



## Valuation, Profitability, and Risk Assessment of Manila Electric Company (PSE: MER): A Fundamental and Technical Analysis as of May 2026

Amor Espina, Ramon George Atento, PhD<sup>1</sup>

<sup>1</sup>First Asia Institute of Technology and the Humanities

### Abstract

This study evaluates the valuation, profitability, and risk profile of Manila Electric Company, also known as Meralco, through a company-level fundamental and technical analysis as of May 2026. As a major Philippine electric utility, Meralco operates in a regulated and capital-intensive environment where valuation must be interpreted together with profitability, debt structure, free cash flow, dividend sustainability, and market behavior. The study employed a descriptive financial analysis design using secondary market and financial data from publicly accessible financial platforms, stock market summaries, financial statements, and technical charting tools. Results show that Meralco had a current price of PHP 604.50, market capitalization of PHP 685.27 billion, P/E ratio of 13.30, price-to-sales ratio of 1.36, and enterprise value of PHP 861.08 billion. The company maintained strong operating scale, with trailing twelve-month revenue of PHP 503.59 billion and net income of PHP 51.52 billion. However, its balance sheet showed rising debt, with total debt increasing to PHP 238.35 billion and net debt to PHP 125.28 billion in Q1 2026. Cash flow analysis revealed a major caution point: free cash flow was negative in 2025, Q1 2026, and on a trailing twelve-month basis. Although Meralco's indicated dividend yield of 4.61% provides shareholder return appeal, dividend sustainability must be interpreted against negative free cash flow and capital expenditure pressure. The study concludes that Meralco presents a profitable and systemically important utility profile, but its valuation and dividend appeal must be weighed against rising debt, negative free cash flow, and capital-intensive investment requirements.

**Keywords:** *Meralco; Manila Electric Company; fundamental analysis; technical analysis; valuation; profitability; free cash flow; dividend sustainability*

---

**Article History:** Received May 12, 2026 | Revised May 22, 2026 | Accepted May 26, 2026]

---

### 1. Introduction

#### 1.1 Background of the Study

Company-level stock analysis is an important tool in financial management because it links firm performance, market pricing, investor expectations, and risk assessment. In publicly listed firms, stock prices reflect more than current earnings. They also incorporate expectations about future growth, dividend capacity, capital structure, regulatory risk, liquidity, and market sentiment. For this reason, stock analysis often requires an integrated approach that combines fundamental and technical indicators.

Fundamental analysis examines financial performance through valuation ratios, profitability measures, liquidity indicators, leverage structure, cash flow, and dividends. Technical analysis evaluates price movement, trend strength, momentum, volatility, and trading volume. When used together, these approaches provide a more balanced view of a company's market position.

This study focuses on Manila Electric Company, also known as Meralco, one of the most important electric utility companies in the Philippines. As a utility firm, Meralco operates in a capital-intensive sector requiring sustained investment in distribution infrastructure, system reliability, power supply arrangements, and service expansion. Such companies may maintain stable demand and recurring revenue, but they also face large capital expenditure needs, debt financing requirements, regulatory exposure, and dividend sustainability considerations.

#### 1.2 Company and Industry Context

Meralco is a Philippine electric utility company listed on the Philippine Stock Exchange under the ticker MER. Its business is associated with electricity distribution and related energy services. Electric utilities are often viewed as relatively stable because demand for electricity is essential. However, stability does not eliminate financial risk. Utility firms typically require large investments in infrastructure, grid reliability, modernization, and service capacity.

Because of these characteristics, Meralco's valuation must not be assessed solely through earnings or dividend yield. Its investment profile must also be interpreted through debt, free cash flow, capital expenditure pressure, and market sentiment. This makes Meralco a suitable case for a fundamental and technical analysis.

### **1.3 Research Problem**

As of May 2026, Meralco presents a generally profitable utility profile supported by large revenue, positive earnings, and continuing dividend distributions. However, the company also shows rising debt and negative free cash flow on a trailing basis. The central research problem is how to interpret Meralco's valuation, profitability, and risk profile when earnings remain strong but cash flow and capital structure indicators introduce caution.

### **1.4 Objectives of the Study**

This study aims to conduct a company-level fundamental and technical analysis of Manila Electric Company as of May 2026. Specifically, it seeks to:

1. examine Meralco's market price behavior and trading performance;
2. evaluate Meralco's valuation profile using selected market indicators;
3. assess Meralco's profitability and operating performance;
4. analyze Meralco's balance sheet, debt structure, and financial position;
5. evaluate Meralco's cash flow and free cash flow position;
6. examine dividend sustainability in relation to earnings, debt, and free cash flow;
7. interpret available technical indicators; and
8. synthesize Meralco's overall valuation, profitability, cash flow, and risk profile.

### **1.5 Scope and Limitations**

This study is limited to a company-level analysis of Meralco using secondary financial and market data available as of the May 2026 observation period. The latest income statement, balance sheet, and cash flow data include Q1 2026 and trailing twelve-month figures. The study does not include a full discounted cash flow valuation, formal peer benchmarking, management interviews, independent analyst forecasts, or direct regulatory assessment. The technical indicators are based on available screenshots and should be interpreted as market context rather than a definitive trading forecast.

### **1.6 Significance of the Study**

This study is useful for finance students, educators, analysts, and readers interested in applied equity analysis. It demonstrates how valuation, profitability, balance sheet structure, free cash flow, dividends, and technical indicators can be integrated into one company-level assessment. It also highlights the importance of not relying solely on earnings or dividend yield when analyzing capital-intensive utility firms.

## **2. Review of Related Literature**

### **2.1 Market Multiples and Equity Valuation**

Market multiples are commonly used in equity valuation because they provide concise and comparable indicators of how the market prices a firm relative to earnings, book value, sales, or operating performance. Ratios such as P/E, P/B, P/S, and EV/EBITDA allow analysts to compare firms across time, sectors, and peer groups. Studies suggest that multiples-based valuation can approximate fair value reasonably well when applied carefully and may perform comparably with discounted cash flow methods in some practical settings (Bulău, 2022; Cooper & Lambertides, 2022; Husák, 2022; Ong et al., 2021).

The usefulness of multiples depends on context. Earnings-based multiples such as P/E and EV/EBITDA are often emphasized because they link market value to profitability and operating performance. P/B is useful when asset backing is relevant, while P/S may be informative when revenue stability is important. In utility and energy-related firms, valuation multiples must be interpreted together with risk factors, cost of capital, and expected cash flows (Chahuán-Jiménez et al., 2025; Skočir & Lončarski, 2024). In the Philippine market, valuation multiples have also been used to identify possible sector-level mispricing and market inefficiency (Atento, 2025). Cross-country valuation diagnostics further show that P/E interpretation can shift when historical benchmarks, percentile positioning, and trend context are considered (Atento & Atento, 2025a).

For Meralco, valuation multiples should therefore be treated as initial pricing signals rather than final judgments. A moderate P/E or P/S ratio may suggest reasonable valuation, but the interpretation must be linked to profitability, debt, cash flow, dividend capacity, and utility-sector risk.

### **2.2 Profitability and Firm Value**

Profitability is central to firm value because it reflects the ability of a company to generate returns from assets, equity, revenue, and invested capital. Studies generally find that more profitable firms tend to have higher firm value, especially when profitability is measured through ROA, ROE, net profit margin, EPS, or related indicators (Akhmadi & Januarsi, 2021; Bon & Hartoko, 2022; Jonnius & Marsudi, 2021; Priani et al., 2023). Profitability may also mediate or strengthen the

relationship between firm size, leverage, ownership structure, dividend policy, and value (Ekanayake & Indrani, 2023; Lestari et al., 2025; Sari & Siswanti, 2025).

However, profitability does not affect stock prices uniformly. Some studies find that ROE and EPS significantly influence stock prices, while ROA and net profit margin may produce weaker or mixed effects depending on the sector and market context (Choiriyah et al., 2021; Rafi' et al., 2023; Triana & Debbie, 2025). Other studies show that profitability may not significantly explain stock returns in all samples, suggesting that market performance is also shaped by investor sentiment, macroeconomic conditions, governance, leverage, and sector risk (Bakhtiar, 2025; Salsabila & Suhaili, 2023). Philippine rank-based evidence also indicates that profitability can distinguish performance extremes, although cash-flow-based valuation appears more stable than earnings indicators in separating stock performance tiers (Atento & Atento, 2025b).

For Meralco, profitability analysis should therefore go beyond the presence of positive earnings. Revenue, gross profit, operating income, EBITDA, EBIT, net income, and EPS should be interpreted together with cash flow and debt. A utility company may remain profitable while still experiencing free cash flow pressure due to capital expenditure and infrastructure investment.

### ***2.3 Leverage, Liquidity, and Risk in Capital-Intensive Utility Firms***

Capital-intensive firms frequently rely on debt because their operations require large long-lived assets. Utilities, infrastructure firms, and energy-related companies often sustain higher leverage than less asset-intensive firms because they possess tangible assets and relatively predictable cash flows. Research suggests that moderate leverage can enhance firm value through tax benefits and lower weighted average cost of capital, but excessive leverage increases distress risk and may reduce value (Abubakar & Anyonje, 2025; Evianti et al., 2024; Li, 2025).

The leverage-value relationship is often non-linear. In emerging market studies, moderate debt may support firm value, while excessive debt weakens value through higher borrowing costs, distress risk, and reduced financial flexibility (Bui et al., 2023; Evianti et al., 2024). In energy and utility-like sectors, investors may partly expect debt, which means leverage alone may not explain firm value unless interpreted together with profitability, liquidity, cash flow, and regulatory context (Hapsari et al., 2025; Mashudi et al., 2021). For electricity firms, target leverage also matters because the cost of capital can influence valuation and public policy considerations (Kayo, 2026). Comparable local issuer-level analyses of Globe Telecom and San Miguel Corporation show that large operating scale or discounted valuation can coexist with leverage, liquidity, and trend-confirmation risks, making balance-sheet interpretation central to a cautious investment view (Dela Costa & Atento, 2025; Del Mundo & Atento, 2025).

For Meralco, rising debt must be interpreted carefully. Debt is not automatically negative because infrastructure investment is central to utility operations. However, increasing total debt and net debt become more important when free cash flow is negative and dividends remain expected by shareholders.

### ***2.4 Free Cash Flow, Dividend Sustainability, and Investor Perception***

Free cash flow is important because it measures cash available after operating requirements and capital expenditures. Research generally shows that higher free cash flow supports sustainable dividend policy, especially in listed firms where regular payouts are interpreted as signals of financial strength and shareholder orientation (Chau, 2023; Luspratama & Handoyo, 2024; Marpaung et al., 2025). Strong free cash flow allows firms to distribute dividends while preserving investment capacity and financial flexibility.

The relationship between free cash flow and dividends, however, is not always positive. Some studies find that higher free cash flow increases dividend payout ratios, while others show that firms may retain free cash flow for investment, debt management, or agency-related reasons (De Souza et al., 2024; Suriani & Wirawati, 2025). This means that free cash flow must be interpreted within the firm's growth opportunities, leverage, governance, and sector requirements.

For Meralco, this literature is directly relevant because the company has dividend appeal but shows negative free cash flow on a trailing basis. Dividend yield should therefore be interpreted cautiously. A dividend can remain attractive, but its sustainability depends on whether it is supported by operating cash flow, manageable investing outflows, debt capacity, and future earnings stability. Similarly, in a Philippine retail-equity case, dividend appeal was treated as conditional on margin durability, earnings quality, and free-cash-flow coverage rather than as a stand-alone yield advantage (Nona & Atento, 2025).

### ***2.5 Technical Indicators and Market Behavior***

Technical analysis examines short-term price movement, momentum, trend strength, volatility, and trading behavior. Indicators such as moving averages, MACD, RSI, Bollinger Bands, ADX, ATR, and volume are widely used to assess whether market behavior supports or weakens a fundamental interpretation. Recent studies suggest that technical indicators can provide useful information about short-term price direction and volatility, particularly when converted into trading rules or combined with machine learning models (Aseeri, 2023; Konur et al., 2024; Melda et al., 2025; Phuoc et al., 2024).

The evidence remains mixed. Some studies show that MACD and RSI can identify profitable trades or short-term price direction in selected markets, while others suggest that technical rules do not consistently outperform buy-and-hold strategies, especially in more efficient markets (Kitkanasiri & Palahan, 2025; Nanda et al., 2024; Sami et al., 2022).

Indicators may also produce false or lagging signals, which is why they are more useful when combined rather than treated as standalone predictors (Agrawal et al., 2021; Chio, 2022; Wiiava et al., 2022). In the Jollibee case, an integrated FA-TA workflow likewise treated RSI, MACD, volume behavior, and resistance confirmation as contextual signals that could temper otherwise improving fundamental conditions (Mangubat & Atento, 2025).

For Meralco, technical indicators are used as short-term market context. They help determine whether market sentiment confirms or complicates the fundamental analysis, but they do not replace valuation, profitability, debt, and cash flow analysis.

**2.6 Synthesis and Research Gap**

The literature indicates that company-level stock analysis should integrate valuation, profitability, leverage, free cash flow, dividends, and technical behavior. Valuation multiples provide useful pricing signals, but they are noisy without sector context. Profitability supports firm value, but it does not automatically imply strong cash flow. Leverage may be normal in utilities, but excessive or rising debt still creates financial risk. Dividends are attractive when supported by free cash flow, but dividend yield becomes less reliable when cash flow coverage is weak. Technical indicators provide short-term market context, but they should be interpreted alongside fundamentals.

This study addresses the need for an integrated fundamental and technical analysis of Meralco as of May 2026. The research gap lies in evaluating the company’s valuation, profitability, debt position, free cash flow, dividend sustainability, and technical behavior jointly rather than separately. While recent local issuer-level applications have examined firms in retail, telecommunications, food service, and conglomerate settings, this paper extends the integrated approach to a utility firm where capital expenditure intensity and dividend expectations make free-cash-flow interpretation especially important.

**3. Methodology**

**3.1 Research Design**

This study employed a descriptive company-level financial analysis design using secondary financial and market data. It integrated fundamental and technical analysis to evaluate Meralco’s valuation, profitability, balance sheet structure, cash flow, dividend profile, and market behavior as of May 2026.

**3.2 Data Sources**

The study used secondary data from publicly accessible financial platforms, stock market summaries, financial statement pages, and technical charting tools. The analysis included TradingView financial statements and statistics, market overview data, dividend summary data, and technical indicator screenshots. The latest financial statement data covered Q1 2026 and trailing twelve-month values.

**3.3 Variables and Indicators**

**Table 1. Variable Map and Analytical Use of Indicators**

Indicator Group	Specific Indicators	Analytical Use
Market and company profile	Price, daily change, market capitalization, shares, dividend yield, P/E	Establishes market snapshot
Valuation	P/E, P/S, enterprise value, debt, cash, EPS	Assesses market pricing and capital structure
Profitability	Revenue, gross profit, operating income, EBITDA, EBIT, net income, EPS	Evaluates operating and earnings performance
Balance sheet	Assets, liabilities, equity, total debt, net debt	Assesses financial position and leverage
Cash flow	Operating cash flow, investing cash flow, financing cash flow, free cash flow	Evaluates cash generation and investment pressure
Dividends	Dividend yield, last dividend, ex-date, payment date, FCF coverage	Assesses shareholder return and sustainability
Technical indicators	RSI, MACD, ADX, ATR, trend snapshot, support/resistance	Assesses short-term market behavior

**3.4 Analytical Procedure**

The analysis followed five stages. First, Meralco’s market and financial data were extracted from available secondary sources. Second, indicators were classified into valuation, profitability, balance sheet, cash flow, dividend, and technical categories. Third, values were organized into tables. Fourth, each table was interpreted using financial analysis principles and relevant literature. Fifth, the results were synthesized into an integrated valuation-profitability-risk assessment.

### 3.5 Limitations of the Method

This study is limited to selected secondary indicators available during the May 2026 observation period. It does not include a formal DCF valuation, full peer benchmarking, analyst model reconstruction, management interviews, or complete regulatory analysis. The technical section is also limited by available screenshots and should be interpreted as contextual, not predictive.

## 4. Results

### 4.1 Market and Company Overview

**Table 2. Market and Company Overview of Manila Electric Company as of May 2026**

Indicator	Value
Company	Manila Electric Company
Ticker	MER
Market	Philippine Stock Exchange
Sector	Utilities
Industry	Electric Utilities
Current / Closing Price	PHP 604.50
Daily Change	-PHP 3.50
Daily Percentage Change	-0.58%
Market Capitalization	PHP 685.27B
Dividend Yield, Indicated	4.61%
P/E Ratio, TTM	13.30
Basic EPS, TTM	PHP 45.71
Founded	1903
CEO	Manuel Velez Pangilinan
Total Shares / Ownership Base	Approximately 1.13B shares
Closely Held Shares	833.01M shares / 73.91%
Free Float Shares	294.04M shares / 26.09%

Meralco's latest market snapshot shows a closing price of PHP 604.50, with a daily decline of PHP 3.50 or -0.58%. Its market capitalization of PHP 685.27 billion confirms its position as a large listed Philippine utility firm. The indicated dividend yield of 4.61% suggests shareholder return appeal, while the P/E ratio of 13.30 and basic EPS of PHP 45.71 provide the basis for valuation analysis. The free float of 26.09% indicates that most shares are closely held, which may influence trading liquidity and market behavior.

### 4.2 Valuation Analysis

**Table 3. Valuation and Capital Structure Snapshot of Manila Electric Company**

Indicator	Value
Market Capitalization	PHP 685.27B
Enterprise Value	PHP 861.08B
P/E Ratio, TTM	13.30
Price-to-Sales Ratio	1.36
Basic EPS, TTM	PHP 45.71
Debt	PHP 238.35B
Minority Interest	PHP 50.53B
Cash and Equivalents	PHP 110.73B
Dividend Yield, Indicated	4.61%
Last Dividend	PHP 16.72
Last Ex-Dividend Date	March 25, 2026
Last Payment Date	April 20, 2026

Meralco's valuation appears moderate rather than deeply discounted. A P/E ratio of 13.30 suggests that the stock is priced at approximately 13 times trailing earnings, while a P/S ratio of 1.36 indicates that the market values the company above annual sales but not at an extreme revenue multiple. Enterprise value of PHP 861.08 billion exceeds market capitalization because of debt and minority interest, partially offset by cash and equivalents. This is consistent with a capital-intensive utility profile. However, debt of PHP 238.35 billion and cash of PHP 110.73 billion show that valuation must be interpreted together with leverage and free cash flow.

### 4.3 Profitability and Operating Performance

**Table 4. Quarterly Income Statement Summary of Manila Electric Company**

Indicator	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	TTM
Total Revenue	PHP 114.51B	PHP 130.71B	PHP 126.55B	PHP 125.56B	PHP 120.78B	PHP 503.59B
Cost of Goods Sold	-PHP 101.08B	-PHP 115.21B	-PHP 112.07B	-PHP 111.45B	-PHP 107.48B	-PHP 446.21B
Gross Profit	PHP 13.43B	PHP 15.50B	PHP 14.48B	PHP 14.11B	PHP 13.30B	PHP 57.38B
Operating Expenses, excl. COGS	-PHP 1.98B	-PHP 1.40B	-PHP 520.00M	-PHP 5.14B	-PHP 3.01B	-PHP 10.07B
Operating Income	PHP 11.45B	PHP 14.10B	PHP 13.96B	PHP 8.97B	PHP 10.28B	PHP 47.31B
Non-operating Income / Expense	-PHP 1.90B	-PHP 2.48B	-PHP 2.13B	PHP 4.89B	-PHP 2.13B	-PHP 1.85B
Pretax Income	PHP 9.55B	PHP 11.63B	PHP 11.83B	PHP 13.86B	PHP 8.15B	PHP 45.46B
Equity in Earnings	PHP 3.32B	PHP 4.77B	PHP 4.99B	PHP 3.66B	PHP 4.89B	PHP 18.30B
Taxes	-PHP 1.92B	-PHP 2.88B	-PHP 3.19B	-PHP 4.76B	-PHP 1.88B	-PHP 12.71B
Net Income	PHP 10.45B	PHP 13.19B	PHP 13.19B	PHP 14.31B	PHP 10.83B	PHP 51.52B
Basic EPS	PHP 9.27	PHP 11.70	PHP 11.70	PHP 12.69	PHP 9.61	PHP 45.71
EBITDA	PHP 15.43B	PHP 18.67B	PHP 18.07B	PHP 13.34B	PHP 14.64B	PHP 64.73B
EBIT	PHP 11.45B	PHP 14.10B	PHP 13.96B	PHP 8.97B	PHP 10.28B	PHP 47.31B
Total Operating Expenses	-PHP 103.06B	-PHP 116.61B	-PHP 112.59B	-PHP 116.59B	-PHP 110.50B	-PHP 456.28B

Meralco maintained a large and relatively stable revenue base. Quarterly revenue ranged from PHP 114.51 billion in Q1 2025 to PHP 130.71 billion in Q2 2025, while TTM revenue reached PHP 503.59 billion. Net income remained positive across all observed quarters, increasing from PHP 10.45 billion in Q1 2025 to PHP 14.31 billion in Q4 2025 before moderating to PHP 10.83 billion in Q1 2026. This suggests a stronger earnings profile than companies showing steep profit deterioration, but the Q1 2026 decline from Q4 2025 still indicates short-term moderation. EBITDA and EBIT remained positive, supporting the view that Meralco has a stable utility earnings base.

### 4.4 Balance Sheet, Leverage, and Financial Position

**Table 5. Balance Sheet and Capital Structure Indicators of Manila Electric Company**

Indicator	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Total Assets	PHP 737.26B	PHP 753.92B	PHP 791.69B	PHP 823.88B	PHP 829.79B
Total Liabilities	PHP 547.51B	PHP 554.07B	PHP 569.37B	PHP 600.30B	PHP 612.20B
Total Equity	PHP 189.75B	PHP 199.85B	PHP 222.32B	PHP 223.52B	PHP 216.87B
Total Debt	PHP 188.19B	PHP 204.92B	PHP 213.51B	PHP 230.20B	PHP 238.35B
Net Debt	PHP 76.10B	PHP 103.82B	PHP 123.80B	PHP 120.76B	PHP 125.28B

Meralco's total assets increased from PHP 737.26 billion in Q1 2025 to PHP 829.79 billion in Q1 2026. However, liabilities also rose from PHP 547.51 billion to PHP 612.20 billion, and total debt increased from PHP 188.19 billion to PHP 238.35 billion. Net debt also rose from PHP 76.10 billion to PHP 125.28 billion. These figures indicate that Meralco's asset expansion was accompanied by higher financial obligations. While this is not unusual for a utility, the increase in debt must be interpreted together with free cash flow and dividend sustainability.

### 4.5 Cash Flow and Free Cash Flow Analysis

**Table 6. Annual Cash Flow Summary of Manila Electric Company**

Indicator	2024	2025	TTM
Cash from Operating Activities	PHP 53.50B	PHP 75.32B	PHP 69.70B
Cash from Investing Activities	-PHP 32.92B	-PHP 154.45B	-PHP 76.12B
Cash from Financing Activities	-PHP 18.89B	PHP 104.57B	PHP 16.78B
Free Cash Flow	PHP 14.40B	-PHP 31.20B	-PHP 31.06B

Meralco generated strong operating cash flow, rising from PHP 53.50 billion in 2024 to PHP 75.32 billion in 2025. However, investing cash outflows expanded sharply to -PHP 154.45 billion in 2025, causing free cash flow to turn negative at -PHP 31.20 billion. The TTM free cash flow also remained negative at -PHP 31.06 billion. This is one of the most important findings of the study. Meralco remains profitable, but cash flow after investment requirements is negative, which creates pressure on dividend sustainability and financial flexibility.

**Table 7. Quarterly Cash Flow Summary of Manila Electric Company**

Indicator	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	TTM
Cash from Operating Activities	PHP 10.20B	PHP 11.40B	PHP 4.76B	PHP 48.20B	PHP 5.30B	PHP 69.70B
Cash from Investing Activities	-PHP 86.10B	-PHP 21.56B	-PHP 4.24B	-PHP 14.84B	-PHP 8.80B	-PHP 76.12B
Cash from Financing Activities	PHP 94.90B	-PHP 1.50B	-PHP 3.97B	PHP 15.46B	PHP 6.80B	PHP 16.78B
Free Cash Flow	-PHP 14.26B	-PHP 10.79B	-PHP 26.83B	PHP 20.68B	-PHP 14.13B	-PHP 31.06B

The quarterly cash flow data show volatility in free cash flow. Q4 2025 generated positive free cash flow of PHP 20.68 billion, but Q1 2026 returned to negative free cash flow of -PHP 14.13 billion. Operating cash flow was also uneven, with a large Q4 2025 inflow of PHP 48.20 billion followed by only PHP 5.30 billion in Q1 2026. The TTM free cash flow of -PHP 31.06 billion reinforces the view that dividend sustainability must be assessed carefully despite positive accounting earnings.

#### 4.6 Dividend and Shareholder Return Analysis

**Table 8. Dividend and Shareholder Return Indicators of Manila Electric Company**

Indicator	Value
Dividend Yield, Indicated	4.61%
Last Dividend	PHP 16.72
Last Ex-Dividend Date	March 25, 2026
Last Payment Date	April 20, 2026
2025 Free Cash Flow	-PHP 31.20B
Q1 2026 Free Cash Flow	-PHP 14.13B
TTM Free Cash Flow	-PHP 31.06B

Meralco's indicated dividend yield of 4.61% provides shareholder return appeal. However, the dividend must be assessed against cash flow. Free cash flow was negative in 2025, Q1 2026, and on a TTM basis. This does not automatically mean that dividends are immediately unsustainable, because utilities may use retained earnings, debt financing, cash reserves, or working capital timing to support distributions. Nevertheless, negative free cash flow prevents a purely favorable interpretation of the dividend yield.

#### 4.7 Technical Analysis

**Table 9. Preliminary Technical Indicator Summary of Manila Electric Company**

Indicator	Value / Signal	Interpretation
RSI	60.7078	Bullish-to-neutral momentum; not overbought
ADX	34.9720	Strong trend reading
MACD	11.7419	Positive momentum signal
1-Day Candlestick	Shooting Star	Possible short-term reversal or caution
20-Day Trend	Uptrend, 7.95%	Constructive short-term trend
50-Day Trend	Sideways, 9.30%	Medium-term consolidation with positive movement
100-Day Trend	Sideways, 9.03%	Longer-term sideways but positive movement
ATR	14.8197 / 2.27%	Moderate volatility
Bollinger Band Width	0.1085%	Low-to-moderate volatility
Resistance 1	PHP 670.75	Near-term resistance
Support 1	PHP 637.75	Near-term support
Support 2	PHP 600.50	Lower support level

The available technical indicators suggest a generally constructive but cautious market profile. RSI above 60 indicates positive momentum without reaching an overbought extreme. MACD is positive, and ADX indicates a strong trend. The 20-day trend is upward, while the 50-day and 100-day trends show sideways movement with positive percentage readings. However, the shooting star candlestick pattern introduces caution because it may indicate possible short-term hesitation or reversal pressure. In addition, because the latest market snapshot shows PHP 604.50 while some earlier technical indicators appear to reflect a higher price observation, the technical results should be interpreted as contextual rather than final.

#### 4.8 Integrated Valuation, Profitability, Cash Flow, and Risk Profile

**Table 10. Integrated Valuation, Profitability, Cash Flow, and Risk Interpretation**

Analytical Area	Key Evidence	Interpretation
Market Price	PHP 604.50; -PHP 3.50 / -0.58%	Mild negative daily movement in latest snapshot
Valuation	P/E 13.30; P/S 1.36; EV PHP 861.08B	Valuation appears moderate, not deeply discounted
Profitability	TTM revenue PHP 503.59B; TTM net income PHP 51.52B	Strong operating and earnings base
Earnings Trend	Q1 2026 net income PHP 10.83B vs Q4 2025 PHP 14.31B	Latest quarter shows moderation
Balance Sheet	Assets PHP 829.79B; liabilities PHP 612.20B; debt PHP 238.35B	Large asset base but rising debt and liabilities
Free Cash Flow	TTM FCF -PHP 31.06B; 2025 FCF -PHP 31.20B	Major caution point for dividend sustainability
Dividends	Dividend yield 4.61%; last dividend PHP 16.72	Income appeal exists but must be read against negative FCF
Technicals	RSI positive, MACD positive, ADX strong, shooting star caution	Technical profile is constructive but not risk-free
Overall Profile	Strong earnings plus debt and FCF pressure	Profitable utility profile with cash-flow-sensitive risk

Meralco presents a stronger profitability profile than many firms with declining earnings because it has large revenue, positive operating income, positive EBITDA, and positive net income. However, the company's profile is not risk-free. Total debt and net debt increased over the observed period, and free cash flow turned negative in 2025 and remained negative on a TTM basis. This makes dividend sustainability a central issue. Overall, Meralco should be interpreted as a profitable and systemically important utility firm with valuation and dividend appeal, but also with debt, capital expenditure, and free cash flow risks.

## 5. Discussion

### 5.1 Interpretation of Valuation Signals

Meralco's valuation ratios suggest a moderate market valuation. The P/E ratio of 13.30 and P/S ratio of 1.36 do not indicate an extreme valuation based on the available data. However, the enterprise value of PHP 861.08 billion shows that the company's valuation includes the effect of debt and minority interest. Since utilities typically operate with significant debt and large asset bases, valuation must be interpreted in relation to leverage, cash flow, and regulatory stability.

The literature supports this careful interpretation. Valuation multiples are useful signals, but they must be combined with profitability, risk, and cash flow analysis. In Meralco's case, the valuation does not appear excessive at first glance, but it also cannot be judged attractive without considering negative free cash flow and rising debt.

### 5.2 Interpretation of Profitability and Earnings Quality

Meralco's income statement shows strong earnings capacity. TTM revenue reached PHP 503.59 billion, and TTM net income reached PHP 51.52 billion. Net income remained positive across all observed quarters. However, Q1 2026 net income of PHP 10.83 billion was lower than Q4 2025 net income of PHP 14.31 billion, suggesting some moderation in the latest quarter.

This does not imply weak profitability. Rather, it suggests that the company's earnings should be monitored for consistency. For a utility company, stable earnings are important because investors often value utilities for predictability and dividend capacity. Earnings strength supports the valuation case, but the analysis must still examine cash flow.

### 5.3 Interpretation of Debt and Financial Position

Meralco's asset base expanded from Q1 2025 to Q1 2026, but liabilities and debt also increased. Total debt rose to PHP 238.35 billion, while net debt increased to PHP 125.28 billion. In a utility context, this is not automatically alarming

because infrastructure expansion and system investment often require debt financing. However, the rise in debt becomes more significant when free cash flow is negative.

The evidence therefore supports a balanced interpretation. Meralco's debt may be structurally consistent with the utility model, but it still reduces financial flexibility and increases the importance of cash flow management.

#### ***5.4 Cash Flow Pressure and Dividend Sustainability***

The strongest caution in the Meralco analysis comes from free cash flow. Operating cash flow was strong in 2025 at PHP 75.32 billion, but investing cash outflows were much larger at -PHP 154.45 billion. This resulted in negative free cash flow of -PHP 31.20 billion for 2025 and -PHP 31.06 billion on a TTM basis.

This finding complicates the interpretation of Meralco's dividend yield. A 4.61% indicated dividend yield may appeal to income-oriented investors, but dividend sustainability cannot be evaluated using yield alone. If free cash flow remains negative, dividends may need to be supported by retained earnings, financing, balance sheet capacity, or temporary cash flow timing. This does not mean dividends will necessarily be reduced, but it means the dividend profile must be assessed cautiously.

#### ***5.5 Technical Market Sentiment***

The available technical indicators suggest a more constructive profile than a bearish stock pattern. RSI above 60, positive MACD, and a strong ADX reading suggest that market momentum has been supportive. However, the shooting star candlestick pattern introduces caution, and the latest market price of PHP 604.50 indicates a mild daily decline.

The technical results should therefore be interpreted as mixed but not weak. They support the view that Meralco has had constructive market behavior, but they do not remove the need to evaluate cash flow and debt.

#### ***5.6 Balanced Assessment: Stability Versus Financial Risk***

The integrated assessment suggests that Meralco should not be viewed only as a stable dividend utility. It has strong earnings and a large market position, but it also has rising debt and negative free cash flow. The most balanced interpretation is that Meralco remains financially significant and profitable, but its dividend and valuation appeal depend on whether operating cash flow can consistently cover investment needs, financing obligations, and shareholder distributions.

### **6. Conclusion and Recommendations**

#### ***6.1 Summary of Findings***

This study examined Meralco using valuation, profitability, balance sheet, cash flow, dividend, and technical indicators as of May 2026. Results show that Meralco had a current price of PHP 604.50, P/E ratio of 13.30, P/S ratio of 1.36, market capitalization of PHP 685.27 billion, and enterprise value of PHP 861.08 billion. The company maintained strong operating scale, with TTM revenue of PHP 503.59 billion and TTM net income of PHP 51.52 billion. However, total debt increased to PHP 238.35 billion, and net debt reached PHP 125.28 billion in Q1 2026. Free cash flow was negative in 2025, Q1 2026, and on a TTM basis. Dividend yield was attractive at 4.61%, but dividend sustainability requires cautious interpretation because of negative free cash flow.

#### ***6.2 Conclusion***

Meralco presents a profitable but cash-flow-sensitive utility profile. Its valuation appears moderate, and its earnings remain strong. However, rising debt and negative free cash flow prevent a purely favorable conclusion. The company's dividend appeal must be interpreted alongside capital expenditure requirements and financial flexibility. Overall, Meralco remains a systemically important and profitable utility company, but its valuation and shareholder return profile should be assessed with caution.

#### ***6.3 Practical Implications***

For finance students and analysts, the Meralco case demonstrates the importance of distinguishing between accounting profitability and free cash flow. A company can report strong earnings while still facing cash flow pressure due to investing activities. The study also shows that dividend yield should not be interpreted in isolation. Dividend sustainability depends on operating cash flow, free cash flow, debt, and capital expenditure requirements.

#### ***6.4 Recommendations***

Future analysis of Meralco should include full ratio extraction from the complete TradingView Statistics table, including ROA, ROE, ROIC, EV/EBITDA, current ratio, quick ratio, and debt ratios. Analysts should also examine capital expenditure details, dividend payout ratio, interest coverage, and regulatory developments. A peer comparison with other Philippine power and utility firms would strengthen the assessment of whether Meralco's valuation and risk profile are company-specific or sector-wide.

## 6.5 Suggestions for Future Research

Future studies may expand this paper into a comparative utilities-sector analysis covering Meralco, Aboitiz Power, First Gen, and other relevant listed firms. Future research may also apply multi-year panel analysis, discounted cash flow valuation, or statistical testing of the relationship between free cash flow, dividends, leverage, and stock price behavior.

## 6.6 Financial Advice Disclaimer

This study is prepared for academic purposes only. It does not constitute financial advice, investment solicitation, or a recommendation to buy, sell, or hold Meralco shares. Investment decisions should be based on independent research, risk tolerance, and consultation with qualified financial professionals.

## References

- Abubakar, A., & Anyonje, S. (2025). Financial leverage and corporate financial performance: A comprehensive review. *East African Finance Journal*. <https://doi.org/10.59413/eafj/v4.i2.3>
- Agrawal, M., Shukla, P., Nair, R., Nayyar, A., & Masud, M. (2021). Stock prediction based on technical indicators using deep learning model. *Computers, Materials & Continua*. <https://doi.org/10.32604/cmc.2022.014637>
- Akhmadi, A., & Januarsi, Y. (2021). Profitability and firm value: Does dividend policy matter for Indonesian sustainable and responsible investment listed firms? *Economies*. <https://doi.org/10.3390/economies9040163>
- Aseeri, A. (2023). Effective short-term forecasts of Saudi stock price trends using technical indicators and large-scale multivariate time series. *PeerJ Computer Science*, 9. <https://doi.org/10.7717/peerj-cs.1205>
- Atento, R. G. (2025). Valuation metrics, market efficiency, and investor sentiment: A descriptive analysis of Philippine Stock Exchange-listed firms. *International Journal of Health & Business Analytics*, 1(1). <https://doi.org/10.65166/6kbeat87>
- Atento, R. G. O., & Atento, A. G. B. (2025a). Global equity valuation dispersion: Evidence from P/E benchmarks, percentile positioning, and trend margins. *International Journal of Health and Business Analytics*, 1(2), 1–15. <https://doi.org/10.65166/2pd5k207>
- Atento, R. G. O., & Atento, A. G. B. (2025b). Which fundamentals differentiate Philippine stock winners from laggards? A rank-based multinomial analysis of 2025 price appreciation. *International Journal of Health and Business Analytics*, 1(2), 1–18. <https://doi.org/10.65166/n7t3ew73>
- Bakhtiar, A. (2025). The relationship between profitability and the stock return. *Journal of Advance Research in Social Science and Humanities*. <https://doi.org/10.61841/d458m262>
- Bon, S., & Hartoko, S. (2022). The effect of dividend policy, investment decision, leverage, profitability, and firm size on firm value. *European Journal of Business and Management Research*. <https://doi.org/10.24018/ejbmr.2022.7.3.1405>
- Bui, T., Nguyen, X., & Pham, K. (2023). The effect of capital structure on firm value: A study of companies listed on the Vietnamese stock market. *International Journal of Financial Studies*. <https://doi.org/10.3390/ijfs11030100>
- Bulău, V. (2022). Reliable enterprise valuation methods: A case study on Romania's investment funds. *European Journal of Economic and Financial Research*. <https://doi.org/10.46827/ejefr.v6i2.1298>
- Chahuán-Jiménez, K., Muñoz-Rojas, L., Muñoz-Pizarro, S., & Schulze-González, E. (2025). Comparison of the CAPM and multi-factor Fama-French models for the valuation of assets in the industries with the highest number of transactions in the US market. *International Journal of Financial Studies*. <https://doi.org/10.3390/ijfs13030126>
- Chau, A. (2023). The impact of the free cash flow and the firm's life cycle on dividend policy: Evidence from Vietnam's listed firms. *CTU Journal of Innovation and Sustainable Development*. <https://doi.org/10.22144/ctu.jen.2023.026>
- Choiriyah, C., Fatimah, F., Agustina, S., & Ulfa, U. (2021). The effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock prices of banking companies in Indonesia Stock Exchange. *International Journal of Finance Research*. <https://doi.org/10.47747/ijfr.v1i2.280>
- Cooper, I., & Lambertides, N. (2022). Optimal equity valuation using multiples: The number of comparable firms. *European Financial Management*. <https://doi.org/10.1111/eufm.12405>
- De Souza, W., Hijazi, M., & Da Silva, T. (2024). Determinants of dividend payout policy: More evidence from emerging markets of G20 bloc. *International Journal of Finance & Economics*. <https://doi.org/10.1002/ijfe.3111>
- Dela Costa, V., & Atento, R. G. O. (2025). Financial performance and market viability of Globe Telecom, Inc.: An integrated fundamental–technical analysis. *International Journal of Health & Business Analytics*, 1(1). <https://doi.org/10.65166/v5x9d097>
- Del Mundo, F., & Atento, R. G. O. (2025). Fundamental and technical indicator analysis of San Miguel Corporation: Financial performance, market behavior, and investment evaluation. *International Journal of Health & Business Analytics*, 1(2), 1–25. <https://doi.org/10.65166/6vdtp816>

- Ekanayake, W., & Indrani, M. (2023). Financial performance and stock price: Evidence from listed manufacturing companies in Sri Lanka. *International Journal of Accounting and Business Finance*. <https://doi.org/10.4038/ijabf.v9i2.144>
- Evianti, D., Pangaribuan, L., Suratminingsih, S., Lisdawati, L., & Yusuf, M. (2024). The relationship between financial leverage and firm value in emerging markets. *Jurnal Ekonomi Utama*. <https://doi.org/10.55903/juria.v3i3.209>
- Hapsari, D., Febiana, R., & Ustadi, M. (2025). Green accounting, leverage, and cash holding: Key factors in determining firm value. *Jurnal Ilmiah Akuntansi*. <https://doi.org/10.23887/jia.v9i2.84568>
- Hasan, S., Nurhasanah, S., & Santoso, W. (2024). Analisis teknikal menggunakan moving average, MACD, dan RSI untuk pengambilan keputusan investasi pada saham sektor manufaktur indeks LQ45 BEI tahun 2022–2023. *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam*. <https://doi.org/10.47467/elmal.v5i4.2029>
- Husák, M. (2022). Do Damodaran's multiples value a company accurately? Evidence from Germany. *European Financial and Accounting Journal*. <https://doi.org/10.18267/j.efaj.273>
- Jonnius, J., & Marsudi, A. (2021). Profitability and the firm's value. *Dinasti International Journal of Management Science*. <https://doi.org/10.31933/dijms.v3i1.977>
- Kayo, E. (2026). Target leverage and cost of capital in the electricity sector: Implications for valuation and public policy. *The Energy Journal*. <https://doi.org/10.1177/01956574261425733>
- Kitkanasiri, C., & Palahan, S. (2025). Market efficiency and technical trading: An empirical study of MACD and RSI indicators in major Asian stock indices. *ABAC Journal*. <https://doi.org/10.59865/abacj.2025.30>
- Konur, M., Göçken, M., & Dosdoğru, A. (2024). Stock price prediction using deep learning algorithms based on technical indicators. *Journal of Operations Intelligence*. <https://doi.org/10.31181/jopi21202427>
- Lestari, E., Setyawati, Y., Indah, S., Hirdinis, H., & Gonçalves, M. (2025). Firm size and firm value in manufacturing companies listed on the Indonesia Stock Exchange: Does profitability mediate the relationship? *Jurnal Aplikasi Bisnis dan Manajemen*. <https://doi.org/10.17358/jabm.11.3.833>
- Li, X. (2025). Research on the impact of financial leverage on corporate capital structure. *Journal of Modern Business and Economics*. <https://doi.org/10.70767/jmbe.v1i3.422>
- Luspratama, R., & Handoyo, S. (2024). The effect of free cash flow, leverage, and profitability on dividend policy in IDX-listed transportation and logistics companies. *Oblik i Finansi*. [https://doi.org/10.33146/2307-9878-2024-2\(104\)-70-78](https://doi.org/10.33146/2307-9878-2024-2(104)-70-78)
- Mangubat, M. M., & Atento, R. G. O. (2025). Integrated fundamental–technical evaluation of Jollibee Foods Corporation: Financial performance, market behavior, and investment outlook. *International Journal of Health and Business Analytics*, 1(2). <https://doi.org/10.65166/azkk2x82>
- Marpaung, A., Brahmanto, U., & Muharam, H. (2025). Sustainable dividend strategies: Analyzing factors influencing dividend policy in Indonesian manufacturing firms. *Economic and Business Horizon*. <https://doi.org/10.54518/ebh.4.2.2025.614>
- Mashudi, M., Himmati, R., Ardillah, I., & Sarasmitha, C. (2021). Financial distress prediction in infrastructure, utilities, and transportation sector companies 2015–2020. *Jurnal Keuangan dan Perbankan*. <https://doi.org/10.26905/jkdp.v25i3.5858>
- Melda, M., Mira, M., & Nurlina, N. (2025). Analysis of the effectiveness of RSI and MACD indicators in addressing stock price volatility. *Wiga: Jurnal Penelitian Ilmu Ekonomi*. <https://doi.org/10.30741/wiga.v15i1.1449>
- Nanda, T., Dianah, A., & Umam, I. (2024). Perbandingan return penggunaan MACD dan RSI pada Indeks Saham Syariah Indonesia. *Journal of Sharia Economics*. <https://doi.org/10.22373/jose.v5i2.5656>
- Nona, R. G., & Atento, R. G. (2025). Integrating fundamentals and technicals: Investment attractiveness of Puregold Price Club, Inc. *International Journal of Health & Business Analytics*, 1(1). <https://doi.org/10.65166/e0y0mb43>
- Ong, C., Mohd-Rashid, R., & Taufil-Mohd, K. (2021). IPO valuation using the price-multiple methods: Evidence from Malaysia. *Journal of Financial Reporting and Accounting*. <https://doi.org/10.1108/jfra-05-2020-0128>
- Phuoc, T., Anh, P., Tam, P., & Nguyen, C. (2024). Applying machine learning algorithms to predict the stock price trend in the stock market: The case of Vietnam. *Humanities and Social Sciences Communications*, 11, 1–18. <https://doi.org/10.1057/s41599-024-02807-x>
- Priani, D., Husnan, L., & Hidayati, S. (2023). The effect of profitability, dividend policy and debt policy on firm value. *Proceeding International Conference on Economics, Business and Information Technology*. <https://doi.org/10.31967/prmandala.v4i0.779>
- Rafi', M., Rahayu, S., & Ridwan, M. (2023). Effect of return on assets, return on equity, debt to equity ratio, current ratio, net profit margin and earning per share on stock prices. *Indonesian Journal of Economic & Management Sciences*. <https://doi.org/10.55927/ijems.v1i4.5035>
- Salsabila, S., & Suhaili, A. (2023). Pengaruh return on assets, net profit margin, earning per share, dan debt to equity ratio terhadap return saham. *Jurnal Bisnis dan Pembangunan*. <https://doi.org/10.20527/jbp.v12i3.17987>

- Sami, H., Ayman, K., Niloy, P., & Ashrafi, N. (2022). Evaluating the prediction accuracy of MACD and RSI for different stocks in terms of standard market suggestions. *Canadian Journal of Business and Information Studies*. <https://doi.org/10.34104/cjbis.022.01370143>
- Sari, K., & Siswanti, I. (2025). Determinants of firm value mediated by profitability in pharmaceutical companies listed on the Indonesia Stock Exchange. *International Journal of Management Studies and Social Science Research*. <https://doi.org/10.56293/ijmssr.2025.5730>
- Skočir, M., & Lončarski, I. (2024). On the importance of asset pricing factors in the relative valuation. *Research in International Business and Finance*. <https://doi.org/10.1016/j.ribaf.2024.102366>
- Suriani, N., & Wirawati, N. (2025). The effect of profitability, leverage, and free cash flow on dividend policy with good corporate governance as a moderating variable. *International Journal of Economics, Accounting and Management*. <https://doi.org/10.60076/ijeam.v2i2.1440>
- Triana, M., & Debbie, C. (2025). The effect of profitability on stock prices of LQ45 firms. *CAKRAWALA: Management Science Journal*. <https://doi.org/10.63541/08s29f71>
- Wiiava, A., Fatichah, C., & Saikhu, A. (2022). Stock price prediction with golden cross and death cross on technical analysis indicators using long short term memory. *2022 5th International Conference on Information and Communications Technology*, 278–283. <https://doi.org/10.1109/icoiact55506.2022.9971844>