

Highest Credit Rating for Second Sustainability-linked Bonds from Ayala Land, Inc.

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, to Ayala Land, Inc.'s (ALI) proposed Sustainability-linked Bonds amounting to ₱10.0 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. On the other hand, a **Stable** Outlook indicates that the assigned rating is likely to be maintained or to remain unchanged in the next 12 months.

PhilRatings identified the following key considerations in the assignment of the rating and the corresponding Outlook: a) A well-diversified portfolio, complemented by strong brand equity; b) Experienced and competent management team and synergies with the Ayala Group; c) The Company's solid commitment to sustainability; d) Robust profitability and healthy cash flows; and e) Sound capital structure.

The rating and Outlook are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to ALI and may change the rating and Outlook at any time, should circumstances warrant a change. The rating assigned to the proposed Sustainability-linked Bonds is mainly in relation to the Company's capacity to pay the rated bonds and is not an opinion on the attainability or capability to achieve the sustainability targets linked with the bonds.

ALI is one of the leading real estate developers in the Philippines, with a diverse portfolio of complementary businesses, spanning from the development of residential, commercial, office, hospitality, and industrial properties intended for sale and for lease. Additionally, ALI is engaged in other businesses such as construction, retail energy supply, property management, and airlines. Its core business, residential development, caters to a wide range of market segments, from socialized housing to luxury residences. These operate under the following companies and brands: AyalaLand Premier (ALP) for the luxury segment; Alveo Land Corp. (Alveo) for the upscale segment; Avida Land Corp. (Avida) for the middle-income segment; Amaia Land Corp. (Amaia) for the affordable housing segment; and BellaVita Land Corp. (BellaVita) for the socialized housing segment.

The well-balanced portfolio of real estate properties and services places ALI in a good position to leverage on any potential opportunities and mitigate risks that might arise in those segments. ALI is also a highly trusted brand, with a solid track record since its incorporation in 1988.

Capital expenditures in the first half of 20224 (1H2024) reached ₱36.5 billion. Of the total, 50% was spent on residential projects, 27% on estate development, 11% on land acquisition, 11% on commercial projects for leasing, and 1% on other purposes. In 2024, ALI will be focused on launching new districts within existing estates to utilize its current land bank. The Company had 52 estates and 11,240 hectares of land bank, as of end-2023.

The management of ALI is being led by seasoned professionals with a long track record in their respective fields. Ms. Anna Ma. Margarita B. Dy is ALI's President and Chief Executive Officer (CEO). Prior to her appointment in October 2023, Ms. Dy had the experience of leading the Company's Residential Business Group, Malls Group, and Estates Group. Mr. Jaime Augusto Zobel de Ayala, ALI's Chairman of the Board, concurrently serves as the Chairman of Ayala Corporation (AC), ALI's parent company and one of the country's oldest and most respected conglomerates. He has been the Chairman of AC since 2006 and a Director since 1987. The leadership and management of the Company are also being overseen by other key officers who also hold significant roles across various entities within the Ayala Group. ALI continues to leverage on the expertise of its management, along with the synergies within the Ayala Group to support its growth.

In 2021, ALI committed to achieving Net Zero¹ by 2050, a collective endeavor of the Ayala Group; alongside Globe Telecom (Globe), Bank of the Philippine Islands (BPI) and AC Energy (ACEN). ALI successfully acquired new funding in support of its sustainability objectives in July 2024. The Company raised ₱20.5 billion from its Sustainability-Linked Financing Program, consisting of the Philippines' first ASEAN Sustainability-Linked Bonds amounting to ₱6.0 billion and ₱14.5-billion Sustainability-Linked Loan granted by the International Finance Corporation (IFC). ALI is moving forward with another key undertaking with its second Sustainability-Linked Bonds in the last quarter of the year. The proposed bonds are tied to two predefined Sustainability Performance Targets (SPT): (1) reduce the operational Scopes 1, 2, and 3 greenhouse gas (GHG) emissions of ALI's commercial properties by 42% by 2030, from a baseline date of 2021, and (2) obtain EDGE Zero Carbon certification for 1.5 million sqm of office commercial properties by 2025. The SPT for the proposed bonds are the same with the first Sustainability-Linked Bonds issued in July 2024.

In 1H2024, ALI's net income posted a 20% year-on-year (YoY) growth to ₱15.7 billion, driven by strong property demand and healthy consumer activity. Net income attributable to equity holders of ALI amounted to ₱13.1 billion, up by 15% from 1H2023. Consolidated revenues jumped by 28% YoY to ₱84.3 billion, as real estate revenues similarly increased by 28% YoY to ₱82.5 billion. Top line growth was particularly attributed to higher residential and commercial lot bookings, additional contracts from external construction projects, and solid leasing operations. Returns for 1H2024 were also slightly better. ALI expects sustained growth in its earnings going forward, with margins and returns likewise improving.

Backed by higher earnings, net cash from operating activities in 1H2024 amounted to ₱5.2 billion, almost triple the operating cash in 1H2023. ALI ended the first half of the year with cash and cash equivalents of ₱19.9 billion, a 16% increase from end-2023 level. Current ratio also remained above satisfactory at 1.7x as of end-June 2024.

In addition, ALI continues to have a conservative capital structure, with its debt-to-equity ratio stable at 0.8x as of end-June 2024. Leverage levels are also seen to remain more than manageable in the future. PhilRatings notes that ALI's conservative capital structure (considering the nature of its business), along with its strong cash generation capacity and strategically spread-out debt maturities, places the Company in a good position to pay off its obligations as these fall due.

¹ Net Zero refers to the state of emitting an equal amount of greenhouse gas (GHG) emissions into the atmosphere as is removed. It accounts for the reduction of all GHG emissions across the whole supply chain.