CREIT Receives Strong Credit Rating

Philippine Rating Services Corporation (PhilRatings) assigned an Issuer Credit Rating of **PRS Aa plus (corp.)**, with a **Stable Outlook**, to Citicore Energy REIT Corp. (CREIT). CREIT is the Real Estate Investment Trust (REIT) platform of the Citicore Group and is the country's first renewable energy REIT.

An Issuer Credit Rating is an opinion on the overall creditworthiness of a company, evaluating its ability to meet all its financial obligations within a time horizon of one year. 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. The **"plus"** further qualifies the assigned rating.

On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators and the general public. A **Stable Outlook** means that the rating is likely to be maintained or to remain unchanged in the next 12 months.

PhilRatings has also maintained its Issue Credit Rating of **PRS Aa plus**, with a **Stable Outlook**, for CREIT's outstanding Association of Southeast Asian Nations (ASEAN) Green Bonds amounting to ₱4.5 billion.

Obligations rated **PRS Aa** are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong. The **"plus"** further qualifies the assigned rating.

The assigned credit ratings and corresponding Outlook took into account the following major rating considerations: (i) CREIT is well-positioned to benefit from the country's growing renewable energy needs with its unique and fully occupied portfolio of green assets; (ii) the Company's reputable shareholders; (iii) its strong profitability with high margins; and (iv) its sound financial position and more than satisfactory liquidity.

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

CREIT (the Company) is the largest renewable energy landlord in the country, with 7.1 million square meters (sqm) of total leasable area. The renewable energy space is notably poised for growth given the continuously growing demand for electricity and the government's push to expand the country's renewable energy capacity. Since its listing in 2022, CREIT has doubled its leasable assets to 14, following the acquisition of seven parcels of land in 2023. The Company's green asset portfolio currently consists of a Company-owned solar power plant and parcels of land leased or subleased to solar power plant operators, with a total combined capacity of 145 megawatt DC (MW_{DC}) (excluding additional capacities from projects under construction).

All of the Company's properties are currently being leased to companies within the Citicore Group. Nonetheless, the leased properties have long-term lease contracts (minimum remaining term of 15 years) and have been fully occupied by the lessees since 2017. Moreover, the offtake contracts with its lessees' customers had a weighted average (by contracted capacity) term of 8.1 years, as of end-September 2024.

In March 2024, SM Investments Corporation (SMIC) became a strategic partner of CREIT, with the former's acquisition of a 28.8% stake in the latter. SMIC is one of the country's largest conglomerates, with businesses in retail, banking, and property. SMIC also has portfolio investments in other sectors such as leisure properties, office buildings, commercial chains, logistics, food manufacturing, geothermal steam production and mining. The transaction is in line with the sustainability agenda of SMIC.

CREC remains as the largest shareholder in CREIT, with a 33% stake as of end-2024. CREC is a pure renewable energy developer engaged in the development and operation of solar, run-of-river hydro, and wind energy platforms in the country. CREC was the second largest solar power generator in the Philippines with an overall capacity of 220 MW_{DC}, as of end-2023. CREC is pursuing multiple development activities with the goal of adding 5 gigawatts (GW) of renewable energy projects from 2024 to 2028. CREC's ultimate parent, Citicore Holdings Investment, Inc. (CHII), is also the parent company of Megawide Construction Corporation—one of the country's largest construction and infrastructure conglomerates.

CREIT was able to sustain the growth in its revenue and net income since its full REIT operations in 2022. In 2023, the Company recorded a 30.8% increase in revenues, from ₱1.4 billion in 2022 to ₱1.8 billion, driven by the lease revenue generated from the parcels of land acquired in 2023. Cost of services increased by 12.9% to ₱103.0 million, while operating expenses declined by 18.9% to ₱6.8 million. The Company's operating profit margin (OPM), therefore, inched up to 93.9% in 2023, from 92.8% in the previous year. Due to the Company's green bond issuance in 2023, finance costs jumped to ₱309.4 million, from the previous year's ₱17.6 million. Notwithstanding the increase in finance costs, CREIT's bottom line grew by 11.6% to ₱1.4 billion in 2023.

In the first nine months of 2024 (9M2024), CREIT posted a revenue and net income growth of 5.5% and 2.1%, respectively. CREIT's total revenues for 9M2024 amounted to ₱1.4 billion, while net income amounted to ₱1.0 billion.

CREIT continued to have a sound financial position, with its debt-to-equity (DE) ratio at 1.0x as of end-September 2024. Moreover, CREIT's current ratio remained more than adequate at 2.0x and the Company continued to generate positive operating cashflows in 9M2024.

Moving forward, CREIT anticipates sustained growth in its earnings and for its liquidity to remain more than satisfactory.