

Filinvest Land, Inc.'s Proposed Bonds of up to ₱12.0 billion Rated PRS Aaa

Philippine Rating Services Corporation (PhilRatings) assigned an Issue Credit Rating of **PRS Aaa** to Filinvest Land Inc.'s (FLI; the Company) proposed ₱9.0 billion bond issuance, with an Oversubscription Option of up to ₱3.0 billion. PhilRatings also maintained the **PRS Aaa** Issue Credit Rating for each of the outstanding bonds of the Company, with a total amount of ₱36.1 billion.

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.

Each of the ratings was also assigned an Outlook of **Stable**. 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 is defined as: "The rating is likely to remain unchanged in the next 12 months."

The assigned Issue Credit Ratings take into account the following key considerations: (1) FLI's established brand name and track record, with geographically diverse real estate products and substantial land bank for future expansion; (2) its sound growth strategies and solid foothold in the affordable and middle-income segments; (3) the Company's strong profit performance in 2023 and 9M2024; and (4) its positive operating cash flows and ample liquidity.

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

FLI is the real estate arm of Filinvest Development Corporation (FDC), one of the country's leading conglomerates, with interests in property, banking services, power, sugar, and infrastructure. As of end-September 2024, FDC owned 65.9% of the Company.

FLI is one of the leading property developers in the country with over 50 years of real estate expertise. The Company has built more than 200 residential developments and has a presence in 55 cities and towns in 22 provinces in the Philippines. FLI's reputation and its proven track record of completed projects reinforces the reliability of its wide range of real estate products.

The Company also continues to have a strong foothold in the affordable and middle-income residential market segments. More than 85% of the Company's total real estate sales were from these segments as of end-September 2024. Given the significant portion of the country's property purchases coming from the middle-income market, FLI is well-positioned to capitalize on this demand and its projected expansion.

To sustain its growth, FLI continues to develop new products and strengthen its presence in cities where it has a foothold. In the first nine months of 2024 (9M2024), FLI launched 11 new projects worth ₱20.4 billion. One of the recently launched projects is Futura Rise, FLI's first walk-up project. Futura Rise is the residential component of Iloilo Centrale, an 11.4-hectare residential township in Leganes, Iloilo. FLI also expanded its presence in Dumaguete with the launch of Futura Shores, a new residential community along the Dumaguete coastline. This development features beachside living, with lush open spaces and Phuket-inspired amenities.

Furthermore, FLI ventured into the emerging condotel market through the acquisition of Fora Services Inc. (FOSI). FOSI is engaged in operating and managing real estate projects and providing hospitality-related services. Quest Hotel Tagaytay is its main hospitality project.

The Company delivered strong financial performance in 2023, with its consolidated revenues increasing by 13.1% to ₱22.6 billion. Such was driven by the solid growth in both real estate sales and leasing activities. As a result, FLI's net income grew by 22.0% to ₱4.3 billion, reflecting the strength of its core business segments.

Building on this momentum, the Company posted a 17.3% increase in its revenues in 9M2024, from ₱15.7 billion in 9M2023 to ₱18.4 billion. Driving this growth were the 21% higher residential sales and the 6.6% increase in leasing revenues during the period. Gross profit margin improved to 51.2%, up from 47.8% in 9M2023, despite an increase in the cost of sales. Interest expenses, on the other hand, surged by 33.2% to ₱2.6 billion. Nonetheless, net income rose by 23.6% to ₱3.5 billion in 9M2024.

With regard to cash flows, FLI generated ₱9.2 billion from operating activities in 2023, a notable 49.9% increase driven by stronger collections from residential sales. Meanwhile, investing activities saw a reduction in outflows, down 52.7% to ₱4.3 billion, reflecting reduced spending on investment properties and equipment. Lastly, financing activities resulted in a ₱5.7 billion outflow due to loan repayments and interest during the year.

In 9M2024, FLI continued to generate positive operating cash flow, albeit marginally lower at ₱6.7 billion compared to the same period of 2023. Cash outflows from investing and financing activities were also lower, with each amounting to ₱3.5 billion. The Company maintained sufficient liquidity as of end-September 2024, with a current ratio of 2.42x.