

DoubleDragon's Proposed Bond Issue of up to P10.0 billion Gets Highest Credit Rating

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aaa**, with a **Stable** Outlook, to DoubleDragon Corporation's (DoubleDragon) proposed P5.0 billion bond issuance, with an Oversubscription Option of up to P5.0 billion. The proposed bond issue represents the first tranche of the Company's planned three-year P30.0 billion shelf registration Retail Bonds program. The planned bond issuance is intended to further boost DoubleDragon's financial position by increasing its cash reserves.

DoubleDragon is a joint venture between two of the Philippines' highly successful fast food entrepreneurs: Edgar "Injap" Sia II (founder of Mang Inasal) and Tony Tan Caktiong (founder of Jollibee). The Company is in the business of real estate development, and has four principal business segments: retail leasing, office leasing, hospitality, and industrial leasing.

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings. A **Stable Outlook**, on the other hand, indicates that the assigned rating is likely to be maintained or to remain unchanged in the next 12 months.

The assigned rating and the corresponding Outlook consider DoubleDragon's: (1) clearly-defined and well-executed growth strategy; (2) its experienced management, and its ability to form solid alliances with industry-recognized partners; (3) its conservative financial position considering the capital-intensive nature of the Company's business; and (4) expectations of improved operating cashflow, backed by increasing rental income.

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 DoubleDragon and may change the ratings at any time, should circumstances warrant a change.

Since the start of its operations in 2010, DoubleDragon has successfully expanded and diversified its asset portfolio. The Company grew its investment property portfolio to over 1.3 million square meters (sq m) as of end-September 2024. DoubleDragon has provincial community malls located in Luzon, Visayas, and Mindanao, office buildings in Metro Manila, as well as hotels and warehouse complexes nationwide. Moreover, the Company made significant strides in expanding its business overseas through its hotel brand, Hotel101. DoubleDragon has set a new target of increasing its portfolio to 2.4 million sq m of gross floor area (GFA) by 2030, spread across its four core business segments: 30% in retail, 15% in office, 20% in hospitality, and 35% in industrial leasing. To achieve these targets, the Company aims to grow its hospitality and industrial leasing segments.

DoubleDragon's own three-star hotel brand, Hotel101, is located in four countries (Philippines, Japan, Spain, and United States) and has ongoing discussions with potential joint venture or licensing partners in other countries. The Company likewise continues to build up its industrial leasing portfolio under the CentralHub brand, while also preparing to undertake the Philippines' first Industrial REIT initial public offering (IPO).

The Company was able to build a solid portfolio in a relatively short track record of 13 years through partnerships with established market players such as SM Investments Corporation (retail) and Jollibee Foods Corporation (industrial leasing). DoubleDragon, through subsidiary Hotel101 Global, has also entered into a definitive merger agreement with JVSPAC Acquisition Corporation to publicly list the former in the US-based NASDAQ. The merger, which is expected to be completed before the end of 2024, will result in Hotel101 Global having an equity value of \$2.3 billion. The capability of DoubleDragon to build strong partnerships will help support plans for further expansion and create opportunities for continued portfolio growth.

The Company has maintained a conservative capitalization structure, with its debt-to-capitalization ratio ranging from 40% to 42% in the last three years. Debt-to-equity (DE) ratio stood at 0.8x, as of end-June 2024. DE ratio will remain more than acceptable, at less than 1.0x over the projected period.

DoubleDragon expects to generate ample revenues from its 1.3 million sq m of completed projects, as these become mature assets by 2025. As such, operating cash flow is expected to significantly improve over the projected period. Moving forward, the capital-raising activities are intended to boost the Company's financial position by strengthening its cash levels.

Earnings growth, in combination with proceeds from the proposed bond issuances, will beef up the Company's cash levels. Considering this, cash levels will be sufficient to cover future operating and financing needs.