PhilRatings
PHILIPPINE RATING SERVICES CORPORATION
The Pioneer Domestic Credit Rating Agency

RATING NEWS
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Highest Credit Rating Maintained for SM Investments Corp.'s Bonds

Philippine Rating Services Corporation (PhilRatings) maintained the Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, to SM Investments Corporation's (SMIC; the Group) outstanding Fixed Rate Bonds amounting to ₱7.5 billion.

SMIC is the holding company of the SM Group's core businesses in Retail (SM Retail, Inc.), Property (SM Prime Holdings, Inc.), and Banking (BDO Unibank, Inc. and China Banking Corporation). The Group also holds interests in a portfolio of investments in premium commercial buildings, leisure, logistics, geothermal steam production, food manufacturing, and mining.

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 ratings are likely to be maintained or to remain unchanged in the next 12 months.

The assigned rating and the corresponding Outlook consider the following key considerations: (1) SMIC's core businesses with strong market positions; (2) ample liquidity and sound capital structure; and (3) sustained profitability.

PhilRatings based its assessment on available information and projections at the time the rating was assigned. PhilRatings shall continuously monitor developments relating to SMIC and may change the rating and Outlook at any time, should circumstances warrant a change.

SM Retail, Inc. (SM Retail) operates the SM Group's retail and merchandising businesses and is a leading player in the Philippine retail market with the largest and most diversified retail portfolio. SM Retail grew its footprint to 4,831 stores as of end-2025 (from 4,470 stores as of end-2024), totaling a gross selling area (GSA) of more than 3.5 million square meters (sqm). SM Retail recorded a net income of ₱21.1 billion in 2025, backed by 5.4% increase in revenues to ₱458.1 billion. The Group's retail footprint continues its nationwide expansion, with over 80% of its new store openings outside of Metro Manila.

SMIC's property arm is SM Prime Holdings, Inc. (SMPH), which operates as the largest mall operator and integrated property developer in the country. SMPH manages a sizeable portfolio of integrated property developments consisting of a strategic mix of malls, residences, commercial and integrated commercial development, hotels, and convention centers. As of end-2025, SMPH operated 89 Philippine malls, with an average daily pedestrian count of 3.8 million visitors. SMPH's malls were also present in China, with nine shopping malls and an average pedestrian count of nearly 400,000 visitors. Supported by the sustained strong performance of its mall operations, SMPH's net income after tax increased by 6.8% to ₱49.7 billion in 2025.

BDO Unibank, Inc. (BDO) and China Banking Corporation (Chinabank) comprise SMIC's banking business. Ending 2025 with assets of ₱5.4 trillion, BDO remained as the Philippines' largest bank based on consolidated assets, customer loans, deposits, assets under management and capital, as well as branch and ATM network. BDO's net income after tax grew by 6.3% to ₱87.2 billion in 2025, attributable to the bank's net interest income growth. Asset quality improved in the same year, based on lower non-performing loans (NPL) ratio of 1.68%. The bank's capital adequacy ratio (CAR) stood at 14.9% as of end-2025, and which was more than compliant with the regulatory minimum of 10.0%. Chinabank, the Philippines' first privately-owned commercial bank, has been operating for more than 105 years in the country. The bank was the Philippines' fourth-largest privately owned bank based on assets of ₱1.8 trillion, as of end-December 2025. Supported by the sustained expansion of its core businesses, Chinabank's net income after tax went up by 12.8% to ₱28.0 billion in 2025. As of end-2025, Chinabank's NPL ratio was stable at 1.6%, and CAR remained more than ample at 16.1%.

Other businesses of SMIC include equity interests in the Neo Group, Belle Corporation, Goldilocks Bakeshop, Inc., 2GO Group, Inc., Airspeed, and Philippine Geothermal Production Company.

SMIC's profitability trended upward, with net income after tax rising by 8.0% to ₱123.8 billion in 2025 and translating to higher net profit margin of 18.2%. Consolidated revenues went up by 4.1% to ₱681.7 billion, the largest contributor of which was merchandise sales. The growth was maintained in the first three months of 2026 (3M2026) with net income after tax up by 5.7% year-on-year to ₱29.2 billion. Net profit margin further improved to 18.3%, backed by top-line growth.

Cash flows were healthy, with positive net operating cash flows that amply covered investment spending and financing obligations. Current ratio has been kept above 1.0x since 2022 and was stable at 1.1x as of end-March 2026. Cash and cash equivalents stood at ₱98.2 billion as of end-March 2026. Moreover, SMIC's leverage position remained sound, with a stable debt-to-equity (DE) ratio of 0.5x as of end-December 2025 and end-March 2026. Such improved from 0.6x as of end-2024.

Moving forward, profitability is expected to be supported by sustained revenue growth as SMIC continues to pursue expansion initiatives across its core businesses. The Group continues to monitor external risks and maintain financial flexibility through internally generated cash flows, supplemented by borrowings and capital market issuances when appropriate.