

SM Prime's Proposed Bonds of up to ₱18.0 billion Assigned Highest Rating

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, to SM Prime Holdings, Inc.'s (SMPH; the Company) proposed bond issuance of ₱12.0 billion, with an oversubscription option of up to ₱6.0 billion. The proposed issue represents the fourth tranche of the Company's Shelf Registration Debt Securities Program of up to ₱100.0 billion. PhilRatings also maintained its Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, on SMPH's total outstanding bonds amounting to ₱137.9 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, a **Stable Outlook** indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

The assigned Issue Credit Ratings and Outlook take into account the following key considerations: (1) SMPH's well-experienced major shareholder and seasoned management; (2) its solid brand equity; (3) the Company's sustained profitability on the back of rental income growth; and (4) its healthy cashflow generation and satisfactory capitalization structure.

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

SM Investments Corporation (SMIC) is the largest stockholder of SMPH, owning 49.8% of the Company's outstanding shares as of end-2025. SMIC is the holding company of the SM Group and is one of the largest conglomerates in the Philippines, with market-leading businesses in retail, banking, and property. SMIC's outstanding bonds amounting to ₱7.5 billion are rated PRS Aaa, with a Stable Outlook.

The members of the Sy Family exercise strategic control over SMPH as owners and advisers of the SM Group. The Chairman of the SMPH Board since 2014 is Henry T. Sy, Jr., one of the sons of the founder of the SM Group, the late Henry Sy, Sr. He is concurrently the Vice Chairman of the Board of SMIC. Key management positions are held by seasoned non-family professionals and managers. Jeffrey C. Lim has led management as President since 2016. He also holds various Board and executive positions within the SM Group. As key executives are shared within the SM conglomerate, the Company's strategic direction remains aligned with that of the SM group, and resources and initiatives are more effectively managed.

The Company, under the SM Supermalls brand, remained as the largest mall operator in the Philippines. As of end-2025, SMPH's Philippine malls has grown to 89 malls, following the addition of SM City La Union in October 2025. The Company has also grown its mall portfolio in China to nine malls, adding SM City Haicang in October 2025.

Through its Residential – Core business unit, SMPH is also a major player in the development of residential vertical and horizontal communities. Since 2013, Residential - Core has launched 185,825 units of primary residences, with an approximate value of ₱719 billion. In July 2025, SMPH entered the premium segment through the launch of its new line, Signature Series by SM Residences.

The Company, through its hotels and convention centers business unit, operates the largest privately-run exhibition and conventions chain in the Philippines. Looking ahead, total leasable space will be further expanded by the upcoming completion of SMX Convention Center Seaside Cebu in 2026.

As of end-2025, SMPH had a total nationwide land bank of 4,446.0 ha, spread across its various business segments. According to management, the current landbank can support five to seven years of development.

In 2025, the Company's consolidated revenues went up to ₱141.1 billion, from ₱140.4 billion in the previous year. Total rental income maintained steady growth, posting a 6.2% increase to ₱83.6 billion. This growth, however, was tempered by the softened demand for residential properties seen in the fourth quarter of 2025. Real estate sales fell by 11.5% to ₱40.6 billion for full-year 2025.

The mall segment continued to be the largest revenue contributor, accounting for 60.3% of total revenues at ₱85.1 billion, followed by the residential segment at ₱42.5 billion or 30.1% of the total revenues.

SMPH's net income expanded by 6.8% to ₱49.7 in 2025. The increase was primarily supported by lower costs and expenses, which fell by 4.1% to ₱69.4 billion. Given this, the Company's operating profit margin and net profit margin improved from 48.5% to 50.8% and 33.1% to 35.2%, respectively.

The Company continued to generate robust operating cash flow in 2025, reaching ₱74.9 billion. Its current ratio was satisfactory, while leverage level remained manageable, with debt-to-equity ratio kept at 0.9x as of end-2025.

Amid the anticipated slower economic growth, SMPH expects to sustain its earnings growth moving forward, with rental income as primary revenue contributor. Healthy liquidity levels are also projected to be maintained, while capital structure is seen to further strengthen in the long-term.