PhilRatings PHILIPPINE RATING SERVICES CORPORATION *The Pioneer Domestic Credit Rating Agency*	**RATING NEWS** **January 8, 2025**

PRS Aaa Assigned to DoubleDragon's Proposed Bond Issue of up to P10.0 billion

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aaa,** with a **Stable** Outlook**,** to DoubleDragon Corporation's (DoubleDragon) proposed P5.0 billion bond issuance, with an Oversubscription Option of up to P5.0 billion. The proposed bond issue represents the second tranche of the Company's three-year P30.0 billion shelf registration Retail Bonds program. The planned bond issuance is intended to further boost DoubleDragon's financial position by increasing its cash reserves.

DoubleDragon is a joint venture between two of the Philippines' highly successful fastfood entrepreneurs: Edgar "Injap" Sia II (founder of Mang Inasal) and Tony Tan Caktiong (founder of Jollibee). The Company is in the business of real estate development, and has four principal business segments: retail leasing, office leasing, hospitality, and industrial leasing.

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

The assigned rating and the corresponding Outlook considered DoubleDragon's: (1) clearly-defined and well-executed growth strategy; (2) its experienced management and its ability to form solid alliances with industry-recognized partners; (3) its conservative financial position considering the capital-intensive nature of the Company's businesses; and (4) expectations of improved operating cashflow, backed by increasing rental income.

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

DoubleDragon has diversified and expanded its domestic and international footprint in over 14 years of operations. The Company's investment property portfolio as of end-September 2024 stood at over 1.3 million square meters (sq m) including office buildings in Metro Manila, provincial community malls, as well as hotels and warehouse complexes nationwide. DoubleDragon aims to increase its property portfolio to 2.4 million sq m of gross floor area (GFA) by 2030, spread across its four core business segments: 30% in retail, 15% in office, 20% in hospitality, and 35% in industrial leasing. The Company is focusing on growing its hospitality and industrial leasing segments in order to achieve these targets.

The Company made significant strides in the expansion of its overseas business through its hotel brand, Hotel101. Currently located in four countries (Philippines, Japan, Spain, and the United States), Hotel101 is ongoing discussions with potential joint venture or licensing partners to expand the hotel chain in other countries. The Company likewise continues to build up its industrial leasing portfolio under the CentralHub brand, while also preparing for the planned initial public offering (IPO) of the Philippines' first Industrial REIT. DoubleDragon expects such to happen in the second half of 2025 (2H 2025).

The strategic partnerships of DoubleDragon helped build its solid track-record in a relatively short period of time. Two of its strategic partners, which are established market players, are SM Investments Corporation (retail) and Jollibee Foods Corporation (industrial leasing). Moreover, through its subsidiary Hotel101 Global, DoubleDragon has entered into a definitive merger agreement with JVSPAC Acquisition Corporation to create a special purpose acquisition company (SPAC) to publicly list in the US-based NASDAQ. The merger is expected to result in Hotel101 Global having an equity value of $2.3 billion (approximately P134.6 billion). DoubleDragon is banking on the successful completion of the mentioned undertakings to support its long-term goals for its business and plans for continued portfolio expansion.

The Company has maintained a conservative capitalization structure, with its debt-to-capitalization ratio ranging from 40% to 42% in the last three years. As of end-September 2024, the Company's total debt amounted to P73.3 billion while its total equity amounted to P94.9 billion. As such, debt-to-equity (DE) ratio stood at 0.8x as of end-September 2024, up from 0.7x as of end-2023, albeit still comfortably below 1.0x. DE ratio will remain more than acceptable, at less than 1.0x over the projected period.

DoubleDragon expects to generate ample revenues from its 1.3 million sq m of completed projects, as these become mature assets by 2025. Given this, operating cash flow is expected to significantly improve over the projected period. Additionally, in November 2024, DoubleDragon issued the first tranche of its P30.0 billion shelf registration bond program. The remaining portion of the shelf will be issued over the next two years, with the proposed second tranche expected in early 2025. These capital raising activities are expected to boost DoubleDragon's cash position.

With the projected earnings growth and increased level of cash reserves, the Company will be less reliant on debt and will maintain adequate liquidity going forward.