



# Property-for-Share Swap between AC Energy Corporation and AC Energy and Infrastructure Corporation

Fairness Opinion Report

**STRICTLY PRIVATE & CONFIDENTIAL**

March 18, 2021

**AC Energy Corporation**

4F 6750 Building, Ayala Avenue,  
Makati City 1226 Philippines

Attention: Board of Directors of AC Energy Corporation

**Re: Fairness Opinion Report**

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. (“FTI Consulting”) is pleased to submit this Fairness Opinion Report (“Report”) dated March 18, 2021 covering the property-for-share swap transaction between AC Energy Corporation (“ACEN”), an integrated power solutions company listed in the Philippine Stock Exchange (“PSE”), and AC Energy International, Inc. (“ACE Intl”), the holding company for international projects of AC Energy and Infrastructure Corporation (“ACEIC”).

ACEN and ACEIC will execute a property-for-share swap transaction where ACEN will issue primary common shares in exchange for 100 percent of outstanding common and redeemable preferred shares (“ACE Intl shares”) in ACE Intl under a tax-free exchange (“ACEIC International Transaction” or the “Transaction”). In its board meeting dated March 18, 2020, the Board of Directors of ACEN approved the issuance of 16,685.80 million ACEN primary common shares in exchange for ACE Intl shares. On March 18, 2021, the Board of Directors of ACEN reconfirmed the issuance of 16,685.80 million ACEN primary common shares in exchange for ACE Intl shares. In this regard, FTI Consulting has been asked to render an opinion on whether the proposed exchange of ACEN shares for ACE Intl shares is fair from a financial point of view.

FTI Consulting conducted a valuation study of both ACEN and ACE Intl in accordance with the 2020 International Valuation Standards (“IVS”) to determine the fairness of the consideration to be transferred and consideration to be received by ACEN. The following standards were used:

- IVS 101 Scope of Work
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 200 Business and Business Interests

The Valuation Date is December 31, 2020, with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value (also referred to as “Fair Value”) is the basis of value used in this engagement. Market Value according to IVS is defined as the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

FTI Consulting considered two events after the Valuation Date as “special assumptions”<sup>1</sup> for purposes of this valuation:

1. In January 2021, ACEN completed a stock rights offering (SRO) where it raised PHP5,354.17 million and issued 2,267.58 million common shares to participating shareholders as of Record Date January 13, 2021 at a price of PHP2.37 per share. The terms of the SRO was approved by the ACEN board on November 11, 2020.
2. In November 2020, ACEN announced an PHP11,880 million investment of Arran Investment Pte Ltd., an affiliate of GIC Private Limited (“GIC Investment”), into ACEN in which 4,000 million primary shares will be issued at a price of PHP2.97 per share. This transaction is expected to be completed after the Valuation Date upon compliance with certain closing conditions.

The above transactions were considered relevant for purposes of evaluating the fairness of the proposed Transaction since they have a dilutionary effect on the value of ACEN shares, and these are reasonably expected to occur prior to the property-for-share swap being consummated.

The Philippine Stock Exchange, Inc.’s (“PSE”) Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the valuation of the shares for property-for-share swap transactions. Such fairness opinion must be supported by a valuation report. Section II No. 5 of the memo requires the valuation of the shares of the listed company and the consideration to be received under the Transaction covered by the listing application.

<sup>1</sup> IVS 104 (Bases of Value), Section 200.4 states that “special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as “special” so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in current circumstances or that it reflects a view that would not be taken by participants generally on the valuation date.”

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

## SUMMARY OF FINDINGS

### Valuation of ACEN and ACE Intl Shares

ACEN and ACE Intl were valued using the Sum-of-the-Parts (SOTP) Method. Several valuation methodologies were considered in valuing each business under ACEN and ACE Intl such as the Discounted Cash Flows (DCF) Method of the Income Approach and the Adjusted Book Value Method of the Cost Approach. The estimated valuation ranges for ACEN and ACE Intl as of the Valuation Date are as follows:

#### Exhibit 1. Valuation Summary of ACEN and ACE Intl

Entity	Equity Valuation Range		Price per Share	
	Low Estimate	High Estimate	Low Estimate	High Estimate
In Millions PHP, except for per share values				
<b>AC Energy Corporation (ACEN)*</b>	<b>101,574.68</b>	<b>144,634.98</b>	<b>5.09</b>	<b>7.25</b>
<b>AC Energy International, Inc. (ACE Intl)</b>	<b>69,387.45</b>	<b>86,036.85</b>		
Preferred Equity	15,030.28	15,030.28	<b>1.00</b>	<b>1.00</b>
Common Equity	54,357.17	71,006.58	<b>31.95</b>	<b>41.74</b>

\*The equity valuation is inclusive of the estimated proceeds from the SRO and the GIC Investment. The price per share was calculated after accounting for the increased number of shares resulting from the SRO and the GIC Investment.

Source: FTI Consulting Analysis

### Valuation Cross-check

We performed a cross-check of our SOTP-based valuation of ACEN and ACE Intl using the Market Approach by comparing the implied EV-to-EBITDA and implied Price-to-Earnings (PE) multiples to comparable companies. The following exhibit shows the implied multiples of our valuation.

## Valuation Cross-check (cont'd)

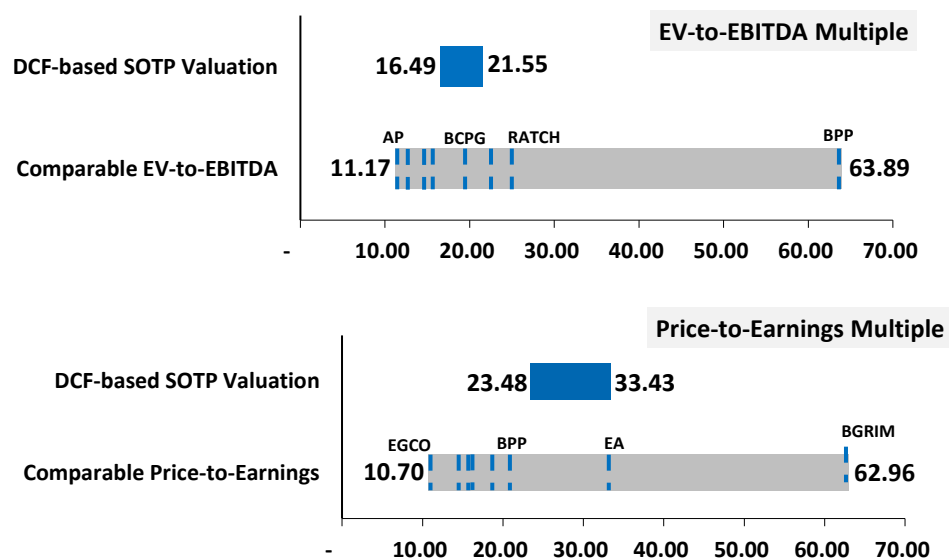
### Exhibit 2. Implied Multiples of ACEN and ACE Intl

Entity	Implied EV-to-EBITDA Multiple		Implied Price-to-Earnings Multiple	
	Low Estimate	High Estimate	Low Estimate	High Estimate
<b>AC Energy Corporation (ACEN)</b>	16.49x	21.55x	23.48x	33.43x
<b>AC Energy International, Inc. (ACE Intl)</b>	18.76x	24.03x	24.85x	30.81x

Source: FTI Consulting Analysis

Based on our analysis, the implied EV-to-EBITDA and PE multiples of the valuation ranges derived using the SOTP method for ACEN and ACE Intl both fall within the range of the multiples of their respective comparable companies. Exhibits 3 and 4 present the results of our multiples analysis for ACEN and ACE Intl, respectively.

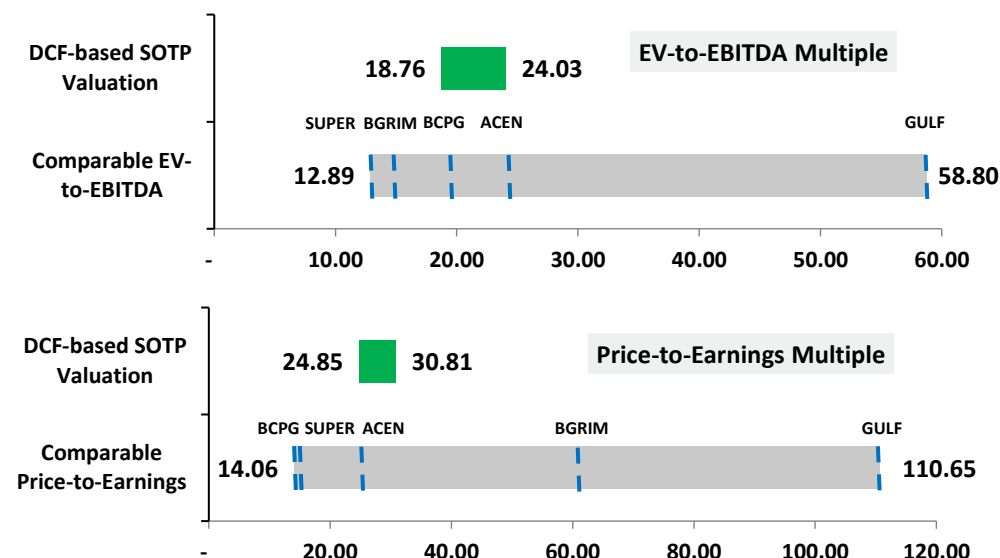
### Exhibit 3. Summary of Reasonableness Check of ACEN



■ Implied Multiples of DCF-based SOTP    ■ Multiples of Comparable Companies

Source: Refinitiv Eikon, FTI Consulting Analysis

### Exhibit 4. Summary of Reasonableness Check of ACE Intl



■ Implied Multiples of DCF-based SOTP    ■ Multiples of Comparable Companies

Source: Refinitiv Eikon, FTI Consulting Analysis

### Fair Range of ACEN shares to be Exchanged

Given the range of market values for ACE Intl shares and the range of market values per share of ACEN, we determined the range of ACEN shares to be issued which is considered fair from a financial point of view as shown in Exhibit 5.

### Exhibit 5. Fair Range of ACEN Shares to be Issued

Type of Shares In Millions, except for per share values	Equity Value (PHP)		No. of Shares ACE Intl	Price Per Share (PHP)		Fair Range of Shares to be Issued*	
	Low	High		Low	High	Low	High
AC Energy International, Inc.							
Common	54,357.17	71,006.58	1,701.28	31.95	41.74	7,501.44	13,953.22
Preferred	15,030.28	15,030.28	15,030.28	1.00	1.00	2,074.22	2,953.54
<b>TOTAL</b>	<b>69,387.45</b>	<b>86,036.85</b>				<b>9,575.66</b>	<b>16,906.76</b>

Source: FTI Consulting Analysis

\*Calculated using the fair value range of ACEN shares of PHP5.09 to PHP7.25 per share

### Valuation Conclusion and Fairness Opinion

Exhibit 6 shows the comparison of the fair range of ACEN shares to be issued calculated by FTI Consulting and the proposed number of shares to be issued by ACEN in the Transaction.

### Exhibit 6. Comparison of the Fair Range of ACEN Shares to be Issued and the Proposed Number of Shares to be Issued by ACEN

Total Number of Shares In Millions	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by ACEN
	Low	High	
Total number of shares	<b>9,575.66</b>	<b>16,906.76</b>	<b>16,685.80</b>

Source: FTI Consulting Analysis, ACEN Management

Given that the total number of shares to be issued by ACEN (i.e., 16,685.80 million ACEN shares) falls within our fair range of the total number of shares that ACEN can issue in exchange for 100 percent of the common and preferred shares of ACE Intl (as seen in Exhibit 6), the proposed Transaction is fair from a financial point of view.

## Statement of Limitations

- This Report opines solely on the fairness of the consideration to be transferred by ACEIC and consideration to be received by ACEN. It does not opine as to the operational merits or strategic rationale of the Transaction.
- In the preparation of the Valuation Report, FTI Consulting relied on available information and records, including but not limited on the representation of ACEN and ACE Intl, audited and unaudited financial statements, competent person's report, regulatory agency's reports and such other relevant supporting documents.
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council ("AASC"). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of ACEN and ACE Intl or any financial or other information.
- With respect to prospective financial information relative to ACEN and ACE Intl referenced throughout the Valuation Report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by the Management.
- Management is responsible for any and all financial information provided to us during the course of our work.

## Statement of Compliance

- The Report is not approved by an internal committee. The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of ACEN's or ACE Intl's directors, officers, or employees relative to the compensation to ACEN's or ACE Intl's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive a payment that is contingent on the successful completion of the transaction, for rendering the fairness opinion.
- There is no material relationship between FTI Consulting and any party to the Transaction during the prior two years in which compensation was received or intended to be received, except for an engagement with ACEN and ACEIC (the "Parties") where FTI Consulting issued a fairness opinion and valuation report dated October 9, 2019, covering assets in a property for share swap transaction between the Parties. These assets are part of the assets of ACEN being valued in this Report.
- Information with respect to ACEN's and ACE Intl's operations and account balances purported to be in effect and described in our Valuation Report was obtained primarily through analyses provided by and discussions with ACEN's and ACE Intl's management ("Management"). Key transaction documents were also reviewed to determine Transaction details.
- FTI Consulting performed appropriate analysis to evaluate inputs and assumptions, and their appropriateness for the valuation purpose.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants and Chartered Financial Analysts, are compliant with the Code of Ethics of the Philippine Institute of Certified Public Accountants and the CFA Institute Code of Ethics.
- A brief description of FTI Consulting and the educational and professional qualification of its representatives who conducted the valuation is included in our Report.

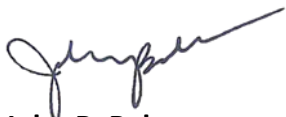


Should you require clarification on any of the matters contained in this Report or any further information, we would be pleased to meet and discuss.

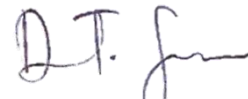
Yours faithfully,

**FTI CONSULTING PHILIPPINES, INC.**

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7258 J. Victor Street, Makati City  
1200 Metro Manila, Philippines  
PSE Accreditation CN - No. 2016-0041  
Validity Date: 3 November 2017 to 3 November 2022  
SEC Accreditation No. 032  
Validity Date: 29 October 2020 to 28 October 2025

A handwritten signature in black ink, appearing to read "John B. Balce".

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A handwritten signature in black ink, appearing to read "D.T. Gregorio III".

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