PhilRatings PHILIPPINE RATING SERVICES CORPORATION *The Pioneer Domestic Credit Rating Agency*	**RATING NEWS** **April 17, 2024**

Alsons Consolidated Resources, Inc. Receives Strong Issuer Credit Rating

Philippine Rating Services Corporation (PhilRatings) assigned an Issuer Credit Rating of **PRS Aa minus (corp.),** with a **Stable Outlook**, to Alsons Consolidated Resources, Inc. (ACR). This is in relation to ACR's P3.0 billion Commercial Paper (CPs) Program. Of the total shelf amount, P2.01 billion is outstanding as of April 17, 2024.

A company rated PRS Aa (corp.) differs from the highest rated corporates only to a small degree, and has a STRONG capacity to meet its financial commitments relative to that of other Philippine corporates. PhilRatings also included a minus (-) sign to further qualify the rating.

A Stable Outlook, on the other hand, is assigned when a rating is likely to be maintained and or to remain unchanged in the next 12 months.

The rating reflects the following key considerations: (i) the start of full operations of the Mindanao-Visayas Interconnection Project (MVIP) and the commencement of the Wholesale Electricity Spot Market (WESM) and Retail Competition and Open Access (RCOA) in Mindanao; (ii) the Company's ability to establish joint ventures with strong partners for particular projects; (iii) its planned expansion projects which will further diversify its generation mix; (iv) the Company's continued recovery marked by its notable revenue growth and improved profitability; and (v) its satisfactory liquidity, supported by positive operating cash flows.

PhilRatings' ratings are based on available information and projections at the time that the rating process was on-going. PhilRatings shall continuously monitor developments relating to ACR and may change the rating at any time, should circumstances warrant a change.

ACR is a publicly-listed investment holding company of the Mindanao-based Alcantara Group, through its ultimate parent, Alsons Corporation. It has core interests in energy and power generation and property development.

At present, the Company has four existing power plants in Mindanao, with a total power capacity of about 468 megawatts (MW). Of the total, 258 MW (55.1%) is attributable to the Company's diesel power plants while the balance of 210 MW (44.9%) come from its coal power plants.

The Mindanao-Visayas Interconnection Project (MVIP), which aims for the physical integration of Mindanao with the broader Luzon-Visayas Grids, started full operations in January 2024. As such, ACR can now sell its excess capacity to Visayas and Luzon, which may also help address the oversupply situation in the Mindanao region. The Wholesale Electricity Spot Market (WESM), the centralized platform for buyers and sellers to trade power as a commodity, commenced operations in Mindanao in January 2023. Initially, only the Luzon and Visayas Grids were integrated into the WESM. With this mechanism now in place in Mindanao, electric cooperatives (ECs) and distribution utilities (DUs) could prevent outages by tapping the spot market to fill their power supply deficiencies. In March 2024, the RCOA was also implemented in

Mindanao. Aside from the traditional bilateral contracts with distribution utilities, the Company can now sell power that it produces to commercial and industrial customers directly.

ACR has also been able to establish joint ventures with strong partners for particular projects. For its power business, power plants like Western Mindanao Power Corp (WMPC) and Southern Philippines Power Corp (SPPC) are both joint ventures with Aboitiz Power Corporation (AP) and Toyota Tsusho Corporation (TTC). Moreover, Alsons Thermal Energy Corporation (ATEC), which is the holding company for ACR's coal-fired power assets, is currently in partnership with Global Business Power Corporation (GBP), a leading power producer in the Visayas. Its real estate arm, Alsons Land Corporation (ALC), on the other hand, has been able to team up with Ayala Land, Inc. (ALI) for the construction of a mixed-use development in Davao City.

While the current capacity of ACR harnesses energy purely from non-renewable sources, it is already venturing into renewable energy generation. With its ongoing and prospective projects in the pipeline, the Company anticipates boosting its existing hydro, coal, and diesel capacities by a total of 274.39 megawatts (MW) and its solar capacity by 188 megawatts peak (MWp).

In 2022, ACR posted a 19.3% increase in revenue, from ₱10.0 billion to ₱12.0 billion, attributed to improved operations and increased energy dispatch throughout the year. Notwithstanding the elevated costs and expenses in 2022, ACR's net income, grew to ₱1.9 billion, soaring by 42.4%. This was a huge improvement from the 29.3% net income decline recorded in the previous year. Alongside the increase in revenue, the net income growth was also fueled by the gain recognized by Kamanga Agro-Industrial Economic Zone (KAIEDC) for the lot it leased to Panhua. Nonetheless, excluding this gain, ACR's net income still posted a modest increase of 10.4%.

For full year 2023, ACR posted modest revenue growth of 3.6%, increasing from ₱12.0 billion to ₱12.4 billion. The growth was on account of increased power demand in Mindanao and the Company's participation in the WESM. Furthermore, ACR posted a 21.9% increase in net income, reaching ₱2.3 billion in 2023.

The Company has also demonstrated its ability to generate substantial cash inflows from its core business operations. In 2023, the Company's cash generated from operating activities surged to ₱6.4 billion, posting a 43.8% increase from the ₱4.4 billion generated in 2022. EBIT interest coverage remained more than adequate at 2.6x as of end-2023.