



**MACROASIA JOINS MSCI SMALL CAP INDEX  
AS FIRST QUARTER 2018 REVENUES RISE BY 15%  
BUT HIGHER COSTS AND PROVISIONS DRIVE NET INCOME LOWER BY 22%.**

MACROASIA which was recognized last month by FinanceAsia as among the Philippines' Best Small-Cap Companies through the recent annual poll it conducted, is being included in the MSCI Small Cap Index by May 31, 2018. In February 2018, MacroAsia was also included in PSE's Services Index.

MacroAsia's first quarter 2018 revenues grew 15%, from Php692 million in 2017 to Php794 million in 2018, driven by a 44% growth in its groundhandling services and a 4% growth in its core inflight catering business. For the first 3 months of 2018, ground handling revenues rose to Php289 million, compared to Php201 million in 2017. Inflight meal revenues, arising from mostly foreign airline clients rose to Php384 million, compared to Php368 million last year. Its revenues from non-inflight accounts declined by 20% though, from Php75 million in 2017 to Php61 million in 2018 as it is currently constrained by production capacity issues.

The net results were impacted heavily though by a 22% rise in direct costs, from Php480 million in 2017 to Php587 million, largely attributable to the increase in staff numbers to cope with new clients and the temporary spiraling cost of raw materials, utilities and supplies that could be linked to the pervasive effect of the TRAIN that became effective early this year. Groundhandling personnel grew 44% from 2,051 in 2017 to 2,921 in 2018, as MacroAsia had to expand immediately to be ready to service at least 7 new airline clients resulting from the closure of 1 groundhandling provider. Only three (3) of these new airline clients were serviced in the latter part of March. The rest of the airlines were serviced only in April and May. MacroAsia is also getting ready to start its service in the new Terminal 2 in Mactan, Cebu, as it is one of the 3 groundhandlers that were granted concession licenses to operate in this terminal. MacroAsia's preparations and investments for this expansion has commenced early this year.

Lufthansa Technik Philippines (LTP), the MRO-JV which is owned 49% by MAC, booked its 1Q 2018 core revenues relatively flat at Php2.06 billion, compared to Php2.07 billion in 2017. LTP uses a percentage of completion method using manhours as basis in recognizing revenue earnings for a period, as repairs for aircraft like the Airbus A380 often span several months or extend beyond a reporting period. LTP's subcontracted revenues which are just passed-on to other MRO or OEM providers outside the Philippines stood at Php0.9 billion, compared to Php2.0 billion last year. LTP's income from operations grew 9% to Php591 million, from Php543 million in 2017. However, its net income decreased from Php512 million in 2017, to Php491 million, due to one-time provisions of Php41 million. MAC is reporting 49% of LTP's results in its consolidated income statements.

MacroAsia Corporation ("MAC") ended the first quarter of 2018 with a net income of Php233 million, down 22% from last year. While this performance appears weak compared to 2017, the non-recurring provisions and the one-off startup costs absorbed in Q1 are poised to open up a stronger performance ahead, as revenues are surely poised to grow due to the expanded client portfolio that has been prepared for servicing in Q1.



### **Financial Position**

MAC's balance sheet remains robust as the company's net assets grew 5% to Php4.89 billion, from Php4.6 billion as of year-end 2017. In April 2018, MacroAsia received its 49% share of the USD30M cash dividends that was declared by LTP last February. The company is not significantly leveraged, as it funds its working capital requirement, capital expenditures and acquisitions thru internally generated funds.

### **2018 Outlook**

Despite this, MacroAsia believes that it is still poised to grow its annual 2018 results substantially due to the strong revenue growth in its business unit while startup costs are expected to stabilize and taper down in the coming months. LTP signed on February 7, 2018, a 5-year base maintenance agreement with Asiana Airlines. From 2018 to 2022, Lufthansa Technik Philippines will be carrying out a total of 14 checks on the South Korean airline's A380s, and the first service has commenced in April 2018. LTP will also benefit from the maintenance of new PAL planes that went into operation last year, as well as the new planes that are arriving this 2018. Reportedly, PAL is expecting to take delivery in 2018 of 4 Airbus A350s, 6 Airbus A321neos, and 5 Bombardier Q400 next generation planes. MacroAsia Catering has also gained two new airline clients starting in February 2018, while MacroAsia Airport Services is increasing its client portfolio by at least 7 new airline clients by May 2018. Production capacity for meals will be enhanced by 2H 2018, as the Sucat commissary is poised to be operational by then. MacroAsia is currently finishing the construction of a new production facility for non-flight meals, and expects to have this operational by early second half of 2018. This will address the capacity issues in its current production facility that has been limiting its ability to grow its non-airline meal business.

### **MAC awarded as one of Philippines' Best Small-Cap Companies in FinanceAsia's 18th Annual Poll**

MAC was recognized as one of Philippines' Best Small-Cap Companies in FinanceAsia's 18<sup>th</sup> Annual Poll, MacroAsia Corporation ranked second, with Shakey's Pizza Asia Ventures ranking first and Megawide Construction Corp ranking third.

FinanceAsia is a Hong Kong-based publication reporting on Asia's financial and capital markets. Its annual survey provides an in-depth analysis of Asia's listed companies, their investor relations, commitment to corporate governance and social responsibility and acknowledges stand out performances in industry sector. This year's survey results reflect the opinions of 140 portfolio managers and buy-side analysts. - cap. The complete 2018 FinanceAsia 18th annual poll results can be viewed through this link: <http://www.financeasia.com/News/443899,investors-vote-best-managed-companies-inindonesia-thailand-philippines.aspx>

### **MAC gets in the MSCI small cap index**

On May 14, 2018, MacroAsia has been announced to be included in the MSCI Philippines Small Cap Index. The MSCI Philippines Small Cap Index is designed to measure the performance of the small cap segment of the Philippines market.