

## SM Prime Holdings, Inc.'s Proposed Bond Issue of Up to ₱17.0 Billion Gets Highest Rating

Philippine Rating Services Corporation (PhilRatings) assigned an issue credit rating of **PRS Aaa** to SM Prime Holdings, Inc.'s (SMPH; the Company) proposed bond issue of ₱12.0 billion, with an oversubscription option of up to ₱5.0 billion. The proposed issue represents the third tranche of the Company's Shelf Registration Debt Securities Program of up to ₱100.0 billion. The proceeds of the issuance will be used for the Company's debt refinancing. PhilRatings also maintained its issue rating of **PRS Aaa** for SMPH's outstanding bonds amounting to ₱141.5 billion. A **Stable** Outlook has been assigned for the proposed and 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 issue ratings and corresponding Outlook consider SMPH's: (i) well-experienced shareholders and seasoned management; (ii) solid brand equity; (iii) improved margins, backed by sustained profitability; and (iv) healthy cashflow generation and satisfactory capitalization structure.

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

SMPH is one of the largest property developers in the Philippines, with a diverse asset portfolio that includes malls, residences, commercial and integrated commercial development, and hotels and convention centers. As of end-June 2025, SMPH managed 11 integrated property developments in Metro Manila and 11 in key provincial cities. As the biggest mall operator in the Philippines, SMPH's mall portfolio consisted of 88 domestic malls as of end-June 2025. In addition, the Company runs eight malls in China and is expecting to complete its ninth mall located in Fujian Province in October 2025.

SM Investments Corporation (SMIC) was SMPH's largest stockholder, owning 49.8% of the Company's outstanding shares, as of end-June 2025. SMIC is one of the Philippines' largest conglomerates with market-leading businesses in retail, banking, and property. Henry T. Sy, Jr. is the Vice Chairman of SMIC and is also Chairman of SMPH since 2014. Key management positions in SMPH are held by seasoned professionals and managers. Management is led by Jeffrey C. Lim, who is SMPH President since 2016. He also concurrently holds various Board and management positions within the SM Group.

SMPH's strong brand is supported by its vast and diversified portfolio of developments. The Company intends to further expand its footprint with new projects, backed by strategic land banking across the country. SMPH had a total nationwide land bank of 4,404 hectares as of end-June 2025, and which the Company expects to support its pipeline of developments in the next five to seven years.

SM Residences recently introduced its Signature Series, marking the Company's entry into the premium and luxury market. Pasay 360, a major large-scale reclamation project, is also in full swing. The 360-

hectare reclamation project is in collaboration with the local government of Pasay City and is envisioned to be a mixed-use development with commercial, retail, and residential components.

SMPH sustained its profitability in 2024, with consolidated revenues increasing by 9.6% to ₱140.4 billion. Rental income, which accounted for 56.0% of total revenues, rose by 9.1% to ₱78.7 billion. Real estate sales grew by 9.2% to ₱45.9 billion, while other revenues increased by 11.2% to ₱11.0 billion. Revenue growth outpaced expenses, resulting in an 11.0% increase in operating income to ₱68.0 billion and an improvement in operating margin to 48.5%. Net income was higher by 13.9% at ₱46.5 billion, with net margin of 33.1%.

In the first six months of 2025 (6M2025), consolidated revenues rose by 5.2% to ₱68.0 billion, led by a 7.1% increase in rental income to ₱40.5 billion. Real estate sales reached ₱20.0 billion, while other revenues grew by 6.7% to ₱5.6 billion. With costs and expenses kept relatively stable, operating income expanded by 10.8% to ₱34.4 billion, lifting the operating margin to 50.6%. Net income improved by 10.5% to ₱24.9 billion, with net margin increasing to 36.6%.

Alongside these earnings results, the Company consistently generated positive operating cash flows, amounting to ₱67.3 billion in 2024 and ₱33.7 billion in 6M2025. These were largely allocated to capital expenditures, debt servicing, and dividends to shareholders. The Company's leverage remained at manageable levels, with a debt-to-equity ratio of 0.9x and debt comprising 47.7% of capitalization as of end-June 2025. Profitability and cash flow generation are expected to be sustained, while the capital structure is seen to gradually strengthen through earnings retention and debt reduction.