

PhilRatings Maintains Highest Credit Rating for NLEX Corporation's P6.0 Billion Total Outstanding Bonds

Philippine Rating Services Corporation (PhilRatings) maintained the highest Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, for NLEX Corporation's (NLEX Corp.) total outstanding Fixed-rate Bonds worth P6.0 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, an Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A **Stable Outlook** is assigned when a rating is likely to be maintained or to remain unchanged in the next 12 months.

The rating and Outlook were assigned given the following key considerations: (1) the Company's well-managed toll franchise, backed by a robust project pipeline; (2) the strong demand for its toll services, supported by the government's infrastructure push; (3) the Company's sustained revenue growth, with healthy margins; and (4) its strong cash flows backed by sustained earnings.

PhilRatings' ratings are based on available information and projections at the time that the review was performed. PhilRatings shall continuously monitor developments relating to NLEX Corp. and may change the rating and Outlook at any time, should circumstances warrant a change.

NLEX Corp., a subsidiary of Metro Pacific Tollways Corporation (MPTC), is the concessionaire of the North Luzon Expressway (NLEX), Subic-Clark-Tarlac Expressway (SCTEX), and the NLEX Connector Road. As part of the largest toll road network in the country, NLEX Corp. is responsible for managing crucial transportation links that connect regional capitals, economic zones, and tourist destinations across the Philippines.

NLEX Corp. benefits from its seasoned management team and the support of MPTC. This combination has allowed the Company to effectively manage its toll roads and maintain a robust pipeline of projects. Recently completed projects include the Meycauayan Interchange enhancements, the NLEX-SCTEX Ramp Expansion, and other infrastructure upgrades that have enhanced road safety, improved tolling system performance, and reduced congestion in the Company's toll roads.

In 2024, NLEX Corp. pursued additional project aimed at expanding road capacity, such as the Candaba 3rd Viaduct. The Company also intends to embark on NLEX Segment 8.2 – Section 1A, and the NLEX Expansion Project Phase 3 in 2025. These initiatives are designed to improve the traffic flow, safety, and accessibility of the Company's toll roads, supporting increased vehicle traffic and economic growth in Central Luzon.

NLEX Corp. enjoys strong demand for its toll roads due to the lack of direct competition in central and northern Luzon. The only alternative, MacArthur Highway, is often congested and

impractical. In 2023, traffic volumes in the Company's toll roads surpassed 2022 levels, reflecting a recovery in travel demand. The full opening of the NLEX Connector Road Magsaysay Avenue Interchange in 2024 and the Candaba 3rd Viaduct in December 2024 is expected to further increase traffic volume growth.

The government's infrastructure push, highlighted by the Build, Better, More Program, is also expected to bode well for the Company going forward. With ₱1.47 trillion of the government's budget allocated for infrastructure in 2024 and 72.4% of its flagship projects focused on physical connectivity, the Company's growth outlook remains strong.

NLEX Corp. achieved toll revenues of ₱21.5 billion in 2023, a 19% year-on-year (YoY) increase driven by higher traffic and overdue toll rate adjustments. Considering such, the Company achieved a 25.1% higher net income of ₱10 billion in 2023. Net profit margin improved to 46.3% and return on average assets (ROAA) was likewise higher at 12.1%.

In the first six months of 2024 (6M2024), revenues similarly rose by 19.5%, from ₱10.4 billion in the same period in 2023 to ₱12.4 billion. This translated to a net income of ₱5.6 billion, up by 23.9% YoY. With a higher net profit margin of 45.2% and an improved ROAA of 11.9% in 6M2024, the Company maintained healthy margins.

In 2023, NLEX Corp. reported net cash flows from operating activities of ₱12.6 billion, a 36.5% increase from the previous year, primarily fueled by higher toll revenues.

In 6M2024, net cash flows from operating activities reached ₱6.5 billion, marking a 25.6% increase compared with the same period in 2023, again driven by strong toll revenues. Additionally, the cash flow debt service coverage ratio for 2023 stood at 2.75x, indicating sufficient cash generation to meet debt obligations. In 6M2024, such further improved to 1.93x.