

Petron's Proposed Bonds of up to ₱32.0 Billion Receive Highest Credit Rating

Philippine Rating Services Corporation (PhilRatings) assigned an Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, for Petron Corporation's (Petron) proposed bond issuance of ₱25.0 billion, with an oversubscription option of up to ₱7.0 billion. PhilRatings also maintained its Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, for Petron's ₱24.8 billion outstanding bonds.

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 rating is likely to be maintained or to remain unchanged in the next 12 months.

The assigned ratings and corresponding Outlook take into account: (1) Petron's sustained strong retail presence and market leadership in the Philippines and Malaysia; (2) its experienced management and synergies with businesses within the San Miguel Group; (3) the Company's resilient profitability amid headwinds, supported by sustained sales volume growth; and (4) the easing inflationary pressures and interest rate cut expectations which are seen to support Philippine economy growth.

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

According to data from the Department of Energy (DOE) for the first half of 2024 (1H 2024), Petron remained as the domestic leader among Philippine oil companies with a market share of 24.9%, up from 23.2% in 1H 2023. The Company was also the market leader in the Liquefied Petroleum Gas (LPG) industry with a 24.8% market share in 1H 2024. In Malaysia, Petron had a retail market share of more than 21% as of end-2024, having been in the country's oil market for around 13 years.

With a deregulated Philippine oil industry, Petron's advantage lies in its strong brand name and its extensive distribution network. As of end-March 2025, the Company had around 1,800 service stations. Its LPG products are sold in more than 2,100 branches and franchise stores, while its lubricant products are available in its car care centers (CCCs) and about 1,700 service stations. In Malaysia, the Company relies on the production of its Malaysian refinery, the Port Dickson Refinery (PDR), and its terminals across the country to remain competitive. Amid a more regulated oil industry, Petron Malaysia has been increasing the number of its service stations, opening its 800th station in December 2024.

Petron's two principal common shareholders as of end-March 2025 were SEA Refinery Corporation (SEA Refinery) with 52.7% of Petron's common shares and San Miguel Corporation (SMC) with 19.1%. SEA Refinery is 100%-owned by SMC, allowing SMC to hold an aggregate 71.8% ownership in Petron. SMC, on the other hand, is one of the largest and most diversified conglomerates in the Philippines, with business interests in beverage, food, packaging, fuel and oil, power, and infrastructure.

Petron is led by Ramon S. Ang as its President and Chief Executive Officer (CEO). He is also the Chairman of Petron's Malaysian companies. In addition, Mr. Ang is currently the Chairman and CEO of SMC. He also holds several key positions in other SMC-affiliated businesses.

Petron is seen to strongly benefit from the support of SMC, given the former's shared directors and executive officers with the latter as well as with other companies under the SMC Group. In addition, the Company has a highly capable and experienced management team with the technical expertise needed to run the business. Moving forward, Petron will continue to focus on volume growth, sustainable margins, and operational efficiency improvement.

In 2024, Petron recorded revenues of ₱868.0 billion, up by 8.4% from the previous year. Top line expansion was supported by the sustained increase in consolidated sales volume, which went up by 10.2% to 139.9 million barrels. Volume growth was on account of Petron's Philippine operations and Singapore trading subsidiary, the combined sales of which improved by 16% to 92.5 million barrels, attributed to network expansion and strong marketing efforts. Petron Malaysia's performance, on the other hand, was affected by fuel subsidy cuts by the Malaysian government and a maintenance shutdown of PDR in the fourth quarter of 2024 (4Q 2024).

Operating income inched down by 4.9% to ₱29.2 billion, however, as volatility in global oil prices persisted during the year amid geopolitical conflicts, thereby putting pressure on refining margins. Other income (net) ballooned to ₱3.4 billion—driven by the ₱3.5 billion gain on reversal of previously booked lease and asset retirement liabilities, as the Supreme Court (SC) issued a decision in favor of Petron in relation to its dispute with the Philippine National Oil Company (PNOC)—and tempered the decrease in pre-tax income to 0.9%, from ₱13.1 billion in 2023 to ₱13.0 billion in 2024. Net income amounted to ₱8.5 billion, lower by 16.2% from ₱10.1 billion in 2023, dragged down by the 50.9% jump in income tax expense to ₱4.5 billion (given the provision for partial impairment of deferred tax asset).

Operating cash flows continued to be positive, amounting to ₱13.2 billion in 2024 and supporting the higher year-end cash balance of ₱30.4 billion. Current ratio was relatively unchanged at 1.0x as of end-2024, while EBIT interest coverage ratio was 1.6x, remaining more than adequate.

Petron views its results for the year as a testament to its ability to adapt to market conditions and its resilience amid industry challenges. PhilRatings likewise echoes the Company's demonstrated track record of having weathered various dips and peaks over the decades. PhilRatings also notes the favorable economic outlook for the Philippines amid an easing interest rate environment. Such bodes well for Petron's growth in the future, as economic growth is a major factor affecting demand for fuel and oil.