Deloitte.

Project Cullinan

Final fairness opinion report

Financial Advisory

Valuation Services | 31 March 2022

Strictly Private & Confidential

Contents

Important Notice

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31 March 2022

Attention of: Joey Villafuerte and Kevin Tan

Dear Gentlemen:

Project Cullinan

We enclose our fairness opinion final report ("the Report") prepared in connection with our engagement with Megaworld Corporation ("Megaworld") and MREIT, Inc. ("MREIT") (the "Clients") to provide third party fairness opinion services (the "Services") in connection with the planned property-for-share swap transaction between Megaworld and MREIT (the "Purpose") at a valuation date of December 31, 2021 (the "Valuation Date"), signed and agreed between the parties, dated 11 February 2022 (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 30 March 2022 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
Partner

Scope and Bases

Procedures performed are applicable to properties for share swap and MREIT for the periods spanning 2019 to 2021 and forecast financial data provided by Management

Scope

This written communication focuses on those matters that, based on our discussion with the Client, would be of significance or interest to Client or might warrant further consideration by the Client.

The procedures are applicable to the Client's audited financial statements and Management accounts for the financial years ("FY") ended 31 December 2019 ("FY19"), 31 December 2020 ("FY20") and 31 December 2021 ("FY21") for MREIT and the audited combined carved-out financial statements of properties.

Our scope of services include (i) Obtain an understanding of the business, operations, and historical and prospective performances; (ii) Discussion with the Management and execution of valuation method selected; (iii) Document the work performed in our Report outlining our approaches, assumptions, and summary of indicative fair value ranges; and (iv) Presentation of report to the PSE and/or Security Exchange Commission. The Client accepts responsibility and ownership of the prospective financial information that will be used as the basis of this engagement.

Please refer to *Appendix A1: Scope* for a description of services that are specifically included as part of the scope of our engagement in the Engagement Letter and any limitations on said scope.

Timetable

Our work is based on financial information for the relevant fiscal year-end of properties-for-share swap and MREIT unless otherwise noted, as performed through 18 March 2022. Significant events and circumstances affecting such information, as well as information not made available to us as of the time of this Report, may be considered material by the Client or any third party.

Discussion and information from	Englebert Teh	Chief Financial Officer, MREIT
	Joey Villafuerte	VP for Controllership, Megaworld
Other sources	• Q&A process • Management discussions • Data room	

Executive summary

Executive summary | Summary of valuation results

DCF and GPC are the valuation methodologies used

Valuation purpose

- We have been engaged by Megaworld and MREIT to issue a fairness opinion in relation to Megaworld's subscription of MREIT shares to be paid by way of transfer of 100% ownership of Festive Walk 1B and Two Global Center and 80% ownership of One West Campus and Five West Campus ("the Properties for Swap") in a property-for-share swap (the "Transaction") to evaluate the fairness of terms of material related party transactions per the Philippine Securities and Exchange Commission ("SEC") Memorandum Circular No. 10 Series of 2019, Rules on Material Related Party Transactions for Publicly-Listed Companies and the Philippine Stock Exchange ("PSE") Guidelines for Fairness Opinions and Valuation Reports under memorandum no. 2011-0104 as amended by memorandum no. 2021-0009.

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 Properties for Swap and MREIT using the:
  - Income approach, with the Discounted cash flow ("DCF") method; and
  - Market approach, with Guideline public company ("GPC") method.
- The Properties for Swap are valued as a company based on consolidated carved-out historical and projected financial information as a proxy for value of the Properties for Swap.

Key assumptions

- We have considered the following factors in estimating the fair market value of the Properties for Swap and MREIT:
  - 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 Properties for Swap 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 Properties for Swap and MREIT are for FY22 to FY31. A terminal growth rate is applied on FY31 revenue to calculate the terminal value.

Terminal growth rate

- The terminal growth rate is assumed to be the forecasted 20-year inflation rate from EIU or 3.1%.

Executive summary | Summary of valuation results - MREIT

DCF and GPC are the valuation methodologies used to value MREIT

Discount rate

- We have applied a weighted average cost of capital ("WACC") of 7.5%. 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 MREIT for its existing properties as of 31 December 2021 provided on 11 February 2022 formed the basis of our indicative valuation of the MREIT. Other accounts not included as part of MREIT's 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 MREIT is around **Php59.8B.**

GPC method

- In order to select an appropriate valuation multiple for the entities, we selected nine (9) Real Estate Investment Trust (REIT) companies that have similar operating risks. Please refer to page 36 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 A10** for more information on the selected GPC.
- Based on the GPC method, the indicative equity value of MREIT is around **Php47.0B.**

Range of values

- The mean of the two (2) valuation approach is Php53.4B with ratio to standard deviation or coefficient of variance of 17.0%.
- Using half of the coefficient of variance to range from the mean or +/- 8.5%, the range of values for MREIT are **Php48.9B** to **Php58.0B**.

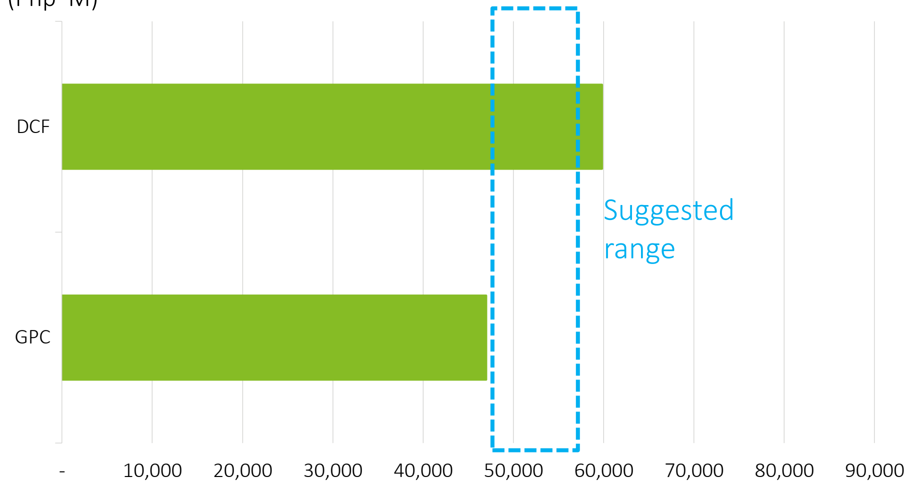
Executive summary | Summary of valuation results - MREIT

The indicative fair value of MREIT is between Php48.9B to Php58.0B as of Valuation Date

Conclusion

- We have assessed the indicative fair value of MREIT to be in the range of **Php48.9B** to **Php58.0B** as of 31 December 2021. The market capitalization of MREIT as of March 30, 2022, at **Php50.0B** or **P19.73** per share using 40- trading day volume-weighted average price ("VWAP") is within the suggested value range.
- The proposed subscription price of **P20.00** per common share or fair value of **Php50.6B** of MREIT 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 swap transaction is a commercial and business decision undertaken by the Board, and the value of MREIT depends on the MREIT's ability to continue generating the projected rental income.

Indicative equity value
(Php 'M)



Source: Deloitte analysis

Executive summary | Summary of valuation results – Properties for Swap

DCF and GPC are the valuation methodologies used to value the Properties for Swap

Discount rate

- We have applied a weighted average cost of capital (“WACC”) of 8.0%. 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 Megaworld and provided on 18 February 2022 formed the basis of our indicative valuation of the Properties for Swap. Other accounts not included as part of the Properties for Swap’s 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 Properties for Swap is around **Php6.5B.**

GPC method

- In order to select an appropriate valuation multiple for the entities, we selected four (4) real estate companies and have similar operating risks. Please refer to page 37 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 A10** for more information on the selected GPC.
- Based on the GPC method, the indicative fair value of the Properties for Swap is around **Php5.0B.**

Range of values

- The mean of the two (2) valuation approach is Php5.4B with ratio to standard deviation or coefficient of variance of 17.3%.
- Using half of the coefficient of variance to range from the mean or +/- 8.6%, the range of values for the Properties for Swap are **Php5.3B** to **Php6.2B**.

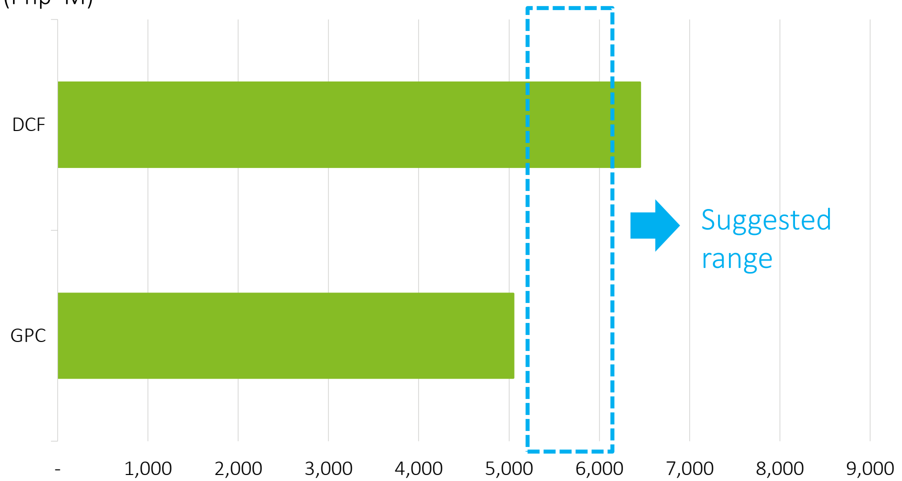
Executive summary | Summary of valuation results – Properties for Swap

The indicative fair value of the Properties for Swap is between Php5.3B to Php6.2B as of Valuation Date

Conclusion

- We have assessed the indicative fair value of Properties for Swap to be in the range of **Php5.3B** to **Php6.2B** as of 31 December 2021. The proposed transfer value of the Properties for Swap of **Php5.3B** 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 swap transaction is a commercial and business decision undertaken by the Board, and the value of the Properties for Swap depends on MREIT's ability to continue generating the projected rental income.

Indicative equity value
(Php 'M)



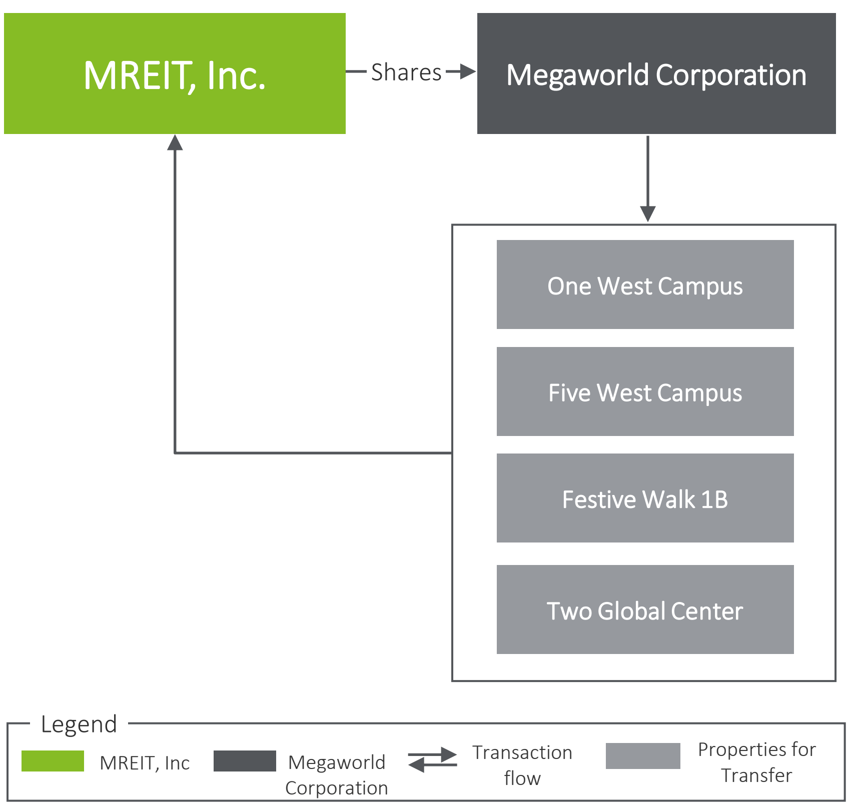
Source: Deloitte analysis

Overview

Overview | Transaction overview

MEG intends to subscribe to MREIT shares in exchange of four (4) prime properties

Overview



Source: Management information, Deloitte analysis

Transaction overview

- We understand that Megaworld and MREIT intend to enter in a property-for-share-swap transaction wherein Megaworld will subscribe to MREIT shares and Megaworld will transfer the Properties for Swap to MREIT in payment of the subscription.
- In compliance with the requirements of SEC under Memorandum Circular No. 10 Series of 2019, Rules on Material Related Party Transactions for Publicly-Listed Companies and PSE under memorandum no. 2011-0104 as amended by memorandum no. 2021-0009, PSE Guidelines for Fairness Opinions and Valuation Reports.

Overview of the entities

- 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.
- 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.

Property overview

- The Properties for Transfer has 92% of gross lease area ("GLA") allocated for office space and 8% for commercial spaces, with a lease term varying from one (1) to five (5) years. The Properties for Transfer have a gross lease area of 44.6K sqm.
  - The office spaces are fully leased out, while 52% of commercial space are occupied. The vacant space of 1.5K sqm belongs to One West Campus, Festive Walk 1B, and Two Global Center.

Overview | Transaction overview

The four (4) properties to be transferred to MREIT will add a total of 44.6K sqm. gross leasable area located mainly in the Luzon and Visayas regions

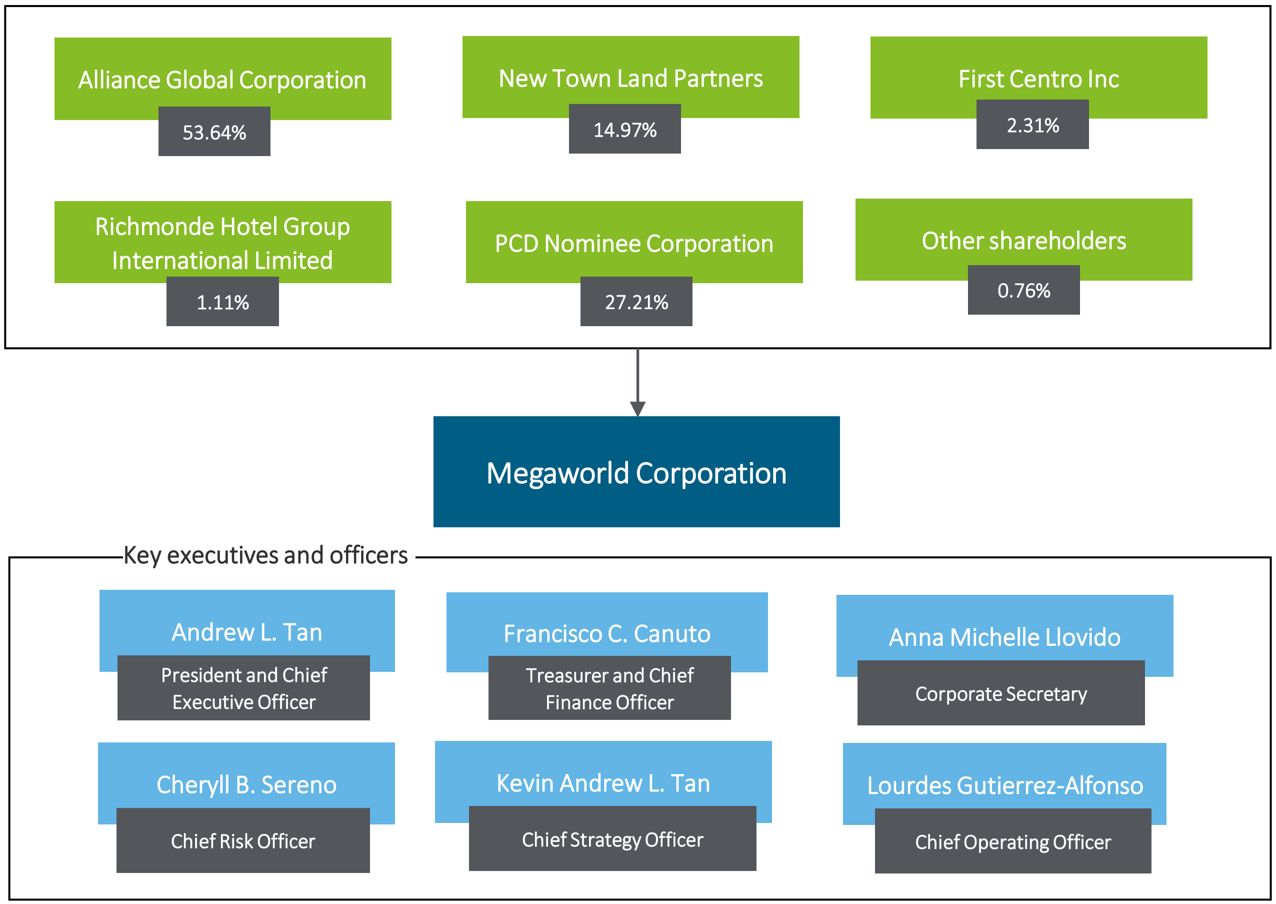
Properties overview

	One West Campus	Five West Campus	Festive Walk 1B	Two Global Center
Address	Le Grand Avenue, Mckinley West, Taguig City	Le Grand Avenue, Mckinley West, Taguig City	Megaworld Boulevard, Mandurriao, Iloilo City, Iloilo	Megaworld Boulevard, Mandurriao, Iloilo City
Building grade	A	A	A	A
Total Gross Leasable Area	9,704.33 sqm	10,256.96 sqm	14,702.71 sqm	9,902.57 sqm
Occupancy rate	99.5%	100.0%	91.0%	96.7%

Source: Management information

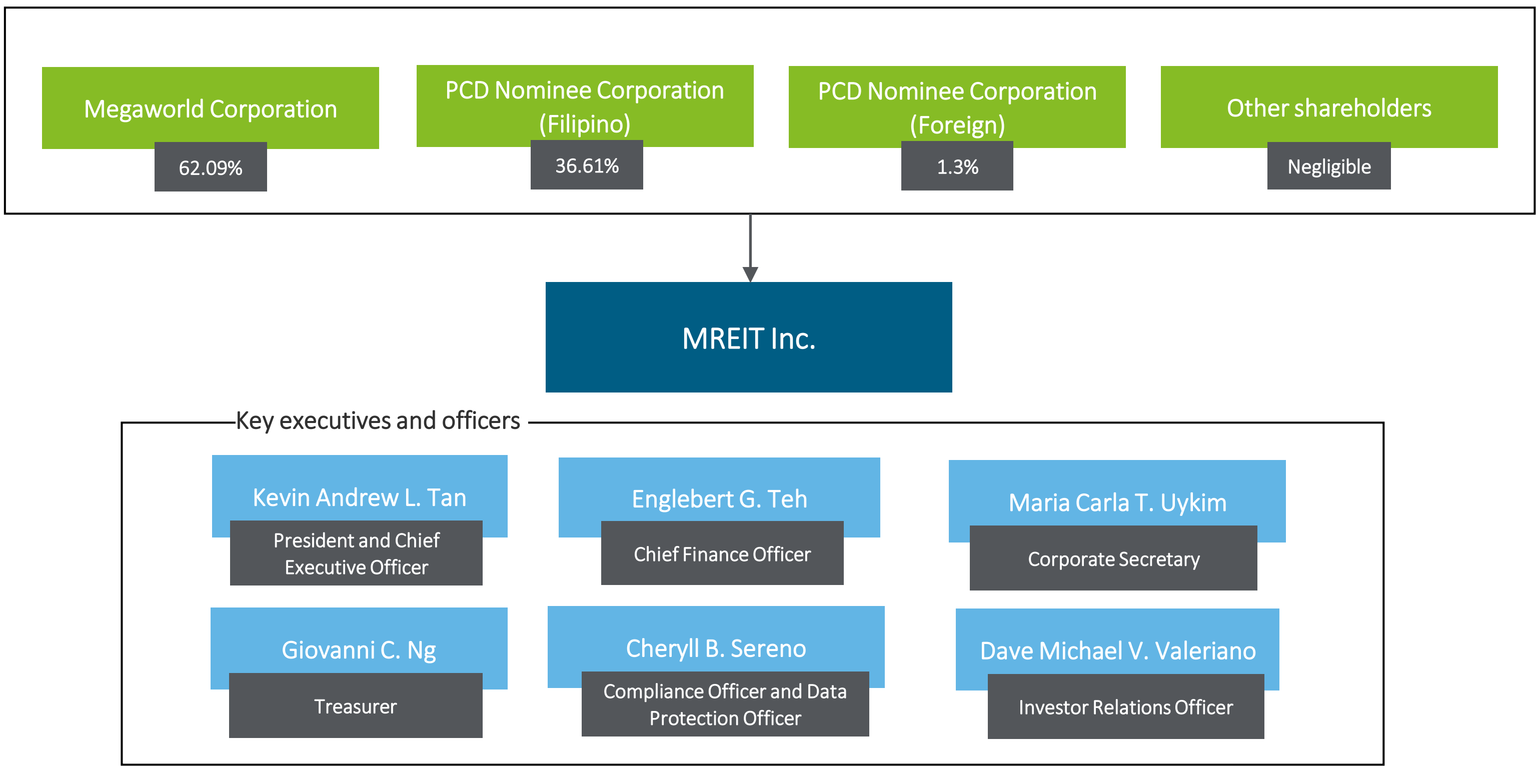
Overview | Group structure

Megaworld Corporation is a subsidiary of Alliance Global Corporation, a publicly listed conglomerate



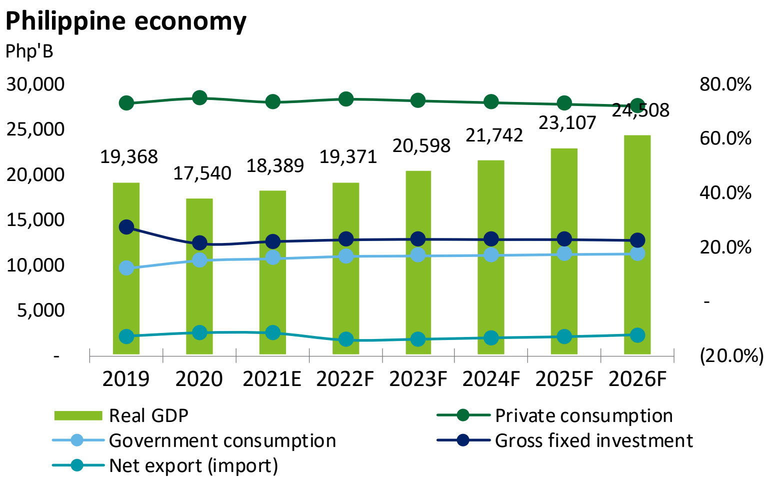
Overview | Group structure

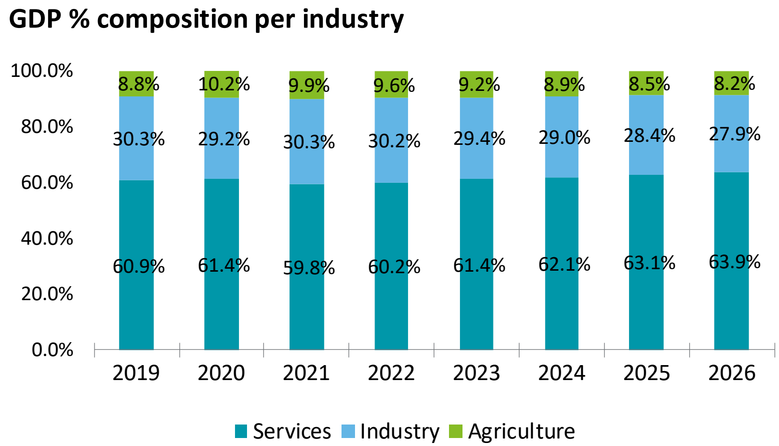
MREIT, a subsidiary of Megaworld, was established in 2020 as a real estate investment trust in accordance with R.A. No. 9856 ("REIT Act of 2009")



Overview | Macroeconomic and industry outlook

The Philippine economy is set to rebound to pre-pandemic levels as businesses operate at full capacity





Source: Philippine Statistics Authority; EIU; Deloitte analysis

The Philippine economy

- COVID-19 has affected the Philippine economy in 2020, as the gross domestic product ("GDP") contracted by 9.4%. The Economist Intelligence Unit ("EIU") forecasts that GDP will grow at an average of 6.1% from 2022 to 2026 as the government eases restrictions due to the pandemic.
  - Private consumption accounted for c.74% of the county's total GDP from 2019 to 2021 and is expected to be the main contributor of economic growth from 2022 to 2026 as the proportion of private consumption to GDP averages at 74%.
  - Government consumption increased its contribution to GDP from 13% in 2019 to 15% and 16% in 2020 and 2021, respectively. These are increases due to subsidies, as well as increased debt to support the current administration's projects, such as education and healthcare systems as well as public infrastructures.
  - From 2022 to 2026, government consumption is expected to average 17% driven by the Government's "Build Build Build" program which aims to boost the construction industry to a value of Php1.3T by 2030 and the Bayanihan 2 which allots Php10.0B to build towards tourism infrastructure, medical and quarantine facilities.
- Among the major economic sectors, the industry sector, which includes construction services, which account for an average of c.30% of the GDP was affected by government restrictions, affecting mobility and several on-going projects, which were put on hold. On the other hand, the services sector which comprise c.60% of the country's GDP was driven by the growth of wholesale and retail and public administration and social activities.

Overview | Macroeconomic and industry outlook

The Philippine real estate sector faced several headwinds due to government restrictions from the pandemic causing limited mobility among consumers decreasing office and retail demand

Philippine real estate outlook

Overview

- The Philippine real estate market is set to recover, primarily driven by the following key sectors: industrial, residential, and office spaces due to increased mobility as more Filipinos are protected against COVID-19.
- The discussion on the Philippine real estate outlook focuses on MREIT's current portfolio, which consists mainly of the leasing of office and commercial spaces.

Office market

- According to a report by Colliers International, in 2021 there were several closed office space deals, covering at least 223.0 sqm during 1QFY21 and increased to 302.6K sqm by the end of 9M21. Colliers International reported that majority coming from e-commerce sectors (i.e., Shopee, Grab). Of these transactions, office spaces acquired were in provincial areas such as Iloilo and Cebu.
- Further Colliers International estimates that vacancy rates will increase up 17.8% in 2022, higher than the vacancy rate of 15.6% at the end of FY21 as it is driven by hybrid or work-from-home setups due to the pandemic. Despite this, the office market remains optimistic, with office space supply to increase and reach up to 723.4K sqm to 800K sqm, primarily driven by the business processing office ("BPO") sector. Additionally, office spaces within and outside the Metro Manila area will rise starting FY22 as the country recovers.

. *Retail market*

- The Department of Trade and Industry reports that at pre-pandemic levels, consumer traffic in retail spaces ranged around 50.0% to 80.0%. The impact of COVID-19 has forced government restrictions with retail stores (i.e., malls and restaurants) operating at less than full capacity.
- With the growth of e-commerce, consumer behavior has shifted towards online shopping. Retailers have complemented the use of various e-commerce platforms to maximize growth.
- According to Colliers, it expects that vacancy for retail space will increase up to 17.0% in FY22 depending on the change in government restrictions due to COVID-19. However, with the help of the government's vaccination program, it expects that it could help improve consumer confidence and increase mall traffic.

Overview | Engagement overview

The Firm was contracted by Megaworld and MREIT to perform fairness opinion services in relation to its property-for-share swap transaction to comply with SEC and PSE requirements

Engagement overview

- Navarro Amper & Co. (the "Firm") has been contracted by Megaworld and MREIT to issue a fairness opinion report in relation to the property-for-share swap transaction between Megaworld and MREIT to evaluate fairness of terms of material related party transactions per SEC Memorandum Circular No. 10 Series of 2019 and PSE Guidelines for Fairness Opinions and Valuation Reports under memorandum no. 2011-0104 as amended by memorandum no. 2021-0009.
- 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 and MREIT 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 and MREIT, 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.

Engagement overview (continued)

- 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 Clients for public disclosure relating to the Transaction. This report relates to the provision of fair valuation services to opine on the fairness of the property-for-share swap between MREIT and Megaworld ("Proposed Transaction") to purchase the Properties for Swap from Megaworld in exchange of MREIT shares.
- 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 Properties for Swap. Such advice, recommendation, evaluation, comment, judgment or opinion is and remains the sole responsibility of the Clients. 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 31 March 2022.

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 Properties for Swap 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 Clients and have relied on the audited historical financial information, financial forecasts, technical and financial experts' reports and agreements summarized in **Appendix A1,** and other information provided to us by Megaworld and MREIT.
- These information are the sole responsibility of Megaworld and MREIT. While care has been exercised in reviewing all information furnished to us by the Clients 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 and MREIT. 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 Properties for Swap or business interests is assumed to be good and marketable, unless otherwise stated. The Properties for Swap 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 Properties for Swap 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.

Approach and methodologies

Approaches and methodology | Overview

From the three (3) main valuation methodologies considered, which are applicable to estimating the fair market values of corporate entities and businesses, we have selected two (2) to use for this exercise

	INCOME APPROACH	MARKET APPROACH	ASSET APPROACH
	Discounted cash flow ("DCF") method	Guideline public companies ("GPCM") method	Adjusted book value ("ABV") 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 (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 ("FCFF") 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 ("EV") / Last twelve months' Earnings Before Interest, Taxes, Depreciation, and Amortization ("LTM EBITDA").	• Adjust the recorded assets and liabilities to their fair market value.

Source: Deloitte analysis

Valuation

Valuation | Historical income statement - MREIT

MREIT currently has 14 properties, which mainly consist of office and commercial spaces. In FY21, c.98% of the gross leased area have been occupied

Historical income statement - MREIT

Php'000	1H21	3QFY21	2H21	FY21
Rental income	195,044	583,719	1,197,498	1,392,542
Income from dues - net	32,151	127,484	263,216	295,367
Total revenue	**227,195**	**711,202**	**1,460,714**	**1,687,909**
Cost of services	(20,469)	(93,249)	(222,988)	(243,457)
Gross profit	**206,726**	**617,953**	**1,237,726**	**1,444,452**
Other operating expenses	(18,761)	(4,676)	(9,631)	(28,392)
Fair value gain - investment property	240,592	-	702,000	942,592
Interest income (expense)	(1,766)	(3,174)	(15,459)	(17,225)
EBIT	**426,791**	**610,103**	**1,914,636**	**2,341,427**
Income tax	(101,284)	(140,687)	99,580	(1,704)
Net income	**325,507**	**469,416**	**2,014,216**	**2,339,723**
Interest expense (income)	1,766	3,174	15,459	17,225
Income tax	101,284	140,687	(99,580)	1,704
Fair value gain - investment property	(240,592)	-	(702,000)	(942,592)
EBITDA	**187,965**	**613,277**	**1,228,095**	**1,416,060**
Gross profit margin	*91.0%*	*86.9%*	*84.7%*	*85.6%*
EBITDA margin	*187.9%*	*85.8%*	*131.1%*	*138.7%*
Operating income margin	*143.3%*	*66.0%*	*137.9%*	*138.6%*
Net income margin	*82.7%*	*86.2%*	*84.1%*	*83.9%*

Source: Management information, Deloitte analysis

Historical income statement - MREIT

- Management has provided the audited financial statements for MREIT for three (3) months ended FY21, audited financial statements covering six (6) months ending 30 June 2021 (“1H21”) and six (6) month ending 31 December 2021 (“2H21”). To arrive at FY21 figures, this pertains to the sum of 1H21 and 2H21. The discussion covers the movement of historical income statement in FY21.

Revenue

- Revenue pertains to the following: (1) rental income from office, retail, and hotel operations, and (2) income from collection of association dues from tenants, which are primarily Common Usage Service Area (“CUSA”) fees. MREIT’s portfolio as of December 31, 2021, are 14 properties.
- Rental income is recorded on a straight-line basis over the lease term period. As at 9M21, c.96% of the total gross lease area is occupied.
- BPO and traditional office tenants make up 94% of the total leased space.

Valuation | Historical income statement - MREIT

Cost of services in FY21 was primarily driven by property and management fees incurred by MREIT, which is based on a percentage of gross revenue

Historical income statement - MREIT

Php'000	1H21	3QFY21	2H21	FY21
Rental income	195,044	583,719	1,197,498	1,392,542
Income from dues - net	32,151	127,484	263,216	295,367
Total revenue	**227,195**	**711,202**	**1,460,714**	**1,687,909**
Cost of services	(20,469)	(93,249)	(222,988)	(243,457)
Gross profit	**206,726**	**617,953**	**1,237,726**	**1,444,452**
Other operating expenses	(18,761)	(4,676)	(9,631)	(28,392)
Fair value gain - investment property	240,592	-	702,000	942,592
Interest income (expense)	(1,766)	(3,174)	(15,459)	(17,225)
EBIT	**426,791**	**610,103**	**1,914,636**	**2,341,427**
Income tax	(101,284)	(140,687)	99,580	(1,704)
Net income	**325,507**	**469,416**	**2,014,216**	**2,339,723**
Interest expense (income)	1,766	3,174	15,459	17,225
Income tax	101,284	140,687	(99,580)	1,704
Fair value gain - investment property	(240,592)	-	(702,000)	(942,592)
EBITDA	**187,965**	**613,277**	**1,228,095**	**1,416,060**

Gross profit margin	*91.0%*	*86.9%*	*84.7%*	*85.6%*
EBITDA margin	*187.9%*	*85.8%*	*131.1%*	*138.7%*
Operating income margin	*143.3%*	*66.0%*	*137.9%*	*138.6%*
Net income margin	*82.7%*	*86.2%*	*84.1%*	*83.9%*

Source: Management information, Deloitte analysis

Historical income statement – MREIT (continued)

- For the three (3) months ending 30 September 2021, the increase in cost of services were primarily driven by the property and fund management fees for Property Manager and Fund Manager entered by MREIT during FY21, for a period of five (5) years.
  - The Property Manager and Fund Manager are paid at 2.0% and 3.5% of the total gross revenue of MREIT exclusive of value-added tax (“VAT”), respectively. Provided that it does not exceeding 1.0% of the net asset value of the properties.
- Other operating expenses pertain to general and administrative expenses such as payroll of employees as well as taxes and licenses.
- Interest expenses largely pertains accretion of interest from security deposits net of interest income from short-term placements.
- Fair value gains amounting to Php240.6M and Php702.0M pertains to the appraisal of various buildings for lease recorded for the one (1) month ending 30 June 2021 and 31 December 2021, respectively.
- MREIT recorded a tax income amounting to Php99.6M in 2H21 which was driven by the tax effects from deductible expenses amounting to Php280.4M, reversal of deferred tax liabilities of Php101.2M, and non-taxable income amounting to Php194.3M.
  - The reversal of deferred tax liabilities comprise of the fair value gain on investment properties (including depreciation) amounting to Php98.1, and differences between the recognition of rental income per tax and financial accounting amounting to Php3.1M.

Valuation | Historical balance sheet - MREIT

MREIT holds several investment properties with a fair market value of Php49.4M as at Jun'21. The value increased to Php59.3M as four (4) new properties were infused by the end of Dec'21

Historical balance sheet - MREIT

Php'000	Jun'21	Sep'21	Dec'21
Investment properties	49,443,000	49,443,000	59,261,000
Other assets	54,976	57,154	65,586
Operating and non-operating assets	**49,497,976**	**49,500,154**	**59,326,586**
Trade and other receivables	21,640	120,449	144,678
Prepaid expenses	-	13,333	24,595
Creditable withholding tax	1,141	3,370	35,522
Accounts payable	(55,498)	(28,607)	(139,535)
Other liabilities	(918,192)	(975,897)	(1,368,541)
Net working capital	**(950,909)**	**(867,352)**	**(1,303,281)**
Cash and cash equivalents	2,308,917	2,814,456	1,333,806
Interest-bearing loan and borrowing	-	-	(7,195,789)
Deferred tax liabilities	(101,169)	(223,027)	-
Net debt	**2,207,748**	**2,591,429**	**(5,861,983)**
Net assets	**50,754,815**	**51,224,231**	**52,161,322**

Source: Management information, Deloitte analysis

Historical balance sheet – MREIT

Operating and non-operating assets

- Investment properties amounting to Php49.4B pertain to several buildings for lease. The properties are accounted for under fair value model, whereby MREIT recorded a fair value gain amounting to Php240.6M.

Historical balance sheet - MREIT

Other assets

Php'000	Jun'21	Sep'21	Dec'21
Deferred charges	42,596	42,167	41,737
Security deposit	12,327	12,514	12,704
Deferred input value-added taxes (VAT)	53	2,473	11,145
Total	**54,976**	**57,154**	**65,586**

Source: Management information

- Deferred charges pertain to the difference of the nominal and fair value of deposits, which are amortized over a straight-line basis. On the other hand, security deposits pertains to the amount due from Megaworld in relation to the lease of certain parcels of land on which the investment properties stand.

Net working capital

- MREIT classifies its trade receivables as: (1) accrued receivables which are recorded on a straight-line basis in recognizing rental income from leased spaces, (2) billed receivables from rentals of office, retail, and hotel spaces, and (3) receivables from CUSA charges. MREIT's trade receivables are normally collected on a 30-day term period.
- Accounts payable pertains to the short-term obligations to the Property Manager and Fund Manager which are paid at 2.0% and 3.5% of the total gross revenue exclusive of VAT, respectively.

Valuation | Historical balance sheet - MREIT

c.90% of other working capital items pertain to security deposits and advance rentals payments from the investment properties that are being leased by its related parties

Historical balance sheet - MREIT

Php'000	Jun'21	Sep'21	Dec'21
Investment properties	49,443,000	49,443,000	59,261,000
Other assets	54,976	57,154	65,586
Operating and non-operating assets	**49,497,976**	**49,500,154**	**59,326,586**
Trade and other receivables	21,640	120,449	144,678
Prepaid expenses	-	13,333	24,595
Creditable withholding tax	1,141	3,370	35,522
Accounts payable	(55,498)	(28,607)	(139,535)
Other liabilities	(918,192)	(975,897)	(1,368,541)
Net working capital	**(950,909)**	**(867,352)**	**(1,303,281)**
Cash and cash equivalents	2,308,917	2,814,456	1,333,806
Interest-bearing loan and borrowing	-	-	(7,195,789)
Deferred tax liabilities	(101,169)	(223,027)	-
Net debt	**2,207,748**	**2,591,429**	**(5,861,983)**
Net assets	**50,754,815**	**51,224,231**	**52,161,322**

Source: Management information, Deloitte analysis

Historical balance sheet – MREIT

Net working capital (continued)

- Other net working capital items pertain to creditable withholding taxes, prepaid expenses, and other liabilities, which pertain to the following:

Other liabilities

Php'000	Jun'21	Sep'21	Dec'21
Security deposits	(507,473)	(523,365)	(675,216)
Advance rent	(306,979)	(352,465)	(550,529)
Deferred credits	(95,359)	(87,175)	(110,140)
Others	(8,381)	(12,893)	(32,656)
Total	**(918,192)**	**(975,898)**	**(1,368,541)**

Source: Management information

- c.90% of the total other liabilities pertain to security deposits and advance rentals from various properties being leased to related parties, with lease terms ranging from one (1) year to 25 years and an annual escalation fee of 5.0% to 10.0%.

Net debt

- As at Sep'21, Php2.2M of the cash and cash equivalents pertain to short-term placements, which earn annual interest. The remainder pertains to cash in bank which earn interest from local banks.
- Interest-bearing loan pertains to a 10-year unsecured term loan obtained from a local bank in Dec'21, subject to repricing. The loan incurs interest at a rate of 3.64% per annum, paid on a quarterly basis.
- Deferred tax liabilities pertain to rental income differential and allowance for estimated credit loss – which are treated as future taxable income.

Valuation | Historical income statement – Properties for Swap

Gross profit margins decreased over the Review Period and was primarily driven by yearly increase in cost of services

Historical income statement - Properties for Swap

Php'000	FY18	FY19	FY20	FY21
Revenue	314,954	402,168	394,290	408,807
Cost of services	(78,175)	(99,394)	(109,327)	(127,127)
Gross profit	**236,779**	**302,774**	**284,963**	**281,680**
Other operating expenses	(10,139)	(8,760)	(11,259)	(8,506)
Interest expense	(3,089)	(3,244)	(3,591)	(3,841)
Gain on reversal of allowance for impairment	-	-	-	1,950
Operating income	**223,551**	**290,770**	**270,113**	**271,283**
Income tax	(66,902)	(87,117)	(71,884)	(67,792)
Net income	**156,649**	**203,653**	**198,229**	**203,491**
Income tax	66,902	87,117	71,884	67,792
Depreciation	49,394	59,670	60,367	68,714
Interest expense (income)	3,089	3,244	3,591	3,841
Gain on reversal of allowance for impairment	-	-	-	(1,950)
EBITDA	**276,034**	**353,684**	**334,071**	**341,888**
Gross profit margin	*75.2%*	*75.3%*	*72.3%*	*68.9%*
EBITDA margin	*87.6%*	*87.9%*	*84.7%*	*83.6%*
Operating income margin	*71.0%*	*72.3%*	*68.5%*	*66.4%*
Net income margin	*49.7%*	*50.6%*	*50.3%*	*49.8%*

Source: Management information, Deloitte analysis

Rental income

Php'000	FY18	FY19	FY20	FY21
Billed rent				
Office	247,515	308,186	307,187	338,215
Retail	6,671	6,393	4,680	6,220
	254,185	**314,579**	**311,867**	**344,435**
Accrued rent	30,413	19,525	3,112	8,319
Amortization of deferred credits	3,634	3,625	3,872	3,956
Total	**288,232**	**337,730**	**318,851**	**356,709**

Source: Management information

Historical income statement – Properties for Swap

- Management has provided the audited combined carve out financial statements of the Properties for Swap, covering the period FY18 to FY21.

Revenue

- Revenue is primarily driven by rental income which averaged c.86% of the total revenue from FY18 to FY21. The four (4) properties have a GLA of 44.6K sqm, of which 96% have been occupied.

Gross profit

- The decrease in gross profit margin from 75.2% in FY18 to 68.9% in FY21 was primarily driven by increasing depreciation of the properties from Php49.4M in FY18 to Php68.7M in FY21 due to spending to improve the properties every year.

Operating expenses and other income (expenses)

- Other operating expenses averages at c.3% as a percentage to total revenue and mainly pertains to administrative dues, commissions, impairment losses, and business taxes.
- Impairment losses recognized 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 Properties for Swap as the trade receivables are fully collateralized by advanced rent and security deposits.
- Income tax is computed at 30.0% and is pro-rated beginning FY20 due to the impact of the CREATE Act, which lowered corporate income taxes to 25.0%

Valuation | Historical balance sheet – Properties for Swap

Net assets is fairly stable and averaged Php1.9B over the period driven by several investments in buildings and improvements which are currently leased for office and retail space

Historical balance sheet - Properties for Swap

Php'000	Dec'18	Dec'19	Dec'20	Dec'21
Investment properties	2,106,911	2,090,867	2,056,097	2,021,309
Trade and other receivables	29,856	48,435	48,509	57,790
Prepayments and current assets	4,541	6,333	7,310	7,932
Deposit and other liabilities	(100,342)	(101,613)	(125,191)	(150,044)
Income tax payable	(45,361)	(64,476)	(57,270)	(47,472)
Net working capital	**(111,306)**	**(111,321)**	**(126,642)**	**(131,794)**
Cash and cash equivalents	200	200	200	200
Deferred tax liabilities	(8,382)	(13,999)	(11,536)	(14,103)
Net debt	**(8,182)**	**(13,799)**	**(11,336)**	**(13,903)**
Net assets	**1,987,423**	**1,965,747**	**1,918,119**	**1,875,612**

Source: Management information, Deloitte analysis

Historical balance sheet – Properties for Swap

- Investment properties pertain to several buildings and improvements held for use of office or retail space. The fair value of the investment properties is at Php2.0B as at Dec'21.

Net working capital

Trade and other receivables

Php'000	Dec'18	Dec'19	Dec'20	Dec'21
Billed	1,915	1,773	2,364	1,377
Accrued	30,413	49,938	53,050	61,369
Gross trade and other receivables	**32,328**	**51,711**	**55,414**	**62,746**
Allowance for doubtful accounts	(2,472)	(3,275)	(6,905)	(4,955)
Total	**29,856**	**48,436**	**48,509**	**57,791**
% of allowance to gross trade and other receivables	*(7.6%)*	*(6.3%)*	*(12.5%)*	*(7.9%)*

Source: Management information

Historical balance sheet – Properties for Swap

- Trade and other receivables are categorized into billed and accrued receivables from customers, net of allowance for doubtful accounts, which averaged c.9% of the total gross trade from Dec'18 to Dec'21. The Properties for Swap have a normal credit period of 30 days.
- Prepayments mainly pertain to prepaid taxes and input value-added tax ("VAT").

Deposits and other liabilities

Php'000	Dec'18	Dec'19	Dec'20	Dec'21
Advance rent	(62,431)	(66,929)	(72,951)	(83,659)
Security deposit	(13,901)	(13,031)	(31,171)	(48,536)
Deferred credit	(21,480)	(18,273)	(17,624)	(14,502)
Others	(2,529)	(3,380)	(3,446)	(3,347)
Total	(100,341)	(101,613)	(125,192)	(150,044)

Source: Management information

- As at Dec'21, c.88% of the total deposits pertain to advance rentals and security deposits, which are equivalent to three (3) months to six (6) months of rent. This account increases as the number of tenants increases. Others includes output and deferred output VAT.
- Income tax payable pertains to the current income tax expense, equivalent 25.0% and 30.0% of the taxable income as at Dec'18 to Dec'21 as well as deferred tax expenses.

Net debt

- The Properties for Swap's net debt mainly comprise of: (1) cash which is a small discretionary fund to be used to pay for small expenditures and (2) deferred tax liabilities which pertains to temporary tax and financial recording difference on rental income and allowance for doubtful accounts.

Valuation | Financial projections

Projected revenues of MREIT in FY22 is driven by the additional four (4) properties that were added to their portfolio at the end FY21

Projections - MREIT Inc

Php'000	FY21*	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Rental income	1,392,542	2,824,090	2,958,037	3,059,438	3,150,768	3,298,527	3,450,564	3,617,802	3,795,870	3,982,845	4,179,168
Income from dues	295,367	625,838	657,129	689,985	724,482	760,707	798,744	838,680	880,614	924,645	970,879
Total revenue	**1,687,909**	**3,449,928**	**3,615,166**	**3,749,423**	**3,875,250**	**4,059,234**	**4,249,308**	**4,456,482**	**4,676,484**	**4,907,490**	**5,150,047**
Cost of services	(243,457)	(541,479)	(605,131)	(670,488)	(738,472)	(815,722)	(855,155)	(897,356)	(941,931)	(988,727)	(1,037,868)
Gross profit	**1,444,452**	**2,908,449**	**3,010,035**	**3,078,935**	**3,136,778**	**3,243,512**	**3,394,153**	**3,559,126**	**3,734,553**	**3,918,763**	**4,112,179**
Operating expenses	(28,392)	(70,231)	(73,603)	(76,294)	(78,852)	(82,633)	(86,505)	(90,782)	(95,291)	(100,029)	(105,002)
EBITDA	**1,416,060**	**2,838,218**	**2,936,432**	**3,002,641**	**3,057,926**	**3,160,879**	**3,307,648**	**3,468,344**	**3,639,262**	**3,818,734**	**4,007,177**
Revenue											
y-o-y growth	*n.a.*	*104.4%*	*4.8%*	*3.7%*	*3.4%*	*4.7%*	*4.7%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*
Common size ratio											
Gross profit	*85.6%*	*84.3%*	*83.3%*	*82.1%*	*80.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.8%*
Operating expenses	*(1.7%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*
EBITDA	*83.9%*	*82.3%*	*81.2%*	*80.1%*	*78.9%*	*77.9%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*

Note: (*) MREIT started commercial operations in June 2, 2021

Source: Management information, Deloitte analysis

Overview

- The Client provided a 10-year income statement projection for MREIT, Inc., and the Properties for Swap, covering the period FY22 to FY31.
  - Revenue is expected to grow at a CAGR of 4.5% for both MREIT and the Properties for Swap. The growth in revenue is largely driven by escalation rates of existing contract, mostly from office space use.
  - Significant portion of cost of services and operating expenses for both MREIT and the Properties for Swap are based on a percentage to total revenues.
- Deloitte reviewed the financial projections for reasonableness by comparing projected growth rates and against historical growth rates and reviewing additional details supporting the projections. are requested for any exceptions noted.

Projected income statement – MREIT

Revenue

- Revenue is expected to grow significantly by 104.4% in FY22 due primarily to the full year recognition of income. Income has also began being recognized for the additional four (4) properties (i.e., One Global Center, Three Techno Place, Two Techno Place, and World Finance Plaza) infused by the end of Dec'21. These properties have a total leased area of 55.1K sqm of which c.99% are occupied.
- Other income is projected to increase yearly at a fixed rate of 5.0% from FY22F to FY31F.

Valuation | Financial projections

The increase in cost of services from FY22F to FY31F is driven by the cost of association dues, which escalates annually at 5.0%

Projections - MREIT Inc

Php'000	FY21*	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Rental income	1,392,542	2,824,090	2,958,037	3,059,438	3,150,768	3,298,527	3,450,564	3,617,802	3,795,870	3,982,845	4,179,168
Income from dues	295,367	625,838	657,129	689,985	724,482	760,707	798,744	838,680	880,614	924,645	970,879
Total revenue	**1,687,909**	**3,449,928**	**3,615,166**	**3,749,423**	**3,875,250**	**4,059,234**	**4,249,308**	**4,456,482**	**4,676,484**	**4,907,490**	**5,150,047**
Cost of services	(243,457)	(541,479)	(605,131)	(670,488)	(738,472)	(815,722)	(855,155)	(897,356)	(941,931)	(988,727)	(1,037,868)
Gross profit	**1,444,452**	**2,908,449**	**3,010,035**	**3,078,935**	**3,136,778**	**3,243,512**	**3,394,153**	**3,559,126**	**3,734,553**	**3,918,763**	**4,112,179**
Operating expenses	(28,392)	(70,231)	(73,603)	(76,294)	(78,852)	(82,633)	(86,505)	(90,782)	(95,291)	(100,029)	(105,002)
EBITDA	**1,416,060**	**2,838,218**	**2,936,432**	**3,002,641**	**3,057,926**	**3,160,879**	**3,307,648**	**3,468,344**	**3,639,262**	**3,818,734**	**4,007,177**
Revenue											
y-o-y growth	*n.a.*	*104.4%*	*4.8%*	*3.7%*	*3.4%*	*4.7%*	*4.7%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*
Common size ratio											
Gross profit	*85.6%*	*84.3%*	*83.3%*	*82.1%*	*80.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.8%*
Operating expenses	*(1.7%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*
EBITDA	*83.9%*	*82.3%*	*81.2%*	*80.1%*	*78.9%*	*77.9%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*

Note: (*) MREIT started commercial operations in June 2, 2021

Source: Management information, Deloitte analysis

Projected income statement – MREIT

Cost of services

- The decreasing trend in gross profit from FY22 to FY26 and stabilization at 79.8% is due to payments for land lease rentals paid to Megaworld. MREIT will pay for the land lease cost based on gross rental income in FY23F, FY24F, and FY25F at a projected effective lease rate of rate of 1.3%, 2.5%, and 3.8%, respectively. Projected effective lease rate of 5% of gross rental income will be applied from FY26 onwards.

Operating expenses

- Operating expenses as a percentage of total revenue are projected to be at 2.0% from FY22F to FY31F, which are largely composed by payment to business taxes at c.66% of total operating expenses.
- Other operating expenses pertain to general and administrative expenses (i.e., salaries and wages, repairs and maintenance) and miscellaneous expenses.

Valuation | Financial projections

The projected income statement on the Properties for Transfer uses similar assumptions of MREIT

Projections - Properties for Swap*

Php'000	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Rental income	337,730	318,851	338,215	351,908	372,708	385,590	396,551	413,897	428,474	449,898	472,394	496,012	520,813
Other income	64,438	75,439	70,592	74,964	78,713	82,648	86,780	91,119	95,676	100,458	105,482	110,757	116,295
Total revenue	**402,168**	**394,290**	**408,807**	**426,872**	**451,421**	**468,238**	**483,331**	**505,016**	**524,150**	**550,356**	**577,876**	**606,769**	**637,108**
Cost of services**	(39,724)	(48,960)	(58,413)	(74,505)	(83,067)	(91,650)	(100,526)	(110,496)	(115,380)	(121,146)	(127,206)	(133,566)	(140,242)
Gross profit	**362,444**	**345,330**	**350,394**	**352,367**	**368,354**	**376,588**	**382,805**	**394,520**	**408,770**	**429,210**	**450,670**	**473,203**	**496,866**
Operating expenses	(8,760)	(11,259)	(8,506)	(12,768)	(13,466)	(14,014)	(14,574)	(15,267)	(15,904)	(16,700)	(17,536)	(18,411)	(19,332)
EBITDA	**353,684**	**334,071**	**341,888**	**339,599**	**354,888**	**362,574**	**368,231**	**379,253**	**392,866**	**412,510**	**433,134**	**454,792**	**477,534**
Revenue													
y-o-y growth	*27.7%*	*(2.0%)*	*3.7%*	*4.4%*	*5.8%*	*3.7%*	*3.2%*	*4.5%*	*3.8%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Common size ratio													
Gross profit	*90.1%*	*87.6%*	*85.7%*	*82.5%*	*81.6%*	*80.4%*	*79.2%*	*78.1%*	*78.0%*	*78.0%*	*78.0%*	*78.0%*	*78.0%*
Operating expenses	*(2.2%)*	*(2.9%)*	*(2.1%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*	*(3.0%)*
EBITDA	*87.9%*	*84.7%*	*83.6%*	*79.6%*	*78.6%*	*77.4%*	*76.2%*	*75.1%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*	*75.0%*

Note: (*) Historical figures and projections represent the full income of the four (4) properties
(**) Cost of services is net of depreciation

Source: Management information, Deloitte analysis

Projected income statement – Properties for Swap

- The following assumptions were gathered:
  - c.30% of the rental income from FY22F to FY31F is generated by Five West Campus, which leases office space. The property has a leasable area of 10.3K sqm. As at FY21, 100.0% of the GLA has been occupied.
  - Similar to MREIT, Inc., the decreasing trend in gross profit from FY20 to FY26 and stabilization at 78.0% is due to payments for land lease rentals paid to Megaworld and other costs allocations such as management fees (e.g., fund and management fees). Payments for lease are based on gross rental income in FY23F, FY24F, and FY25F at a projected effective lease rate of 1.3%, 2.5%, and 3.8%, respectively. Projected effective lease rate of 5% of gross rental income will be applied from FY26 onwards.
  - Operating expenses is projected to remain stable from FY22F to FY31 and are largely driven by the movement of business taxes, which vary per property (i.e., 0.275% for Festive Walk 1B and Two Global Center, and 1.5% for One West Campus and Five West Campus).

Valuation | Discounted cash flow

The discounted cash flow method estimates the value of a company by discounting its future cash flows to their net present value

The discounted cash flow method

Overview

- To value MREIT and the Properties for Transfer using the discounted cash flow method requires the determination of the following factors:
  - Future cash flows of the operating business as provided by Management;
  - An appropriate discount rate to be applied to these cash flows;
  - An estimate of the terminal value; and
  - The value of any surplus assets or non-trading liabilities, which are not otherwise included in the DCF method.
- In addition, we have also calculated the implied EBITDA multiple from the DCF method to use as a valuation cross-check by comparing it with results from the multiples used in the GPC method.

Future cash flows

- Cash flow at each year in the forecast period is estimated starting with estimated net operating profit after taxes. From there, adjustments are made in order to either (i) account for items that are actual cash outflows but are not recorded in the income statement (e.g., capital expenditures), or (i) add back charges in the income statement that do not constitute actual cash outflows (e.g., depreciation).

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 7.5% for MREIT and 8.0% for Properties for Swap.
- The supporting calculations to the discount rate are provided in Appendix A4.

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 FY31 net available cash flow applied with long-term growth rate of 3.1% for both MREIT and for Properties for Swap.

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.

Net debt

- Debt in the net debt estimation consists of the current and noncurrent portion on the interest-bearing loans, as well as other items that are debt-like in nature as they pertain to mandatory payables to certain institutions (e.g., deferred taxes). These debt and debt-like items are netted off with cash balance as of Dec’21 and then added back to the enterprise value of as part of the process to arrive at the equity value.

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, interest-bearing debt).

Valuation | Discounted cash flow

The indicative equity value of MREIT Inc., is estimated to be around Php59.8B

Discounted cash flow - MREIT, Inc

Php'000		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Terminal
EBIT		2,838,218	2,936,432	3,002,641	3,057,926	3,160,879	3,307,648	3,468,344	3,639,262	3,818,734	4,007,177	4,131,399
EBIT Margin		*82.3%*	*81.2%*	*80.1%*	*78.9%*	*77.9%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*	*77.8%*
Income Taxes	*25.0%*	(25,874)	(27,114)	(28,120)	(29,064)	(30,444)	(31,870)	(33,423)	(35,074)	(36,807)	(38,625)	(39,822)
Net Operating Profit After Tax		**2,812,344**	**2,909,318**	**2,974,521**	**3,028,862**	**3,130,435**	**3,275,779**	**3,434,921**	**3,604,188**	**3,781,928**	**3,968,552**	**4,091,577**
Less: Capital Expenditures		(103,497)	(108,455)	(112,480)	(116,256)	(121,777)	(127,478)	(133,693)	(140,296)	(147,226)	(154,499)	(159,288)
Less: Incremental Net Working Capital		(375,031)	(56,756)	(54,460)	(55,195)	(67,126)	(44,535)	(48,098)	(50,909)	(53,452)	(56,127)	(36,827)
Net Available Cash Flow		**2,333,816**	**2,744,108**	**2,807,581**	**2,857,411**	**2,941,531**	**3,103,766**	**3,253,130**	**3,412,983**	**3,581,249**	**3,757,926**	**3,895,462**
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	
Present Value Factor	*7.5%*	0.964	0.897	0.835	0.776	0.722	0.672	0.625	0.581	0.541	0.503	
Present Value of Cash Flow		2,250,932	2,462,002	2,343,210	2,218,416	2,124,396	2,085,174	2,033,042	1,984,132	1,936,701	1,890,462	

Present Value of Discrete Cash Flows	21,328,468
Present Value of Terminal Year Value	44,537,505
Present Value of Cash Flows	**65,865,973**
Plus/(Less): Excess/(Deficit) Working Capital	(166,933)
Indicative Business Enterprise Value	**65,699,040**
Plus: Cash	1,333,806
Plus/(Less): Interest-bearing debt	(7,195,789)
Indicative Value of Equity	**59,837,057**
Rounded	**59,837,100**

Source: Management information, Deloitte analysis

Free cash flow assumptions - MREIT

- Capital expenditures ("CAPEX") is fixed at a rate of 3.0% of total revenue over the forecasted period which is based on historical CAPEX spend of the Management. Depreciation is not recognized as the properties are carried at fair market value.
- Projected incremental net working (NWC) capital is the sum of estimated debt-free cash-free NWC at 9.4% of total revenues and estimated normalized operating cash flows of 31.9 weeks of operating expense requirement.
- Debt-free cash-free NWC percentage to total revenues is based on historical levels, while 31.9 weeks operating expense requirement for normalized cash levels is the median cash levels of comparable companies.
- MREIT intends to declare 100% of its distributable income, net of CAPEX requirement as dividends under Republic Act ("R.A.") No. 9856 that allows REIT entities deduct dividend distributed as deductions to taxable income.

Indicative equity value

- The DCF method discounts the net available cash flow to their net present value to arrive at BEV. As at the Valuation Date, the indicative BEV of MREIT is valued at Php65.7B. After adjusting for cash, deferred taxes, and interest-bearing debt, the indicative value of equity amounts to Php59.8B.

Valuation | Discounted cash flow

The indicative equity value of the Properties for Swap are estimated to be around Php6.5B

Discounted cash flow - Properties for Swap

Php'000		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Terminal
EBITDA		302,612	316,179	323,487	328,618	338,393	350,892	368,437	386,858	406,201	426,514	439,736
EBITDA Margin		*70.9%*	*70.0%*	*69.1%*	*68.0%*	*67.0%*	*66.9%*	*66.9%*	*66.9%*	*66.9%*	*66.9%*	*74.5%*
Depreciation		(82,737)	(83,219)	(83,724)	(84,247)	(84,791)	(85,357)	(85,948)	(86,569)	(87,221)	(87,905)	(17,712)
EBIT		219,875	232,960	239,762	244,371	253,602	265,535	282,489	300,289	318,981	338,608	422,024
EBIT Margin		*51.5%*	*51.6%*	*51.2%*	*50.6%*	*50.2%*	*50.7%*	*51.3%*	*52.0%*	*52.6%*	*53.1%*	*71.5%*
Income Taxes	*25.0%*	(2,872)	(3,036)	(3,153)	(3,256)	(3,401)	(3,533)	(3,710)	(3,896)	(4,090)	(4,295)	(4,428)
Net Operating Profit After Tax		**217,004**	**229,924**	**236,610**	**241,115**	**250,201**	**262,002**	**278,779**	**296,393**	**314,890**	**334,313**	**417,596**
Plus: Depreciation		82,737	83,219	83,724	84,247	84,791	85,357	85,948	86,569	87,221	87,905	17,712
Less: Capital Expenditures		(11,486)	(12,144)	(12,611)	(13,023)	(13,605)	(14,132)	(14,840)	(15,582)	(16,360)	(17,179)	(17,712)
Less: Incremental Net Working Capital		(9,345)	7,391	5,207	4,534	6,489	5,979	8,011	8,413	8,833	9,275	6,038
Net Available Cash Flow		**278,909**	**308,390**	**312,931**	**316,874**	**327,876**	**339,205**	**357,899**	**375,793**	**394,584**	**414,314**	**423,634**
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	
Present Value Factor	*8.0%*	0.962	0.891	0.825	0.764	0.707	0.655	0.606	0.561	0.520	0.481	
Present Value of Cash Flow		**268,380**	**274,767**	**258,160**	**242,049**	**231,901**	**222,143**	**217,023**	**210,994**	**205,134**	**199,436**	

Present Value of Discrete Cash Flows	2,329,987
Present Value of Terminal Year Value	4,161,684
Present Value of Cash Flows	**6,491,671**
Plus/(Less): Excess/(Deficit) Working Capital	(25,650)
Indicative Business Enterprise Value	**6,466,021**
Plus: Cash	200
Plus/(Less): Deferred taxes	(14,103)
Indicative Value of Equity	**6,452,118**
Rounded	6,452,100

Source: Management information, Deloitte analysis

Free cash flow assumptions – Properties for Swap

- Capital expenditures ("CAPEX") is fixed at a rate of 3.0% of total revenue over the forecasted period which is based on historical CAPEX spend of the Management. Estimated useful life of 25 years is applied to CAPEX.
- Projected incremental NWC is estimated to be the sum debt-free cash-free NWC at negative 34.6% of total revenues and estimated normalized operating cash flows of 1.2 weeks of operating expense requirement both assumptions are based on historical levels.
- Under R.A. No. 9856, REIT entities are allowed to deduct dividends distributed as deductions to taxable income. MREIT will declare dividends annually from its distributable income, net of CAPEX requirement.

Indicative equity value

- As at the Valuation Date, the indicative BEV of the Properties for Swap is Php6.5B. After adding cash and subtracting deferred taxes, the indicative value of equity is at Php6.5B.

Valuation | GPCM

The indicative equity value for MREIT using the GPC method is Php47.0B

	BEV/ FY1 Revenue
Range of multiples	12.2x - 18.0x
Third quartile	16.4x
Average	15.0x
Median	15.3x
First Quartile	14.1x
Median	15.3x

Financial data	Php'000
FY1 Revenue	3,449,928
Multiple	15.3x
Indicative business enterprise value	**52,852,897**
Cash	1,333,806
Interest-bearing debt	(7,195,789)
Indicative equity value	**46,990,914**

GPC Method – MREIT

- In order to select an appropriate valuation multiple for MREIT, Inc., we have sought similar companies operating in the Equity Real Estate Investment Trusts (or REITs)
- The pool of companies are further refined based on the following criteria:
  a. Geographic location: South East Asia
  b. Company type: Public Investment Firm
- The selected companies from the screening fall between the third (3rd) and fourth (4th) quartile of the screened companies of which MREIT's revenue as at Dec'21 of Php2.5B belongs.
- To decide the appropriate multiples to be applied, we have used the median of the respective BEV/current forecast year (FY1) Revenue multiple of comparable companies. The median multiple from the GPC used in the valuation is 15.3x
- Applying the multiple to the Revenue of MREIT, the computed indicative business enterprise value is Php52.9B
- Adding non-operating assets and deducting non-operational liabilities arrives at indicative value of equity of Php47.0B

Valuation | GPCM

The indicative equity value for the Properties for Swap using the GPC method is Php5.0B

	BEV/ LTM EBITDA
Range of multiples	10.5x - 22.9x
Third quartile	19.2x
Average	16.6x
Median	16.5x
First Quartile	13.9x
Median	16.5x

Financial data	Php'000
EBITDA	307,540
Multiple	16.5x
Indicative business enterprise value	**5,062,108**
Cash	200
Deferred tax liability	(14,103)
Indicative equity value	**5,048,205**

GPC Method – Properties for Swap

- In order to select an appropriate valuation multiple for Properties for Swap., we have sought similar companies operating in the Diversified Real Estate Activities (Primary) or Office Building Operators and Lessors. The pool of companies are further refined based on the following criteria:
  a. Geographic location: South East Asia (Primary)
  b. Company type: Publicly listed
  c. LTM Revenue is greater than 0
  d. Business key description: "office"
- The selected companies from the screening fall between the first (1st) and second (2nd) quartile of the screened companies of which Property for Swap's revenue as at Dec'21 of Php408.8M belongs.
- The selected multiple was BEV/EBITDA which has the lowest coefficient of variance compared to BEV/Total Revenues multiples.
- The aggregate EBITDA of the Properties for Swap in Dec'21 is Php341.9M. The EBITDA was adjusted to Php307.5M to reflect the purchase of ownership of the Properties for Swap (i.e., 80% ownership of One West, Inc. and Five West Campus and 100% ownership of Festive Walk 1B and Two Global Center).
- 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 16.5x.
- Applying the multiple to the LTM EBITDA of the Properties for Swap, the computed indicative business enterprise value is Php5.1B
- Adding non-operating assets and deducting non-operational liabilities arrives at indicative value of equity of Php5.0B

Appendices

Appendices | A1: Engagement letter

Engagement letter, signed 11 February 2022

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February 10, 2022

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Kevin Tan, President and CEO
MREIT, Inc.
30th Floor, Alliance Global Tower
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Uptown Bonifacio, Taguig City 1634

Subject: Project Cullinan

Dear Sirs,

This letter confirms the engagement of Navarro Amper & Co. ("Deloitte" or the "Firm") by Megaworld Corporation and MREIT, Inc. (the "Companies" or the "Clients") to provide Fairness Opinion services (the "Services") on your planned property-for-share-swap transaction between Megaworld Coproration ("MEG") and MREIT, Inc. ("MREIT") (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.

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, Clients notify the Firm promptly if modifications to the Services are requested.

The Clients accept ownership and responsibility of the final estimated fair values. Further, The Services will be performed solely for the information of and assistance to the Clients 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 Clients 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 Clients 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 Clients' 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 Clients, or any of the Clients' assets and liabilities, other than the assets and liabilities valued pursuant to the Services. Neither Deloitte nor any of the Clients 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 Clients, or any financial or other information, or operating or internal controls of the Clients, 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 Clients that is not in the English language. Any required translation will need to be undertaken by the Clients;
- 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 Clients. 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 Clients, 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 Clients.

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 Clients 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 Clients agrees to sign a representation letter, to be prepared by the Firm, which, among other things, will confirm the Clients' responsibility for all prospective financial information and the underlying 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 Clients' projections. Our scope of work excludes providing a view on the reasonableness of the projections or undertaking any independent

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Appendices | A1: Engagement letter

Engagement letter, signed 11 February 2022

market study. In addition, where applicable, we will place reliance on the Clients 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 properties sold by MREIT in relation to the Proposed Transaction. The Clients 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 Clients 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 total fees to perform the Services is [redacted] inclusive of out-of-pocket expenses and exclusive of 12.0% value-added tax ("VAT").

Breakdown of applicable fees to each are as follows:

Megaworld Corporation	[redacted]
MREIT, Inc.	
Total fees	

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.

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 four (4) weeks once information and key personnel of the Clients have been made available to us and we are able to begin our work.

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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 Fredieric 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

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Appendices | A1: Engagement letter

Engagement letter, signed 11 February 2022

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 Clients 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 S. VILLAFUERTE Signature:

Title: Controller Date: 2/11/22

Agreed and approved on behalf of MREIT, Inc. by:

Name: KEVIN TAN Signature:

Title: CEO Date: 2/11/22

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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 entities specified in the engagement letter ("Clients"), (collectively the "Engagement Letter") constitute the whole agreement between the Clients 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 Clients shall include such Client's subsidiaries and/or affiliates as identified in the Engagement Letter (together with Client, "Client Group"). The Clients represent and warrant 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 the Clients 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.

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Appendices | A1: Engagement letter

Engagement letter, signed 11 February 2022

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

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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,

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Appendices | A1: Engagement letter

Engagement letter, signed 11 February 2022

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.

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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.

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Appendices | A1: Engagement letter

Engagement letter, signed 11 February 2022

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.

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Scope of Services

Step 1 – Preparation
Obtain an understanding of the business, operations, and historical and prospective performances.

- Project kick-off;
- Presentation of initial document request list;
- Analyze and document information provided to determine proper valuation approaches.

Step 2 – Valuation
Discussion with the Management and execution of valuation method selected.

- Discuss with Management on bases of assumptions and projections.
- Evaluate applicable valuation parameters depending on the valuation method selected.
- Identify the appropriate comparable companies for the Clients and Properties to be valued.

Step 3 – Documentation
Document the work performed in our Report outlining our approaches, assumptions, and summary of indicative fair value ranges.

- Documenting into the report the analyses, procedures performed and results.
- Submit Draft reports to Clients and Deloitte Quality Assurance Reviewers.
- Finalize reports incorporating comments.

Step 4 – Presentation of report to the PSE and/or Security Exchange Commission

- We will be invited by Philippine Stock Exchange ("PSE") and/or Securities Exchange Commission to discuss the methodology and assumptions used in our Report usually within six (6) months after submission.

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Appendices | A2: 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 MREIT and Properties for Swap;
  - 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 MREIT and Properties for Swap;
- 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 Management of MREIT and Megaworld. 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 MREIT and Properties for Swap. 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 MREIT and Properties for Swap.
- Further, we are not required to validate the assumptions and the forecasts that are provided to us by the Clients.
- We have held discussions with the Clients 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 Clients.
  - Income statement projections from FY21 to FY31
  - Audited Combined Carved-out Consolidated Financial Statements of the Properties for Swap for the year ended December 31, 2021
  - Carved-out Consolidated Balance Sheet of Properties for Swap as of December 31, 2021
  - Rent-roll document with gross leasable area per property, lease type, and occupancy
- These information are the sole responsibility of the Clients. 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 | A2: 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 Clients for the sole and specific purposes noted herein and may not be used for any other purpose by the Clients 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 MREIT, Properties for Swap 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 Clients 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 MREIT and Properties for Swap or business interests of the Clients 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 Properties for Swap and MREIT or business interests of the Clients are assumed to be good and marketable, unless otherwise stated herein.
- We assume that the MREIT and Properties for Swap or business interests of the Clients are responsibly owned and competently managed.
- We assume that the Clients are 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 MREIT and Properties for Swap or business interests of the Clients 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 Clients for whom this analysis was prepared.

Appendices | A3: Management representation

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

March 31, 2022

Dear Sirs,

Project Cullinan

We refer to your Draft Fairness Opinion Report (the "Final Draft Report") on the property-for-share swap transaction between Megaworld Corporation and MREIT, Inc. which you provided to us on 31 March 2022.

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 (Appendix A2: Scope and bases of work of the Final Draft Report) which have been excluded.

Joey Villafuerte
VP for Controllership
March 31, 2022
For and on behalf of Megaworld Corporation

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

March 31, 2022

Dear Sirs,

Project Cullinan

We refer to your Draft Fairness Opinion Report (the "Final Draft Report") on the property-for-share swap transaction between Megaworld Corporation and MREIT, Inc. which you provided to us on 31 March 2022.

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 (Appendix A2: Scope and bases of work of the Final Draft Report) which have been excluded.

Kevin Andrew L. Tan
President and CEO
March 31, 2022
For and on behalf of MREIT, Inc.

Appendices | A4: Weighted Average Cost of Capital - MREIT

Discount rate

- The discount rate represents the overall rate of return that the investment in MREIT 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:

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

- 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 of 0.7% 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 3.1%.

Cost of debt (continued)

Cost of debt

Variables		Description
U.S. Corporate Bond Yield (a)	*3.4%*	Ave. US Baa corporate Bonds
Credit Default Swap spread (b)	*0.7%*	Damodaran website
Pre-tax cost of debt (USD) (c)	*4.1%*	(a + b)
Tax rate (d)	*25.0%*	Corporate income tax
After-tax cost of debt	***3.1%***	e * (1 - f)

Source: US Federal Reserve, Capital IQ, Deloitte analysis, Damodaran website

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 MREIT, 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 - MREIT

Comparable companies – capital structure and beta estimation

- The relevering of beta can be computed as:

$$\boldsymbol{\beta}_L = \boldsymbol{\beta}_U\ ((1+(1-t))\ *\ (\text{Debt/Equity}))$$

- where $\boldsymbol{\beta}_L$ is the levered beta, $\boldsymbol{\beta}_U$ 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 26.0%. Conversely, the median equity-to-capital ratio is 74.0%.
- The median relevered beta is 0.47.

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:

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

- 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 6.2% as estimated by Deloitte Advisory Research; and
  - Size premium of negative 1.3% 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 MREIT (i.e.,Php51.1B).

- As seen below, the cost of equity capital is 10.0%

Cost of equity

Variables		Description
Risk-free rate (a)	*5.1%*	20-year PHP BVAL reference
Equity risk premium (b)	*6.2%*	Deloitte advisory research
Relevered beta (c)	0.47	Computed
Base cost of equity (d)	*8.0%*	a + (b * c)
Size premium (e)	*1.3%*	Decile ranking Duff and Phelps
Cost of equity in (Php)	*9.2%*	d + e

Source: PDS Group, Deloitte analysis, Duff & Phelps

Appendices | A4: Weighted Average Cost of Capital - MREIT

WACC estimation

- As seen below, the estimated WACC is 7.6% or 7.5% as rounded to the neared .5% multiple.

WACC using modified CAPM method

Variables		Description
After-tax cost of debt (a)	*3.1%*	Deloitte calculation
Cost of equity (b)	*9.2%*	Deloitte calculation
Debt-to-capital ratio (c)	*26.0%*	Median of the comparable
Equity-to-capital ratio (d)	*74.0%*	Median of the comparable
WACC	***7.6%***	(a) * (c) + (b) * (d)

Source: Deloitte analysis, Capital IQ

Appendices | A4: Weighted Average Cost of Capital – Properties for Swap

Discount rate

- The discount rate represents the overall rate of return that the investment in the Properties for Swap 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 of 0.7% 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 3.1%.

Cost of debt (continued)

Cost of debt

Variables		Description
U.S. Corporate Bond Yield (a)	*3.4%*	Ave. US Baa corporate Bonds
Credit Default Swap spread (b)	*0.7%*	Damodaran website
Pre-tax cost of debt (USD) (c)	*4.1%*	(a + b)
Tax rate (d)	*25.0%*	Corporate income tax
After-tax cost of debt	***3.1%***	e * (1 - f)

Source: US Federal Reserve, Capital IQ, Deloitte analysis, Damodaran website

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 Properties for Swap, 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 - Properties for Swap

Comparable companies – capital structure and beta estimation

- The relevering of beta can be computed as:

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

- 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 17.0%. Conversely, the median equity-to-capital ratio is 83.0%.
- The median relevered beta is 0.46.

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:

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

- 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 5.1% 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 6.2% as estimated by Deloitte Advisory Research; and
  - Size premium of 1.1% 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.,Php103.4B) since the Properties for Swap 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 Properties for Swap.
- As seen below, the cost of equity capital is 9.0%

Cost of equity

Variables		Description
Risk-free rate (a)	*5.1%*	20-year PHP BVAL reference
Equity risk premium (b)	*6.2%*	Deloitte advisory research
Relevered beta (c)	0.46	Computed
Base cost of equity (d)	*7.9%*	a + (b * c)
Size premium (e)	*1.1%*	Decile ranking Duff and Phelps
Cost of equity in (Php)	***9.0%***	d + e

Source: PDS Group, Deloitte analysis, Duff & Phelps

Appendices | A4: Weighted Average Cost of Capital - Properties for Swap

WACC estimation

- As seen below, the estimated WACC is 8.0%.

WACC using modified CAPM method

Variables		Description
After-tax cost of debt (a)	*3.1%*	Deloitte calculation
Cost of equity (b)	*9.0%*	Deloitte calculation
Debt-to-capital ratio (c)	*17.0%*	Median of the comparable
Equity-to-capital ratio (d)	*83.0%*	Median of the comparable
WACC	*8.0%*	(a) * (c) + (b) * (d)

Source: Deloitte analysis, Capital IQ

Appendices | A5: DCF – One West Campus

The indicative business enterprise value of the One West Campus property is estimated to be around Php1.4B

Discounted cash flow - Properties for Swap - One West Campus

Php'000		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Terminal
EBITDA		72,412	71,508	70,609	73,114	75,707	75,792	79,582	83,560	87,740	92,127	94,983
EBITDA Margin		*83.8%*	*82.3%*	*80.8%*	*79.7%*	*78.6%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*
Depreciation		(18,016)	(18,121)	(18,231)	(18,345)	(18,463)	(18,586)	(18,715)	(18,850)	(18,992)	(19,141)	(3,642)
EBIT		54,396	53,387	52,378	54,769	57,244	57,206	60,867	64,710	68,748	72,986	91,341
EBIT Margin		*62.9%*	*61.5%*	*60.0%*	*59.7%*	*59.4%*	*59.0%*	*59.8%*	*60.6%*	*61.3%*	*62.0%*	*75.2%*
Income Taxes	*25.0%*	(648)	(652)	(655)	(688)	(722)	(727)	(763)	(801)	(841)	(883)	(911)
Net Operating Profit After Tax		**53,748**	**52,736**	**51,723**	**54,081**	**56,522**	**56,479**	**60,104**	**63,908**	**67,907**	**72,103**	**90,430**
Plus: Depreciation		18,016	18,121	18,231	18,345	18,463	18,586	18,715	18,850	18,992	19,141	3,642
Less: Capital Expenditures		(2,593)	(2,606)	(2,621)	(2,752)	(2,890)	(2,906)	(3,052)	(3,205)	(3,365)	(3,533)	(3,642)
Less: Incremental Net Working Capital		(8,574)	128	136	1,464	1,541	188	1,652	1,735	1,822	1,912	1,245
Net Available Cash Flow		**60,597**	**68,378**	**67,469**	**71,137**	**73,636**	**72,347**	**77,419**	**81,289**	**85,356**	**89,623**	**91,675**
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	
Present Value Factor	*8.0%*	0.962	0.891	0.825	0.764	0.707	0.655	0.606	0.561	0.520	0.481	
Present Value of Cash Flow		58,310	60,923	55,660	54,339	52,081	47,379	46,946	45,641	44,374	43,142	

Present Value of Discrete Cash Flows	508,795
Present Value of Terminal Year Value	900,594
Present Value of Cash Flows	1,409,389
Plus/(Less): Excess/(Deficit) Working Capital	2,091
Indicative Business Enterprise Value	1,411,480
Rounded	1,411,500

Source: Management information, Deloitte analysis

Appendices | A6: DCF – Five West Campus

The indicative business enterprise value of the Five West Campus property is estimated to be around Php1.7B

Discounted cash flow - Properties for Swap - Five West Campus

Php'000		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Terminal
EBITDA		75,535	83,330	85,741	85,337	87,734	92,103	96,709	101,545	106,622	111,954	115,425
EBITDA Margin		*84.3%*	*83.6%*	*82.4%*	*81.0%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*	*79.9%*
Depreciation		(27,295)	(27,454)	(27,621)	(27,794)	(27,973)	(28,160)	(28,355)	(28,559)	(28,775)	(29,000)	(4,336)
EBIT		48,240	55,875	58,120	57,543	59,761	63,944	68,354	72,985	77,848	82,954	111,089
EBIT Margin		*53.8%*	*56.0%*	*55.9%*	*54.6%*	*54.4%*	*55.4%*	*56.4%*	*57.4%*	*58.3%*	*59.2%*	*76.9%*
Income Taxes	*25.0%*	(672)	(748)	(780)	(790)	(824)	(865)	(908)	(954)	(1,001)	(1,051)	(1,084)
Net Operating Profit After Tax		**47,568**	**55,127**	**57,340**	**56,753**	**58,937**	**63,079**	**67,446**	**72,032**	**76,846**	**81,903**	**110,005**
Plus: Depreciation		27,295	27,454	27,621	27,794	27,973	28,160	28,355	28,559	28,775	29,000	4,336
Less: Capital Expenditures		(2,690)	(2,991)	(3,121)	(3,160)	(3,296)	(3,460)	(3,633)	(3,814)	(4,006)	(4,206)	(4,336)
Less: Incremental Net Working Capital		(4,998)	3,425	1,456	406	1,519	1,869	1,969	2,067	2,171	2,279	1,484
Net Available Cash Flow		**67,175**	**83,015**	**83,295**	**81,792**	**85,133**	**89,647**	**94,137**	**98,844**	**103,786**	**108,977**	**111,489**
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	
Present Value Factor	*8.0%*	0.962	0.891	0.825	0.764	0.707	0.655	0.606	0.561	0.520	0.481	
Present Value of Cash Flow		**64,639**	**73,964**	**68,717**	**62,478**	**60,213**	**58,709**	**57,083**	**55,497**	**53,956**	**52,458**	
Present Value of Discrete Cash Flows		607,714										
Present Value of Terminal Year Value		1,095,243										
Present Value of Cash Flows		**1,702,957**										
Plus/(Less): Excess/(Deficit) Working Capital		(18,944)										
Indicative Business Enterprise Value		**1,684,013**										
Rounded		1,684,000										

Source: Management information, Deloitte analysis

Appendices | A7: . DCF – Two Global Center

The indicative business enterprise value of the Two Global Center property is estimated to be around Php1.4B

Discounted cash flow - Properties for Swap - Two Global Center

Php'000		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Terminal
EBITDA		62,631	66,327	70,264	69,716	72,233	75,846	79,638	83,619	87,800	92,190	95,048
EBITDA Margin		*73.6%*	*73.0%*	*72.4%*	*70.8%*	*69.9%*	*69.9%*	*69.9%*	*69.9%*	*69.9%*	*69.9%*	*69.9%*
Depreciation		(18,384)	(18,491)	(18,603)	(18,720)	(18,840)	(18,966)	(19,097)	(19,235)	(19,380)	(19,532)	(4,081)
EBIT		44,247	47,836	51,661	50,996	53,393	56,880	60,541	64,384	68,420	72,658	90,967
EBIT Margin		*52.0%*	*52.7%*	*53.2%*	*51.8%*	*51.7%*	*52.4%*	*53.1%*	*53.8%*	*54.5%*	*55.1%*	*66.9%*
Income Taxes	*25.0%*	(638)	(681)	(728)	(738)	(775)	(814)	(855)	(898)	(942)	(990)	(1,020)
Net Operating Profit After Tax		**43,609**	**47,155**	**50,933**	**50,258**	**52,617**	**56,066**	**59,686**	**63,486**	**67,478**	**71,668**	**89,947**
Plus: Depreciation		18,384	18,491	18,603	18,720	18,840	18,966	19,097	19,235	19,380	19,532	4,081
Less: Capital Expenditures		(2,552)	(2,725)	(2,911)	(2,953)	(3,101)	(3,256)	(3,419)	(3,590)	(3,769)	(3,958)	(4,081)
Less: Incremental Net Working Capital		323	1,949	2,095	439	1,647	1,753	1,840	1,932	2,028	2,130	1,387
Net Available Cash Flow		**59,764**	**64,870**	**68,721**	**66,464**	**70,003**	**73,529**	**77,204**	**81,064**	**85,117**	**89,372**	**91,334**
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	
Present Value Factor	*8.0%*	0.962	0.891	0.825	0.764	0.707	0.655	0.606	0.561	0.520	0.481	
Present Value of Cash Flow		**57,508**	**57,797**	**56,693**	**50,770**	**49,512**	**48,153**	**46,815**	**45,514**	**44,250**	**43,021**	

Present Value of Discrete Cash Flows	500,033
Present Value of Terminal Year Value	897,244
Present Value of Cash Flows	1,397,277
Plus/(Less): Excess/(Deficit) Working Capital	(8,211)
Indicative Business Enterprise Value	1,389,066
Rounded	1,389,100

Source: Management information, Deloitte analysis

Appendices | A8: DCF – Festive Walk 1B

The indicative business enterprise value of the Festive Walk property is estimated to be around Php2.0B

Discounted cash flow - Properties for Swap - Festive Walk 1B

Php'000		FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	Terminal
EBITDA		92,034	95,014	96,873	100,452	102,719	107,151	112,508	118,134	124,039	130,242	134,280
EBITDA Margin		*75.6%*	*74.6%*	*73.4%*	*72.5%*	*71.4%*	*71.3%*	*71.3%*	*71.3%*	*71.3%*	*71.3%*	*71.3%*
Depreciation		(19,042)	(19,153)	(19,269)	(19,389)	(19,515)	(19,645)	(19,781)	(19,924)	(20,074)	(20,231)	(5,653)
EBIT		72,992	75,861	77,604	81,063	83,204	87,506	92,727	98,210	103,965	110,011	128,627
EBIT Margin		*60.0%*	*59.6%*	*58.8%*	*58.5%*	*57.8%*	*58.2%*	*58.7%*	*59.2%*	*59.7%*	*60.2%*	*68.3%*
Income Taxes	*25.0%*	(913)	(955)	(990)	(1,040)	(1,080)	(1,128)	(1,184)	(1,243)	(1,305)	(1,371)	(1,413)
Net Operating Profit After Tax		**72,079**	**74,906**	**76,614**	**80,023**	**82,125**	**86,379**	**91,543**	**96,967**	**102,660**	**108,640**	**127,213**
Plus: Depreciation		19,042	19,153	19,269	19,389	19,515	19,645	19,781	19,924	20,074	20,231	5,653
Less: Capital Expenditures		(3,652)	(3,821)	(3,958)	(4,158)	(4,318)	(4,510)	(4,736)	(4,973)	(5,221)	(5,483)	(5,653)
Less: Incremental Net Working Capital		3,903	1,889	1,521	2,225	1,783	2,169	2,551	2,679	2,812	2,954	1,923
Net Available Cash Flow		**91,372**	**92,127**	**93,446**	**97,480**	**99,104**	**103,683**	**109,139**	**114,597**	**120,325**	**126,342**	**129,136**
Periods Discounting		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	
Present Value Factor	*8.0%*	0.962	0.891	0.825	0.764	0.707	0.655	0.606	0.561	0.520	0.481	
Present Value of Cash Flow		**87,923**	**82,083**	**77,091**	**74,461**	**70,095**	**67,901**	**66,180**	**64,342**	**62,554**	**60,817**	

Present Value of Discrete Cash Flows	713,446
Present Value of Terminal Year Value	1,268,603
Present Value of Cash Flows	**1,982,048**
Plus/(Less): Excess/(Deficit) Working Capital	(586)
Indicative Business Enterprise Value	**1,981,463**
Rounded	1,981,500

Source: Management information, Deloitte analysis

Appendices | A10: Guideline public companies

Guideline public companies - MREIT, Inc

#	Company name	Ticker	Description
1	AREIT, Inc.	PSE:AREIT	AREIT, Inc. ("AREIT") is a real estate company established in the Philippines. Previously known as One Dela Rosa Property Development, Inc., our Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, our Company again changed its name to AREIT, Inc. Upon compliance with the requirements of the REIT Law, our Company shall operate as a Real Estate Investment Trust.
2	Axis Real Estate Investment Trust	KLSE:AXREIT	Axis Real Estate Investment Trust ("Axis-REIT"), Malaysia's first real estate investment trust, was listed on Bursa Securities on 3 August 2005. Having been reclassified as an Islamic REIT on 11 December 2008, all acquisitions by Axis-REIT are Shariah compliant. It currently has a diverse portfolio of 54 properties strategically located in the Klang Valley, Johor, Penang, Pahang, Negeri Sembilan and Kedah. Axis REIT Managers Berhad is the Manager of Axis-REIT while RHB Trustees Berhad is the latter's trustee. Axis-REIT has a solid industrial space portfolio where 92% of the properties are on industrial titles. As at 31 December 2020, the occupancy rate of Axis-REIT's portfolio stood at 91% with a weighted average lease expiry period of 5.7 years, based on rental. The space under management is 10.5 million sq ft and the total asset value amounted to RM3.36 billion.
3	DDMP REIT Inc.	PSE:DDMPR	DDMP REIT Inc. operates as a real estate investment trust company in the Philippines. Its property portfolio consists of six office towers with retail components in DD Meridian Park. The company was formerly known as DD-Meridian Park Development Corp. and changed its name to DDMP REIT Inc. in November 2020. DDMP REIT Inc. was incorporated in 2014 and is headquartered in Pasay, the Philippines. DDMP REIT Inc. is a subsidiary of DoubleDragon Properties Corporation.
4	IGB Real Estate Investment Trust	KLSE:IGBREIT	IGB REIT seeks to own and invest in a portfolio of quality, income producing real estate used primarily for retail purposes. Its primary objective is to provide unitholders with regular and stable distributions, a sustainable long term unit price, and growth in distributable income and capital, while maintaining an appropriate capital structure. IGB REIT is externally managed and administered by IGB REIT Management Sdn Bhd, the Manager of IGB REIT, who works to increase income and enhance asset value over time with the objective of maximising returns from investments, and consequently the distributions to unitholders. The Manager does this through active asset management, acquisition growth, and capital and risk management.
5	Lotus's Retail Growth Freehold and Leasehold Property Fund	SET:LPF	Tesco Lotus Retail Growth Freehold and Leasehold Property Fund specializes in investments in freehold and leasehold of 17 shopping malls anchored by a Tesco Lotus hypermarket.
6	Pavilion Real Estate Investment Trust	KLSE:PAVREIT	Pavilion Real Estate Investment Trust ("Pavilion REIT") is one of the largest retail concentrated REIT in Malaysia. Our assets are strategically located in the heart of the golden triangle of Kuala Lumpur and benefit from growth in Malaysia's economy. The principal investment policy of Pavilion REIT is to invest in income producing real estate used predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region.
7	Sunway Real Estate Investment Trust	KLSE:SUNREIT	Sunway Real Estate Investment Trust is an equity real estate investment externally managed by Sunway REIT Management Sdn Bhd. It invests in the real estate markets of Malaysia. The fund makes investment in diversified properties that include investment in commercial, office, industrial, and other real estate assets. Sunway REIT was formed on June 14, 2010 and is domiciled in Malaysia.
8	Ticon Freehold and Leasehold Real Estate Investment Trust	SET:FTREIT	Ticon Freehold and Leasehold Real Estate Investment Trust is a real estate investment trust externally managed by TICON Management Company Limited. The firm acquire, lease and/or sub-lease of immovable properties. It will take the transfer of the ownership and/or leasehold rights and/or sub-leasehold rights therein and seek benefits from those properties by way of lease, sub-lease, transferring and/or disposing of immovable properties the Trust invests in or acquires. Ticon Freehold and Leasehold Real Estate Investment Trust was formed on December 12, 2014 and is based in Bangkok, Thailand.
9	WHA Premium Growth Freehold And Leasehold Real Estate Investment Trust	SET:WHART	WHA Premium Growth Freehold And Leasehold Real Estate Investment Trust is a real estate investment trust externally managed by WHA Real Estate Management Company Limited. The firm invests mostly in property or property leasehold rights and generate benefit from such properties including to improve, alter, develop or dispose other assets in which the Trust invest or possess whatsoever lease, sub-lease or sale or other process for the benefit of the property and create the revenue and return to the Trust and the unitholders. WHA Premium Growth Freehold And Leasehold Real Estate Investment Trust was formed on December 8, 2014 and is based in Bangkok, Thailand.

Appendices | A10: Guideline public companies

Guideline public companies - Property for swap

#	Company name	Ticker	Description
1	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.
2	PTFC Redevelopment Corporation	PSE:TFC	PTFC Redevelopment Corporation, together with its subsidiary, operates as a leasing company primarily in the Philippines. It operates complexes of commercial, office, retail, industrial, mini, and personal (self) storage spaces. The company rents out warehouse spaces in its facilities in Balintawak and Baesa, Quezon City; and facilities in Baesa Town Center. It serves individuals and businesses. The company was formerly known as Philippine Tobacco Flue-Curing and Redrying Corporation and changed its name to PTFC Redevelopment Corporation in March 2014. PTFC Redevelopment Corporation was incorporated in 1951 and is based in Quezon City, the Philippines.
3	PT Plaza Indonesia Realty Tbk	IDX:PLIN	PT Plaza Indonesia Realty Tbk primarily engages in shopping center rental business in Indonesia. It operates through Shopping Center, Office, and Hotel segments. The company owns retail, hotel, residential, and office properties. It also operates Plaza Indonesia Shopping Center and the Grand Hyatt Hotel, as well as develops commercial and lifestyle properties in Jakarta. The company was founded in 1983 and is based in Central Jakarta, Indonesia. PT Plaza Indonesia Realty Tbk operates as a subsidiary of PT Plaza Indonesia Investama.
4	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.

Appendices | A11: Glossary

Glossary of terms

Entities involved

Clients	Megaworld Corporation and MREIT, Inc.
Fund Manager	MRIET Fund Managers, Inc.
Properties for Swap	One West Campus, Five West Campus, Festive Walk 1B, and Two Global Center
Property Manager	MREIT Property Managers, Inc
PSE	Philippine Stock Exchange
SEC	Securities and Exchange Commission
Php	Philippine peso
RA 9856	REIT Act of 2009
REIT	Real Estate Investment Trust
SKF	Santos Knight Frank
VAT	Value added tax
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

Others

1H21	Six months ending 30 June 2021
2H21	Six months ending 31 December 2021
ABV	Adjusted book value
BEV	Business enterprise value
BPO	Business processing office
CAPEX	Capital expenditure
CUSA	Common usage service area
DCF	Discounted cash flow
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EIU	Economist Intelligence Unit
EV	Enterprise value
FCFF	Free cash flow to the firm
FY	Financial year
GDP	Gross domestic product
GLA	Gross lease area
GPC	Guideline public companies
K or '000	In thousands
LTM	Last twelve months
M	In millions
NOPAT	Net operating profit after tax
NWC	Net working capital