,788	74,621	78,887	83,363	98,813
EBIT Margin		*71.8%*	*71.9%*	*69.4%*	*67.8%*	*67.9%*	*68.9%*	*69.9%*	*69.8%*	*70.3%*	*70.8%*	*79.9%*
Income Taxes	*25.0%*	(3,665)	(15,093)	(14,205)	(14,401)	(15,422)	(16,746)	(18,197)	(18,655)	(19,722)	(20,841)	(24,703)
Net Operating Profit After Tax		**10,994**	**45,280**	**42,614**	**43,202**	**46,265**	**50,239**	**54,591**	**55,966**	**59,165**	**62,522**	**74,109**
Plus: Depreciation		2,972	11,904	11,969	12,037	12,107	12,180	12,257	12,338	12,422	12,511	1,855
Less: Capital Expenditures		(306)	(1,259)	(1,228)	(1,275)	(1,363)	(1,458)	(1,562)	(1,603)	(1,683)	(1,767)	(1,855)
Less: Incremental Net Working Capital		(194)	1,275	(1,613)	1,395	3,184	3,634	3,966	1,476	3,027	3,177	3,336
Net Available Cash Flow		**13,467**	**57,200**	**51,742**	**55,358**	**60,192**	**64,594**	**69,253**	**68,177**	**72,931**	**76,444**	**77,446**
Periods Discounting		0.125	0.750	1.750	2.750	3.750	4.750	5.750	6.750	7.750	8.750	
Present Value Factor	*9.0%*	0.989	0.937	0.860	0.789	0.724	0.664	0.609	0.559	0.513	0.470	
Present Value of Cash Flow		**13,322**	**53,620**	**44,499**	**43,678**	**43,570**	**42,896**	**42,193**	**38,107**	**37,399**	**35,963**	

Present Value of Discrete Cash Flows	395,247
Present Value of Terminal Year Value	910,869
Present Value of Cash Flows	1,306,116
Plus/(Less): Excess/(Deficit) Working Capital	578
Indicative Business Enterprise Value	**1,306,694**
Plus: Cash	34
Plus/(Less): Deferred taxes	(2,496)
Indicative Value of Equity	**1,304,232**
Rounded	1,304,200

Source: Management information, Deloitte analysis

Appendices | A9: DCF – World Finance Plaza

The indicative equity value for the Two Techno Place using the DCF method is Php5.6B

Discounted cash flow - World Finance Plaza

Php'000		3M21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Terminal
EBITDA		72,374	299,528	310,216	319,717	320,244	336,254	353,067	370,726	389,264	408,728	429,164
EBITDA Margin		*89.8%*	*89.7%*	*88.5%*	*86.4%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*	*85.0%*
Depreciation		(7,786)	(31,187)	(31,357)	(31,534)	(31,718)	(31,910)	(32,112)	(32,323)	(32,545)	(32,778)	(7,573)
EBIT		64,588	268,341	278,859	288,183	288,526	304,344	320,955	338,403	356,719	375,950	421,591
EBIT Margin		*80.1%*	*80.3%*	*79.6%*	*77.8%*	*76.6%*	*76.9%*	*77.3%*	*77.6%*	*77.9%*	*78.2%*	*83.5%*
Income Taxes	*25.0%*	(16,147)	(67,085)	(69,715)	(72,046)	(72,131)	(76,086)	(80,239)	(84,601)	(89,180)	(93,988)	(105,398)
Net Operating Profit After Tax		**48,441**	**201,255**	**209,145**	**216,137**	**216,394**	**228,258**	**240,716**	**253,802**	**267,539**	**281,963**	**316,193**
Plus: Depreciation		7,786	31,187	31,357	31,534	31,718	31,910	32,112	32,323	32,545	32,778	7,573
Less: Capital Expenditures		(1,209)	(5,011)	(5,255)	(5,553)	(5,651)	(5,934)	(6,230)	(6,542)	(6,869)	(7,212)	(7,573)
Less: Incremental Net Working Capital		(2,433)	6,708	8,626	9,679	2,591	10,830	11,372	11,941	12,538	13,165	13,822
Net Available Cash Flow		**52,584**	**234,140**	**243,872**	**251,798**	**245,053**	**265,064**	**277,970**	**291,525**	**305,753**	**320,693**	**330,016**
Periods Discounting		0.125	0.750	1.750	2.750	3.750	4.750	5.750	6.750	7.750	8.750	
Present Value Factor	*9.0%*	0.989	0.937	0.860	0.789	0.724	0.664	0.609	0.559	0.513	0.470	
Present Value of Cash Flow		**52,021**	**219,485**	**209,732**	**198,668**	**177,382**	**176,025**	**169,354**	**162,947**	**156,789**	**150,871**	

Present Value of Discrete Cash Flows	1,673,276
Present Value of Terminal Year Value	3,881,442
Present Value of Cash Flows	5,554,718
Plus/(Less): Excess/(Deficit) Working Capital	68,767
Indicative Business Enterprise Value	**5,623,485**
Plus: Cash	90
Plus/(Less): Deferred taxes	(6,540)
Indicative Value of Equity	**5,617,035**
Rounded	5,617,000

Source: Management information, Deloitte analysis

Appendices | Glossary

Glossary of terms

Entities involved

Deloitte Philippines or Firm	Navarro Amper & Co.
Client / Megaworld	Megaworld Corporation
Target Properties	One Global Center
	Two Techno Place
	Three Techno Place
	World Finance Plaza

Valuation

ABV	Adjusted book value
BEV	Business enterprise value
CAPEX	Capital expenditures
CAPM	Capital asset pricing model
COS	Cost of services
DCF	Discounted cash flow
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
ERP	Equity risk premium
EUL	Estimated useful life
FCFF	Free cash flow to the firm
GDP	Gross domestic product

Valuation (continued)

GLA	Gross leasable area
GPC	Guideline public company
GPM	Gross profit margin
LTM	Last twelve months
NOPAT	Net operating profit after tax
NWC	Net working capital
OPEX	Operating expense
PSA	Philippine Statistics Authority
PV	Present value
WACC	Weighted average cost of capital
Valuation Date	30 September 2021

Others

c.	Circa (approximate)
EIU	Economist Intelligence Unit
K or 000, M, B, T	In thousands, millions, billions, trillions
n/a	Not applicable
Php	Philippine Peso
SEC	Securities and Exchange Commission
SKF	Santos Knight Frank Inc.
sqm	Square meters