

### **The Philippines' First Sustainability-linked Bonds from Ayala Land, Inc. assigned Highest PRS Rating**

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, to Ayala Land, Inc.'s (ALI) proposed Sustainability-linked Bonds of ₱6.0 billion. The proceeds of the proposed bond issuance will be used for general corporate requirements, including capital expenditures. PhilRatings also maintained its Issue Credit Rating of **PRS Aaa**, with a **Stable Outlook**, for ALI's total outstanding bonds amounting to ₱115.25 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 assigned rating is likely to be maintained or to remain unchanged in the next 12 months.

PhilRatings identified the following key considerations in the assignment of the ratings and the corresponding Outlook: a) A well-diversified portfolio, complemented by strong brand equity; b) Experienced and competent management team and synergies with the Ayala Group; c) The Company's commitment to sustainability, propelled by its planned issuance of the country's first sustainability-linked bonds; d) Sustained revenue and profit expansion, supported by healthy operating cash flow; and e) Conservative capital structure with a well-managed debt portfolio.

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 ALI and may change the ratings and Outlook at any time, should circumstances warrant a change. The rating assigned to the proposed Sustainability-linked Bonds is mainly in relation to the Company's capacity to pay the rated bonds and is not an opinion on the attainability or capability to achieve the sustainability targets linked with the bonds.

ALI has been in the business of developing integrated, mixed-used, and sustainable estates for more than 35 years since its incorporation in 1988. The Company has a well-diversified portfolio of businesses including property development, commercial leasing and related services, construction, retail electricity, and property management. Its core business of residential development caters to a wide range of market segments, from luxury residences to socialized housing, consisting of: Ayala Land Premier (ALP), Alveo Land Corp. (Alveo), Avida Land Corp. (Avida), Amaia Land Corp. (Amaia), and BellaVita Land Corp. (BellaVita). ALI also manages a chain of Ayala Malls, office buildings, its own hotel brand "Seda", and tourism estates in El Nido and Iloilo. The Company is likewise engaged in the construction business through Makati Development Corporation (MDC), property management through Ayala Property Management Corporation (APMC), and the boutique airline business under AirSWIFT. The diverse business portfolio of ALI places it in a good position to manage and balance the risks, as well as opportunities, within these segments.

The management of ALI is being led by seasoned professionals with a long-track record in their respective fields. Leading the team is President and Chief Executive Officer (CEO) Ms. Anna Ma. Margarita B. Dy, appointed on October 1, 2023. Prior to becoming President and CEO, she was the Head of the Residential Business Group of ALI in 2022 and Head of the Malls Group in 2023. Before that, she also headed the Ayala Land Estates Group. The Chairman of the Board since October 2022 is Mr. Jaime Augusto Zobel de Ayala, who concurrently serves as the Chairman of ALI's parent company, Ayala Corporation (AC). He is the Chairman of AC since 2006 and Director since 1987. ALI continues to leverage on the expertise of its management in the execution of the Company's goals. Moreover, the synergies with the Group continue to support the established brand equity that has been built throughout the years.

The Company is set to hit another major milestone in its sustainability journey with its proposed issuance of the KPI-based Sustainability-Linked Bonds amounting to ₱6.0 billion. PhilRatings notes that, based on available data from AsianBondsOnline, the foregoing will be the first of its kind in the country. The structural/financial characteristics of the bond are tied to two predefined sustainability objectives: (1) reduce the operational Scopes 1, 2, and 3 greenhouse gas (GHG) emissions of ALI's commercial properties by 42% by 2030, from a baseline date of 2021 – measurement date of 2031, and (2) obtain EDGE Zero Carbon certification for 1.5 million sqm of office commercial properties by 2025 – measurement date of 2026. In line with the first sustainability objective, ALI has offset 86% of its scopes 1 and 2 emissions by the close of 2023, a milestone independently verified by a third-party assessor Carbon Check India. Regarding the second sustainability objective, 354,000 sqm (eight buildings) or 23.6% have been EDGE Zero Carbon- certified as of April 18, 2024, according to the Company.

In 2023, ALI recorded an 18% increase in total consolidated revenue, reaching ₱148.9 billion. Robust property demand and increased consumer activity fueled this growth, particularly the Company's property development segment which grew to ₱92.3 billion. The growth in the property development segment was attributed to steady bookings and higher completion of residential and office projects. ALI's net income climbed by 29% or ₱6.5 billion to ₱29.0 billion in 2023. Net profit margin improved from 18% in 2022 to 20% in 2023.

The Company also sustained its healthy cash reserves, driven by its strong cash flow from operations. As of end-2023, cash flow from operating activities amounted to ₱21.4 billion while cash and cash equivalents stood at ₱17.1 billion.

Moreover, ALI maintained a conservative debt-to-equity (DE) ratio of 0.8x, as of end-2023. ALI also effectively manages its debt portfolio with the spread-out maturity dates of its long-term obligations. The average maturity of borrowings stood at 5.1 years.