PhilRatings PHILIPPINE RATING SERVICES CORPORATION ***The Pioneer Domestic Credit Rating Agency***	**RATING NEWS** **December 19, 2024**

SM Prime Holdings, Inc.'s Proposed Bonds of up to ₱25.0 billion Rated PRS Aaa

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 ₱20.0 billion, with an oversubscription option of up to ₱5.0 billion. The proposed issue represents the second 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 and capital expenditure (capex). PhilRatings also maintained an issue rating of **PRS Aaa** for SMPH's outstanding bonds amounting to ₱137.83 billion. A **Stable** Outlook has also been assigned for the proposed and outstanding bonds.

Founded in 1994, SMPH is one of Southeast Asia's largest integrated property developers, with total assets amounting to ₱998.8 billion as of September 30, 2024. The Company operates 11 integrated property developments in Metro Manila and 11 in key provincial cities. A dominant player in the malls business, SMPH owned 87 malls in the Philippines and 8 malls in China, as of October 2024. Aside from malls, its portfolio in the Philippines also includes residential, office, hotel developments, as well as convention centers, reflecting its broad involvement in the country's property industry.

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 take into consideration SMPH's sustained recovery in profitability; strong liquidity; sound capitalization; well-experienced shareholders and seasoned management; and solid brand equity.

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.

The Company's ultimate parent company is SM Investments Corporation (SMIC). SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. SMIC provides strategic direction to SMPH through the Sy family, particularly through Henry T. Sy, Jr. who is SMPH Chairman. Day-to-day operations of the Company, however, are overseen by experienced non-family professionals, led by SMPH President Jeffrey C. Lim, who has been with the Company since 2016.

SMPH has established a solid brand equity, anchored on its long-established operations in and out of the country. The Company's market position is further strengthened by its diversified portfolio, as well as its several ongoing projects. SMPH is focusing its future mall expansion in northern Luzon, Visayas, and progressive cities in Mindanao. In line with this, the Company plans to open at least three malls in 2025, all of which are currently under construction. Additionally, with a landbank of approximately 2,374 hectares, the Company is well-positioned for continued development over the next five to seven years.

SMPH maintained its profitability in the first nine months of 2024 (9M2024), with net income growing by 12.3% to ₱34.6 billion, from ₱30.8 billion in 9M2023. This expansion was on the back of the steady increase in rent and real estate sales segments. SMPH's consolidated revenues in 9M2024 amounted to ₱99.8 billion, up by 7.7% from ₱92.6 billion in 9M2023. Moving forward, SMPH's bottom line is seen to steadily grow. This will be attributed to the revenues from same-store rent plus contributions of new malls, offices, hotels, and expansions, as well as sales of ready-for-occupancy (RFO) units and new launches of mid-rise and horizontal projects.

SMPH's cash generation also remained strong with cash from operating activities growing by 14.0% to ₱51.8 billion in 9M2024, compared with ₱45.4 billion in 9M2023. The Company's generated cash was primarily used for debt repayments and capex requirements. On a per business segment basis, SMPH's ₱60.1-billion capex in 9M2024 was broken down as follows: 40% for malls; 26% residential for developments; 13% for offices, hotels and convention centers; and 21% for coastal developments. Cash and cash equivalents stood at ₱39.4 billion as of end-September 2024, up by 23.7% from as of end-2023. The growth in operating cash flow is expected to be sustained, moving forward.