

 PhilRatings PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT GLOBAL DOMINION FINANCING, INC.
--	--

Date: January 28, 2025
Analysts: Patrisha Mae P. Concepcion
 Joan Grace P. Bual

5th Floor, ALGO Center
 162 LP Leviste St., Salcedo Village
 Makati City, Metro Manila
 1227 Philippines

+632 812 3210
 +632 812 3215

ASSIGNED RATING: PRS A plus (corp.)
ASSIGNED OUTLOOK: Stable Outlook

RENEWAL OF ISSUER CREDIT RATING

A company rated **PRS A (corp.)** has an above average capacity to meet its financial commitments relative to that of other Philippine corporates. The company, however, is somewhat susceptible to adverse changes in circumstances and economic conditions than higher-rated corporates. The “**plus**” further qualifies the assigned rating.

A **Stable Outlook** is defined as: “The rating is likely to be maintained and or to remain unchanged in the next 12 months.”

RATING RATIONALE

Shareholder commitment and experienced management team

Global Dominion Financing, Inc. (GDFI) is majority-owned by Ruben B. Lugtu II and Robert B. Jordan, Jr., two major founders of the Asialink Group of Companies. The Lugtu Family holds a significant portion of GDFI’s outstanding stock. The cumulative ownership share of the Lugtu Family is approximately 85.0%, while Mr. Jordan Jr. holds a 15.0% share, as of report writing date. Mr. Lugtu and Mr. Jordan, as Chairman and Chief Executive Officer (CEO) of the Company, respectively, are seen to take important roles in steering and managing the operations of GDFI. Nevertheless, management is led by seasoned professionals. Ms. Patricia Salvacion P. Palacios, President of GDFI, is a homegrown talent who has been with the Company for almost 20 years. The solid support from shareholders and key management has been a significant factor in the growth and expansion of the Company.

Continuous expansion of branch network and product portfolio

GDFI made significant strides in the expansion of its branch network in the last three years, from 37 branches as of end-2021 to 116 branches as of end-March 2024. Continued branch expansion is anticipated to extend market reach and support the expected growth in loans. In line with this, the Company will be hiring additional manpower to support its expansion plans. These new hires will be in sales and marketing, operations, training and development, loan, and branches.

The Company launched two new products, namely: (1) SME Loans Secured by Real Estate Mortgage (REM) (or “Sangla Titulo”) in 2023 and (2) Real Estate Financing (REF) in mid-2024. In relation to such, GDFI plans to establish new divisions that will focus on growing the newly launched products. Although the share of

the new products to the loan portfolio is still small, as of the report writing date, these new products are seen to provide GDFI with more opportunities for growth moving forward.

More than satisfactory loan portfolio quality

In 2022 and 2023, GDFI's loan portfolio was composed mainly of high-grade and standard loans. Of the total gross loans to customers, 79.1% and 78.4% were high-grade and standard grade loans in 2022 and 2023, respectively. Moreover, the share of substandard-grade loans to total loans declined, from 20.2% in 2022 to 16.6% in 2023. The Company's share of non-performing loans (NPL) to total loans was minimal at less than 1% of total gross loans in 2022 and 2023.

GDFI's management previously mentioned that the Company expanded its collection efforts and focused on promoting its collateral loans. It should be noted, however, that while the Company offers unsecured loans and secured loans, it is the secured loans that take up most of its portfolio. As of end-2023, collateral or secured loans accounted for 91.0% of gross loans to customers.

Strong earnings generation, backed by sustained loan book growth

Net loans to customers went up by 48.6% and 17.9% in 2022 and 2023, respectively. Such grew from ₱4.7 billion as of end-2021 to ₱8.3 billion as of end-2023. Backed by the expansion in loan portfolio, interest income posted solid increases for both years. Interest income expanded by 73.3% to ₱1.8 billion in 2022, and by 27.0% to ₱2.3 billion in 2023.

The foregoing supported the robust growth in net income. Such amounted to ₱484.6 million in 2022, considerably higher by 49.2% from ₱324.8 million in 2021. In 2023, net income continued to rise by 19.0% to ₱576.7 million.

In the first nine months of 2024 (9M2024), net income amounted to ₱491.8 million, higher by 32.9% from ₱370.1 million recorded in 9M2023. Such growth was attributed to the 34.9% increase in interest income, supported by the continued expansion in loans to customers. As of end-June 2024, loans to customers stood at ₱10.1 billion, up by 22.2% from end-2023.

BUSINESS PROFILE

COMPANY PROFILE

GDFI was incorporated and registered with the Securities and Exchange Commission (SEC) on March 10, 2003. The SEC granted the Company a Certificate of Authority to operate as a financing company in line with the rules and regulations of Republic Act (R.A.) No. 8556, also known as "The Financing Company Act of 1998".

GDFI's primary function is to extend credit facilities to consumers and to industrial, commercial, or agricultural enterprises without engaging in quasi-banking (QB) functions¹. It offers a wide range of short-term loan products that cater to the financial needs of businesses and individuals such as loans to doctors, seamen, beneficiaries, overseas Filipinos (OFs) or allottees, as well as vehicle loans, real estate loans,

¹ Quasi-Bank refers to an entity of financial institution authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in quasi-banking functions or to borrow funds from 20 or more lenders for their own account through issuances, endorsement or assignment with recourse or acceptance of deposit substitutes for purpose of re-lending or purchasing receivables and other obligations.

salary loans, among others. GDFI aims to tap the unbanked and underserved market through its 116 branches nationwide, as of March 31, 2024.

PhilRatings notes that GDFI is part of the Asialink Group of Companies. Asialink Finance Corporation (Asialink) was assigned an issuer credit rating of PRS A plus (corp.), with a Stable Outlook.

OPERATIONS

At present, GDFI focuses on secured or collateralized loan products and the financing of brand new and second-hand cars and trucks. It also maintains a minimal portfolio of non-collateralized loans to doctors. The Company, through its subsidiary Global SME Loans, Inc. (GSLI), provides short-term business and consumer loan products to doctors, seamen, beneficiaries, and overseas Filipino workers (OFWs).

It should be noted, however, that while the Company offers unsecured loans and secured loans, it is the secured loans that take up most of its portfolio. As of end-2023, collateral loans (bulk of which were chattel mortgage) accounted for 91.0% of gross loans to customers.

To reach its target customers, GDFI has been doubling its efforts to expand its branch network and marketing offices. The Company had 116 branches spread across the country as of end-March 2024, with branch expansion expected to continue moving forward. The Company also has a large number of loan consultants, as well as partnerships with various car and truck dealerships.

GSLI

Incorporated on April 25, 2018, GSLI is 48.0%-owned by GDFI. GSLI is considered a subsidiary of GDFI, as GDFI has significant control over GSLI's financial and operating policies. GSLI offers a wide range of short-term loan products that cater to the financial needs of businesses and individuals, such as doctors, seamen, beneficiaries and overseas Filipinos (OFs). GSLI's loans to customers consist of non-collateral loans which generally earn interest rates ranging from 1.99% to 2.5% monthly, and with terms ranging from six to 18 months.

In 2023, GSLI ended the year with a net income of ₱56.3 million, posting a jump of 157.7% from its net income of ₱21.8 million in 2022. Its revenues ballooned to ₱226.3 million in 2023, from ₱82.8 million in 2022, owing to higher interest income attributable to the significant 150% increase in loan bookings. GSLI's total assets as of end-2023 stood at ₱611.7 million, up from ₱229.1 million as of end-2022.

OWNERSHIP AND MANAGEMENT

GDFI is owned by the Lugtu Family and Robert B. Jordan, Jr. with ownership shares of 85.0% and 15.0%, respectively, as of report writing date.

Table 1. Ownership of Capital Stock

Shareholder	Percentage of Ownership
Ruben Y. Lugtu II	29.0
Robert B. Jordan Jr.	15.0
Ava Maria Y. Lugtu	14.0
Antonia Y. Lugtu	14.0
Ruben Teodosio Y. Lugtu III	13.0
Rolando A. Poco	7.5
Patricia Salvacion P. Palacios	2.2
Anna Maria P. Dacillo	2.2
Ruben Luis Antonio L. Poco	2.2
Maria Margarita M. Lugtu	1.0

Ruben Y. Lugtu II, Ava Maria Y. Lugtu, Antonia Y. Lugtu, and Ruben Teodosio Y. Lugtu III are siblings. Rolando A. Poco is the brother-in-law of Ruben Y. Lugtu II.

GDFI's management is supported by a team of professionals with experience in and knowledge of the domestic financing industry. The presence of experienced and knowledgeable professionals is seen to provide stability to operations, while the Company pursues its growth strategy.

Table 2. Key Officers

Name	Position
Ruben Y. Lugtu II	Chairman
Robert B. Jordan Jr.	Vice Chairman and CEO
Patricia Salvacion P. Palacios	President and Managing Director
Maria Carmela Laarni G. Felicidadario	Chief Operating Officer (COO)
Chrisostomo Laderas	Chief Financial Officer (CFO)

Ruben Y. Lugtu II is the Chairman of GDFI and Asialink. He concurrently holds directorships and senior management positions in various financing companies within the Asialink Group of Companies. He has been working in the lending and financing industry since 1997, being one of the founders of Asialink. Mr. Lugtu finished his Bachelor of Science in Commerce, major in Marketing Management, from the De La Salle University.

Robert B. Jordan, Jr. is the CEO of the Company. Similar to Mr. Lugtu, he is also a founder of Asialink. Mr. Jordan is also a Director of various companies that are in credit and collection, pharmaceutical distribution, construction and manpower services. He obtained a double degree in Business and Economics from the University of the Philippines – Diliman, and finished his Master in Business Administration degree at the Ateneo de Manila University.

Patricia Salvacion P. Palacios is the President of GDFI. She has been with the Company since 2005, starting as a Management Trainee and climbing up the ranks to her present position. She finished her Bachelor of Science in Commerce, major in Marketing Management, from the De La Salle University, and has a Master's Degree in Business Administration from the Ateneo Graduate School of Business.

Maria Carmela Laarni G. Felicidadario is GDFI's COO since September 2021. Prior to her appointment, she held various positions in UCPB's Commercial and Corporate Lending Group for almost 28 years. The last

rank and position she held was AVP2, Relationship Manager of Corporate Banking Division. Ms. Felicidadario has a Bachelor of Science in Business and Economics, Major in Business Management, from De La Salle University.

Chrisostomo Laderas is the CFO of GDFI since March 2024. Before his present position, Mr. Laderas was the Company's Accounting Head since 2021. He was also Associate Director of SGV and Co. from 2017 to 2021. He graduated magna-cum-laude in Central Luzon State University with Bachelor's Degree in Accountancy. In 2017, he passed the CPA Licensure Exam and ranked top 13.

As of end-March 2024, GDFI had a manpower of 1,195 employees. The largest manpower complement, consisting of 432 employees, was in Sales and Marketing. As of the report writing date, the Company does not have any Collective Bargaining Agreement.

STRATEGY

GDFI made significant strides in the expansion of its branch network in the last three years, from 78 ~~37~~ branches as of end-2021 to 116 branches as of end-March 2024. In line with its expansion plans, the Company will continue to hire additional manpower for sales and marketing, operations, training and development, loans, and branches.

Since the start of 2024, GDFI continued to focus on growing its loan portfolio by offering secured business loans mainly to small-medium enterprises (SMEs). The Company has identified the following steps to achieve such goal: establish additional divisions, extend market reach, strengthen marketing efforts, and supplement manpower.

In 2023, GDFI launched SME Loans Secured by REM (or "Sangla Titulo"), then in mid-2024, it launched REF. In relation to such, GDFI established these new divisions that will focus on growing these newly launched products. Presently, these new products account for a small share of total loans booked, as they have just been recently offered in the market.

Table 3. New Loan Products

	SME Loans Secured by REM (refinancing)	Real Estate Financing (financing)
Description	Offered to buyers with pre-owned properties covered by Transfer Certificate of Title (TCT) or Condominium Certificate of Title (CCT) as collateral.	A property acquisition loan offered to business owners or individuals to partly finance a real estate property for residential, commercial, or industrial purposes.
Maximum Loan Amount	₱15.0 million	₱15.0 million
Loan Term	12 to 60 months	12 months to 180 months – for NCR 12 months to 120 months – for Provinces
Property Type	Lot (Minimum of 50 square meters "sqm") House and Lot Condominium Unit (20 sqm) Condominium Unit with Parking Slot (20 sqm and 12.5 sqm, respectively) (Improvements must be 100% completed)	Lot (Minimum of 50 square meters "sqm") House and Lot Condominium Unit (20 sqm) Condominium Unit with Parking Slot (20 sqm and 12.5 sqm, respectively) (Improvements must be 100% completed)

ASSET QUALITY

GDFI classifies its loans booked based on credit quality and exposure to credit risk using an internal credit rating system. These ratings are: High-grade, Standard, Substandard, Past Due but Not Impaired, and Default or Impaired.²

In 2022 and 2023, GDFI's loan portfolio was composed mainly of high-grade and standard loans. Of the total gross loans to customers, 79.1% and 78.4% were high-grade and standard grade loans in 2022 and 2023, respectively. Moreover, the share of substandard-grade loans to total loans declined, from 20.2% in 2022 to 16.6% in 2023.

According to Management, the shift on focus to offering collateralized business loans contributed to the increase in high quality loans due to the higher number of borrowers who were more diligent with amortization payments, with respect to the collateral asset. The Company also ceased its option of restructuring loans in 2023 and focused on voluntary surrender or foreclosure as a remedy in case of non-payment. Moreover, as previously mentioned by Management, the Company expanded its collection efforts by maintaining the services of its external collection groups that closely monitor payments and surrenders of mortgaged units. Additionally, GDFI checks the viability of collection by assessing how easily the borrower can be contacted.

The Company's share of NPL to total loans was minimal at less than 1% of the total gross loans in 2022 and 2023. The marginal share of NPL to total loans is seen to be maintained in the next two years as loan portfolio continues to grow.

ASSET COMPOSITION

GDFI's combined top ten loan exposures amounted to ₱19.1 million as of end-2023. This was equivalent to approximately 0.2% of the total net loans to customers as of end-2023. Individually, therefore, the respective shares of these borrowers were also minimal.

Based on industry, Administrative and Support Service Activities had the largest loan exposure at ₱2.6 billion. Such was equivalent to 31.0% of the net loans portfolio as of end-2023. This was followed by Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (₱1.5 billion, 18.1%), and Other Service Activities³ (₱897.6 million, 10.8%).

Most of the loans are secured. Collateralized loans accounted for 91.0% and 98.0% of the gross loan portfolio as of end-2023 and end of the first quarter of 2024 (1Q2024), respectively. The demand for car and truck financing remained strong. Of the collateral loans as of end-March 2024, brand-new and pre-owned car financing and car refinancing comprised 82.0% share of the total. This was followed by brand-new and pre-owned truck financing and truck refinancing, which cornered 16.5% of collateral loans. A small portion (0.5%) refers to SME Loans Secured by REM (or "Sangla Titulo")-

² High-grade loans are loan receivables which do not have a greater than normal risk that the counterparty or issuer may not be able to satisfy the obligation. Standard grade receivables are unsecured accounts with remote probability of default and have consistently shown good payment history. Substandard-grade loans are loan receivables which have potential weaknesses that deserve management's attention but do not exhibit significant increase in credit risk. Past Due but not Impaired are loans that exhibit significant increase in credit risk. Default or Impaired loans are those that, despite regular follow-up actions and extended payment terms, reached impaired status.

³ Other Service Activities include industries that the Company cannot classify under a specific industry category. Such mainly consists of construction companies, hardware, retail, food, and logistics, among others.

Loans to customers continued to expand and stood at ₱9.0 billion as of end-June 2024, higher by 9.2% from ₱8.3 billion as of end-2023.

FINANCIAL PROFILE

Analysts' Note: PhilRatings' calculation of certain ratios may be different from what the Company uses and publishes.

PROFITABILITY

2022

Revenues breached the ₱2.0-billion mark in 2022 as it jumped by 76.1%, from ₱1.2 billion in 2021 to ₱2.1 billion in 2022. Interest income, which accounted for 85.7% of total revenues, expanded by 73.3% to ₱1.8 billion due to the growth in the Company's loan book. Income from other fees likewise went up by 95.1% to ₱304.8 million in 2022. The pronounced growth in Other Income was mainly attributable to penalties and interest, as well as recovery on write-off and recorded gain on sale of loans to customers. GDFI sold a portion of its loans receivables to SB Finance, Inc. (SB Finance) which resulted in a one-time gain of ₱14.5 million, as receipts from SB finance were higher than the outstanding principal balance of the sold receivables.

Operating expenses similarly rose by 90.3%, from ₱780.9 million in 2021 to ₱1.5 billion in 2022, driven by increased general and administrative expenses. The latter went up significantly by 2.1 times, from ₱491.6 million in 2021 to ₱1.0 billion in 2022, primarily due to higher compensation and other employee benefits, as well as director's fees and insurance, in line with the Company's branch expansion. GDFI also recognized a net loss of ₱13.2 million, as it sold assets held for sale (motor vehicles). Interest and other financing charges similarly rose to ₱391.6 million, up by 120.4%, due to higher loans balance from banks and corresponding fees. On the other hand, GDFI notably reduced its provision for credit losses by 34.9% in 2022 on account of a calculated decrease in recognized expected credit loss (ECL).

Net income was ₱484.6 million in 2022, considerably higher by 49.2% from ₱324.8 million in 2021. The Company's Return on Average Assets (ROAA), however, slipped to 7.8% in 2022 from 8.5% in 2021, with the faster increase on total assets due to loan book expansion. Operating results translated to a net profit margin of 22.7%, lower than 26.8% in 2021, considering the elevated expenses and charges for the year.

2023

Revenues continued its uptrend and posted an increase of 23.0% in 2023 to ₱2.6 billion. Bulk of revenues was still contributed by interest income, which grew by 27.0% to ₱2.3 billion. Other Income, however, slightly slipped by 0.9% to ₱302.2 million. Such was due to the one-time gain recognized in 2022 combined with lower amount of recovery on write-offs.

Net operating expenses amounted to ₱1.9 billion, posting a growth of 24.6%. General and administrative expenses accounted for ₱1.3 billion of total operating expenses, and went up by 26.9% from ₱1.0 billion in 2022. Such included a recorded provision on impairment loss on assets held for sale amounting to ₱7.0 million, as motor vehicles were revalued to its fair value less cost to sell. As economic conditions stabilized from the effects of the pandemic, GDFI recognized a reversal of the allowance for credit losses amounting to ₱6.9 million, in relation to the implemented change in ECL calculation model. This was a turnaround from the recorded provision for credit losses of ₱72.6 million in 2022.

Net income in 2023 rose by 19.0% to ₱576.7 million. Net profit margin was slightly lower at 22.0% in 2023 from 22.7% in 2022. ROAA similarly dropped to 7.0% in 2023 from 7.8% in 2022.

Table 5. Operating and Net Profit Margins, 2021-2023

	2021	2022	2023
Operating Profit Margin (%)	35.5	30.3	29.4
Net Profit Margin (%)	26.8	22.7	22.0

6M2024

Compared with the same period in 2023, interest income grew by 32.4% to ₱1.3 billion, while other fees declined by 2.3% to ₱137.1 million. GDFI recorded an operating income of ₱1.5 billion in 6M2024, up by 28.2% from ₱1.1 billion in 6M2023.

General and administrative expenses likewise increased by 25.2%, mainly in relation to collection service charges, taxes and licenses, and salaries and wages. GDFI did not recognize any provision for credit losses in 6M2024. Interest and financing charges climbed by 24.8%. Total operating expenses amounted to ₱1.0 billion in 6M2024, higher by 25.1% compared with that of 6M2023.

Net income after taxes settled at ₱319.2 million in 6M2024, greater by 36.5% from ₱233.9 million in 6M2023. Such translated to a net profit margin of 21.7%, better than the 20.4% margin in 6M2023. Moreover, ROAA went up to 6.5% from 6.1% in the same period in 2023.

PROJECTED PERIOD (2024-2025)

GDFI projects revenues and net income to record double-digit growths as the Company continues to expand its loan book, a result of wider market reach due to additional branches. Also, newly-launched products are seen to get traction moving forward. Projected margins are estimated to remain within historical levels.

ASSET-LIABILITY MANAGEMENT

2022

The Company's total assets stood at ₱7.6 billion as of end-2022, higher by 53.3% from ₱4.9 billion as of end-2021. Loans to customers accounted for 92.9% share of total assets, which was lower than its 95.9% share as of end-2021. Such decline was largely due to the hike in assets held for sale or vehicles acquired through repossession or foreclosure of chattel mortgages from defaulting borrowers. The amount grew by 20 times from its balance of ₱3.1 million as of end-2021 to ₱64.1 million as of end-2022. The higher repossessions and foreclosures were based on the Company's strategy to implement stricter measures on past due accounts after the pandemic. The shift to collateral only products also contributed to such increase. In addition, other assets (which included prepaid expenses and advances to officers and employees) posted a notable rise of 461.3%, from ₱41.4 million as of end-2021 to ₱232.5 million as of end-2022. The notable growth was mainly attributed to the jump in advances to officers and employees due to the change in accounting policy. The debt issue costs were capitalized over the life of the receivables, from being outright expensed.

Total liabilities similarly expanded significantly by 72.1%, from ₱3.3 billion as of end-2021 to ₱5.7 billion as of end-2022. Of the total, 93.1% was accounted for by loans payable which grew by 71.1% to ₱5.3 billion. The increase was mainly due to the more than three-times hike in long-term loans from banks, from ₱692.1 million as of end-2021 to ₱2.5 billion as of end-2022. This resulted in an increased share of

long-term loans to total loans payable of 46.3%, with the balance of 53.7% represented by short-term loans.

PhilRatings notes that borrowings were used to fund the robust growth of the Company's loan book. PhilRatings also notes that the lack of a QB license may constrain GDFI's capacity to source funds. A QB license allows a financing institution to borrow from 20 or more lenders, or accept deposit substitutes for re-lending.

2023

Total assets continued to expand by 17.1% to ₱8.8 billion as of end-2023, fueled by the 17.9% hike to ₱8.3 billion in net loans. The latter was supported by the launch of new products and aggressive branch expansion.

GDFI borrowed more in 2023, growing its loans payable by 17.8% to ₱6.2 billion as of year-end. Bulk of loans payable was long-term, accounting for 51.3% of the total. The balance of 48.7% was represented by short-term loans. The long-term loans were from banks and financial institutions.

The loans had affirmative and negative covenants. As of end-2023, GDFI was in compliance with these covenants. Also, the bank loans are covered by the joint suretyship agreement of major stockholders of the Company.⁴ As of end-2023, total liabilities stood at ₱6.7 billion, up by 17.5% from the previous year.

6M2024

Total assets reached ₱10.3 billion as of end-June 2024, up by 16.7% from as of end-2023. The expansion was driven by the 9.2% increase in net loans to customers, which accounted for 87.6% of total assets. Moreover, the ending cash balance as of end-June 2024 ballooned to ₱487.8 million, mainly due to additional cash investment for the subscription of shares.

Total liabilities likewise expanded by 19.5% to ₱8.0 billion as of end-June 2024, mainly attributed to the recorded Deposit for Future Subscription amounting to ₱1.1 billion. The latter was in relation to the planned restructuring of the Company, which is expected to result in additional equity infusion from new investors.

PROJECTED PERIOD (2024-2025)

GDFI plans to mainly fund the growth of its loan book through additional borrowings. Total debt is projected to increase, accounting for bulk of total liabilities. Debt maturities over the projected period will be refinanced.

CAPITAL

2022

Total equity increased by 15.1% to ₱1.9 billion, driven by the 56.8% growth in retained earnings due to the plowback of income. GDFI distributed cash dividends amounting to ₱240.3 million in 2022.

GDFI's equity to assets ratio was 24.7%, lower than 32.9% in 2021, as total assets surged faster in 2022. Such indicates that asset growth was largely financed by additional debt.

⁴ Joint Suretyship Agreement is a kind of contract wherein two or more people collectively or separately promise the creditor to answer for the default by the principal debtor.

2023

In 2023, GDFI recognized subscription receivables amounting to ₱281.2 million in relation to stockholders' subscribed redeemable preferred shares. Stockholders subscribed to a total of ₱375.0 million in redeemable preferred shares in 2021, where ₱93.8 million was received in partial payment. The balance subscription receivables increased capital stock to ₱1.5 billion, as of end-2023. Moreover, the revaluation of retirement benefits reserve amounted to a gain of ₱6.0 million for the year. This was in contrast to the recognized loss of ₱6.0 million in as of end-2022.

The Company paid cash dividends in 2023 amounting to ₱577.6 million. Such contributed to the decrease in retained earnings by 5.4% to ₱598.6 million as of end-2023.

Total equity stood at ₱2.2 billion as of end-2023, up by 15.8% from as of end-2022, mainly due to the increase in capital stock. GDFI's equity to assets ratio was almost unchanged, at 24.4% as of end-2023.

6M2024

Capital stock was steady at ₱1.5 billion as of end-June 2024. Profit retention raised retained earnings by 40.4% to ₱840.2 million as of end of the period. GDFI ended the quarter with total equity at ₱2.3 billion, up by 8.1% from ₱2.2 billion as of end-2023.

PROJECTED PERIOD (2024-2025)

Equity is projected to increase, driven by the growth in capital stock and retained earnings. GDFI plans to issue additional common stock in relation to the Group's planned restructuring. A new investor, Creador, will infuse capital through Asialink (GDFI's soon to be Parent Company).

Incorporated in 2011, Creador is reportedly a leading private equity firm in South and Southeast Asia, investing in growth companies to enable the latter to innovate, expand, and lead their markets. It is headquartered in Malaysia, with offices in India, Indonesia, Vietnam, and the Philippines. Creador has invested in 54 companies. Based on the Company's website, Creador's asset under management amounted to US\$3.0 billion.⁵ In the Philippines, Creador has investments in UNO Digital Bank, Angkas, CIBI Information, Inc. (CIBI), DALI Everyday Grocery, and Mr. DIY Philippines.

Creador is led by its Founder and CEO Brahma Vasudevan. Mr. Vasudevan founded Creador following his 11-year stint as a General Partner and Managing Director of ChrysCapital, a private equity firm in India. He obtained a Master in Business Administration degree from Harvard Business School, and graduated from Imperial College in London with First Class Honors in Aeronautical Engineering.

Retained Earnings is projected to be on a steep uptrend as the Company continuously plow back its earnings back to operations. Asset growth will continue to be mostly funded by borrowings.

9M2024 FINANCIAL PERFORMANCE

GDFI recorded a net income of ₱491.8 million in 9M2024, higher by 32.9% compared with the same period in 2023. Net profit margin slightly improved to 21.5%.

⁵ <https://creador.com/>

The Company's revenues jumped by 31.3% for the period, driven by higher interest income, mainly attributable to the continued expansion in its loan portfolio. Operating expenses likewise grew by 29.8% in line with the growth in revenues. General and administrative expenses as well as interest and financing charges posted increases of 30.9% and 27.1%, respectively.

As of end-September 2024, net loans to customers reached ₱10.1 billion, up by 22.2% from end-2023. The expansion drove total assets to increase by 29.8% to ₱11.5 billion. Interest-bearing debt stood at ₱7.4 billion as of end of the period. Such went up by 19.2% from as of-end 2023. Total equity likewise grew by 15.5% to ₱2.5 billion, driven by retained earnings. Resulting debt-to-equity ratio inched up to 3.0x as of 9M2024, from 2.9x as of end-2023.

ECONOMY⁶

2023

The Philippines recorded a 5.6% YoY growth in its Gross Domestic Product (GDP) in the last quarter of 2023, bringing GDP growth for full-year 2023 to 5.6%. This was slower than the previous recorded growth rates of 7.1% for 4Q2022 and 7.6% for full-year 2022. The GDP growth rate for 2023 also fell short of the government's 6-7% target.

For full-year 2023, the industries that contributed the most to annual growth were: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (5.5%); Financial and Insurance Activities (8.9%); and Construction (8.8%).

All major economic sectors, namely: Agriculture, Forestry, and Fishing (AFF); Industry; and Services posted YoY growths in 4Q2023 of 1.4%, 3.2%, and 7.4%, respectively. For full-year 2023, the AFF, Industry, and Services sectors posted growths of 1.2%, 3.6%, and 7.2%, respectively.

On the demand side, household final consumption expenditure (HFCE) grew by 5.3% YoY in 4Q2023 and 5.6% for the whole year of 2023. This was attributed to strong household spending on Restaurants and Hotels (16.2%), Transportation (12.2%), and Recreation (7.3%). On the other hand, government spending declined by 1.8% in 4Q2023 and registered a minimal annual growth of 0.4% for the year. Such was due to the government's fiscal consolidation program, which prioritized the reduction of fiscal deficit and government debt.

3Q2024

In 3Q2024, Philippine GDP grew by 5.2%, lower than the 6.0% in 3Q2023 and 6.4% in 2Q2024. The main contributors to growth were: Construction (9.0%); Financial and Insurance Activities (8.8%); and Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (5.2%). For the major economic sectors, Industry and Services posted YoY growth in 3Q2024 of 5.0% and 6.3%, respectively, while the El Niño season and typhoons experienced in the period caused the AFF sector to post a decline of 2.8% YoY.

On the demand side, HFCE was the top contributor to the increase in the country's GDP, as it recorded a YoY growth of 5.1% in 3Q2024. Such growth was identical to the recorded figure from the same period last year and was attributable to the increases in Health (10.8%); Restaurants and Hotels (9.8%); and

⁶ Philippine Statistics Authority

<https://www.rappler.com/business/gross-domestic-product-philippines-q4-2023/>

Miscellaneous Goods and Services (7.1%). Government spending also posted a 5.0% growth, albeit slower than the 6.7% growth in 3Q2023.

Inflation was at 2.5% in November 2024, which reflected a slight uptick from the 2.3% recorded in the previous month, but lower than the 4.1% posted in November 2023. The rise in the inflation rate was on account of the faster increase in food and non-alcoholic beverages prices, from 2.9% in October to 3.4% in November. In contrast, rice inflation, which is the usual driver of price increases, fell from 9.6% in October to 5.1 % in November. The year-to-date (YTD) average inflation of 3.2% was within the government's target of 2-4%.⁷

Following the decision of the Bangko Sentral ng Pilipinas (BSP) in August 2024 to cut interest rates for the first time in almost four years, the central bank further made another policy rate cut of 25 basis points to 6.0% in October. Its decision was made on the assessment that price pressures continued to be manageable.

OUTLOOK

The ASEAN+3 Macroeconomic Research Office (AMRO) expects the Philippine economy to expand by 6.1% in 2024 and by 6.3% in 2025, while the Asian Development Bank (ADB) maintained its growth outlook for 2024 at 6.0% and upgraded its outlook for 2025 to 6.2%. Both AMRO and ADB see the country's GDP growth to be bolstered by strong consumption and robust infrastructure spending. The International Monetary Fund (IMF) also maintained its adjusted growth forecasts at 5.8% and 6.1% for 2024 and 2025, respectively. With the decline in Philippine GDP in 3Q2024, however, along with the recent typhoons that struck the country, Citigroup, Inc. (Citi) cut its growth forecast for 2024 from 6.0% to 5.8%. Fitch Unit BMI also downgraded its outlook for 2024 from its adjusted forecast of 6.0% to 5.8%; its initial growth forecast for the year was 6.2%. Citi and BMI's outlook for 2025 were at 6.0% and 6.3%, respectively. Growth outlooks from the IMF, Citi, and BMI fall short of the government's growth targets of 6-7% in 2024 and 6.5-7.5% in 2025. The IMF nonetheless projects a 6.3% economic growth until 2029, which will make the Philippines one of the fastest growing economies in Southeast Asia.

In terms of inflation, ADB trimmed its forecasts for 2024 and 2025 to 3.6% and 3.2%, respectively (previously at 3.8% and 3.4%). These fall within the government's inflation target range. The BSP's latest baseline inflation forecasts of 3.1% in 2024, 3.2% in 2025, and 3.4% in 2026 are also within the government's target. These forecasts considered the Comprehensive Tariff Program, which slashed rice tariffs from 35% to 15%. President Ferdinand Marcos Jr. approved the program in June 2024, and it will be in effect until 2028. It should be noted that half of headline inflation comes from rice accounts. The government expects the tariff reduction to stabilize rice prices which would, in turn, temper inflation. The Bank of America Global Research sees easing inflationary pressures as boosting household consumption, which accounts for over 70% of Philippine GDP. Apart from higher electricity rates, international geopolitical tensions and severe weather risks could elevate inflation once again.

After the central bank cut interest rates in August and October 2024, BSP Governor Eli Remolona Jr. stated that another rate cut of 25 basis points in December is possible. According to Finance Minister Ralph Recto, the easing inflation rate in September gave the BSP more room to cut its rates. Fitch Solutions unit BMI further forecasts that the BSP will cut interest rates by 150 basis points in 2025. Furthermore, the BSP also reduced the reserve requirement of banks in September 2024.⁸

⁷ <https://www.rappler.com/business/inflation-rate-philippines-november-2024/>

⁸ <https://www.pna.gov.ph/index.php/articles/1233815>

INDUSTRY⁹**MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**

Out of the more than 1.2 million total business on the Philippines in 2023, MSMEs accounted for 99.6% of the total. These generated 67.0% of the country's employment or a total of 6,351,466 jobs. These numbers indicate that MSMEs significantly contribute to the domestic economy. GDFI recognizes that MSMEs have the potential to contribute more to value-added output, if provided with technical and financial support.

Table 7. Breakdown of Enterprises in the Philippines in 2023

SIZE	NO. OF ESTABLISHMENTS	% SHARE	TOTAL EMPLOYMENT	% SHARE
Micro	1,127,058	90.43%	3,219,402	33.94%
Small	109,912	8.82%	2,490,210	26.26%
Medium	4,763	0.38%	641,854	6.77%
Large	4,640	0.37%	3,132,499	33.03%
Total	1,246,733	100.00%	9,483,965	100.00%
MSME	1,241,733	99.63%	6,351,466	66.97%

Despite the large contribution of MSMEs to the domestic economy, limitations to their full potential remain due to the sector's difficulty in accessing financing. According to a 2017 IFC report on MSME Finance Gap, the Philippines has one of the highest funding gaps for MSMEs in the world, with available formal credit of US\$15.0 billion versus an estimated demand of US\$221.0 billion. To address such deficit, the BSP had passed a mandate requiring banks to allocate at least 8.0% for micro and small enterprises and 2.0% for medium enterprises of their total loan portfolios to MSMEs. According to the Financial Executives Institute of the Philippines (FINEX), however, most banks were under-compliant to the mandate and opted to pay the corresponding sanctions for failed compliance. FINEX identified the following obstacles of lending to SMEs: informality, non-available or hardly reliable financial statements, limited management skills, no collateral, and family ownership structure that characterize most SMEs. These obstacles, which entail higher loan processing costs, would have to be overcome in order for banks to increase their lending to SMEs. As of March 2024, the banking sector's overall compliance ratio stood at 4.4%, still behind the total required allocation of 10% for MSMEs.

The funding gap for MSMEs continues to be significant. This has led to a growing market for non-bank financial services in the MSME sector, a trend which is seen to continue moving forward.

CONSUMER FINANCE

Data from the BSP showed consumer loans on a consistent uptrend quarter-on-quarter (QoQ) from 2Q2022 to 2Q2024, posting an average QoQ increase of 3.9%. As of end-2Q2024, consumer loans stood at ₱2.8 trillion. The sector's NPL ratio improved to 5.82% as of end-June 2024, from 6.25% in the same period last year. Residential Real Estate Loans was the largest component of consumer loans, accounting for 37.0% of the total. This was followed by Credit Card Receivables (28.4% share), Motor Vehicle Loans (19.9%), and Salary-Based General-Purpose Consumption Loans (13.0%).

⁹ Sources: <https://www.dti.gov.ph/resources/msme-statistics/>
<https://integratpartners.co/why-we-invested/the-democratisation-of-sme-credit-in-the-philippines/>
<https://finex.org.ph/2024/02/08/responding-to-the-access-to-finance-concerns-of-smes/>
<https://www.philstar.com/business/2024/06/14/2362645/loans-msmes-fall-short-quota>
<https://www.bworldonline.com/top-stories/2024/08/20/614958/car-sales-may-hit-record-500000-in-2024-campi/>
<https://www.campiauto.org/news/auto-sales-increase-at-1-2-mom/>
<https://business.inquirer.net/490330/vehicle-sales-grew-1-2-in-oct-slowest-in-24>

Automotive Sales

In October 2024, data from the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and Truck Manufacturers Association (TMA) reported a month-on-month sales of 40,003 units. This was an increase of 1.2% from 39,542 units sold in September 2024. YTD unit sales was 384,310 for the period, higher by 8.9% than the recorded sales in the same period in 2023.

In terms of car type, sales of passenger cars grew by 12.0% to 100,809 units, while commercial vehicles went up by 7.8% to 283,501 units. Commercial vehicles accounted for 74% of the total sales, while passenger vehicles took 26%.

According to CAMPI President Rommel Gutierrez, the full-year sales for the automotive industry could reach 500,000 units in 2024. The current sales target for 2024 was at 468,300 units, but the strong momentum in vehicle sales suggests that the industry could exceed the target. This could be the highest annual sales to date coming from the 429,807 units sold in 2023.